RTI INTERNATIONAL METALS INC
Form S-3/A
August 20, 2009

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As filed with the Securities and Exchange Commission on August 20, 2009.

Registration No. 333-160419

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

Amendment #1 to
FORM S-3
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

RTI INTERNATIONAL METALS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Ohio	**52-2115953**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

Westpointe Corporate Center One
1550 Coraopolis Heights Road, Fifth Floor
Pittsburgh, PA 15108-2973
(412) 893-0026
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

Chad Whalen, Esq.
Vice President, General Counsel and Secretary
RTI International Metals, Inc.
Westpointe Corporate Center One
1550 Coraopolis Heights Road, Fifth Floor
Pittsburgh, PA 15108-2973
Telephone: (412) 893-0026
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(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:
Richard D. Rose, Esq.
Buchanan Ingersoll & Rooney PC
301 Grant Street, 20th Floor
Pittsburgh, PA 15219
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Approximate date of commencement of proposed sale to the public: **________,** 2009 and then from time to time after this Registration Statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. þ

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. o

If this form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered**	**Proposed Maximum Offering Price Per Share(1)**	**Proposed Maximum Aggregate Offering Price(1)**	**Amount of Registration Fee**
Common Stock, par value $0.01 per share	**500,000**	$ **17.97**	$ **8,985,000**	$ **502**

(1) Filing fee paid with original filing on July 2, 2009 and estimated pursuant to Rule 457(c) under the Securities Act of 1933, as amended, solely for the purpose of calculating the amount of the registration fee, based upon the average of

the high and low sales prices reported on the New York Stock Exchange on June 30, 2009. No additional filing fee is required as pursuant to Rule 457(a).

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission (the SEC), acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED August 20, 2009

Prospectus

500,000 Shares

COMMON STOCK

This prospectus relates to the issuance and contribution to be made by us to RMI Titanium Company Retirement Plans Trust (the Trust), a trust for the assets of the Pension Plan of RMI Titanium Company, the Pension Plan for Eligible Salaried Employees of RMI Titanium Company, the Pension Plan for Eligible Employees of RMI Titanium Company and the Tradco Pension Plan (referred to as the pension plans), of up to 500,000 shares of our common stock, par value $0.01 per share, to fund certain of our obligations to the pension plans, and the subsequent sale, from time to time, by the Trust, of all or any portion of such shares of our common stock for the benefit of the pension plans. The total number of Shares shall be the lesser of 500,000 Shares or such number of Shares (excluding fractional shares) which will have an aggregate value on the closing date that does not exceed 10 percent of the fair market value of the total assets of the Trust measured without regard to the value of the Shares contributed on the closing date.

After we issue the shares to the Trust, the shares may thereafter be sold, from time to time, by the Trust in brokerage transactions on the New York Stock Exchange, in privately negotiated transactions or otherwise. These subsequent sales may be for negotiated prices or on the open market at prevailing market prices. We will not receive any portion of the proceeds of the sale or resale of the common stock offered by this prospectus and will bear all expenses incident to registration of the common stock. The pension plans will be responsible for expenses incurred in subsequent sales of the shares, which expenses may include, among other things, underwriting discounts, brokerage fees and commissions.

Our common stock is listed on the New York Stock Exchange under the symbol RTI. On_________ **, 2009**, the closing sale price of our common stock on the New York Stock Exchange was $___ per share.

Investing in our common stock involves risk. See Risk Factors on page 2 of this prospectus and in the other documents that are incorporated by reference herein.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is __________, 2009.

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SUMMARY DESCRIPTION OF RTI

RTI International Metals, Inc. is a leading U.S. producer and supplier of titanium mill products and a global supplier of fabricated titanium and specialty metal components for the national and international aerospace, defense, energy, and other markets. The Company, an Ohio corporation, and its predecessors have been operating in the titanium industry since 1951.

The Company conducts business in three segments: the Titanium Group, the Fabrication Group, and the Distribution Group.

The Titanium Group melts, processes, and produces a complete range of titanium mill products, which are further processed by its customers for use in a variety of commercial aerospace, defense, and industrial applications. The titanium mill products consist of basic mill shapes including ingot, slab, bloom, billet, bar, plate, and sheet. The Titanium Group also produces ferro titanium alloys for steel-making customers. The Fabrication Group is comprised of companies that extrude, fabricate, machine, and assemble titanium and other specialty metal parts and components. Its products, many of which are complex engineered parts and assemblies, serve commercial aerospace, defense, oil and gas, power generation, and chemical process industries, as well as a number of other industrial and consumer markets. The Distribution Group stocks, distributes, finishes, cuts-to-size, and facilitates just-in-time delivery services of titanium, steel, and other specialty metal products, primarily nickel-based specialty alloys.

The address of our principal executive offices is Westpointe Corporate Center One, 1550 Coraopolis Heights Road, Fifth Floor, Pittsburgh, PA 15108-2973, and our telephone number at our principal executive offices is (412) 893-0026.

Unless otherwise stated or the context otherwise requires, references in this prospectus to RTI, the Company, we, our, us or similar references are to RTI International Metals, Inc. and its consolidated subsidiaries.

This prospectus provides specific information about the shares of the Company s common stock being offered and sold to the Trust and being offered from time to time by the Trust. You should read this prospectus together with additional information described under the heading Where You Can Find More Information.

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date of this prospectus.

RISK FACTORS

Our business is subject to various risks and uncertainties. Any of these individual risks described below, or any number of these risks occurring simultaneously, could have a material effect on our Consolidated Financial Statements, business or results of operation. You should carefully consider these factors, as well as the other information contained in this document, when evaluating your investment in our securities.

We are subject to risks associated with global economic and political uncertainties

Like other companies, we are susceptible to macroeconomic downturns in the United States and abroad that may affect our performance and the performance of our customers and suppliers. Further, the global financial crisis may have an impact on our business and financial condition in ways that we currently cannot predict. The credit crisis and related turmoil in the global financial system has had and may continue to have an impact on our business and our financial condition. In addition to the impact that the global financial crisis has already had, we may face significant financial and operational challenges if conditions in the financial markets do not improve or continue to worsen. For example, an extension of the credit crisis to other industries (for example, the availability of financing for the purchase of commercial aircraft) could adversely impact overall demand for our products, which could have a negative effect on our revenues. In addition, our ability to access the traditional bank and capital markets may be severely restricted, which could have an adverse impact on our ability to react to changing economic and business conditions.

In addition, we are subject to various domestic and international risks and uncertainties, including changing social conditions and uncertainties relating to the current and future political climate. Changes in policy resulting from the current Presidential administration could have an adverse effect on the financial condition and the level of business activity of the defense industry or other market segments in which we participate. This may reduce our customers demand for our products and/or depress pricing of those products, resulting in a material adverse impact on our business, prospects, results of operations, revenues, and cash flows.

A significant amount of our future revenue is based on long-term contracts for new aircraft programs

We have signed several long-term contracts in recent years to produce titanium mill products and complex engineered assemblies for several new aircraft programs, including the Boeing 787, Lockheed Martin s F-35 Joint Strike Fighter or JSF, and the Airbus family of aircraft, including the A380 and the A350XWB. In order to meet the delivery requirements of these contracts, we have invested in significant capital expansion projects. Because of the current global economic slowdown and production problems experienced by many of our customers, we have experienced significant delays in these programs. Further delays or program cancellations could have a material adverse impact on our business, prospects, results of operations, revenues, cash flows, and financial standing. In addition, several of our customer contracts are take-or-pay contracts that require our customers to take a minimum amount of product in a period. As program delays continue, some of our customers may not meet their contractual minimum amount of product. While we intend to bill these customers for their contractual minimum amount, if they fail to pay as required by their contracts, we may suffer a material adverse impact on our liquidity and results of operations.

The ability to successfully expand our operations in a timely and cost effective manner

In connection with several of our long-term commercial contracts, we have undertaken several major capital expansion projects which are currently estimated to continue through 2011, including the construction of our new titanium sponge plant and titanium rolling mill and forging press facilities. Construction of the sponge plant has been delayed because of the current global economic slowdown, and may be further delayed, idled or abandoned. Our inability to successfully complete the construction of these facilities in a timely and cost effective manner, or at all, or obtain titanium sponge (our principle raw material) from an alternative source, could have a material adverse effect on our business, financial condition, and results of operations. If we were to indefinitely delay or abandon the construction of the sponge plant, we could suffer an adverse effect on our liquidity and our ability to meet our financial covenants under our credit agreement. Further, our undertaking of these significant initiatives places a significant demand on management, financial and operational resources. Our success in these projects will depend upon the ability of key financial and operational management to ensure the necessary internal and external resources are in place to properly complete and operate these facilities.

We may be affected by our ability or inability to obtain financing

Our ability to access the traditional bank or capital markets in the future for additional financing, if needed, and our future financial performance could be influenced by our ability to meet current covenant requirements associated with our existing credit agreement, our credit rating, or other factors.

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The demand for our products and services may be adversely affected by demand for our customers products and services

Our business is substantially derived from titanium mill products and fabricated metal parts, which are primarily used by our customers as components in the manufacture of their products. The ability or inability to meet our financial expectations could be directly impacted by our customers abilities or inabilities to meet their own financial expectations. A continued downturn in demand for our customers products and services could occur for reasons beyond their control such as unforeseen spending constraints, competitive pressures, rising prices, the inability to contain costs, and other domestic as well as global economic, environmental or political factors. A continued slowdown in demand by or complete loss of business from these customers could have a material impact on our financial position.

A substantial amount of revenue is derived from the commercial aerospace and defense industries and a limited number of customers

More than 80% of our annual revenue is derived from the commercial aerospace and defense industries. Within those industries are a relatively small number of consumers of titanium products. Those industries have historically been highly cyclical, resulting in the potential for sudden and dramatic changes in expected production and spending that, as a partner in the supply chain, can negatively impact our operational plans and, ultimately, the demand for our products and services. Some of our customers are particularly sensitive to the level of government spending on defense-related products. Sudden reductions in defense spending could occur due to economic or political changes which could result in a downturn in demand for defense-related titanium products. In addition, changes to existing defense procurement laws and regulations, such as the domestic preference for specialty metals, could adversely affect our results of operations. Many of our customers are dependent on the commercial airline industry which has shown to be subject to significant economic and political challenges due to threats or acts of terrorism, rising or volatile fuel costs, pandemics, or other outbreaks of infectious diseases, aggressive competition, global economic slowdown, and other factors. Any one or combination of these factors could occur suddenly and result in a reduction or cancellation in orders of new airplanes and parts which could have an adverse impact on our business. Neither the Company nor its customers may be able to project or plan in a timely manner for the impact of these events.

We may be subject to competitive pressures

The titanium metals industry is highly competitive on a worldwide basis. Our competitors are located primarily in the U.S., Japan, Russia, Europe, and China. Our Russian competitor, in particular, has significantly greater capacity than us and others in our industry. Not only do we face competition for a limited number of customers with other producers of titanium products, but we also must compete with producers of other generally less expensive materials of construction including stainless steel, nickel- based high temperature and corrosion resistant alloys, and composites.

Our competitors could experience more favorable operating conditions than us including, lower raw materials costs, more favorable labor agreements, or other factors which could provide them with competitive cost advantages in their ability to provide goods and services. Changes in costs or other factors related to the production and supply of titanium mill products compared to costs or other factors related to the production and supply of other types of materials of construction may negatively impact our business and the industry as a whole. New competitive forces unknown to us today could also emerge which could have an adverse impact on our financial performance. Our foreign competitors in particular may have the ability to offer goods and services to our customers at more favorable prices due to advantageous economic, environmental, political, or other factors.

We may experience a lack of supply of raw materials at costs that provide us with acceptable margin levels

The raw materials required for the production of titanium mill products (primarily titanium sponge and scrap) are acquired from a number of domestic and foreign suppliers. Although we have long-term contracts in place for the procurement of certain amounts of raw material and have begun the process of constructing a titanium sponge plant (which has been delayed due to the current global economy), we cannot guarantee that our suppliers can fulfill their contractual obligations nor can we guarantee that the construction of our sponge plant will not be further delayed, idled or abandoned due to the global economic slowdown or other circumstances. Our suppliers may be adversely impacted by events within or outside of their control that may adversely affect our business operations. We cannot guarantee that we will be able to obtain adequate amounts of raw materials from other suppliers in the event that our primary suppliers are unable to meet our needs. We may experience an increase in prices for raw materials which could have a negative impact

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on our profit margins if we are unable to adequately increase product pricing, and we may not be able to project the impact that an increase in costs may cause in a timely manner. We may be contractually obligated to supply products to our customers at price levels that do not result in our expected margins due to unanticipated increases in the costs of raw materials. We may experience dramatic increases in demand and we cannot guarantee that we will be able to obtain adequate levels of raw materials at prices that are within acceptable cost parameters in order to fulfill that demand.

We are subject to changes in product pricing

The titanium industry is highly cyclical. Consequently, excess supply and competition may periodically result in fluctuations in the prices at which we are able to sell certain of our products. Price reductions may have a negative impact on our operating results. In addition, our ability to implement price increases is dependent on market conditions, often beyond our control. Given the long manufacturing lead times for certain products, the realization of financial benefits from increased prices may be delayed.

We may experience a shortage in the supply of energy or an increase in energy costs to operate our plants

We own twenty-four natural gas wells which provide some but not all of the non-electrical energy required by our Niles, Ohio operations. Because our operations are reliant on energy sources from outside suppliers, we may experience significant increases in electricity and natural gas prices, unavailability of electrical power, natural gas, or other resources due to natural disasters, interruptions in energy supplies due to equipment failure or other causes, or the inability to extend expiring energy supply contracts on favorable economical terms.

Our business could be harmed by strikes or work stoppages

Approximately 350 hourly, clerical and technical employees at our Niles, Ohio facility are represented by the United Steelworkers of America. Our current labor agreement with this union expires June 30, 2013. Approximately 160 hourly employees at our RTI Tradco facility in Washington, Missouri are represented by the International Association of Machinists and Aerospace Workers. Our current labor agreement with this union expires February 19, 2011.

We cannot be certain that we will be able to negotiate new bargaining agreements upon expiration of the existing agreements on the same or more favorable terms as the current agreements, or at all, without production interruptions caused by a labor stoppage. If a strike or work stoppage were to occur in connection with the negotiation of a new collective bargaining agreement, or as a result of a dispute under our collective bargaining agreements with the labor unions, our business, financial condition and results of operations could be materially adversely affected.

Our business is subject to the risks of international operations

We operate subsidiaries and conduct business with suppliers and customers in foreign countries which exposes us to risks associated with international business activities. We could be significantly impacted by those risks, which include the potential for volatile economic and labor conditions, political instability, expropriation, and changes in taxes, tariffs, and other regulatory costs. We are also exposed to and can be adversely affected by fluctuations in the exchange rate of the United States Dollar against other foreign currencies, particularly the Canadian Dollar, the Euro and the British Pound. Although we are operating primarily in countries with relatively stable economic and political climates, there can be no assurance that our business will not be adversely affected by those risks inherent to international operations.

We are dependent on services that are subject to price and availability fluctuations

We often depend on third parties to provide outside material processing services that may be critical to the manufacture of our products. Purchase prices and availability of these services are subject to volatility. At any given time, we may be unable to obtain these critical services on a timely basis, at acceptable prices or on other acceptable terms, if at all. Further, if an outside processor is unable to produce to required specifications, our additional cost to cure may negatively impact our margins.

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Our success depends largely on our ability to attract and retain key personnel

Much of our future success depends on the continued service and availability of skilled personnel, including members of our executive team, management, materials engineers and other technical specialists, and staff positions. The loss of key personnel could adversely affect our Company s ability to perform until suitable replacements are found. There can be no assurance that the Company will be able to continue to successfully attract and retain key personnel.

The demand for our products and services may be affected by factors outside of our control

War, terrorism, natural disasters, and public health issues including pandemics, whether in the U.S. or abroad, have caused and could cause damage or disruption to international commerce by creating economic and political uncertainties that may have a negative impact on the global economy as a whole. Our business operations, as well as our suppliers and customers business operations, are subject to interruption by those factors as well as other events beyond our control such as governmental regulations, fire, power shortages, and others. Although it is impossible to predict the occurrences or consequences of any such events, they could result in a decrease in demand for the Company s products, make it difficult or impossible for us to deliver products to our customers or to receive materials from our suppliers, and create delays and inefficiencies in our supply chain. Our operating results and financial condition may be adversely affected by these events.

The outcome of the U.S. Customs investigation of our previously filed duty drawback claims is uncertain

During 2007, the Company received notice from U.S. Customs indicating that certain duty drawback claims previously filed by the Company s agent, on behalf of the Company, are under formal investigation. The investigation relates to discrepancies in, and lack of supporting documentation for, claims filed through the Company s prior drawback broker. For additional detail regarding this investigation, see Duty Drawback Investigation in Item 3. Legal Proceedings, in our Annual Report on Form 10-K for the year ended December 31, 2008. The ultimate outcome of the U.S. Customs investigation cannot be determined, however, the outcome of this investigation could have an adverse impact on our financial performance.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. This prospectus, and the documents incorporated herein by reference, may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Additionally, we or our representatives may, from time to time, make other written or verbal forward-looking statements. In this prospectus, and the documents incorporated by reference herein, we discuss expectations regarding our business, financial condition and results of operations. Without limiting the foregoing, words or phrases such as will likely result, are expected to, will continue, is anticipated, we believe, estimate, (including the negative or variations thereof) or similar terminology, generally identify forward-looking statements. Forward-looking statements may also represent challenging goals for us. As such, they are based on current expectations and are subject to certain risks and uncertainties. We caution that undue reliance should not be placed on such forward-looking statements which speak only as of the date made. In order to comply with the terms of the safe harbor, we identify for investors important risk factors which could affect our financial performance and could cause actual results for future periods to differ materially from the anticipated results or other expectations expressed in the forward-looking statements.

Investing in our securities involves risk. Before you invest in our securities, you should carefully consider some of the factors which could cause our results to differ from those expressed in any forward-looking statement, which are set forth under the caption Risk Factors above, and in Item 1A in our most recent Form 10-K, Item 1A of Part II in our most recent Form 10-Q, and subsequent Form 10-Q and Form 10-K filings made with the SEC, each of which is incorporated by reference herein, and include:

statements regarding the future availability and prices of raw materials,

competition in the titanium industry,

demand for the Company s products,

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the historic cyclicality of the titanium and commercial aerospace industries,

changes in defense spending,

the success of new market development,

ability to obtain access to financial markets and to maintain current covenant requirements,

long-term supply agreements,

the impact of Boeing 787 production delays,

legislative challenges to the Specialty Metals Clause,

labor matters,

global economic activities,

outcome of the U.S. Customs investigation,

the successful completion of our expansion projects,

our ability to execute on new business awards,

our order backlog and the conversion of that backlog into revenue, and

other statements contained herein that are not historical facts.

You should carefully consider all of the information in or incorporated by reference in this prospectus and any accompanying prospectus supplement prior to investing in our securities. Except as may be required under applicable law, we undertake no duty to update our forward-looking statements.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information we file with the SEC, including the registration statement of which this prospectus is a part, at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the operation of the SEC Public Reference Room in Washington, D.C. by calling the SEC at (800) 732-0330. Our filings are also available to the public from the website maintained by the SEC at *http://www.sec.gov*. Our common stock is listed and traded on the New York Stock Exchange, or the NYSE, under the trading symbol RTI. Our reports, proxy statements and other information can also be read at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

The SEC s rules allow us to incorporate by reference information into this prospectus, which means that we can disclose important information to you by referring you to other documents that RTI has filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus. Information that RTI files later with the SEC will automatically update and supersede the information contained in documents filed earlier with the SEC or contained in this prospectus. We incorporate by reference into this prospectus the documents listed below and any future filings made by us with the SEC under Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended, after the initial filing of this registration statement that contains this prospectus and prior to the time that we sell all of the securities offered by this prospectus:

our Annual Report on Form 10-K for the year ended December 31, 2008;

our Quarterly Report on Form 10-Q for the three months ended March 31, 2009;

our Quarterly Report on Form 10-Q for the three months ended June 30, 2009;

our Current Report on Form 8-K filed January 7, 2009;

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our Current Report on Form 8-K filed February 3, 2009;

our Current Report on Form 8-K/A filed February 17, 2009;

our Current Report on Form 8-K filed March 4, 2009;

our Current Report on Form 8-K filed April 28, 2009; and

our Current Report on Form 8-K filed August 4, 2009;

our Current Report on Form 8-K filed August 10, 2009; and

the description of the common stock contained in our Registration Statement on Form 8-A12B (Registration No. 1-14437) dated August 21, 1998, including any reports updating that description.

You may obtain copies, without charge, of documents incorporated by reference in this prospectus, by requesting them from us in writing or by telephone as follows:

RTI International Metals, Inc.
Westpointe Corporate Center One
1550 Coraopolis Heights Road, Fifth Floor
Pittsburgh, PA 15108-2973
Telephone: (412) 893-0026
www.rtiintl.com

Exhibits to the filings will not be sent, unless those exhibits have been specifically incorporated by reference in this prospectus.

General information about RTI, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as any amendments and exhibits to those reports, are available free of charge through our website at *http:// www.rtiintl.com* as soon as reasonably practicable after we file them with, or furnish them to, the SEC. Other information contained on our website is not incorporated into this prospectus or our other securities filings and is not a part of these filings.

THE OFFERING

The shares offered hereby will be offered and sold to the Trust pursuant to a stock contribution agreement, dated August 20, 2009 (the Contribution Agreement). The Contribution Agreement, by and among the Company, the Trustee (as defined below) and Evercore Trust Company, N.A., as investment manager (the Manager), who will act on behalf of the Trust as an independent fiduciary in connection with the Trust s initial receipt of the shares, provides for the contribution by the Company of shares of the Company s common stock in a maximum amount equal to the lesser of 500,000 shares or such other number of shares (excluding fractional shares) which will result in the aggregate Credit Amount (as defined below) not exceeding 10% of the fair market value of the total assets of the Trust (not including the value of the Credit Amount) on the closing date. For purposes of the Contribution Agreement, the Credit Amount will equal the aggregate fair market value of the shares measured as the average of the opening and closing prices of the Company s common stock on the New York Stock Exchange on the last full trading day that immediately precedes the closing date, multiplied by a percentage to be determined by the Manager, acting as the independent fiduciary, reflecting the applicable discount. The amount that shall be credited to the pension plans upon contribution will be the Credit Amount, rather than the fair market value of the shares. The discount reflected in the Credit Amount is to ensure that the price at which the shares are acquired by the Trust complies with the requirements of an applicable exemption from the prohibited transaction rules of federal pension law. The Company has the right to forego the sales of the shares to the Trust if is not satisfied with the discount percentage reflected in the Credit Amount. Closing under the Contribution Agreement is conditioned upon the prior satisfaction of various conditions, including (i) the filing of the registration statement on Form S-3, so as to enable the Trustee to sell the shares of Company common stock from time to time in the manner set forth in this prospectus, (ii) the registration statement on

Form S-3 having been declared effective by the United States Securities and Exchange Commission, and (iii) the shares of Company common stock having been approved for listing on the New York Stock Exchange. The sale to the Trust will occur upon the registration statement on Form S-3, of which this prospectus is a part, being declared effective by the United States Securities and Exchange Commission. The prospectus also covers subsequent resales of the shares by the Trust as a selling shareholder.

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USE OF PROCEEDS

The Company will not receive any proceeds from the sale of the shares sold to the Trust pursuant to this prospectus or any resales by the Trust thereafter. The shares are being sold to the Trust in partial fulfillment of our ongoing obligations to fund the pension plans. This transaction allows us to make funding contributions to the pension plans without the use of cash. To the extent the Trust resells any shares, the proceeds received from the shares being offered for resale are for the account of the Trust and not the Company.

SELLING SHAREHOLDER

United States Steel and Carnegie Pension Fund, a nonprofit membership corporation, is the Trustee for the pension plans (the Trustee). The pension plans and the Trust, which holds the assets of the pension plans, are intended to be tax-qualified within the meaning of Sections 401(a) and 501(a) of the Internal Revenue Code of 1986, as amended. The pension plans are funded by RTI contributions, which are held in the Trust for the sole benefit of plan participants and beneficiaries and which pay for proper expenses of plan administration.

Prior to the contribution of the shares to the Trust, the Trust does not own any shares of our common stock. Upon the initial sale of the shares to the Trust by the Company upon the effectiveness of the registration statement on Form S-3, of which this prospectus is a part, the Trust will beneficially own shares of our common stock equal to the lesser of 500,000 Shares or such number of Shares (excluding fractional shares) which will have an aggregate value on the closing date that does not exceed 10 percent of the fair market value of the total assets of the Trust measured without regard to the value of the Shares contributed on the closing date. The Trust may resell all or any portion of such shares of our common stock pursuant to this offering in accordance with investment guidelines established by the Trustee. We cannot estimate the timing or volume of sales of our shares of common stock by the Trust or the number of shares of our common stock, if any, that the Trust will hold in the future.

PLAN OF DISTRIBUTION

We are distributing the shares to the Trust as a block transaction without a broker or dealer engaged.

The Trust may offer the shares from time to time following our initial distribution, depending on market conditions and other factors, in one or more transactions on the New York Stock Exchange or any other national securities exchange or automated interdealer quotation system on which shares of our common stock are then listed, through negotiated transactions or otherwise. The shares will be sold on terms then prevailing, at prices related to the then-current market price or at negotiated prices. The shares may be offered in any manner permitted by law, including through underwriters, brokers, dealers or agents, or directly to one or more purchasers. Sales of the shares may involve:

- sales to underwriters who will acquire shares for their own account and resell them in one or more transactions at fixed prices or at varying prices determined at the time of sale;
- block transactions in which the broker or dealer engaged will attempt to sell shares as agent, but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker or dealer as principal and resale by the broker or dealer for its own account;
- writing covered call options with respect to the shares; or
- ordinary brokerage transactions and transactions in which a broker solicits purchasers.

The Trust and/or purchasers of the shares may pay brokers and dealers for selling shares. These payments may be in the form of underwriting discounts, concessions or commissions. The Trust and any broker dealer who sells or assists the Trust in selling the shares may be deemed an underwriter within the meaning of the Securities Act of 1933, as amended (the Securities Act). If they are deemed to be underwriters, any brokerage commissions or discounts may be deemed to be underwriting discounts and commissions under the Securities Act. We will file, if necessary, a post-effective amendment should the Trustee notify us that it has entered into such an arrangement with an underwriter, broker or dealer for the sale of shares. The post-effective amendment will disclose certain material information, including:

- the number of shares being offered;
- the terms of the offering;
- any discounts, commissions or other compensation paid to underwriters, brokers or dealers;
- the public offering price;
- any discounts, commissions or concessions allowed or reallowed or paid by any underwriters to dealers; and
- other material terms of the offering.

In order to comply with securities laws of certain jurisdictions, if applicable, the shares may be sold in these jurisdictions only through registered or licensed brokers or dealers. In addition, in certain jurisdictions, the shares may not be sold unless the shares have been registered or qualified for sale in these jurisdictions, or an exemption from registration or qualification is available and complied with. The Trustee and any other persons participating in the sales of the shares pursuant to this prospectus may be subject to applicable provisions of the Securities Exchange Act of 1934 and the rules and regulations thereunder.

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As of the date of this prospectus, there are no selling arrangements between the Trust and any underwriter, broker or dealer. The Trust may also sell shares in reliance upon Rule 144 of the Securities Act, provided it meets the criteria and conforms to the requirements of Rule 144, rather than under this prospectus.

We will not receive any of the proceeds from the sale of the shares by the Trust. We will bear the costs of registering the shares under the Securities Act, including the registration fee under the Securities Act, accounting fees, printing fees, fees and disbursements of our counsel, and certain fees and disbursements of counsel to the Trust (or to the Trustee or the independent fiduciary acting on behalf of the Trust). The Trust will be responsible for underwriting discounts, brokerage fees and commissions, if any, incurred in connection with its subsequent sale of shares.

We have agreed to maintain the effectiveness of the registration statement of which this prospectus is a part until the date on which all of the shares registered under the registration statement of which this prospectus is a part are sold.

The pension plans are pension plans as defined in the Employee Retirement Income Security Act of 1974, as amended (ERISA). Prohibited transactions under Title I of ERISA and Section 4975 of the Code, could arise if, absent an available exemption, a person or entity which is a party in interest, as defined under ERISA, or a disqualified person, as defined under the Code, were to purchase any of the shares being offered by the Trust. Any such potential purchaser should consult with counsel to determine whether an exemption is available with respect to any such purchase.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company s Code of Regulations effectively provide that the Company, to the full extent permitted by Section 1701.13 of the Ohio Revised Code, as amended from time to time (Section 1701.13), shall indemnify all directors and officers of the Company and may indemnify all employees, representatives and other persons as permitted pursuant thereto. In addition, the Company and each of its officers and directors have executed Indemnification Agreements which provide that the Company will hold harmless and indemnify such officer or director to the extent permitted by the Ohio General Corporation Law or other statutory provisions authorizing or permitting such indemnification; provided that no indemnity will be paid (1) except to the extent the losses exceed the amount of losses covered by any applicable directors and officers liability insurance; (2) in respect to remuneration if it shall be determined by a final judgment or other final adjudication that such remuneration was in violation of law; (3) on account of any suit in which judgment is rendered against such indemnitee for an accounting of profits made from the purchase or sale of securities pursuant to Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law; (4) on account of the indemnitee s act or omission being finally adjudged to have involved deliberate intent to cause injury to the Company or reckless disregard for the best interests of the Company; or (5) if a final decision by a Court having jurisdiction in the matter determines that such indemnification is not lawful.

Section 1701.13 of the Ohio Revised Code permits a corporation to indemnify its officers, directors and employees (other than in certain cases involving bad faith, negligence or misconduct) from and against any and all claims and liabilities to which he or she may become subject by reason of his or her position, or acts or commissions in such position, including reasonable costs of defense and settlements (except in connection with shareholder derivative suits, where indemnification is limited to the costs of defense). Ohio law also permits corporations to provide broader indemnification than that provided by statute, and as a result, we have entered into a separate indemnification agreement with our directors and certain officers to provide additional indemnification rights to them.

RTI maintains insurance against liabilities under the Securities Act for the benefit of its officers and directors.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

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EXPERTS

The financial statements and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Report on Internal Control over Financial Reporting) incorporated in this prospectus by reference to RTI s Annual Report on Form 10-K for the year ended December 31, 2008 have been so incorporated in reliance on such reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The following table sets forth the expenses payable by us in connection with the issuance and distribution of the securities being registered hereby.

SEC Registration Fee	$ 502
Printing and Engraving Fees and Expenses	1,500
Accounting Fees and Expenses	50,000
Legal Fees and Expenses	70,000
New York Stock Exchange Listing Fees	5,000
Miscellaneous	5,000
Total Expenses	$132,002

Item 15. Indemnification of Directors and Officers.

The information required by this Item 15 is contained under the heading Indemnification of Directors and Officers on page 9 of the Prospectus and is incorporated herein by reference.

Item 16. List of Exhibits.

A list of exhibits filed herewith is contained in the index to exhibits that immediately precedes such exhibits and is incorporated herein by reference.

Item 17. Undertakings.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that paragraphs (i), (ii) and (iii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the

offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

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(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) Each prospectus filed by a registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(ii) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5) or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii) or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which the prospectus relates, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof; provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the registrant undertakes that in a primary offering of securities of the registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the registrant or used or referred to by the registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the registrant or its securities provided by or on behalf of the registrant; and

(iv) Any other communication that is an offer in the offering made by the registrant to the purchaser.

(6) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant s annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(7) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Amendment No. 1 to Form S-3 registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Pittsburgh, Commonwealth of Pennsylvania, on August 20, 2009.

RTI INTERNATIONAL METALS, INC.

By: /s/ William T. Hull
Name: William T. Hull
Title: Senior Vice President and
Chief Financial Officer
(principal accounting officer)

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
*	Director	August 20, 2009
Craig R. Andersson		
*	Director	August 20, 2009
Daniel I. Booker		
*	Director	August 20, 2009
Donald P. Fusilli, Jr.		
*	Director	August 20, 2009
Ronald L. Gallatin		
*	Director	August 20, 2009
Charles C. Gedeon		
*	Director	August 20, 2009
Robert M. Hernandez		
*	Director	August 20, 2009
Edith E. Holiday		
*	Director	August 20, 2009

Bryan T. Moss		
*	Director	August 20, 2009
James A. Williams		
* By: /s/ Dawne S. Hickton	Attorney-in-Fact	August 20, 2009
Dawne S. Hickton		
/s/ Dawne S. Hickton	Vice Chairman, Chief Executive Officer and Director	August 20, 2009
Dawne S. Hickton		
/s/ William T. Hull	Senior Vice President and Chief Financial Officer	August 20, 2009
William T. Hull	(principal accounting officer)	
/s/ Michael C. Wellham	President, Chief Operating Officer and Director	August 20, 2009
Michael C. Wellham		

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EXHIBIT INDEX

Exhibit No.	Description of Exhibits
2.1	Amended and Restated Reorganization Agreement, incorporated by reference to Exhibit 2.1 to the Company s Registration Statement on Form S-1 No. 33-30667 Amendment No. 1.
4.1	Amended and Restated Credit Agreement dated September 8, 2008, incorporated by reference to Exhibit 4.1 to the Company s Quarterly Report on Form 10-Q for the quarterly period ending June 30, 2009.
4.2	Offer of loan by and among RTI Claro, Inc., as borrower and Investissement Quebec, dated August 3, 2006, incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for quarterly period ended September 30, 2006.
4.3	Credit Agreement between RTI Claro, Inc., as borrower, RTI International Metals Inc., as guarantor, and National City Bank, Canada Branch, as lender, dated as of December 27, 2006, incorporated by reference to Exhibit 4.3 to the Company s Quarterly Report on Form 10-Q for the quarterly period ending June 30, 2009.
4.4	Credit Amending Agreement dated September 27, 2007, related to the Credit Agreement between RTI Claro, Inc., as borrower, RTI International Metals Inc., as guarantor, and National City Bank, Canada Branch, as lender, incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K for the event dated September 8, 2008.
4.5	Second Credit Amending Agreement dated September 8, 2008, related to the Credit Agreement between RTI-Claro, Inc., as borrower, RTI International Metals, Inc., as guarantor, and National City Bank, Canada Branch, as lender, incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K for the event dated September 8, 2008.
4.6	Stock Contribution Agreement dated August 20, 2009*
5.1	Opinion and Consent of Buchanan Ingersoll & Rooney PC*
23.1	Consent of PricewaterhouseCoopers LLP, an independent registered public accounting firm*
23.2	Consent of Buchanan Ingersoll & Rooney (included in Exhibit 5.1)
24.1	Powers of Attorney**

* Filed herewith

** Filed with original filing of this Registration Statement on July 2, 2009.

conversion of electronic data. Although we are expending resources which are intended to properly or adequately address these issues, implementation risks include a potential increase in costs, the diversion of management s and employees attention and resources and a potentially adverse affect on our operating results, internal controls over financial reporting and ability to manage our business effectively. While Project Fusion is intended to further improve and enhance our information systems, it exposes us to the risks of integrating the system upgrades with our existing systems and processes. Disruption of our financial reporting could impair our ability to make required filings with various reporting agencies on a timely or accurate basis.

Item 1B. Unresolved Staff Comments.

Not Applicable.

Item 2. Properties.

Through its business segments, the Company operates wineries, a distilling plant and bottling plants, many of which include warehousing and distribution facilities on the premises. In addition to the Company s properties described below, certain of the Company s businesses maintain office space for sales and similar activities and offsite warehouse and distribution facilities in a variety of geographic locations.

The Company believes that its facilities, taken as a whole, are in good condition and working order and have adequate capacity to meet its needs for the foreseeable future, although it does possess certain underutilized assets.

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As a result of the January 2011 sale of 80.1% of the Company s Australian and U.K. business, as of February 1, 2011, the Company is no longer reporting results for its CWAE segment. The following discussion details the properties associated with the Company s remaining three business segments.

Constellation Wines North America

Through the Constellation Wines North America segment (CWNA), the Company maintains facilities in the U.S., New Zealand and Canada. These facilities include wineries, a distilling plant, bottling plants, warehousing and distribution facilities, distribution centers and office facilities. The segment maintains owned and/or leased division offices in a variety of locations, including Canandaigua, New York; St. Helena, California; San Francisco, California; Chicago, Illinois; Mississauga, Ontario; and Huapai, New Zealand.

United States

In the U.S., the Company, through its CWNA segment, operates one winery in New York, located in Canandaigua; 16 wineries in California, located in Acampo, Geyserville, Gonzales, Healdsburg, Madera, Oakville, Soledad, Rutherford, Templeton, Ukiah, two in Lodi, two in Napa, two in Sonoma; and one winery in Washington, located in Prosser. Sixteen of these wineries are owned and one winery in Napa, California and one winery in Sonoma, California are leased. The Company considers the segment s principal facilities in the U.S. to be the Mission Bell winery in Madera (California), the Canandaigua winery in Canandaigua (New York), the Franciscan Vineyards winery in Rutherford (California), the Woodbridge Winery in Acampo (California), the Turner Road Vintners Wineries in Lodi (California), the Robert Mondavi Winery in Oakville (California), the Clos du Bois Winery in Geyserville (California) and the Gonzales Winery in Gonzales (California). The Mission Bell winery crushes grapes, produces, bottles and distributes wine and produces specialty concentrates and Mega Colors for sale. The Canandaigua winery crushes grapes and produces, bottles and distributes wine. The other principal wineries crush grapes, vinify, cellar and bottle wine. In California, the CWNA segment also operates a distribution center and two warehouses and, in New York, operates a warehouse, all of which are leased.

Through the CWNA segment, as of February 28, 2011, the Company owned or leased approximately 12,100 acres of vineyards, either fully bearing or under development, in California and New York to supply a portion of the grapes used in the production of wine.

Canada

Through the CWNA segment, the Company operates nine Canadian wineries, four of which are in British Columbia, four in Ontario, and one in Quebec. Seven of these wineries are owned, one winery in British Columbia is leased and one winery in Ontario is leased. The British Columbia and Ontario operations all harvest a domestic crop and all locations vinify and cellar wines. Four wineries include bottling and/or packaging operations. The Company also operates a warehousing and distribution facility and sales office in Scoudouc, New Brunswick. In addition, through the segment, the Company operates facilities in Vancouver, British Columbia and Kitchener, Ontario in connection with its beer and wine making kit business. The Company also operates various retail stores in rented facilities throughout Ontario. The Company considers the segment s principal facilities in Canada to be Niagara Cellars located in Niagara Falls (Ontario), the Vincor Quebec Division located in Rougemont (Quebec), the Vincor Production Facility located in Oliver (British Columbia) and the warehousing and distribution facility located in Scoudouc (New Brunswick).

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Through the CWNA segment, as of February 28, 2011, the Company owned or leased approximately 1,800 acres of vineyards, either fully bearing or under development, in Ontario and British Columbia to supply a portion of the grapes used in the production of wine.

Through this segment, the Company currently owns and operates a distilling plant located in Lethbridge, Alberta, Canada. This facility distills, bottles and stores Canadian whisky for the segment, and distills and/or bottles and stores Canadian whisky, vodka, rum, gin and liqueurs for third parties. The Company considers this facility to be a principal facility.

New Zealand

Through the CWNA segment, the Company owns and operates four wineries in New Zealand. All of these New Zealand wineries vinify and cellar wine, and three of these wineries crush grapes. One includes bottling and packaging operations. The Company considers the segment s principal facilities in New Zealand to be the Nobilo Winery located in Huapai, West Auckland (North Island) and the Drylands Winery located in Marlborough (South Island).

Through the CWNA segment, as of February 28, 2011, the Company owns or has interests in approximately 4,000 acres of vineyards, either fully bearing or under development, in New Zealand.

Crown Imports

Crown Imports has entered into various arrangements to satisfy its warehouse requirements. It currently has contracted with seven providers of warehouse space and services in a total of 12 locations throughout the U.S. Crown Imports maintains leased offices in Chicago, Illinois as well as in four other locations throughout the U.S.

Corporate Operations and Other

The Company s corporate headquarters are located in leased offices in Victor, New York.

Item 3. Legal Proceedings.

In the ordinary course of their business, the Company and its subsidiaries are subject to lawsuits, arbitrations, claims and other legal proceedings in connection with their business. Some of the legal actions include claims for substantial or unspecified compensatory and/or punitive damages. A substantial adverse judgment or other unfavorable resolution of these matters could have a material adverse effect on the Company s financial condition, results of operations and cash flows. Management believes that the Company has adequate legal defenses with respect to the legal proceedings to which it is a defendant or respondent and that the outcome of these pending proceedings is not likely to have a material adverse effect on the financial condition, results of operations or cash flows of the Company. However, the Company is unable to predict the outcome of these matters.

Regulatory Matters The Company and its subsidiaries are in discussions with various governmental agencies concerning matters raised during regulatory examinations or otherwise subject to such agencies inquiry. These matters could result in censures, fines or other sanctions. Management believes the outcome of any pending regulatory matters will not have a material adverse effect on the Company s financial condition, results of operations or cash flows. However, the Company is unable to predict the outcome of these matters.

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On February 14, 2011, a subsidiary of the Company received from the United States Environmental Protection Agency (EPA) a Notification of Potential Enforcement Action for Violations of Section 112(r)(7) of the Clean Air Act. The notification is based on the findings of an October 2009 inspection of the Company s Woodbridge Winery facility by the EPA. The EPA has indicated that anticipated allegations against the Company include the failure to recertify or replace ammonia system relief valves in the facility within the timeframes as required under risk management plan regulations for prevention of accidental releases and related paperwork deficiencies. The Company promptly effected all necessary corrections when the deficiencies were brought to its attention in 2009 and has fully cooperated with all of the EPA s requests. No ammonia relief valves malfunctioned and there was no discharge of materials into the environment as a result of these deficiencies. The Company believes that its Woodbridge Winery is currently in compliance with the relevant section of the Clean Air Act. On March 28, 2011, the EPA extended to the Company an opportunity to discuss resolving any penalty action prior to the filing of a formal Determination of Violation, Compliance Order and Notice of Right to Request a Hearing. The EPA has indicated that it will propose a penalty of $226,000. The Company will dispute such a penalty.

Item 4. (Removed and Reserved).

Executive Officers of the Company

Information with respect to the current executive officers of the Company is as follows:

NAME	AGE	OFFICE OR POSITION HELD
Richard Sands	60	Chairman of the Board
Robert Sands	52	President and Chief Executive Officer
F. Paul Hetterich	48	Executive Vice President, Business Development, Corporate Strategy and International
Thomas J. Mullin	59	Executive Vice President and General Counsel
Robert Ryder	51	Executive Vice President and Chief Financial Officer
W. Keith Wilson	60	Executive Vice President, Chief Human Resources and Administrative Officer
John A. (Jay) Wright	52	President, Constellation Wines North America

Richard Sands, Ph.D., is the Chairman of the Board of the Company. He has been employed by the Company in various capacities since 1979. He has served as a director since 1982. In September 1999, Mr. Sands was elected Chairman of the Board. He served as Chief Executive Officer from October 1993 to July 2007, as Executive Vice President from 1982 to May 1986, as President from May 1986 to December 2002 and as Chief Operating Officer from May 1986 to October 1993. He is the brother of Robert Sands.

Robert Sands is President and Chief Executive Officer of the Company. He was appointed Chief Executive Officer in July 2007 and appointed as President in December 2002. He has served as a director since January 1990. Mr. Sands also served as Chief Operating Officer from December 2002 to July 2007, as Group President from April 2000 through December 2002, as Chief Executive Officer, International from December 1998 through April 2000, as Executive Vice President from October 1993 through April 2000, as General Counsel from June 1986 through May 2000, and as Vice President from June 1990 through October 1993. He is the brother of Richard Sands.

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F. Paul Hetterich has been the Company s Executive Vice President, Business Development, Corporate Strategy and International since July 2009. From June 2003 until July 2009, he served as Executive Vice President, Business Development and Corporate Strategy. From April 2001 to June 2003, Mr. Hetterich served as the Company s Senior Vice President, Corporate Development. Prior to that, Mr. Hetterich held several increasingly senior positions in the Company s marketing and business development groups. Mr. Hetterich has been with the Company since 1986.

Thomas J. Mullin joined the Company as Executive Vice President and General Counsel in May 2000. Prior to joining the Company, Mr. Mullin served as President and Chief Executive Officer of TD Waterhouse Bank, NA, a national banking association, since February 2000, of CT USA, F.S.B. since September 1998, and of CT USA, Inc. since March 1997. He also served as Executive Vice President, Business Development and Corporate Strategy of C.T. Financial Services, Inc. from March 1997 through February 2000. From 1985 through 1997, Mr. Mullin served as Vice Chairman and Senior Executive Vice President of First Federal Savings and Loan Association of Rochester, New York and from 1982 through 1985, he was a partner in the law firm of Phillips Lytle LLP.

Robert Ryder joined the Company in May 2007 as Executive Vice President and Chief Financial Officer. Mr. Ryder previously served from 2005 to 2006 as Executive Vice President and Chief Financial and Administrative Officer of IMG, a sports marketing and media company. From 2002 to 2005, he was Senior Vice President and Chief Financial Officer of American Greetings Corporation, a publicly traded, multi-national consumer products company. From 1989 to 2002, he held several management positions of increasing responsibility with PepsiCo, Inc. These included control, strategic planning, mergers and acquisitions and CFO and Controller positions serving at PepsiCo s corporate headquarters and at its Frito-Lay International and Frito-Lay North America divisions. Mr. Ryder is a certified public accountant.

W. Keith Wilson joined the Company in January 2002 as Senior Vice President, Human Resources. In September 2002, he was elected Chief Human Resources Officer and in April 2003 he was elected Executive Vice President. In July 2007, he was appointed Chief Administrative Officer while retaining the position of Executive Vice President. From 1999 to 2001, Mr. Wilson served as Senior Vice President, Global Human Resources of Xerox Engineering Systems, a subsidiary of Xerox Corporation, which engineers, manufactures and sells hi-tech reprographics equipment and software worldwide. From 1990 to 1999, he served in various senior human resource positions with the banking, marketing and real estate and relocation businesses of Prudential Life Insurance of America, an insurance company that also provides other financial products.

John A. (Jay) Wright is currently President, Constellation Wines North America and the President of Constellation Wines U.S., Inc., having held these positions since December 2009. Prior to that, he served as Executive Vice President and Chief Commercial Officer of Constellation Wines U.S., Inc. from March 2009 until December 2009. Mr. Wright joined the Company in June 2006 with the Company s acquisition of Vincor International Inc. Mr. Wright served as President of Vincor International Inc. from June 2006 until March 2009 and, prior to that, as President and Chief Operating Officer of Vincor International Inc. s Canadian Wine Division from October 2001 until June 2006. Before that, he held various positions of increasing responsibility with various other consumer products companies.

Executive officers of the Company are generally chosen or elected to their positions annually and hold office until the earlier of their removal or resignation or until their successors are chosen and qualified.

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PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Company s Class A Common Stock (the Class A Stock) and Class B Common Stock (the Class B Stock) trade on the New York Stock ExchangeÒ (NYSE) under the symbols STZ and STZ.B, respectively. There is no public trading market for the Company s Class 1 Common Stock. The following tables set forth for the periods indicated the high and low sales prices of the Class A Stock and the Class B Stock as reported on the NYSE.

CLASS A STOCK

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Fiscal 2010				
High	$ 13.50	$ 15.20	$ 17.56	$ 17.46
Low	$ 10.72	$ 11.62	$ 14.36	$ 14.60
Fiscal 2011				
High	$ 18.87	$ 17.56	$ 21.01	$ 22.52
Low	$ 15.06	$ 14.97	$ 16.64	$ 18.84

CLASS B STOCK

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Fiscal 2010				
High	$ 13.53	$ 15.12	$ 17.50	$ 17.22
Low	$ 10.50	$ 11.75	$ 14.62	$ 14.75
Fiscal 2011				
High	$ 18.74	$ 17.44	$ 20.94	$ 22.29
Low	$ 15.00	$ 15.03	$ 16.82	$ 18.50

At April 19, 2011, the number of holders of record of Class A Stock and Class B Stock of the Company were 904 and 178, respectively. There were no holders of record of Class 1 Common Stock.

With respect to its common stock, the Company s policy is to retain all of its earnings to finance the development and expansion of its business, and the Company has not paid any cash dividends on its common stock since its initial public offering in 1973. In addition, the Company s senior credit facility limits the cash dividends that can be paid by the Company on its common stock to an amount determined in accordance with the terms of the 2006 Credit Agreement (as defined under Item 7 of this Annual Report on Form 10-K under the caption Financial Liquidity and Capital Resources Debt Senior Credit Facility). Any indentures for debt securities issued in the future, the terms of any preferred stock issued in the future and any credit agreements entered into in the future may also restrict or prohibit the payment of cash dividends on common stock.

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Item 6. Selected Financial Data.

	For the Years Ended				
	February 28, 2011	February 28, 2010	February 28, 2009	February 29, 2008	February 28, 2007
(in millions, except per share data)					
Sales	$ 4,096.7	$ 4,213.0	$ 4,723.0	$ 4,885.1	$ 6,401.8
Less excise taxes	(764.7)	(848.2)	(1,068.4)	(1,112.1)	(1,185.4)
Net sales	3,332.0	3,364.8	3,654.6	3,773.0	5,216.4
Cost of product sold	(2,141.9)	(2,220.0)	(2,424.6)	(2,491.5)	(3,692.5)
Gross profit	1,190.1	1,144.8	1,230.0	1,281.5	1,523.9
Selling, general and administrative expenses (1)	(640.9)	(682.5)	(832.0)	(812.6)	(787.2)
Impairment of goodwill and intangible assets (2)	(23.6)	(103.2)	(300.4)	(812.2)	-
Restructuring charges (3)	(23.1)	(47.6)	(68.0)	(6.9)	(32.5)
Operating income (loss)	502.5	311.5	29.6	(350.2)	704.2
Equity in earnings of equity method investees	243.8	213.6	186.6	257.9	49.9
Interest expense, net	(195.3)	(265.1)	(323.0)	(348.3)	(273.9)
Loss on write-off of financing costs	-	(0.7)	-	-	-
Gain on change in fair value of derivative instruments	-	-	-	-	55.1
Income (loss) before income taxes	551.0	259.3	(106.8)	(440.6)	535.3
Benefit from (provision for) income taxes	8.5	(160.0)	(194.6)	(172.7)	(203.4)
Net income (loss)	559.5	99.3	(301.4)	(613.3)	331.9
Dividends on preferred stock	-	-	-	-	(4.9)
Income (loss) available to common stockholders	$ 559.5	$ 99.3	$ (301.4)	$ (613.3)	$ 327.0
Earnings (loss) per common share:					
Basic Class A Common Stock	$ 2.68	$ 0.46	$ (1.40)	$ (2.83)	$ 1.44
Basic Class B Convertible Common Stock	$ 2.44	$ 0.41	$ (1.27)	$ (2.57)	$ 1.31
Diluted Class A Common Stock	$ 2.62	$ 0.45	$ (1.40)	$ (2.83)	$ 1.38
Diluted Class B Convertible Common Stock	$ 2.40	$ 0.41	$ (1.27)	$ (2.57)	$ 1.27

Total assets	$	7,167.6	$	8,094.3	$	8,036.5	$	10,052.8	$	9,438.2
Long-term debt, including current maturities	$	3,152.6	$	3,464.3	$	4,206.3	$	4,878.0	$	4,032.2

(1) During the first quarter of the year ended February 28, 2011, the Company reclassified acquisition-related integration costs to selling, general and administrative expenses. Accordingly, all periods presented have been reclassified to reflect this revised presentation.

(2) For a detailed discussion of impairment of goodwill and intangible assets for the years ended February 28, 2011, February 28, 2010, and February 28, 2009, see Management s Discussion and Analysis of Financial Condition and Results of Operations under Item 7 of this Annual Report on Form 10-K under the caption Fiscal 2011 Compared to Fiscal 2010 Impairment of Goodwill and Intangible Assets and Fiscal 2010 Compared to Fiscal 2009 Impairment of Goodwill and Intangible Assets, respectively.

(3) For a detailed discussion of restructuring charges for the years ended February 28, 2011, February 28, 2010, and February 28, 2009, see Management s Discussion and Analysis of Financial Condition and Results of Operations under Item 7 of this Annual Report on Form 10-K under the captions Fiscal 2011 Compared to Fiscal 2010 Restructuring Charges and Fiscal 2010 Compared to Fiscal 2009 Restructuring Charges, respectively.

For the years ended February 28, 2011, and February 28, 2010, see Management s Discussion and Analysis of Financial Condition and Results of Operations under Item 7 of this Annual Report on Form 10-K and the consolidated financial statements and notes thereto under Item 8 of this Annual Report on Form 10-K.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Overview

The Company is the world s leading premium wine company with a broad portfolio of consumer-preferred premium wine brands complemented by premium spirits, imported beer and other select beverage alcohol products. The Company continues to supply imported beer in the United States (U.S.) through its investment in a joint venture with Grupo Modelo, S.A.B. de C.V. This imported beers joint venture operates as Crown Imports LLC and is referred to hereinafter as Crown Imports. The Company is the leading premium wine company in the U.S.; the leading producer and marketer of wine in Canada; and a leading producer and exporter of wine from New Zealand. Prior to January 31, 2011, the Company had leading market positions in both Australia and the United Kingdom (U.K.) through its Australian and U.K. business. On January 31, 2011, the Company completed the sale of 80.1% of its Australian and U.K. business (the CWAE Divestiture) as further discussed below under Divestitures in Fiscal 2011, Fiscal 2010 and Fiscal 2009 .

In connection with the Company s changes during the first quarter of fiscal 2011 within its internal management structure for its Australian and U.K. business, and the Company s revised business strategy within these markets, the Company changed its internal management financial reporting on May 1, 2010, to consist of four business divisions: Constellation Wines North America, Constellation Wines Australia and Europe, Constellation Wines New Zealand and Crown Imports. However, due to a number of factors, including the size of the Constellation Wines New Zealand segment s operations, the similarity of its economic characteristics and long-term financial performance with that of the Constellation Wines North America business, and the fact that the vast majority of the wine produced by the Constellation Wines New Zealand operating segment is sold in the U.S. and Canada, the Company has aggregated the results of this operating segment with its Constellation Wines North America operating segment to form one reportable segment. Accordingly, beginning May 1, 2010, the Company began reporting its operating results in four segments: Constellation Wines North America (wine and spirits) (CWNA), Constellation Wines Australia and Europe (wine) (CWAE), Corporate Operations and Other, and Crown Imports (imported beer). Prior to the changes noted above, the Company s internal management financial reporting consisted of two business divisions, Constellation Wines and Crown Imports. As a result of the CWAE Divestiture, as of February 1, 2011, the Company is no longer reporting operating results for the CWAE segment. Amounts included in the Corporate Operations and Other segment consist of costs of executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal, public relations, global information technology and global supply chain. Any costs incurred at the corporate office that are applicable to the segments are allocated to the appropriate segment. The amounts included in the Corporate Operations and Other segment are general costs that are applicable to the consolidated group and are therefore not allocated to the other reportable segments. All costs reported within the Corporate Operations and Other segment are not included in the chief operating decision maker s evaluation of the operating income performance of the other reportable segments.

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The new business segments reflect how the Company s operations are managed, how operating performance within the Company is evaluated by senior management and the structure of its internal financial reporting. The financial information for Fiscal 2010 and Fiscal 2009 (each as defined below) has been restated to conform to the new segment presentation.

In addition, the Company excludes 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 in the CWNA segment is to remain focused on consumer-preferred premium wine brands, complemented by premium spirits. In this segment, the Company intends to continue to focus on growing premium product categories and expects to capitalize on its size and scale in the marketplace to profitably grow the business. During Fiscal 2010, the Company began implementation of a strategic project to consolidate its U.S. distributor network in key markets and create a new go-to-market strategy designed to focus the full power of its U.S. wine and spirits portfolio in order to improve alignment of dedicated, selling resources which is expected to drive organic growth. In connection with this strategy, the Company negotiated long-term contracts with five U.S. distributors who currently represent about 60% of the Company s branded wine and spirits volume in the U.S. During the second half of fiscal 2010 and throughout Fiscal 2011 (as defined below), the Company s net sales and operating income for its U.S. branded wine and spirits business has benefited from these contracts as the Company s shipments to distributors exceeded distributor shipments to retailers. Following the end of Fiscal 2011, the distributor inventory levels related to the Company s branded wine and spirits products should remain stable as shipments on an annual basis to these distributors will essentially equal the distributors shipments to retailers for the remainder of the terms of these contracts, which extend through the end of fiscal 2015. The Company believes that this is the right strategy to take in order to position the Company for future growth in a consolidating market. In addition, recent U.S. market trends and sales from distributors to retailers of the Company s branded wine and spirits products indicate that the Company has benefited from this new go-to-market strategy in Fiscal 2011.

In addition, in the U.S., the calendar 2010 grape harvest came in lower than the calendar 2009 grape harvest. The Company continues to expect the overall supply of wine to remain generally in balance with demand within the U.S.

Prior to the CWAE Divestiture, the Company s business strategy in the CWAE segment previously included tightening of its portfolio focus, increasing efficiencies, reducing costs and improving cash generation in response to the continuing competitive conditions in the U.K. and Australia. This strategy was adopted to assist the Company in its efforts to effectively deal with some of the long-term challenges the Company had been facing in the U.K. and Australia markets, including (i) annual duty increases in the U.K.; (ii) significant consolidation of U.K. retailers which resulted in a limited number of retailers controlling a significant portion of the off-premise wine business; (iii) continuing surplus of Australian wine which made low cost wine available to U.K. retailers who were able to create and build private label brands in the Australian wine category; and (iv) foreign exchange volatility. For these reasons, combined with the Company s strategic focus on premiumizing its portfolio, generating strong free cash flow and improving return on invested capital, the Company decided to substantially reduce its exposure to the U.K. and Australian markets through the CWAE Divestiture.

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The Company remains committed to its long-term financial model of growing sales, including international expansion of its CWNA segment s branded portfolio, expanding margins, increasing cash flow and reducing borrowings to achieve earnings per share growth and improve return on invested capital.

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

For the year ended February 28, 2011 (Fiscal 2011), the Company s net sales decreased 1% over the year ended February 28, 2010 (Fiscal 2010), primarily due to the divestiture of the U.K. cider business (see Divestitures in Fiscal 2011, Fiscal 2010 and Fiscal 2009 below) and the CWAE Divestiture, partially offset by a combination of volume growth and favorable product mix shift in the U.S. base branded wine portfolio (as defined below). Operating income for Fiscal 2011 increased 61% over Fiscal 2010 primarily due to a decrease in restructuring charges and unusual items for Fiscal 2011 compared to Fiscal 2010. Net income for Fiscal 2011 increased significantly over Fiscal 2010 primarily due to the items discussed above combined with a benefit from income taxes and lower interest expense.

The following discussion and analysis summarizes the significant factors affecting (i) consolidated results of operations of the Company for Fiscal 2011 compared to Fiscal 2010, and Fiscal 2010 compared to the year ended February 28, 2009 (Fiscal 2009), and (ii) financial liquidity and capital resources for Fiscal 2011. References to U.S. base branded wine exclude the impact of (i) branded wine for the CWNA segment previously sold through the Company s CWAE segment, (ii) branded spirits divested of in the value spirits divestiture (as discussed below) and/or (iii) branded wine divested of in the Pacific Northwest Business divestiture (as defined below), as appropriate. References to U.K. base branded wine exclude the impact of U.K. cider divested of in the U.K. cider business divestiture (as discussed below). This discussion and analysis should be read in conjunction with the Company s consolidated financial statements and notes thereto included herein.

Divestitures in Fiscal 2011, Fiscal 2010 and Fiscal 2009

Australian and U.K. Business

In January 2011, the Company sold 80.1% of its Australian and U.K. business (the CWAE Divestiture) at a transaction value of $266.9 million, subject to post-closing adjustments. The Company received cash proceeds, net of cash divested of $15.8 million and direct costs paid of $2.3 million, of $221.3 million, subject to post-closing adjustments. The Company retained a 19.9% interest in its previously owned Australian and U.K. business. This transaction is consistent with the Company s strategic focus on premiumizing the Company s portfolio and improving margins and return on invested capital.

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The following table summarizes the net gain recognized and the net cash proceeds received in connection with this divestiture:

(in millions)		
Net assets sold	$	(734.1)
Cash received from buyer, net of cash divested		223.6
Retained interest in previously owned business		48.2
Estimated post-closing adjustments		(19.3)
Foreign currency reclassification		678.8
Indemnification liabilities		(26.1)
Direct costs to sell, paid and accrued		(14.0)
Other		8.0
Net gain on sale		165.1
Loss on settlement of pension		(109.9)
Net gain	$	55.2

In addition, the Company s CWAE segment recorded an additional net gain of $28.5 million, primarily associated with a net gain on derivative instruments of $20.8 million, related to this divestiture. Total net gains associated with this divestiture of $83.7 million are included in selling, general and administrative expenses on the Company s Consolidated Statements of Operations.

U.K. Cider Business

In January 2010, the Company sold its U.K. cider business for cash proceeds of £43.9 million ($71.6 million), net of direct costs to sell. This transaction is consistent with the Company s strategic focus on premium higher-growth, higher-margin wine, beer and spirits brands. In connection with this divestiture, the Company s CWAE segment recorded a gain of $11.2 million for Fiscal 2010 which is included in selling, general and administrative expenses on the Company s Consolidated Statements of Operations.

Value Spirits Business

In March 2009, the Company sold its value spirits business for $336.4 million, net of direct costs to sell. The Company received $276.4 million, net of direct costs to sell, in cash proceeds and a note receivable for $60.0 million in connection with this divestiture. In the first quarter of fiscal 2011, the Company received full payment of the note receivable. The Company retained certain premium spirits brands, including SVEDKA Vodka, Black Velvet Canadian Whisky and Paul Masson Grande Amber Brandy. This transaction is consistent with the Company s strategic focus on premium, higher-growth and higher-margin brands in its portfolio. In connection with the classification of this business as an asset group held for sale as of February 28, 2009, the Company s CWNA segment recorded a loss of $15.6 million in the fourth quarter of fiscal 2009, primarily related to asset impairments. In the first quarter of fiscal 2010, the Company s CWNA segment recognized a net gain of $0.2 million, which included a gain on settlement of a postretirement obligation of $1.0 million, partially offset by an additional loss of $0.8 million. These amounts are included in selling, general and administrative expenses on the Company s Consolidated Statements of Operations.

Pacific Northwest Business

In June 2008, the Company sold certain businesses consisting of several California wineries and wine brands acquired in the acquisition of all of the issued and outstanding capital stock of Beam Wine Estates, Inc. (BWE), 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 reducing excess production capacity. In connection with this divestiture, the Company s CWNA segment recorded a loss of $23.2 million for Fiscal 2009, which included a loss on business sold of $15.8 million and losses on contractual obligations of $7.4 million. The loss of $23.2 million is included in selling, general and administrative expenses on the Company s Consolidated Statements of Operations.

Equity Method Investment in Fiscal 2011

In connection with the Company s December 2004 investment in Ruffino S.r.l. (Ruffino), the Company granted separate irrevocable and unconditional options to the two other shareholders of Ruffino to put to the Company all of the ownership interests held by these shareholders for a price as calculated in the joint venture agreement. Each option was exercisable during the period starting from January 1, 2010, and ending on December 31, 2010. For the year ended February 28, 2010, in connection with the notification by the 9.9% shareholder of Ruffino to exercise its option to put its entire equity interest in Ruffino to the Company for the specified minimum value of 23.5 million, the Company recognized a loss of $34.3 million for the third quarter of fiscal 2010 on the contractual obligation created by this notification. This loss was included in selling, general and administrative expenses on the Company s Consolidated Statements of Operations. In May 2010, the Company settled this put option through a cash payment of 23.5 million ($29.6 million) to the 9.9% shareholder of Ruffino, thereby increasing the Company s equity interest in Ruffino from 40.0% to 49.9%. In December 2010, the Company received notification from the 50.1% shareholder of Ruffino that it was exercising its option to put its entire equity interest in Ruffino to the Company for 55.9 million. Prior to this notification, the Company had initiated arbitration proceedings against the 50.1% shareholder alleging various matters which should affect the validity of the put option. However, subsequent to the initiation of the arbitration proceedings, the Company began discussions with the 50.1% shareholder on a framework for settlement of all legal actions. The framework of the settlement would include the Company s purchase of the 50.1% shareholder s entire equity interest in Ruffino on revised terms to be agreed upon by both parties. As a result, the Company recognized a loss for the fourth quarter of fiscal 2011 of 43.4 million ($60.0 million) on the contingent obligation. This loss is included in selling, general and administrative expenses on the Company s Consolidated Statements of Operations. As of February 28, 2011, the Company s investment in Ruffino was $7.4 million.

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Results of Operations
Fiscal 2011 Compared to Fiscal 2010

Net Sales

The following table sets forth the net sales by reportable segment of the Company for Fiscal 2011 and Fiscal 2010.

	Fiscal 2011	Fiscal 2010	% Increase (Decrease)
(in millions)			
CWNA net sales	$ 2,557.3	$ 2,434.7	5 %
CWAE net sales	774.7	930.1	(17)%
Crown Imports net sales	2,392.9	2,256.2	6 %
Consolidations and eliminations	(2,392.9)	(2,256.2)	(6)%
Consolidated Net Sales	$ 3,332.0	$ 3,364.8	(1)%

Net sales for Fiscal 2011 decreased to $3,332.0 million from $3,364.8 million for Fiscal 2010, a decrease of $32.8 million, or (1%). This decrease resulted primarily from the divestiture of the U.K. cider business, the CWAE Divestiture and the divestiture of the value spirits business of $178.2 million, partially offset by an increase in U.S. base branded wine net sales of $85.9 million and a favorable year-over-year foreign currency translation impact of $52.6 million.

Constellation Wines North America

Net sales for CWNA increased to $2,557.3 million for Fiscal 2011 from $2,434.7 million for Fiscal 2010, an increase of $122.6 million, or 5%. This increase is primarily due to volume growth and favorable product mix shift in the U.S. base branded wine portfolio due largely to certain U.S. distributor contractual commitments, and a favorable year-over-year foreign currency translation impact of $36.4 million, partially offset by increased promotional spend, primarily in the U.S. The Fiscal 2011 U.S. volume growth is even more pronounced as a result of the Company s strategic decision in the fourth quarter of fiscal 2010 to work with certain of its U.S. distributors to reduce their U.S. branded wine inventory levels and not require these distributors to purchase the originally contracted branded wine amounts during that quarter. The Company believes that this strategic decision has helped and will continue to help its U.S. distributors improve depletion trends and consumer takeaway as distributor cost savings associated with carrying lower levels of inventory were invested by the U.S. distributors in additional marketing and promotional programming behind the CWNA segment s U.S. branded wine portfolio during Fiscal 2011 and such investments are expected to continue during Fiscal 2012.

Constellation Wines Australia and Europe

Net sales for CWAE decreased to $774.7 million for Fiscal 2011 from $930.1 million for Fiscal 2010, a decrease of $155.4 million, or (17%). This decrease is primarily due to a decrease in net sales of $171.7 million in connection with the divestiture of the U.K. cider business and the CWAE Divestiture, partially offset by a favorable year-over-year foreign currency translation impact of $16.2 million.

Crown Imports

As this segment is eliminated in consolidation, see Equity in Earnings of Equity Method Investees 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 $1,190.1 million for Fiscal 2011 from $1,144.8 million for Fiscal 2010, an increase of $45.3 million, or 4%. This increase is due to an increase in CWNA s gross profit of $48.3 million and a decrease in unusual items, which consist of certain amounts that are excluded by management in their evaluation of the results of each operating segment, of $27.7 million, partially offset by a decrease in CWAE s gross profit of $30.7 million. The increase in CWNA s gross profit is primarily due to favorable product mix shift and volume growth (primarily in the U.S. base branded wine portfolio) combined with a favorable year-over-year foreign currency translation impact of $15.9 million, partially offset by increased U.S. promotional spend and the flow through of higher calendar 2008 U.S. grape costs. The decrease in unusual items is primarily due to decreases in accelerated depreciation of $15.5 million associated with certain restructuring programs and the flow through of inventory step-up of $6.0 million associated primarily with the December 2007 BWE acquisition. The decrease in CWAE s gross profit is primarily due to the divestiture of the U.K. cider business and the CWAE Divestiture.

Gross profit as a percent of net sales increased to 35.7% for Fiscal 2011 from 34.0% for Fiscal 2010 primarily due to the lower unusual items and growth of higher-margin CWNA branded wine and spirits net sales (driven primarily by favorable U.S. base branded wine product mix shift and the divestitures of the lower-margin Australian and U.K. business and the U.K. cider business), partially offset by the negative impact of the flow through of the higher calendar 2008 U.S. grape costs and the increased U.S. promotional spend.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased to $640.9 million for Fiscal 2011 from $682.5 million for Fiscal 2010, a decrease of $41.6 million, or (6%). This decrease is due to decreases in unusual items, which consist of certain amounts that are excluded by management in their evaluation of the results of each operating segment, of $85.7 million, and the CWAE segment of $23.1 million, partially offset by increases in the CWNA segment of $55.3 million and the Corporate Operations and Other segment of $11.9 million. The decrease in unusual items consists of the following:

(in millions)	Fiscal 2011	Fiscal 2010	(Decrease) Increase
Net gains on the CWAE Divestiture and related activities	$ (83.7)	$	$ (83.7)
Net gain on sale of nonstrategic assets/business	(3.3)	(11.2)	7.9
Loss on contractual obligation from put option of Ruffino shareholder	60.0	34.3	25.7
Acquisition-related integration costs	0.5	0.2	0.3
Net gain on March 2009 sale of value spirits business		(0.2)	0.2
Other costs	6.3	42.4	(36.1)
	$ (20.2)	$ 65.5	$ (85.7)

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The decrease in other costs above is driven primarily by the Company s plan (announced in April 2009) to simplify its business, increase efficiencies and reduce its cost structure on a global basis (the Global Initiative). The decrease in CWAE s selling, general and administrative expenses is primarily due to the divestiture of the U.K. cider business and the CWAE Divestiture. The increase in CWNA s selling, general and administrative expenses is due to increases (on a constant currency basis) in general and administrative expenses of $21.4 million, selling expenses of $15.2 million and advertising expenses of $9.6 million, combined with an unfavorable year-over-year foreign currency translation impact of $9.1 million. The increases in general and administrative expenses and selling expenses are primarily due to (i) costs associated with the Company s initiative to implement a comprehensive, multi-year program to strengthen and enhance the Company s global business capabilities and processes through the creation of an integrated technology platform to improve the accessibility of information and visibility of global data (Project Fusion); (ii) higher compensation and benefits driven largely by higher annual management incentive compensation expense; and (iii) higher consulting service fees associated with the segment s review of certain business and process improvement opportunities. The increase in advertising expenses is primarily due to a planned increase in marketing and advertising spend behind the segment s branded wine and spirits portfolio. The increase in Corporate Operations and Other s selling, general and administrative expenses is due to an increase in general and administrative expenses resulting largely from higher annual management incentive compensation expense and higher stock-based compensation expense.

Selling, general and administrative expenses as a percent of net sales decreased to 19.2% for Fiscal 2011 as compared to 20.3% for Fiscal 2010 primarily due to the factors discussed above, partially offset by the increased U.S. promotional spend.

Impairment of Goodwill and Intangible Assets

The Company recorded impairment losses of $23.6 million and $103.2 million for Fiscal 2011 and Fiscal 2010, respectively. The Fiscal 2011 impairment losses resulted primarily from the Company s fourth quarter annual review, pursuant to the Company s accounting policy, of indefinite lived intangible assets for impairment. The Company determined that certain trademarks associated with the CWNA segment s Canadian reporting unit were impaired largely due to lower revenue and profitability associated with products incorporating these assets included in long-term financial forecasts developed as part of the strategic planning cycle conducted during the Company s fourth quarter. As a result of this review, the Company recorded an impairment loss of $19.7 million, which is included in impairment of goodwill and intangible assets on the Company s Consolidated Statements of Operations. In addition, in the third quarter of fiscal 2011, in connection with the Company s decision to discontinue certain wine brands within its CWNA segment s U.S. wine portfolio, the Company determined that certain indefinite lived trademarks associated with the CWNA segment s U.S. reporting unit were impaired. As a result of this decision, the Company recorded an impairment loss of $6.9 million, which is included in impairment of goodwill and intangible assets on the Company s Consolidated Statements of Operations. The Fiscal 2010 impairment losses resulted from the Company s fourth quarter annual review, pursuant to the Company s accounting policy, of indefinite lived intangible assets for impairment. The Company determined that certain trademarks associated primarily with the CWAE segment s Australian reporting unit were impaired largely due to lower revenue and profitability associated with products incorporating these assets included in long-term financial forecasts developed as part of the strategic planning cycle conducted during the Company s fourth quarter. As a result of this review, the Company recorded an impairment loss of $103.2 million, which is included in impairment of goodwill and intangible assets on the Company s Consolidated Statements of Operations.

Restructuring Charges

The Company recorded $23.1 million of restructuring charges for Fiscal 2011 associated primarily with the Company s Global Initiative and the Company s plan (announced in August 2008) 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). Restructuring charges include $12.1 million of employee termination benefit costs, $5.2 million of contract termination costs, $4.2 million of net noncash charges on assets sold in Australia, and $1.6 million of facility consolidation/relocation costs. The Company recorded $47.6 million of restructuring charges for Fiscal 2010 associated primarily with the Company s Global Initiative and Australian Initiative.

In addition, the Company incurred additional costs for Fiscal 2011 and Fiscal 2010 in connection with the Company s restructuring and acquisition-related integration plans. Total costs incurred in connection with these plans for Fiscal 2011 and Fiscal 2010 are as follows:

	Fiscal 2011	Fiscal 2010
(in millions)		
Cost of Product Sold		
Accelerated depreciation	$ 2.2	$ 17.7
Inventory write-downs	$	$ 1.6
Other	$	$ 4.7
Selling, General and Administrative Expenses		
Gain on sale of nonstrategic assets	$ (1.0)	$
Acquisition-related integration costs	$ 0.5	$ 0.2
Other costs	$ 6.3	$ 42.4
Restructuring Charges	$ 23.1	$ 47.6

The Company does not expect to incur any material costs in connection with its existing restructuring plans for Fiscal 2012.

Operating Income

The following table sets forth the operating income (loss) by reportable segment of the Company for Fiscal 2011 and Fiscal 2010.

	Fiscal 2011	Fiscal 2010	% (Decrease) Increase
(in millions)			
CWNA	$ 631.0	$ 638.0	(1)%
CWAE	9.3	16.9	(45)%
Corporate Operations and Other	(106.6)	(94.7)	(13)%
Crown Imports	453.0	444.1	2 %
Consolidations and eliminations	(453.0)	(444.1)	(2)%
Total Reportable Segments	533.7	560.2	(5)%
Restructuring Charges and Unusual Items	(31.2)	(248.7)	NM
Consolidated Operating Income	$ 502.5	$ 311.5	61 %

NM = Not Meaningful

As a result of the factors discussed above, consolidated operating income increased to $502.5 million for Fiscal 2011 from $311.5 million for Fiscal 2010, an increase of $191.0 million, or 61%. Restructuring charges and unusual items of $31.2 million and $248.7 million for Fiscal 2011 and Fiscal 2010, respectively, consist of certain amounts that are excluded by management in their evaluation of the results of each operating segment. These amounts include:

(in millions)	Fiscal 2011	Fiscal 2010
Cost of Product Sold		
Flow through of inventory step-up	$ 2.4	$ 8.4
Accelerated depreciation	2.2	17.7
Inventory write-downs		1.6
Other	0.1	4.7
Cost of Product Sold	4.7	32.4
Selling, General and Administrative Expenses		
Net gains on the CWAE Divestiture and related activities	(83.7)	
Net gain on sale of nonstrategic assets/business	(3.3)	(11.2)
Loss on contractual obligation from put option of Ruffino shareholder	60.0	34.3
Acquisition-related integration costs	0.5	0.2
Net gain on March 2009 sale of value spirits business		(0.2)
Other costs	6.3	42.4
Selling, General and Administrative Expenses	(20.2)	65.5
Impairment of Intangible Assets	23.6	103.2
Restructuring Charges	23.1	47.6
Restructuring Charges and Unusual Items	$ 31.2	$ 248.7

Equity in Earnings of Equity Method Investees

The Company s equity in earnings of equity method investees increased to $243.8 million for Fiscal 2011 from $213.6 million for Fiscal 2010, an increase of $30.2 million, or 14%. This increase is primarily due to the Company s Fiscal 2010 recognition of an impairment of $25.4 million related to its CWNA segment s investment in Ruffino and higher Fiscal 2011 equity in earnings of $4.2 million from the Company s Crown Imports joint venture. The Fiscal 2010 impairment resulted from the Company s third quarter review of its equity method investments for other-than-temporary impairment. As a result of this review, the Company determined that the CWNA segment s investment in Ruffino was impaired primarily due to a decline in revenue and profit forecasts for this international equity method investee combined with an unfavorable foreign exchange movement between the euro and the U.S. Dollar. Accordingly, the Company recorded an impairment loss of $25.4 million in equity in earnings of equity method investees on the Company s Consolidated Statements of Operations.

Net sales for Crown Imports increased to $2,392.9 million for Fiscal 2011 from $2,256.2 million for Fiscal 2010, an increase of $136.7 million, or 6%. This increase resulted primarily from volume growth within the Crown Imports Mexican beer portfolio. Crown Imports gross profit increased $32.1 million, or 5%, primarily due to the volume growth, partially offset by a contractual price increase in Mexican beer costs. Selling, general and administrative expenses increased $23.2 million, or 11%, primarily due to an increase in general and administrative expenses driven largely by an unfavorable arbitration panel decision in the third quarter of fiscal 2011 related to a matter with one of Crown Imports former distributors, and a planned increase in advertising spend. Operating income increased $8.9 million, or 2%, primarily due to these factors.

Interest Expense, Net

Interest expense, net of interest income of $3.5 million and $10.4 million, for Fiscal 2011 and Fiscal 2010, respectively, decreased to $195.3 million for Fiscal 2011 from $265.1 million for Fiscal 2010, a decrease of $69.8 million, or (26%). The decrease resulted from lower average interest rates for the Company combined with reduced average borrowings for Fiscal 2011.

Provision for Income Taxes

The Company s effective tax rate for Fiscal 2011 and Fiscal 2010 is (1.5%) and 61.7%, respectively. The Company s effective tax rate for Fiscal 2011 of (1.5%) was driven largely by a benefit of $207.0 million associated with the deduction for investments and loans related to the CWAE Divestiture and a decrease in uncertain tax positions of $36.0 million in connection with the completion of various income tax examinations and the expiration of statutes of limitation during Fiscal 2011, partially offset by the recognition of valuation allowances against net operating losses in the U.K. and Australia. The Company s effective tax rate for Fiscal 2010 of 61.7% was driven largely by (i) a nondeductible portion of the impairment loss related to certain trademarks of $93.7 million, (ii) the recognition of nondeductible charges of $59.7 million related to the Company s Ruffino investment and (iii) $37.5 million of taxes associated with the sale of the value spirits business, primarily related to the write-off of nondeductible goodwill; partially offset by a decrease in uncertain tax positions of $33.0 million in connection with the completion of various income tax examinations during Fiscal 2010.

Net Income

As a result of the above factors, net income increased to $559.5 million for Fiscal 2011 from $99.3 million for Fiscal 2010, an increase of $460.2 million.

Fiscal 2010 Compared to Fiscal 2009

Net Sales

The following table sets forth the net sales by reportable segment of the Company for Fiscal 2010 and Fiscal 2009.

	Fiscal 2010	Fiscal 2009	% (Decrease) Increase
(in millions)			
CWNA net sales	$ 2,434.7	$ 2,703.4	(10)%
CWAE net sales	930.1	951.2	(2)%
Crown Imports net sales	2,256.2	2,395.4	(6)%
Consolidations and eliminations	(2,256.2)	(2,395.4)	6 %
Consolidated Net Sales	$ 3,364.8	$ 3,654.6	(8)%

Net sales for Fiscal 2010 decreased to $3,364.8 million from $3,654.6 million for Fiscal 2009, a decrease of $289.8 million, or (8%). This decrease resulted primarily from decreases in spirits net sales and U.S. base branded wine net sales of $195.2 million and $70.7 million, respectively, and an unfavorable year-over-year foreign currency translation impact of $66.8 million, partially offset by growth of U.K. branded wine net sales of $35.2 million (on a constant currency basis).

Constellation Wines North America

Net sales for CWNA decreased to $2,434.7 million for Fiscal 2010 from $2,703.4 million for Fiscal 2009, a decrease of $268.7 million, or (10%). This decrease resulted primarily from decreases in spirits net sales of $195.2 million and U.S. base branded wine net sales of $70.7 million. The decrease in spirits net sales was due to a decrease of $230.0 million in connection with the divestitures of the value spirits business and a Canadian distilling facility, partially offset by growth within the retained spirits business driven largely by volume growth of SVEDKA Vodka. The decrease in the U.S. base branded wine net sales was due primarily to the Company s fourth quarter of fiscal 2010 strategic decision to assist U.S. distributors in reducing their higher than average inventory levels. The higher inventory levels resulted primarily from a planned build in inventory levels during the second quarter of fiscal 2010 in advance of the September 1, 2009, U.S. distributor transition program. These actions had the planned effect of moving a portion of third quarter of fiscal 2010 sales into the second quarter of fiscal 2010. However, during the third quarter of fiscal 2010, distributor depletions were not as strong as expected. As a result, U.S. distributor inventory levels were higher than expected at the end of the third quarter of fiscal 2010. As such, the Company, in collaboration with certain of its newly contracted U.S. distributors, did not require these distributors to purchase the original contracted amount during the fourth quarter of fiscal 2010. The Company estimated that this decision unfavorably impacted the U.S. branded wine net sales by approximately $60 to $70 million.

Constellation Wines Australia and Europe

Net sales for CWAE decreased to $930.1 million for Fiscal 2010 from $951.2 million for Fiscal 2009, a decrease of $21.1 million, or (2%). This decrease was driven primarily by an unfavorable year-over-year foreign currency translation impact of $61.4 million, partially offset by $35.2 million of U.K. base branded wine growth on a constant currency basis. This increase was due primarily to volume growth of lower priced products.

Crown Imports

As this segment is eliminated in consolidation, see Equity in Earnings of Equity Method Investees 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 $1,144.8 million for Fiscal 2010 from $1,230.0 million for Fiscal 2009, a decrease of $85.2 million, or (7%). This decrease was due to a decrease in CWNA s gross profit of $122.0 million and CWAE s gross profit of $58.1 million, partially offset by a decrease in unusual items, which consist of certain amounts that are excluded by management in their evaluation of the results of each operating segment, of $94.9 million. The decrease in CWNA s gross profit was primarily due to the divestitures of certain lower margin businesses, primarily the value spirits business, of $76.6 million, and a decrease in the U.S. base branded wine portfolio of $35.8 million. The decrease in the U.S. base branded wine gross profit was largely due to the lower net sales to certain U.S. distributors. The decrease in CWAE s gross profit was primarily due to the flow through of higher Australian calendar 2008 harvest costs and an unfavorable mix of sales towards lower margin products. The lower unusual items was primarily due to a decrease in inventory write-downs of $92.2 million in Fiscal 2010 compared to Fiscal 2009 due largely to (i) inventory write-downs of $53.9 million recorded in Fiscal 2009 in connection with the Company s Australian Initiative and (ii) a loss of $37.0 million on the adjustment of certain inventory, primarily Australian, related to prior years.

Gross profit as a percent of net sales increased to 34.0% for Fiscal 2010 from 33.7% for Fiscal 2009 primarily due to the lower unusual items, partially offset by the decrease in CWAE s gross profit resulting primarily from the flow through of higher Australian calendar 2008 harvest costs and the unfavorable mix of sales towards lower margin products.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased to $682.5 million for Fiscal 2010 from $832.0 million for Fiscal 2009, a decrease of $149.5 million, or (18%). This decrease was due to decreases in the CWNA segment of $115.7 million, the CWAE segment of $27.9 million and unusual items, which consist of certain amounts that are excluded by management in their evaluation of the results of each operating segment, of $13.8 million, partially offset by an increase in the Corporate Operations and Other segment of $7.9 million. The decrease in CWNA s selling, general and administrative expenses was primarily due to decreases (on a constant currency basis) in general and administrative expenses of $51.4 million, selling expenses of $37.6 million and advertising expenses of $25.2 million. These decreases are largely attributable to (i) the divestitures of certain lower margin value businesses, primarily the value spirits business; (ii) cost savings in connection with the Company s various restructuring activities; (iii) planned reductions in marketing and advertising spend; and (iv) an overlap of prior year losses on foreign currency transactions. The decrease in CWAE s selling, general and administrative expenses was primarily due to decreases (on a constant currency basis) in advertising expenses of $12.5 million and selling expenses of $3.6 million, combined with a favorable year-over-year foreign currency translation impact of $10.4 million. These decreases are due largely to planned reductions in marketing and advertising spend and cost savings in connection with the Company s various restructuring activities. The decrease in unusual items consists of the following:

(in millions)	Fiscal 2010	Fiscal 2009	(Decrease) Increase
Loss on contractual obligation from put option of Ruffino shareholder	$ 34.3	$	$ 34.3
(Gain) loss on sale of nonstrategic business/assets	(11.2)	8.1	(19.3)
Net (gain) loss on March 2009 sale of value spirits business	(0.2)	15.6	(15.8)
Acquisition-related integration costs	0.2	8.2	(8.0)
Loss on sale of Pacific Northwest Business		23.2	(23.2)
Other costs	42.4	24.2	18.2
	$ 65.5	$ 79.3	$ (13.8)

The increase in other costs above is due largely to $34.9 million of other costs recognized in Fiscal 2010 in connection with the Company s Global Initiative plan compared to $16.0 million of other costs recognized in Fiscal 2009 in connection with the Company s plan (announced in August 2006) to invest in new distribution and bottling facilities in the U.K. and to streamline certain Australian wine operations (collectively, the Fiscal 2007 Wine Plan). The increase in the Corporate Operations and Other segment s selling, general and administrative expenses was due to an increase in general and administrative expenses resulting primarily from Project Fusion.

Selling, general and administrative expenses as a percent of net sales decreased to 20.3% for Fiscal 2010 as compared to 22.8% for Fiscal 2009 primarily due to cost savings in connection with the Company s various restructuring activities, the planned reductions in marketing and advertising spend and the overlap of prior year losses on foreign currency transactions.

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Impairment of Goodwill and Intangible Assets

During Fiscal 2010, the Company recorded impairment losses of $103.2 million, consisting of impairment of certain trademarks related primarily to its CWAE segment s Australian reporting unit. During Fiscal 2009, the Company recorded impairment losses of $300.4 million, consisting of impairments of goodwill and certain trademarks of $252.8 million and $47.6 million, respectively, related primarily to its CWAE segment s U.K. reporting unit.

Restructuring Charges

The Company recorded $47.6 million of restructuring charges for Fiscal 2010 associated primarily with the Company s Global Initiative and Australian Initiative. Restructuring charges included $25.0 million of employee termination benefit costs, $13.4 million of impairment charges on assets sold or held for sale in Australia, $7.6 million of contract termination costs and $1.6 million of facility consolidation/relocation costs. The Company recorded $68.0 million of restructuring charges for Fiscal 2009 associated primarily with the Company s Australian Initiative.

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

(in millions)	Fiscal 2010	Fiscal 2009
Cost of Product Sold		
Accelerated depreciation	$ 17.7	$ 11.2
Inventory write-downs	$ 1.6	$ 56.8
Other	$ 4.7	$
Selling, General and Administrative Expenses		
Acquisition-related integration costs	$ 0.2	$ 8.2
Other costs	$ 42.4	$ 24.2
Impairment of Intangible Assets	$	$ 22.2
Restructuring Charges	$ 47.6	$ 68.0

Operating Income

The following table sets forth the operating income (loss) by reportable segment of the Company for Fiscal 2010 and Fiscal 2009.

(in millions)	Fiscal 2010	Fiscal 2009	% (Decrease) Increase
CWNA	$ 638.0	$ 644.3	(1)%
CWAE	16.9	47.1	(64)%
Corporate Operations and Other	(94.7)	(86.8)	(9)%
Crown Imports	444.1	504.1	(12)%
Consolidations and eliminations	(444.1)	(504.1)	12 %
Total Reportable Segments	560.2	604.6	(7)%
Restructuring Charges and Unusual Items	(248.7)	(575.0)	NM
Consolidated Operating Income	$ 311.5	$ 29.6	NM

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As a result of the factors discussed above, consolidated operating income increased to $311.5 million for Fiscal 2010 from $29.6 million for Fiscal 2009, an increase of $281.9 million. Restructuring charges and unusual items of $248.7 million and $575.0 million for Fiscal 2010 and Fiscal 2009, respectively, consist of certain costs that are excluded by management in their evaluation of the results of each operating segment. These costs include:

(in millions)	Fiscal 2010	Fiscal 2009
Cost of Product Sold		
Accelerated depreciation	$ 17.7	$ 11.2
Flow through of inventory step-up	8.4	22.2
Inventory write-downs	1.6	56.8
Other	4.7	37.1
Cost of Product Sold	32.4	127.3
Selling, General and Administrative Expenses		
Loss on contractual obligation from put option of Ruffino shareholder	34.3	
(Gain) loss on sale of nonstrategic business/assets	(11.2)	8.1
Net (gain) loss on March 2009 sale of value spirits business	(0.2)	15.6
Acquisition-related integration costs	0.2	8.2
Loss on sale of Pacific Northwest Business		23.2
Other costs	42.4	24.2
Selling, General and Administrative Expenses	65.5	79.3
Impairment of Goodwill and Intangible Assets	103.2	300.4
Restructuring Charges	47.6	68.0
Restructuring Charges and Unusual Items	$ 248.7	$ 575.0

Equity in Earnings of Equity Method Investees

The Company s equity in earnings of equity method investees increased to $213.6 million for Fiscal 2010 from $186.6 million for Fiscal 2009, an increase of $27.0 million, or 14%. This increase was primarily due to the recognition of a $25.4 million impairment loss recognized in Fiscal 2010 related to the Company s CWNA segment s international equity method investment in Ruffino as compared to $83.3 million of impairment losses recognized in Fiscal 2009 related primarily to Ruffino ($48.6 million) and the Company s CWAE segment s international equity method investment in the U.K. wholesale business, Matthew Clark ($30.1 million). The increase in equity in earnings of equity method investees from lower impairment losses in Fiscal 2010 was partially offset by a decrease of $30.4 million in equity in earnings from the Company s Crown Imports joint venture.

Net sales for Crown Imports decreased to $2,256.2 million for Fiscal 2010 from $2,395.4 million for Fiscal 2009, a decrease of $139.2 million, or (6%). This decrease resulted primarily from lower volumes within the Crown Imports Mexican beer portfolio. Crown Imports gross profit decreased $59.0 million, or (8%), primarily due to these lower sales volumes and a contractual price increase in Mexican beer costs. Selling, general and administrative expenses increased $1.0 million, primarily due to an increase in selling expenses as increased advertising spend by Crown Imports in connection with certain Fiscal 2010 national media programs was offset by contributions from the brand owner for this increased advertising spend in Fiscal 2010. Operating income decreased $60.0 million, or (12%), primarily due to these factors.

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Interest Expense, Net

Interest expense, net of interest income of $10.4 million and $3.8 million, for Fiscal 2010 and Fiscal 2009, respectively, decreased to $265.1 million for Fiscal 2010 from $323.0 million for Fiscal 2009, a decrease of $57.9 million, or (18%). This decrease was primarily due to lower average borrowings for Fiscal 2010 resulting predominantly from the repayment of a portion of the Company s outstanding borrowings using the proceeds from the sale of the value spirits business and the U.K. cider business.

Provision for Income Taxes

The Company s effective tax rate for Fiscal 2010 of 61.7% was driven largely by (i) a nondeductible portion of the impairment loss related to certain trademarks of $93.7 million, (ii) the recognition of nondeductible charges of $59.7 million related to the Company s Ruffino investment; and (iii) $37.5 million of taxes associated with the sale of the value spirits business, primarily related to the write-off of nondeductible goodwill; partially offset by a decrease in uncertain tax positions of $33.0 million in connection with the completion of various income tax examinations during Fiscal 2010. The Company s effective tax rate for Fiscal 2009 of (182.2%) was impacted primarily by (i) a nondeductible portion of the impairment losses related to goodwill, equity method investments and certain trademarks of $268.8 million, $83.3 million and $23.6 million, respectively; (ii) the recognition of a valuation allowance of $67.4 million against net operating losses primarily in Australia resulting largely from the Australian Initiative; and (iii) the recognition of income tax expense in connection with the gain on settlement of certain foreign currency economic hedges.

Net Income (Loss)

As a result of the above factors, net income increased to $99.3 million for Fiscal 2010 from a net loss of $301.4 million for Fiscal 2009, or $400.7 million.

Financial Liquidity and Capital Resources

General

The Company s principal use of cash in its operating activities is for purchasing and carrying inventories and carrying seasonal accounts receivable. The Company s primary source of liquidity has historically been cash flow from operations, except during annual grape harvests when the Company has relied on short-term borrowings. In the U.S. and Canada, the annual grape crush normally begins in August and runs through October. In 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 the majority of payments for such grapes coming due within 90 days. 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.

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The Company has maintained adequate liquidity to meet current working capital requirements, fund capital expenditures and repay scheduled principal and interest payments on debt. Absent deterioration of market conditions, the Company believes that cash flows from operating activities and its financing activities, primarily short-term borrowings, will provide adequate resources to satisfy its working capital, scheduled principal and interest payments on debt, and anticipated capital expenditure requirements for both its short-term and long-term capital needs.

As of April 19, 2011, the Company had $595.4 million in revolving loans available to be drawn under its 2006 Credit Agreement (as defined below). The member financial institutions participating in the Company s 2006 Credit Agreement have complied with prior funding requests and the Company believes the member financial institutions will comply with ongoing funding requests. However, there can be no assurances that any particular financial institution will continue to do so in the future.

Fiscal 2011 Cash Flows

Operating Activities

Net cash provided by operating activities for Fiscal 2011 was $619.3 million, which resulted primarily from net income of $559.5 million, plus $255.7 million of net noncash items charged to the Consolidated Statements of Operations, partially offset by net cash used in the net change in the Company s operating assets and liabilities of $161.0 million.

The net noncash items consisted primarily of depreciation expense, loss on settlement of pension obligations associated with the CWAE Divestiture, deferred tax provision, loss on contractual obligation from put option of Ruffino shareholder and stock-based compensation expense, partially offset by the net gain on business sold associated with the CWAE Divestiture. The net cash used in the net change in the Company s operating assets and liabilities is driven primarily by decreases in other accrued expenses and liabilities of $168.6 million and accounts payable of $82.5 million combined with an increase in accounts receivable, net, of $86.0 million, partially offset by a decrease in inventories of $190.8 million. The decrease in other accrued expenses and liabilities is due largely to the recognition of income tax benefits in connection with the CWAE Divestiture. The decrease in accounts payable is due primarily to lower grape grower payables in Australia as a result of the timing of the January 2011 CWAE Divestiture in advance of the calendar 2011 Australian grape harvest and the timing of payments in the U.K. (through January 31, 2011). The increase in accounts receivable, net is due primarily to the net sales volume growth in the U.S. branded wine portfolio. The decrease in inventories is due largely to decreases in Australian, U.S. and New Zealand inventory levels. The reduction in Australian inventory levels is primarily due to a later calendar 2011 grape harvest combined with the January 2011 CWAE Divestiture. The decrease in the U.S. inventory levels is primarily due to the flow through of higher 2008 U.S. calendar grape costs combined with the net sales volume growth during the fourth quarter of fiscal 2011 in the U.S. branded wine portfolio. The reduction in New Zealand inventory levels is primarily due to lower tonnage and grape costs associated with the calendar 2011 grape harvest.

Investing Activities

Net cash provided by investing activities for Fiscal 2011 was $188.1 million, which resulted primarily from proceeds from the sale of businesses, net of cash divested, of $219.7 million driven primarily by the proceeds from the CWAE Divestiture, net of direct costs to sell, and proceeds from the note receivable received in connection with the divestiture of the value spirits business of $60.0 million, partially offset by capital expenditures of $89.1 million and a payment in connection with the settlement of the irrevocable and unconditional put option of the incremental 9.9% ownership interest associated with the Company s equity method investment, Ruffino, of $29.6 million.

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Financing Activities

Net cash used in financing activities for Fiscal 2011 was $845.7 million resulting primarily from principal payments of long-term debt of $328.5 million, purchases of treasury stock through the ASB transaction (as defined below) of $300.0 million and net repayment of notes payable of $289.7 million, partially offset by proceeds from exercise of employee stock options of $61.0 million.

Fiscal 2010 Cash Flows

Operating Activities

Net cash provided by operating activities for Fiscal 2010 was $402.5 million, which resulted primarily from net income of $99.3 million, plus $312.0 million of net noncash items charged to the Consolidated Statements of Operations and $47.1 million of other, net, less $55.9 million representing the net change in the Company s operating assets and liabilities.

The net noncash items consisted primarily of depreciation expense, impairment of goodwill and intangible assets, stock-based compensation expense and loss on the contractual obligation from the put option of a Ruffino shareholder. Other, net, consists primarily of cash proceeds from the settlement of certain derivative instruments designated to hedge foreign currency risk associated with certain foreign currency denominated transactions. The net change in operating assets and liabilities resulted primarily from a decrease in other accrued expenses and liabilities of $110.6 million and a decrease of $42.7 million in accounts payable, partially offset by a decrease in accounts receivable, net, and inventories of $61.9 million and $51.0 million, respectively. The decrease in other accrued expenses and liabilities of $110.6 million is primarily due to higher income tax payments for Fiscal 2010 and lower accrued interest resulting primarily from the timing of interest payments. The decrease in accounts payable of $42.7 million is due largely to lower grape grower payables in Australia associated with the calendar 2010 harvest and the timing of payments in the U.K. business. The decrease in accounts receivable, net, of $61.9 million primarily reflects the impact of the reduced branded wine net sales in the U.S. during the fourth quarter of fiscal 2010 and the liquidation of the accounts receivable balances associated with the January 2010 divestiture of the U.K. cider business. The decrease in inventories of $51.0 million is primarily due to the flow through of the higher calendar 2008 Australian harvest costs in Fiscal 2010, partially offset by an increase in the Company s U.S. branded wine inventory levels resulting largely from the reduced branded wine net sales in the U.S. during the fourth quarter of fiscal 2010.

Investing Activities

Net cash provided by investing activities for Fiscal 2010 was $256.6 million, which resulted primarily from the proceeds of $349.6 million from the divestitures of the value spirits business and the U.K. cider business, both net of direct costs to sell, partially offset by $107.7 million of capital expenditures.

Financing Activities

Net cash used in financing activities for Fiscal 2010 was $623.0 million resulting primarily from principal payments of long-term debt of $781.3 million, partially offset by net proceeds from notes payable of $117.1 million and proceeds from maturity of a derivative instrument of $33.2 million.

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Share Repurchase Programs

In April 2010, the Company s Board of Directors authorized the repurchase of up to $300.0 million of the Company s Class A Common Stock and Class B Convertible Common Stock. During Fiscal 2011, the Company repurchased 17,223,404 shares of Class A Common Stock pursuant to this authorization at an aggregate cost of $300.0 million, or an average cost of $17.42 per share, through a collared accelerated stock buyback (ASB) transaction that was announced in April 2010. The Company paid the purchase price under the ASB transaction in April 2010, at which time it received an initial installment of 11,016,451 shares of Class A Common Stock. In May 2010, the Company received an additional installment of 2,785,029 shares of Class A Common Stock in connection with the early termination of the hedge period on May 10, 2010. In November 2010, the Company received the final installment of 3,421,924 shares of Class A Common Stock following the end of the calculation period on November 24, 2010. The Company used revolver borrowings under the 2006 Credit Agreement to pay the purchase price for the repurchased shares. During Fiscal 2011, the Company has used cash flows from operating activities to repay the revolver borrowings under the 2006 Credit Agreement used to pay the purchase price for the repurchased shares. The repurchased shares have become treasury shares.

In April 2011, the Company s Board of Directors authorized the repurchase of up to $500.0 million of the Company s Class A Common Stock and Class B Convertible Common Stock. The Board of Directors did not specify a date upon which this authorization would expire. Share repurchases under this authorization are expected to be accomplished from time to time based on market conditions, the Company s cash and debt position, and other factors as determined by management. Shares may be repurchased through open market or privately negotiated transactions, and management currently expects that the repurchase under this authorization will be implemented over a multi-year period. The Company may fund share repurchases with cash generated from operations or proceeds of borrowings under its senior credit facility. Any repurchased shares will become treasury shares. As of April 28, 2011, no shares have been repurchased pursuant to this authorization.

Debt

Total debt outstanding as of February 28, 2011, amounted to $3,236.3 million, a decrease of $599.2 million from February 28, 2010.

Senior Credit Facility

2006 Credit Agreement

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 are parties to a credit agreement, as amended (the 2006 Credit Agreement). The 2006 Credit Agreement provides for aggregate credit facilities of $3,842.0 million, consisting of (i) a $1,200.0 million tranche A term loan facility with an original final maturity in June 2011, fully repaid as of February 28, 2011 (the Tranche A Term Loans), (ii) a $1,800.0 million tranche B term loan facility, of which $1,500.0 million has a final maturity in June 2013 (the 2013 Tranche B Term Loans) and $300.0 million has a final maturity in June 2015 (the 2015 Tranche B Term Loans), and (iii) an $842.0 million revolving credit facility (including a sub-facility for letters of credit of up to $200 million), of which $192.0 million terminates in June 2011 (the 2011 Revolving Facility) and $650.0 million terminates in June 2013 (the 2013 Revolving Facility). The Company uses its revolving credit facility under the 2006 Credit Agreement for general corporate purposes.

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As of February 28, 2011, the required principal repayments of the tranche B term loan facility for each of the five succeeding fiscal years and thereafter are as follows:

	Tranche B Term Loan Facility
(in millions)	
2012	$ 5.6
2013	466.4
2014	465.1
2015	146.2
2016	144.7
Thereafter	
	$ 1,228.0

The rate of interest on borrowings under the 2006 Credit Agreement is a function of LIBOR plus a margin, the federal funds rate plus a margin, or the prime rate plus a margin. The margin is adjustable based upon the Company s debt ratio (as defined in the 2006 Credit Agreement) with respect to the 2011 Revolving Facility and the 2013 Revolving Facility, and is fixed with respect to the 2013 Tranche B Term Loans and the 2015 Tranche B Term Loans. As of February 28, 2011, the LIBOR margin for the 2011 Revolving Facility is 1.25%; the LIBOR margin for the 2013 Revolving Facility is 2.50%; the LIBOR margin for the 2013 Tranche B Term Loans is 1.50%; and the LIBOR margin on the 2015 Tranche B Term Loans is 2.75%.

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, the 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 maintaining a maximum total debt coverage ratio and minimum interest coverage ratio.

As of February 28, 2011, under the 2006 Credit Agreement, the Company had outstanding 2013 Tranche B Term Loans of $928.0 million bearing an interest rate of 1.8%, 2015 Tranche B Term Loans of $300.0 million bearing an interest rate of 3.1%, 2011 Revolving Facility of $7.5 million bearing an interest rate of 3.5%, 2013 Revolving Facility of $67.4 million bearing an interest rate of 3.1%, outstanding letters of credit of $13.9 million, and $753.2 million in revolving loans available to be drawn.

As of April 19, 2011, following a $300.0 million prepayment of the tranche B term loan facility in March 2011, under the 2006 Credit Agreement, the Company had outstanding 2013 Tranche B Term Loans of $700.2 million bearing an interest rate of 1.8%, 2015 Tranche B Term Loans of $226.4 million bearing an interest rate 3.0%, 2011 Revolving Facility of $43.3 million bearing an interest rate of 1.5%, 2013 Revolving Facility of $189.4 million bearing an interest rate of 2.6%, outstanding letters of credit of $13.9 million, and $595.4 million in revolving loans available to be drawn.

Through February 28, 2010, the Company had outstanding interest rate swap agreements which were designated as cash flow hedges of $1,200.0 million of the Company s floating LIBOR rate debt. The designated cash flow hedges fixed the Company s interest rates on $1,200.0 million of the Company s floating LIBOR rate debt through February 28, 2010. In addition, the Company had offsetting undesignated interest rate swap agreements with an absolute notional amount of $2,400.0 million outstanding as of February 28, 2010. On March 1, 2010, the Company paid $11.9 million in connection with the maturity of these outstanding interest rate swap agreements, which is reported in other, net in cash flows from operating activities in the Company s Consolidated Statements of Cash Flows. In June 2010, the Company entered into a new five year delayed start interest rate swap agreement effective September 1, 2011, which was designated as a cash flow hedge for $500.0 million of the Company s floating LIBOR rate debt. Accordingly, the Company fixed its interest rates on $500.0 million of the Company s floating LIBOR rate debt at an average rate of 2.9% (exclusive of borrowing margins) through September 1, 2016. For Fiscal 2011, the Company did not reclassify any amount from Accumulated Other Comprehensive Income (AOCI) to interest expense, net on its Consolidated Statements of Operations. For Fiscal 2010 and Fiscal 2009, the Company reclassified net losses of $27.7 million and $12.6 million, respectively, net of income tax effect, from AOCI to interest expense, net on the Company s Consolidated Statements of Operations.

Senior Notes

In November 1999, the Company issued £75.0 million ($121.7 million upon issuance) aggregate principal amount of 8 1/2% Senior Notes due November 2009 (the Sterling Senior Notes). In March 2000, the Company exchanged £75.0 million aggregate principal amount of 8 1/2% Series B Senior Notes due November 2009 (the Sterling Series B Senior Notes) for all of the Sterling Senior Notes. In October 2000, the Company exchanged £74.0 million aggregate principal amount of Sterling Series C Senior Notes (as defined below) for £74.0 million of the Sterling Series B Senior Notes. On May 15, 2000, the Company issued £80.0 million ($120.0 million upon issuance) aggregate principal amount of 8 1/2% Series C Senior Notes due November 2009 (the Sterling Series C Senior Notes). In November 2009, the Company repaid the Sterling Series B Senior Notes and the Sterling Series C Senior Notes with proceeds from the Company s revolving credit facility under its then existing senior credit facility and cash flows from operating activities.

In February 2009, the Company entered into a foreign currency forward contract to fix the U.S. dollar payment of the Sterling Series B Senior Notes and Sterling Series C Senior Notes. In accordance with the Financial Accounting Standards Board (FASB) guidance for derivatives and hedging, this foreign currency forward contract qualified for cash flow hedge accounting treatment. In November 2009, the Company received $33.2 million of proceeds from the maturity of this derivative instrument. This amount is reported in cash flows from financing activities on the Company s Consolidated Statements of Cash Flows for Fiscal 2010.

As of February 28, 2011, the Company had outstanding $695.6 million (net of $4.4 million unamortized discount) aggregate principal amount of 7 1/4% Senior Notes due September 2016 (the August 2006 Senior Notes).

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In May 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 then existing senior credit facility. 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. As of February 28, 2011, the Company had outstanding $700.0 million aggregate principal amount of May 2007 Senior Notes.

In December 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. As of February 28, 2011, the Company had outstanding $498.0 million (net of $2.0 million unamortized discount) aggregate principal amount of December 2007 Senior Notes.

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

Senior Subordinated Notes

In January 2002, the Company issued $250.0 million aggregate principal amount of 8 1/8% Senior Subordinated Notes due January 2012 (the January 2002 Senior Subordinated Notes). On February 25, 2010, the Company repaid the January 2002 Senior Subordinated Notes with proceeds from its revolving credit facility under the 2006 Credit Agreement and cash flows from operating activities.

Indentures

The Company s indentures under which its outstanding senior notes were issued contain customary covenants, requirements and restrictions, the breach of which could result in an acceleration of the Company s obligation to repay the senior notes.

Subsidiary Credit Facilities

The Company has additional credit arrangements totaling $154.2 million as of February 28, 2011. 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 February 28, 2011, amounts outstanding under these arrangements were $39.8 million.

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Contractual Obligations and Commitments

The following table sets forth information about the Company s long-term contractual obligations outstanding at February 28, 2011. The table brings together data for easy reference from the consolidated balance sheet and from individual notes to the Company s consolidated financial statements. See Notes 10, 11, 12, 13, 14, and 15 to the Company s consolidated financial statements located in Item 8 of this Annual Report on Form 10-K for a detailed discussion of the items noted in the following table.

	PAYMENTS DUE BY PERIOD				
(in millions)	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Contractual obligations					
Notes payable to banks	$ 83.7	$ 83.7	$	$	$
Interest payments on notes payable to banks[1]	2.6	2.6			
Long-term debt (excluding unamortized discount)	3,159.0	15.9	939.8	796.5	1,406.8
Interest payments on long-term debt[2]	971.9	175.4	328.7	242.9	224.9
Operating leases	340.2	59.8	76.0	46.1	158.3
Other long-term liabilities[3]	141.3	25.5	36.2	10.4	69.2
Unconditional purchase obligations[4]	1,401.5	423.0	616.8	256.5	105.2
Total contractual obligations	$ 6,100.2	$ 785.9	$ 1,997.5	$ 1,352.4	$ 1,964.4

(1) Interest payments on notes payable to banks include interest on both revolving loans under the Company s senior credit facility and on foreign subsidiary credit facilities. The weighted average interest rate on the revolving loans under the Company s senior credit facility was 3.2% as of February 28, 2011. Interest rates on foreign subsidiary credit facilities range from 3.0% to 5.9% as of February 28, 2011.

(2) Interest rates on long-term debt obligations range from 2.1% to 8.4% as of February 28, 2011. Interest payments on long-term debt obligations include amounts associated with the Company s outstanding interest rate swap agreements to fix LIBOR interest rates on $500.0 million of the Company s floating LIBOR rate debt. Interest payments on long-term debt do not include interest related to capital lease obligations or certain foreign credit arrangements, which represent approximately 1.0% of the Company s total long-term debt, as amounts are not material.

(3) Other long-term liabilities include $21.5 million associated with expected payments for unrecognized tax benefit liabilities as of February 28, 2011, including $5.3 million in the less than one year period. The payments are reflected in the period in which the Company believes they will ultimately be settled based on the Company s experience in these matters. Other long-term liabilities do not include payments for unrecognized tax benefit liabilities of $132.9 million due to the uncertainty of the timing of future cash flows associated with these unrecognized tax benefit liabilities. In addition, other long-term liabilities do not include expected payments for interest and penalties associated with unrecognized tax benefit liabilities as amounts are not material. See Note 12 to the Company s consolidated financial statements located in Item 8 of this Annual Report on Form 10-K for a detailed discussion of these items.

(4) Total unconditional purchase obligations consist of $915.5 million for contracts to purchase grapes over the next fourteen fiscal years, $29.4 million for contracts to purchase bulk wine over the next three fiscal years, $326.5 million for contracts to purchase certain raw materials over the next four fiscal years, and $130.1 million for processing contracts over the next nine fiscal years. See Note 15 to the Company s consolidated financial statements located in Item 8 of this Annual Report on Form 10-K for a detailed discussion of these items.

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Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that either have, or are reasonably likely to have, a current or future effect on the Company s financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Capital Expenditures

During Fiscal 2011, the Company incurred $89.1 million for capital expenditures. The Company plans to spend from $85 million to $95 million for capital expenditures in Fiscal 2012. Included within the planned expenditures for Fiscal 2012 are amounts associated with the Company s Project Fusion. Management reviews the capital expenditure program periodically and modifies it as required to meet current business needs.

Effects of Inflation and Changing Prices

The Company s results of operations and financial condition have not been significantly affected by inflation and changing prices. The Company intends to pass along rising costs through increased selling prices, subject to normal competitive conditions. There can be no assurances, however, that the Company will be able to pass along rising costs through increased selling prices. In addition, the Company continues to identify on-going cost savings initiatives.

Critical Accounting Policies

The Company s significant accounting policies are more fully described in Note 1 to the Company s consolidated financial statements located in Item 8 of this Annual Report on Form 10-K. However, certain of the Company s accounting policies are particularly important to the portrayal of the Company s financial position and results of operations and require the application of significant judgment by the Company s management; as a result, they are subject to an inherent degree of uncertainty. In applying those policies, the Company s management uses its judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on the Company s historical experience, the Company s observance of trends in the industry, information provided by the Company s customers and information available from other outside sources, as appropriate. On an ongoing basis, the Company reviews its estimates to ensure that they appropriately reflect changes in the Company s business. The Company s critical accounting policies include:

> *Inventory valuation.* Inventories are stated at the lower of cost or market, cost being determined on the first-in, first-out method. The Company assesses the valuation of its inventories and reduces the carrying value of those inventories that are obsolete or in excess of the Company s forecasted usage to their estimated net realizable value. The Company estimates the net realizable value of such inventories based on analyses and assumptions including, but not limited to, historical usage, future demand and market requirements. Reductions to the carrying value of inventories are recorded in cost of product sold. If the future demand for the Company s products is less favorable than the Company s forecasts, then the value of the inventories may be required to be reduced, which could result in material additional expense to the Company and have a material adverse impact on the Company s financial statements. The Company recognized inventory write-downs to net realizable value of $1.6 million and $56.8 million for Fiscal 2010 and Fiscal 2009, respectively, in connection with certain of the Company s restructuring plans, primarily the Australian Initative. Inventory write-downs to net realizable value recognized in the ordinary course of business were not material for Fiscal 2011, Fiscal 2010 and Fiscal 2009. Inventories were $1,369.3 million and $1,879.9 million as of February 28, 2011, and February 28, 2010, respectively.

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Goodwill and other intangible assets. The Company accounts for goodwill and other intangible assets by classifying intangible assets into three categories: (i) intangible assets with definite lives subject to amortization; (ii) intangible assets with indefinite lives not subject to amortization; and (iii) goodwill. For intangible assets with definite lives, impairment testing is required if conditions exist that indicate the carrying value may not be recoverable. For intangible assets with indefinite lives and for goodwill, impairment testing is required at least annually or more frequently if events or circumstances indicate that these assets might be impaired. The Company performs annual impairment tests and re-evaluates the useful lives of other intangible assets with indefinite lives at its annual impairment test measurement date of January 1 or when circumstances arise that indicate a possible impairment might exist. The Company uses a two-step process to evaluate goodwill for impairment. In the first step, the fair value of each reporting unit is compared to the carrying value of the reporting unit, including goodwill. The estimate of fair value of the reporting unit is generally determined on the basis of discounted future cash flows supplemented by the market approach. If the estimated fair value of the reporting unit is less than the carrying value of the reporting unit, a second step is performed to determine the amount of the goodwill impairment the Company should record. In the second step, an implied fair value of the reporting unit s goodwill is determined by allocating the reporting unit s fair value to all of its assets and liabilities other than goodwill (including any unrecognized intangible assets). The resulting implied fair value of the goodwill is compared to the carrying value of goodwill. The amount of impairment charge for goodwill is equal to the excess of the carrying value of the goodwill over the implied fair value of that goodwill. The Company s reporting units include the U.S., Canada and New Zealand. In estimating the fair value of the reporting units, management must make assumptions and projections regarding such items as future cash flows, future revenues, future earnings and other factors. The assumptions used in the estimate of fair value are consistent with historical trends and the projections and assumptions that are used in current operating plans. These assumptions reflect management s estimates of future economic and competitive conditions and are, therefore, subject to change as a result of changing market conditions. If these estimates or their related assumptions change in the future, the Company may be required to record an impairment loss for these assets. The recording of any resulting impairment loss could have a material adverse impact on the Company s financial statements.

The most significant assumptions used in the discounted cash flows calculation to determine the fair value of the Company s reporting units in connection with impairment testing are: (i) the discount rate, (ii) the expected long-term growth rate and (iii) the annual cash flow projections. If the Company used a discount rate that was 50 basis points higher or used an expected long-term growth rate that was 50 basis points lower or used annual cash flow projections that were 100 basis points lower in its impairment testing of goodwill, then the changes individually would not have resulted in the carrying value of the respective reporting unit s net assets, including its goodwill, exceeding its fair value, which would indicate the potential for impairment and the requirement to measure the amount of impairment, if any.

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In the fourth quarter of fiscal 2011, pursuant to the Company s accounting policy, the Company performed its annual goodwill impairment analysis. No indication of impairment was noted for any of the Company s reporting units, as the fair value of each of the Company s reporting units with goodwill exceeded their carrying value. Based on this analysis, the fair value of the Company s U.S., New Zealand and Canadian reporting units exceeded their carrying value by approximately 20%, 19% and 18%, respectively. In the fourth quarter of fiscal 2010, as a result of its annual goodwill impairment analysis, the Company concluded that there were no indications of impairment for any of the Company s reporting units. In the fourth quarter of fiscal 2009, as a result of its annual goodwill impairment analysis, the Company concluded that the carrying value of goodwill assigned to the CWAE segment s U.K. reporting unit exceeded its implied fair value and recorded an impairment loss of $252.7 million, which is included in impairment of goodwill and intangible assets on the Company s Consolidated Statements of Operations. Goodwill was $2,619.8 million and $2,570.6 million as of February 28, 2011, and February 28, 2010, respectively.

The Company s other intangible assets consist primarily of customer relationships and trademarks obtained through business acquisitions. Customer relationships are amortized over their estimated useful lives. The useful lives of existing trademarks that were determined to be indefinite are not amortized. These trademarks are evaluated for impairment by comparing the carrying value of the trademarks to their estimated fair value. The estimated fair value of trademarks is calculated based on an income approach using the relief from royalty methodology. The estimated fair value of trademarks is generally determined on the basis of discounted cash flows. The estimate of fair value is then compared to the carrying value of each trademark. If the estimated fair value is less than the carrying value of the trademark, then an impairment charge is recorded by the Company to reduce the carrying value of the trademark to its estimated fair value. In estimating the fair value of the trademarks, management must make assumptions and projections regarding such items as future cash flows, future revenues, future earnings and other factors. The assumptions used in the estimate of fair value are consistent with historical trends and the projections and assumptions that are used in current operating plans. These assumptions reflect management s estimates of future economic and competitive conditions and are, therefore, subject to change as a result of changing market conditions. If these estimates or their related assumptions change in the future, the Company may be required to record an impairment loss for these assets. The recording of any resulting impairment loss could have a material adverse impact on the Company s financial statements.

The most significant assumptions used in the discounted cash flows calculation to determine the fair value of intangible assets with indefinite lives in connection with impairment testing are: (i) the discount rate, (ii) the expected long-term growth rate and (iii) the annual cash flow projections. If the Company used a discount rate that was 50 basis points higher or used an expected long-term growth rate that was 50 basis points lower or used annual cash flow projections that were 100 basis points lower in its impairment testing of intangible assets with indefinite lives, then each change individually would not have resulted in any non-impaired unit of accounting s carrying value exceeding its fair value.

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In the fourth quarter of fiscal 2011, pursuant to the Company s accounting policy, the Company performed its annual review of indefinite lived intangible assets for impairment. The Company determined that certain trademarks associated with the CWNA segment s Canadian reporting unit were impaired. As a result of this review, the Company recorded impairment losses of $16.7 million, which are included in impairment of goodwill and intangible assets on the Company s Consolidated Statements of Operations. The Company had previously recorded impairment losses of $6.9 million during its third quarter of fiscal 2011 in connection with the Company s decision to discontinue certain wine brands within its CWNA segment s U.S. wine portfolio. In the fourth quarter of fiscal 2010, as a result of its annual review of indefinite lived intangible assets for impairment, the Company determined that certain trademarks associated primarily with the CWAE segment s Australian reporting unit were impaired. As a result of this review, the Company recorded impairment losses of $103.2 million, which are included in impairment of goodwill and intangible assets on the Company s Consolidated Statements of Operations. In the fourth quarter of fiscal 2009, as a result of its annual review of indefinite lived intangible assets for impairment, the Company determined that certain trademarks associated primarily with the CWAE segment s U.K. reporting unit were impaired. As a result of this review, the Company recorded impairment losses of $25.9 million, which are included in impairment of goodwill and intangible assets on the Company s Consolidated Statements of Operations. The Company had previously recorded impairment losses of $21.8 million during its second quarter of fiscal 2009 in connection with the Company s Australian Initiative. Intangible assets with indefinite lives were $822.2 million and $855.7 million as of February 28, 2011, and February 28, 2010, respectively.

Accounting for promotional activities. Sales reflect reductions attributable to consideration given to customers in various customer incentive programs, including pricing discounts on single transactions, volume discounts, promotional and advertising allowances, coupons, and rebates. Certain customer incentive programs require management to estimate the cost of those programs. The accrued liability for these programs is determined through analysis of programs offered, historical trends, expectations regarding customer and consumer participation, sales and payment trends, and experience with payment patterns associated with similar programs that have been offered previously. If assumptions included in the Company s estimates were to change or market conditions were to change, then material incremental reductions to revenue could be required, which could have a material adverse impact on the Company s financial statements. Promotional costs were $699.0 million, $749.8 million and $712.1 million for Fiscal 2011, Fiscal 2010 and Fiscal 2009, respectively. Accrued promotion costs were $52.3 million and $111.4 million as of February 28, 2011, and February 28, 2010, respectively.

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Accounting for stock-based compensation. The Company adopted the fair value recognition provisions using the modified prospective transition method on March 1, 2006 in accordance with the FASB guidance for compensation stock compensation. Under the fair value recognition provisions of this guidance, stock-based compensation cost is calculated at the grant date based on the fair value of the award and is recognized as expense, net of estimated pre-vesting forfeitures, ratably over the vesting period of the award. In addition, this guidance requires additional accounting related to the income tax effects and disclosure regarding the cash flow effects resulting from stock-based payment arrangements. The Company selected the Black-Scholes option-pricing model as the most appropriate fair value method for its awards granted after March 1, 2006. The calculation of fair value of stock-based awards requires the input of assumptions, including the expected term of the stock-based awards and the associated stock price volatility. The assumptions used in calculating the fair value of stock-based awards represent the Company s best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and the Company uses different assumptions, then stock-based compensation expense could be materially different in the future. If the Company used an expected term for its stock-based awards that was one year longer, the fair value of stock-based awards granted during Fiscal 2011, Fiscal 2010, Fiscal 2009 and for the years ended February 29, 2008 (Fiscal 2008), and February 28, 2007 (Fiscal 2007), would have increased by $27.1 million, resulting in an increase of $5.5 million of stock-based compensation expense for Fiscal 2011. If the Company used an expected term of the stock-based awards that was one year shorter, the fair value of the stock-based awards granted during Fiscal 2011, Fiscal 2010, Fiscal 2009, Fiscal 2008 and Fiscal 2007 would have decreased by $27.4 million, resulting in a decrease of $5.3 million of stock-based compensation expense for Fiscal 2011. The total amount of stock-based compensation recognized for Fiscal 2011 was $47.0 million, of which $43.1 million was expensed for Fiscal 2011 and $3.9 million was capitalized in inventory as of February 28, 2011. The total amount of stock-based compensation recognized for Fiscal 2010 was $56.8 million, of which $51.7 million was expensed for Fiscal 2010 and $5.1 million was capitalized in inventory as of February 28, 2010. The total amount of stock-based compensation recognized for Fiscal 2009 was $47.5 million, of which $42.9 million was expensed for Fiscal 2009 and $4.6 million was capitalized in inventory as of February 28, 2009.

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Accounting for income taxes. The Company estimates its income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits based upon various factors including, but not limited to, historical pretax operating income, future estimates of pretax operating income, differences between book and tax treatment of items of income and expense and tax planning strategies. The Company is subject to income taxes in the U.S., Canada, New Zealand and other jurisdictions. The Company recognizes its deferred tax assets and liabilities based upon the expected future tax outcome of amounts recognized in the Company s Consolidated Statements of Operations. If necessary, the Company records a valuation allowance on deferred tax assets if the realization of the asset appears doubtful. The Company believes that all tax positions are fully supported, however the Company records tax liabilities in accordance with the FASB s guidance for income tax accounting when certain positions are likely to be challenged and may not succeed. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the Company s current estimate of the tax liabilities. In addition, changes in existing tax laws or rates could significantly change the Company s current estimate of its tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined. Changes in current estimates, if significant, could have a material adverse impact on the Company s financial statements. The annual effective tax rate was (1.5%), 61.7% and (182.2%) for Fiscal 2011, Fiscal 2010 and Fiscal 2009, respectively.

Accounting for business combinations. The acquisition of businesses is an important element of the Company s strategy. Under the acquisition method, the Company is required to record the net assets acquired at the estimated fair value at the date of acquisition. The determination of the fair value of the assets acquired and liabilities assumed requires the Company to make estimates and assumptions that affect the Company s financial statements. For example, the Company s acquisitions typically result in the recognition of goodwill and other intangible assets; the value and estimated life of those assets may affect the amount of future period amortization expense for intangible assets with finite lives as well as possible impairment charges that may be incurred. Amortization expense for amortizable intangible assets was $5.5 million, $5.8 million and $6.8 million for Fiscal 2011, Fiscal 2010 and Fiscal 2009, respectively. Amortizable intangible assets were $64.1 million and $69.3 million as of February 28, 2011, and February 28, 2010, respectively.

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Accounting Guidance Not Yet Adopted

Fair value measurements and disclosures

In January 2010, the FASB issued amended guidance for fair value measurements and disclosures. This guidance requires an entity to (i) disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and the reasons for the transfers, and (ii) present separately information about purchases, sales, issuances and settlements on a gross basis in the reconciliation for fair value measurements using significant unobservable inputs (Level 3). This guidance also clarifies existing disclosures requiring an entity to provide fair value measurement disclosures for each class of assets and liabilities and, for Level 2 or Level 3 fair value measurements, disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. Effective March 1, 2010, the Company adopted the additional disclosure requirements and clarifications of existing disclosures of this guidance, except for the disclosures about purchases, sales, issuances and settlements in the reconciliation for fair value measurements using significant unobservable inputs (Level 3). The Company is required to adopt those disclosures for its annual and interim periods beginning March 1, 2011. The adoption of the applicable provisions of this guidance on March 1, 2010, did not have a material impact on the Company s consolidated financial statements. The adoption of the remaining provision of this guidance on March 1, 2011, did not have a material impact on the Company s consolidated financial statements.

Intangibles goodwill and other

In December 2010, the FASB issued amended guidance for when to perform Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. The amended guidance modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. Any resulting goodwill impairment upon adoption should be recorded as a cumulative-effect adjustment to beginning retained earnings in the period of adoption. The Company is required to adopt the guidance for its annual and interim periods beginning March 1, 2011. The adoption of this amended guidance on March 1, 2011, did not have a material impact on the Company s consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

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

Foreign currency derivative instruments are or may be used to hedge existing foreign currency denominated assets and liabilities, forecasted foreign currency denominated sales/purchases to/from third parties as well as intercompany sales/purchases, intercompany principal and interest payments, and in connection with acquisitions or joint venture investments outside the U.S. As of February 28, 2011, the Company had exposures to foreign currency risk primarily related to the euro, New Zealand dollar and Canadian dollar.

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As of February 28, 2011, and February 28, 2010, the Company had outstanding foreign currency derivative instruments with a notional value of $326.4 million and $1,020.1 million, respectively. Approximately 47% of the Company s total exposures were hedged as of February 28, 2011, including most of the Company s balance sheet exposures and certain of the Company s forecasted transactional exposures. The estimated fair value of the Company s foreign currency derivative instruments was a net asset of $11.7 million and $14.6 million as of February 28, 2011, and February 28, 2010, respectively. 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 February 28, 2011, and February 28, 2010, the fair value of open foreign currency contracts would have been decreased by $0.4 million and $13.2 million, respectively. Losses or gains from the revaluation or settlement of the related underlying positions would substantially offset such gains or losses on the derivative instruments.

The fair value of fixed rate debt is subject to interest rate risk, credit risk and foreign currency risk. The estimated fair value of the Company s total fixed rate debt, including current maturities, was $2,104.0 million and $1,974.3 million as of February 28, 2011, and February 28, 2010, respectively. A hypothetical 1% increase from prevailing interest rates as of February 28, 2011, and February 28, 2010, would have resulted in a decrease in fair value of fixed interest rate long-term debt by $90.3 million and $97.3 million, respectively.

As of February 28, 2011, and February 28, 2010, the Company had outstanding cash flow designated interest rate swap agreements to minimize interest rate volatility. As of February 28, 2011, the swap agreements fix LIBOR interest rates on $500.0 million of the Company s floating LIBOR rate debt at an average rate of 2.9% (exclusive of borrowing margins) through September 1, 2016. As of February 28, 2010, the swap agreements fixed LIBOR interest rates on $1,200.0 million of the Company s floating LIBOR rate debt at an average rate of 4.1% through February 28, 2010. In addition, as of February 28, 2010, the Company had offsetting outstanding undesignated interest rate swap agreements with an absolute notional value of $2,400.0 million. The Company s interest rate swap agreements that were outstanding as of February 28, 2010, matured on March 1, 2010. The estimated fair value of the Company s interest rate swap agreements was a net liability of $4.4 million and $12.0 million as of February 28, 2011, and February 28, 2010, respectively. A hypothetical 1% increase from prevailing interest rates as of February 28, 2011, would have favorably increased the fair value of the interest rate swap agreements by $25.1 million. A hypothetical 1% increase from prevailing interest rates as of February 28, 2010, would not have resulted in a significant change in the fair value of the interest rate swap agreements.

In addition to the $2,104.0 million and $1,974.3 million estimated fair value of fixed rate debt outstanding as of February 28, 2011, and February 28, 2010, respectively, the Company also had variable rate debt outstanding (primarily LIBOR-based), certain of which includes a fixed margin. As of February 28, 2011, and February 28, 2010, the estimated fair value of the Company s total variable rate debt, including current maturities was $1,278.0 million and $1,879.2 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 February 28, 2011, and February 28, 2010, is $29.0 million and $19.2 million, respectively.

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Item 8. Financial Statements and Supplementary Data.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 28, 2011

The following information is presented in this Annual Report on Form 10-K:

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Constellation Brands, Inc.:

We have audited the accompanying consolidated balance sheets of Constellation Brands, Inc. and subsidiaries (the Company) as of February 28, 2011 and 2010, and the related consolidated statements of operations, changes in stockholders equity, and cash flows for each of the years in the three-year period ended February 28, 2011. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Constellation Brands, Inc. and subsidiaries as of February 28, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended February 28, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Constellation Brands, Inc. s internal control over financial reporting as of February 28, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated April 29, 2011 expressed an unqualified opinion on the effectiveness of Constellation Brands, Inc. s internal control over financial reporting.

/s/ KPMG LLP

Rochester, New York
April 29, 2011

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Constellation Brands, Inc.:

We have audited Constellation Brands, Inc. s (the Company) internal control over financial reporting as of February 28, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Constellation Brands, Inc. s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed 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. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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In our opinion, Constellation Brands, Inc. maintained, in all material respects, effective internal control over financial reporting as of February 28, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Constellation Brands, Inc. and subsidiaries as of February 28, 2011 and 2010, and the related consolidated statements of operations, changes in stockholders equity, and cash flows for each of the years in the three-year period ended February 28, 2011, and our report dated April 29, 2011 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Rochester, New York
April 29, 2011

Management s Annual Report on Internal Control Over Financial Reporting

Management of Constellation Brands, Inc. and subsidiaries (the Company) is responsible for establishing and maintaining an adequate system of internal control over financial reporting. This system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

The Company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, effectiveness of internal controls over financial reporting may vary over time.

Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on that evaluation, management concluded that the Company s internal control over financial reporting was effective as of February 28, 2011.

The effectiveness of the Company s internal control over financial reporting has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein.

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

	February 28, 2011	February 28, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash investments	$ 9.2	$ 43.5
Accounts receivable, net	417.4	514.7
Inventories	1,369.3	1,879.9
Prepaid expenses and other	287.1	151.0
Total current assets	2,083.0	2,589.1
PROPERTY, PLANT AND EQUIPMENT, net	1,219.6	1,567.2
GOODWILL	2,619.8	2,570.6
INTANGIBLE ASSETS, net	886.3	925.0
OTHER ASSETS, net	358.9	442.4
Total assets	$ 7,167.6	$ 8,094.3
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Notes payable to banks	$ 83.7	$ 371.2
Current maturities of long-term debt	15.9	187.2
Accounts payable	129.2	268.8
Accrued excise taxes	14.2	43.8
Other accrued expenses and liabilities	419.9	501.6
Total current liabilities	662.9	1,372.6
LONG-TERM DEBT, less current maturities	3,136.7	3,277.1
DEFERRED INCOME TAXES	583.1	536.2
OTHER LIABILITIES	233.0	332.1
COMMITMENTS AND CONTINGENCIES (NOTE 15)		
STOCKHOLDERS EQUITY:		
Preferred Stock, $.01 par value- Authorized, 1,000,000 shares; Issued, none at February 28, 2011, and February 28, 2010	-	-
Class A Common Stock, $.01 par value- Authorized, 322,000,000 shares; Issued, 230,290,798 shares at February 28, 2011, and 225,062,547 shares at February 28, 2010	2.3	2.3
Class B Convertible Common Stock, $.01 par value- Authorized, 30,000,000 shares; Issued, 28,617,758 shares at February 28, 2011, and 28,734,637 shares at February 28, 2010	0.3	0.3

Class 1 Common Stock, $.01 par value-		
Authorized, 25,000,000 shares; Issued, none at February 28, 2011, and February 28, 2010	-	-
Additional paid-in capital	1,602.4	1,493.2
Retained earnings	1,662.3	1,102.8
Accumulated other comprehensive income	188.8	587.2
	3,456.1	3,185.8
Less: Treasury stock-		
Class A Common Stock, 42,739,831 shares at February 28, 2011, and 26,549,546 shares at February 28, 2010, at cost	(902.0)	(607.3)
Class B Convertible Common Stock, 5,005,800 shares at February 28, 2011, and February 28, 2010, at cost	(2.2)	(2.2)
	(904.2)	(609.5)
Total stockholders equity	2,551.9	2,576.3
Total liabilities and stockholders equity	$ 7,167.6	$ 8,094.3

The accompanying notes are an integral part of these statements.

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

	For the Years Ended		
	February 28, 2011	February 28, 2010	February 28, 2009
SALES	$ 4,096.7	$ 4,213.0	$ 4,723.0
Less - excise taxes	(764.7)	(848.2)	(1,068.4)
Net sales	3,332.0	3,364.8	3,654.6
COST OF PRODUCT SOLD	(2,141.9)	(2,220.0)	(2,424.6)
Gross profit	1,190.1	1,144.8	1,230.0
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(640.9)	(682.5)	(832.0)
IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS	(23.6)	(103.2)	(300.4)
RESTRUCTURING CHARGES	(23.1)	(47.6)	(68.0)
Operating income	502.5	311.5	29.6
EQUITY IN EARNINGS OF EQUITY METHOD INVESTEES	243.8	213.6	186.6
INTEREST EXPENSE, net	(195.3)	(265.1)	(323.0)
LOSS ON WRITE-OFF OF FINANCING COSTS	-	(0.7)	-
Income (loss) before income taxes	551.0	259.3	(106.8)
BENEFIT FROM (PROVISION FOR) INCOME TAXES	8.5	(160.0)	(194.6)
NET INCOME (LOSS)	$ 559.5	$ 99.3	$ (301.4)
SHARE DATA:			
Earnings (loss) per common share:			
Basic - Class A Common Stock	$ 2.68	$ 0.46	$ (1.40)
Basic - Class B Convertible Common Stock	$ 2.44	$ 0.41	$ (1.27)
Diluted - Class A Common Stock	$ 2.62	$ 0.45	$ (1.40)
Diluted - Class B Convertible Common Stock	$ 2.40	$ 0.41	$ (1.27)
Weighted average common shares outstanding:			
Basic - Class A Common Stock	187.224	196.095	193.906
Basic - Class B Convertible Common Stock	23.686	23.736	23.753
Diluted - Class A Common Stock	213.765	221.210	193.906
Diluted - Class B Convertible Common Stock	23.686	23.736	23.753

The accompanying notes are an integral part of these statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY
(in millions, except share data)

	Common Stock Class A	Common Stock Class B	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
BALANCE, February 29, 2008	$ 2.2	$ 0.3	$ 1,344.0	$ 1,306.0	$ 736.0	$ (622.6)	$ 2,765.9
Comprehensive loss:							
Net loss for Fiscal 2009	-	-	-	(301.4)	-	-	(301.4)
Other comprehensive (loss) income, net of income tax effect:							
Foreign currency translation adjustments	-	-	-	-	(683.5)	-	(683.5)
Unrealized loss on cash flow hedges:							
Net derivative losses	-	-	-	-	(16.4)	-	(16.4)
Reclassification adjustments	-	-	-	-	0.8	-	0.8
Net loss recognized in other comprehensive income							(15.6)
Pension/postretirement:							
Net actuarial gains	-	-	-	-	44.3	-	44.3
Reclassification adjustments	-	-	-	-	12.0	-	12.0
Net gain recognized in other comprehensive income							56.3
Other comprehensive loss, net of income tax effect							(642.8)
Comprehensive loss							(944.2)
Adjustments to apply change in measurement date provision of compensation - retirement benefits, net of income tax effect	-	-	-	(1.1)	1.0	-	(0.1)
Conversion of 33,660 Class B Convertible Common shares to Class A Common shares	-	-	-	-	-	-	-
Exercise of 2,254,660 Class A stock options	-	-	27.1	-	-	-	27.1
Employee stock purchases of 376,297 treasury shares	-	-	3.6	-	-	2.0	5.6
Grant of 460,036 Class A Common shares - restricted stock awards	-	-	(2.4)	-	-	2.4	-
Stock-based employee compensation	-	-	47.5	-	-	-	47.5
Tax benefit on stock-based employee compensation awards	-	-	6.5	-	-	-	6.5
BALANCE, February 28, 2009	$ 2.2	$ 0.3	$ 1,426.3	$ 1,003.5	$ 94.2	$ (618.2)	$ 1,908.3
Comprehensive income:							
Net income for Fiscal 2010	-	-	-	99.3	-	-	99.3
Other comprehensive income (loss), net of income tax effect:							

Foreign currency translation adjustments	-	-	-	-	497.5	-	497.5
Unrealized gain on cash flow hedges:							
Net derivative gains	-	-	-	-	60.2	-	60.2
Reclassification adjustments	-	-	-	-	(11.6)	-	(11.6)
Net gain recognized in other comprehensive income							48.6
Pension/postretirement:							
Net actuarial losses	-	-	-	-	(57.7)	-	(57.7)
Reclassification adjustments	-	-	-	-	4.6	-	4.6
Net loss recognized in other comprehensive income							(53.1)
Other comprehensive income, net of income tax effect							493.0
Comprehensive income							592.3
Conversion of 14,657 Class B Convertible Common shares to Class A Common shares	-	-	-	-	-	-	-
Exercise of 1,453,431 Class A stock options	0.1	-	12.2	-	-	-	12.3
Employee stock purchases of 388,294 treasury shares	-	-	2.5	-	-	2.0	4.5
Grant of 1,365,460 Class A Common shares - restricted stock awards	-	-	(7.3)	-	-	7.3	-
Vesting of 27,145 restricted stock units (17,645 treasury shares and 9,500 Class A Common shares), net of 11,110 shares withheld to satisfy tax withholding requirements	-	-	(0.2)	-	-	0.1	(0.1)
Cancellation of 136,497 restricted Class A Common shares	-	-	0.7	-	-	(0.7)	-
Stock-based employee compensation	-	-	56.8	-	-	-	56.8
Tax benefit on stock-based employee compensation awards	-	-	2.2	-	-	-	2.2
BALANCE, February 28, 2010	$ 2.3	$ 0.3	$ 1,493.2	$ 1,102.8	$ 587.2	$ (609.5)	$ 2,576.3

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CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY
(in millions, except share data)

	Common Stock Class A	Common Stock Class B	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
BALANCE, February 28, 2010	$ 2.3	$ 0.3	$ 1,493.2	$ 1,102.8	$ 587.2	$ (609.5)	$ 2,576.3
Comprehensive income:							
Net income for Fiscal 2011	-	-	-	559.5	-	-	559.5
Other comprehensive income (loss), net of income tax effect:							
Foreign currency translation adjustments:							
Net gains					178.2		178.2
Reclassification adjustments					(657.1)		(657.1)
Net loss recognized in other comprehensive income							(478.9)
Unrealized loss on cash flow hedges:							
Net derivative gains	-	-	-	-	9.1	-	9.1
Reclassification adjustments	-	-	-	-	(24.5)	-	(24.5)
Net loss recognized in other comprehensive income							(15.4)
Pension/postretirement:							
Net actuarial gains	-	-	-	-	9.3	-	9.3
Reclassification adjustments	-	-	-	-	86.6	-	86.6
Net gain recognized in other comprehensive income							95.9
Other comprehensive loss, net of income tax effect							(398.4)
Comprehensive income							161.1
Repurchase of 17,240,101 Class A Common shares	-	-	-	-	-	(300.3)	(300.3)
Conversion of 116,879 Class B Convertible Common shares to Class A Common shares	-	-	-	-	-	-	-
Exercise of 5,100,677 Class A stock options	-	-	62.3	-	-	-	62.3
Employee stock purchases of 305,207 treasury shares	-	-	2.6	-	-	1.7	4.3
Grant of 739,388 Class A Common shares - restricted stock awards	-	-	(3.9)	-	-	3.9	-
Vesting of 53,780 restricted stock units (43,085 treasury shares and 10,695 Class A Common shares), net of 23,628 shares withheld to satisfy tax withholding requirements	-	-	(0.6)	-	-	0.2	(0.4)
Cancellation of 37,864 restricted Class A Common shares	-	-	0.2	-	-	(0.2)	-
Stock-based employee compensation	-	-	47.0	-	-	-	47.0
Tax benefit on stock-based employee compensation awards	-	-	1.6	-	-	-	1.6

BALANCE, February 28, 2011	$ 2.3	$ 0.3	$ 1,602.4	$ 1,662.3	$ 188.8	$ (904.2)	$ 2,551.9

The accompanying notes are an integral part of these statements.

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

	For the Years Ended		
	February 28, 2011	February 28, 2010	February 28, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 559.5	$ 99.3	$ (301.4)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation of property, plant and equipment	119.2	143.8	143.6
Loss on settlement of pension obligations	109.9	-	-
Deferred tax provision (benefit)	70.9	(30.6)	2.3
Loss on contractual obligation from put option of Ruffino shareholder	60.0	34.3	-
Stock-based compensation expense	46.0	56.3	46.1
Impairment of goodwill and intangible assets	23.6	103.2	300.4
Amortization of intangible and other assets	14.6	12.1	13.4
Loss on disposal or impairment of long-lived assets, net	0.4	15.7	44.9
(Gain) loss on businesses sold or held for sale, net	(165.1)	(10.4)	31.5
Equity in earnings of equity method investees, net of distributed earnings	(23.8)	(13.1)	90.3
Noncash portion of loss on extinguishment of debt	-	0.7	-
Write-down of Australian inventory	-	-	75.5
Change in operating assets and liabilities, net of effects from purchases and sales of businesses:			
Accounts receivable, net	(86.0)	61.9	87.4
Inventories	190.8	51.0	(86.0)
Prepaid expenses and other current assets	(7.6)	2.6	9.4
Accounts payable	(82.5)	(42.7)	(26.9)
Accrued excise taxes	(7.1)	(18.1)	12.1
Other accrued expenses and liabilities	(168.6)	(110.6)	(95.0)
Other, net	(34.9)	47.1	159.3
Total adjustments	59.8	303.2	808.3
Net cash provided by operating activities	619.3	402.5	506.9
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of businesses, net of cash divested	219.7	349.6	204.2
Proceeds from note receivable	60.0	-	-
Proceeds from sales of assets	19.5	17.2	25.4
Capital distributions from equity method investees	0.3	0.2	20.8
Purchases of property, plant and equipment	(89.1)	(107.7)	(128.6)

Investments in equity method investees	(29.7)	(0.9)	(3.2)
Purchases of businesses, net of cash acquired	-	-	0.1
Other investing activities	7.4	(1.8)	9.9
Net cash provided by investing activities	188.1	256.6	128.6
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments of long-term debt	(328.5)	(781.3)	(577.6)
Purchases of treasury stock	(300.0)	-	-
Net (repayment of) proceeds from notes payable	(289.7)	117.1	(109.7)
Payment of financing costs of long-term debt	(0.2)	(11.5)	-
Proceeds from exercise of employee stock options	61.0	12.3	27.1
Proceeds from excess tax benefits from stock-based payment awards	7.4	2.7	7.2
Proceeds from employee stock purchases	4.3	4.5	5.6
Proceeds from maturity of derivative instrument	-	33.2	-
Net cash used in financing activities	(845.7)	(623.0)	(647.4)
Effect of exchange rate changes on cash and cash investments	4.0	(5.7)	4.5
NET (DECREASE) INCREASE IN CASH AND CASH INVESTMENTS	(34.3)	30.4	(7.4)
CASH AND CASH INVESTMENTS, beginning of year	43.5	13.1	20.5
CASH AND CASH INVESTMENTS, end of year	$ 9.2	$ 43.5	$ 13.1

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

	For the Years Ended		
	February 28, 2011	February 28, 2010	February 28, 2009
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	$ 203.3	$ 307.7	$ 332.8
Income taxes	$ 79.7	$ 221.4	$ 137.8
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Property, plant and equipment acquired under financing arrangements	$ 28.4	$ -	$ -
Sales of businesses			
Investment in Accolade	$ 48.2	$ -	$ -
Indemnification liabilities	$ 26.1	$ -	$ -
Note receivable from sale of value spirits business	$ -	$ 60.0	$ -

The accompanying notes are an integral part of these statements.

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CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of business

Constellation Brands, Inc. and its subsidiaries (the Company) operate primarily in the beverage alcohol industry. The Company is a leading international producer and marketer of beverage alcohol with a broad portfolio of premium brands across the wine, spirits and imported beer categories. The Company has the leading premium wine business in the world and is a leading producer and marketer of wine in the United States (U.S.); the leading producer and marketer of wine in Canada; and a leading producer and exporter of wine from New Zealand. In North America, the Company s products are primarily sold to wholesale distributors as well as state and provincial alcoholic beverage control agencies. In New Zealand, the Company s products are primarily sold to retailers, wholesalers and importers. In addition, the Company imports, markets and sells the Modelo Brands (as defined in Note 9) and certain other imported beer brands through the Company s joint venture, Crown Imports (as defined in Note 9).

On January 31, 2011, the Company sold 80.1% of its Australian and U.K. business (the CWAE Divestiture) (see Note 7). Prior to this divestiture, the Company was also a leading producer and exporter of wine from Australia and a major supplier of beverage alcohol in the United Kingdom (U.K.). In connection with the Company s changes during the first quarter of fiscal 2011 within its internal management structure for this business, and the Company s revised business strategy within the Australian and U.K. markets, the Company changed its reportable operating segments on May 1, 2010, to consist of: Constellation Wines North America (CWNA), Constellation Wines Australia and Europe (CWAE), Corporate Operations and Other, and Crown Imports (see Note 23). All financial information for the years ended February 28, 2010, and February 28, 2009, has been restated to conform to the new segment presentation. As a result of the CWAE Divestiture, as of February 1, 2011, the Company is no longer reporting operating results for the CWAE segment.

Principles of consolidation

The consolidated financial statements of the Company include the accounts of the Company and its majority-owned subsidiaries and entities in which the Company has a controlling financial interest after the elimination of intercompany accounts and transactions. The Company has a controlling financial interest if the Company owns a majority of the outstanding voting common stock or has significant control over an entity through contractual or economic interests in which the Company is the primary beneficiary.

Management s use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Equity investments

If the Company is not required to consolidate its investment in another entity, the Company uses the equity method if the Company (i) can exercise significant influence over the other entity and (ii) holds common stock and/or in-substance common stock of the other entity. Under the equity method, investments are carried at cost, plus or minus the Company s equity in the increases and decreases in the investee s net assets after the date of acquisition and certain other adjustments. The Company s share of the net income or loss of the investee is included in equity in earnings of equity method investees on the Company s Consolidated Statements of Operations. Dividends received from the investee reduce the carrying amount of the investment.

Equity method investments are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. No instances of impairment were noted on the Company s equity method investments for the year ended February 28, 2011. During the third quarter of fiscal 2010, the Company determined that its CWNA segment s international equity method investment, Ruffino S.r.l. (Ruffino) was impaired primarily due to a decline in revenue and profit forecasts for this equity method investee combined with an unfavorable foreign exchange movement between the Euro and the U.S. Dollar. The Company measured the amount of impairment by calculating the amount by which the carrying value of its investment exceeded its estimated fair value, based on projected discounted cash flows of this equity method investee (Level 3 fair value measurement see Note 6). As a result of this review, the Company recorded an impairment loss of $25.4 million in equity in earnings of equity method investees on the Company s Consolidated Statements of Operations. For the year ended February 28, 2009, the Company recorded impairment losses of $79.2 million primarily associated with Ruffino ($48.6 million) and its CWAE segment s international equity method investment, Matthew Clark ($30.1 million). These impairment losses resulted primarily from a decline in revenue and profit forecasts for these two equity method investees reflecting significant market deterioration during the fourth quarter of fiscal 2009. The Company measured the amount of impairment for each investment by calculating the amount by which the carrying value of its investment exceeded its estimated fair value, based on projected discounted cash flows of each equity method investee. These impairment losses are included in equity in earnings of equity method investees on the Company s Consolidated Statements of Operations.

Revenue recognition

Sales are recognized when title and risk of loss pass to the customer, which is generally when the product is shipped. Amounts billed to customers for shipping and handling are classified as sales. Sales reflect reductions attributable to consideration given to customers in various customer incentive programs, including pricing discounts on single transactions, volume discounts, promotional and advertising allowances, coupons, and rebates.

Cost of product sold

The types of costs included in cost of product sold are raw materials, packaging materials, manufacturing costs, plant administrative support and overheads, and freight and warehouse costs (including distribution network costs). Distribution network costs include inbound freight charges and outbound shipping and handling costs, purchasing and receiving costs, inspection costs, warehousing and internal transfer costs.

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Selling, general and administrative expenses

The types of costs included in selling, general and administrative expenses consist predominately of advertising and non-manufacturing administrative and overhead costs. Distribution network costs are not included in the Company s selling, general and administrative expenses, but are included in cost of product sold as described above. The Company expenses advertising costs as incurred, shown or distributed. Prepaid advertising costs at February 28, 2011, and February 28, 2010, were not material. Advertising expense for the years ended February 28, 2011, February 28, 2010, and February 28, 2009, was $128.6 million, $132.5 million and $175.7 million, respectively.

Foreign currency translation

The functional currency of the Company s subsidiaries outside the U.S. is the respective local currency. The translation from the applicable foreign currencies to U.S. dollars is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average exchange rate for the period. The resulting translation adjustments are recorded as a component of Accumulated Other Comprehensive Income (Loss) (AOCI). As a result of the January 2011 CWAE Divestiture, the Company reclassified $657.1 million, net of income tax effect, from AOCI to selling, general and administrative expenses on the Company s Consolidated Statements of Operations (see Note 7, Note 19). Gains or losses resulting from foreign currency denominated transactions are also included in selling, general and administrative expenses on the Company s Consolidated Statements of Operations. The Company engages in foreign currency denominated transactions with customers and suppliers, as well as between subsidiaries with different functional currencies. Aggregate foreign currency transaction net losses were $2.3 million, $4.6 million and $26.3 million for the years ended February 28, 2011, February 28, 2010, and February 28, 2009, respectively.

Cash investments

Cash investments consist of highly liquid investments with an original maturity when purchased of three months or less and are stated at cost, which approximates fair value. The amounts at February 28, 2011, and February 28, 2010, are not significant.

Allowance for doubtful accounts

The Company records an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The majority of the accounts receivable balance is generated from sales to independent distributors with whom the Company has a predetermined collection date arranged through electronic funds transfer. The allowance for doubtful accounts was $0.8 million and $3.0 million as of February 28, 2011, and February 28, 2010, respectively.

Fair value of financial instruments

The Company calculates the fair value of financial instruments using quoted market prices whenever available. When quoted market prices are not available, the Company uses standard pricing models for various types of financial instruments (such as forwards, options, swaps, etc.) which take into account the present value of estimated future cash flows (see Note 6).

Derivative instruments

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

The Company enters into derivative instruments, primarily interest rate swaps and foreign currency forward and option contracts, to manage interest rate and foreign currency risks. In accordance with the Financial Accounting Standards Board (FASB) guidance for derivatives and hedging, the Company recognizes all derivatives as either assets or liabilities on the balance sheet and measures those instruments at fair value (see Note 5, Note 6). The fair values of the Company s derivative instruments change with fluctuations in interest rates and/or currency rates and are expected to offset changes in the values of the underlying exposures. The Company s derivative instruments are held solely to hedge economic exposures. The Company follows strict policies to manage interest rate and foreign currency risks, including prohibitions on derivative market-making or other speculative activities.

To qualify for hedge accounting treatment under the FASB guidance for derivatives and hedging, the details of the hedging relationship must be formally documented at inception of the arrangement, including the risk management objective, hedging strategy, hedged item, specific risk that is being hedged, the derivative instrument, how effectiveness is being assessed and how ineffectiveness will be measured. The derivative must be highly effective in offsetting either changes in the fair value or cash flows, as appropriate, of the risk being hedged. Effectiveness is evaluated on a retrospective and prospective basis based on quantitative measures.

Certain of the Company s derivative instruments do not qualify for hedge accounting treatment under the FASB guidance for derivatives and hedging; for others, the Company chooses not to maintain the required documentation to apply hedge accounting treatment. These undesignated instruments are used to economically hedge the Company s exposure to fluctuations in the value of foreign currency denominated receivables and payables; foreign currency investments, primarily consisting of loans to subsidiaries; and cash flows related primarily to repatriation of those loans or investments. Foreign currency contracts, generally less than 12 months in duration, are used to hedge some of these risks. The Company s derivative policy permits the use of undesignated derivatives when the derivative instrument is settled within the fiscal quarter or offsets a recognized balance sheet exposure. In these circumstances, the mark to fair value is reported currently through earnings in selling, general and administrative expenses on the Company s Consolidated Statements of Operations. As of February 28, 2011, and February 28, 2010, the Company had undesignated foreign currency contracts outstanding with a notional value of $160.0 million and $554.9 million, respectively. In addition, the Company had offsetting undesignated interest rate swap agreements with an absolute notional amount of $2,400.0 million outstanding at February 28, 2010 (see Note 11). The Company had no undesignated interest rate swap agreements outstanding as of February 28, 2011.

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

Cash flow hedges:

The Company is exposed to foreign denominated cash flow fluctuations in connection with third party and intercompany sales and purchases and, historically, third party financing arrangements. The Company primarily uses foreign currency forward and option contracts to hedge certain of these risks. In addition, the Company utilizes interest rate swaps to manage its exposure to changes in interest rates. Derivatives managing the Company s cash flow exposures generally mature within three years or less, with a maximum maturity of five years. Throughout the term of the designated cash flow hedge relationship, but at least quarterly, a retrospective evaluation and prospective assessment of hedge effectiveness is performed. All components of the Company s derivative instruments gains or losses are included in the assessment of hedge effectiveness. In the event the relationship is no longer effective, the Company recognizes the change in the fair value of the hedging derivative instrument from the date the hedging derivative instrument became no longer effective immediately in the Company s Consolidated Statements of Operations. In conjunction with its effectiveness testing, the Company also evaluates ineffectiveness associated with the hedge relationship. Resulting ineffectiveness, if any, is recognized immediately in the Company s Consolidated Statements of Operations.

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

As of February 28, 2011, and February 28, 2010, the Company had cash flow designated foreign currency contracts outstanding with a notional value of $166.4 million and $465.2 million, respectively. In addition, as of February 28, 2011, and February 28, 2010, the Company had cash flow designated interest rate swap agreements outstanding with a notional value of $500.0 million and $1,200.0 million, respectively (see Note 11). The Company expects $1.6 million of net gains, net of income tax effect, to be reclassified from AOCI to earnings within the next 12 months.

Fair value hedges:

Fair value hedges are hedges that offset the risk of changes in the fair values of recorded assets and liabilities, and firm commitments. The Company records changes in fair value of derivative instruments which are designated and deemed effective as fair value hedges, in earnings offset by the corresponding changes in the fair value of the hedged items. The Company did not designate any derivative instruments as fair value hedges for the years ended February 28, 2011, February 28, 2010, and February 28, 2009.

Net investment hedges:

Net investment hedges are hedges that use derivative instruments or non-derivative instruments to hedge the foreign currency exposure of a net investment in a foreign operation. Historically, the Company has managed currency exposures resulting from certain of its net investments in foreign subsidiaries principally with debt denominated in the related foreign currency. Accordingly, gains and losses on these instruments were recorded as foreign currency translation adjustments in AOCI. In February 2009, the Company discontinued its then existing net investment hedging relationship between the Company s then existing Sterling Series B Senior Notes and Sterling Series C Senior Notes (as defined in Note 11) totaling £155.0 million aggregate principal amount and the Company s investment in its U.K. subsidiary. The Company did not designate any derivative or non-derivative instruments as net investment hedges for the years ended February 28, 2011, and February 28, 2010. For the year ended February 28, 2009, net gains of $51.0 million, net of income tax effect, were deferred within foreign currency translation adjustments within AOCI. As a result of the CWAE Divestiture, the Company reclassified $17.8 million, net of income tax effect, from AOCI to earnings related to its prior net investment hedges of its U.K. subsidiary (see Note 5).

Credit risk:

The Company enters into master agreements with its bank derivative trading counterparties that allow netting of certain derivative positions in order to manage credit risk. The Company s derivative instruments are not subject to credit rating contingencies or collateral requirements. As of February 28, 2011, the fair value of derivative instruments in a net liability position due to counterparties was $6.4 million. If the Company were required to settle the net liability position under these derivative instruments on February 28, 2011, the Company would have had sufficient availability under its revolving credit facility to satisfy this obligation.

Counterparty credit risk:

Counterparty credit risk relates to losses the Company could incur if a counterparty defaults on a derivative contract. The Company manages exposure to counterparty credit risk by requiring specified minimum credit standards and diversification of counterparties. The Company enters into master agreements with its bank derivative trading counterparties that allow netting of certain derivative positions in order to manage counterparty credit risk. As of February 28, 2011, all of the Company s counterparty exposures are with financial institutions which have investment grade ratings. The Company has procedures to monitor counterparty credit risk for both current and future potential credit exposures. As of February 28, 2011, the fair value of derivative instruments in a net receivable position due from counterparties was $13.6 million.

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 are classified as follows:

(in millions)	February 28, 2011	February 28, 2010
Raw materials and supplies	$ 38.2	$ 44.3
In-process inventories	1,012.1	1,327.9
Finished case goods	319.0	507.7
	$ 1,369.3	$ 1,879.9

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Bulk wine inventories are included as in-process inventories within current assets, in accordance with the general practices of the wine industry, although a portion of such inventories may be aged for periods greater than one year. A substantial portion of barreled whiskey and brandy will not be sold within one year because of the duration of the aging process. All barreled whiskey and brandy are classified as in-process inventories and are included in current assets, in accordance with industry practice. Warehousing, insurance, ad valorem taxes and other carrying charges applicable to barreled whiskey and brandy held for aging are included in inventory costs.

The Company assesses the valuation of its inventories and reduces the carrying value of those inventories that are obsolete or in excess of the Company s forecasted usage to their estimated net realizable value. The Company estimates the net realizable value of such inventories based on analyses and assumptions including, but not limited to, historical usage, future demand and market requirements. Reductions to the carrying value of inventories are recorded in cost of product sold. If the future demand for the Company s products is less favorable than the Company s forecasts, then the value of the inventories may be required to be reduced, which could result in additional expense to the Company and affect its results of operations. During the year ended February 28, 2009, the Company recorded an immaterial adjustment to inventory of $35.5 million to correct for costs, primarily in the Company s Australian business, which were not properly released from inventory as the product was sold in prior fiscal year periods.

Property, plant and equipment

Property, plant and equipment is stated at cost. Major additions and betterments are charged to property accounts, while maintenance and repairs are charged to operations as incurred. The cost of properties sold or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts at the time of disposal and resulting gains and losses are included as a component of operating income.

Depreciation

Depreciation is computed primarily using the straight-line method over the following estimated useful lives:

	Depreciable Life in Years
Land improvements	15 to 32
Vineyards	16 to 26
Buildings and improvements	10 to 44
Machinery and equipment	3 to 35
Motor vehicles	3 to 7

Goodwill and other intangible assets

In accordance with the FASB guidance for intangibles goodwill and other, the Company reviews its goodwill and indefinite lived intangible assets annually for impairment, or sooner, if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company uses January 1 as its annual impairment test measurement date. Indefinite lived intangible assets consist principally of trademarks. Intangible assets determined to have a finite life, primarily customer relationships, are amortized over their estimated useful lives and are subject to review for impairment in accordance with the FASB guidance for property, plant and equipment. Note 8 provides a summary of intangible assets segregated between amortizable and nonamortizable amounts.

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In the fourth quarters of fiscal 2011 and 2010, pursuant to the Company s accounting policy, the Company performed its annual goodwill impairment analysis. No indication of impairment was noted for any of the Company s reporting units for the years ended February 28, 2011, and February 28, 2010, as the fair value of each of the Company s reporting units with goodwill exceeded their carrying value. In the fourth quarter of fiscal 2009, as a result of its annual goodwill impairment analysis, the Company concluded that the carrying amount of goodwill assigned to the CWAE segment s U.K. reporting unit exceeded its implied fair value and recorded an impairment loss of $252.7 million, which is included in impairment of goodwill and intangible assets on the Company s Consolidated Statements of Operations. The impairment loss was determined by comparing the carrying value of goodwill assigned to the specific reporting unit within the segment as of January 1, 2009, with the implied fair value of the goodwill. In determining the implied fair value of the goodwill, the Company considered estimates of future operating results and cash flows of the reporting unit discounted using market based discount rates. The estimates of future operating results and cash flows were principally derived from the Company s then updated long-term financial forecast, which was developed as part of the Company s strategic planning cycle conducted during the fourth quarter of fiscal 2009. The decline in the implied fair value of the goodwill and the resulting impairment loss was driven primarily by the accelerated deterioration in the Company s U.K. business during the fourth quarter of fiscal 2009 and the resulting adjustment to the Company s long-term financial forecasts, which showed lower estimated future operating results reflecting the significant fourth quarter deterioration in market conditions in the U.K.

In the fourth quarter of fiscal 2011, pursuant to the Company s accounting policy, the Company performed its annual review of indefinite lived intangible assets for impairment. The Company determined that certain trademarks associated primarily with the CWNA segment s Canadian reporting unit were impaired largely due to lower revenue and profitability associated with products incorporating these assets included in long-term financial forecasts developed as part of the strategic planning cycle conducted during the Company s fourth quarter. The Company measured the amount of impairment by calculating the amount by which the carrying value of these assets exceeded their estimated fair values, which were based on projected discounted cash flows (Level 3 fair value measurement see Note 6). As a result of this review, the Company recorded impairment losses of $16.7 million, which are included in impairment of goodwill and intangible assets on the Company s Consolidated Statements of Operations. The Company had previously recorded impairment losses of $6.9 million, which are included in impairment of goodwill and intangible assets on the Company s Consolidated Statements of Operations, during its third quarter of fiscal 2011 in connection with its decision to discontinue certain wine brands within its CWNA segment s wine portfolio (Level 3 fair value measurement see Note 6). In the fourth quarter of fiscal 2010, as a result of its annual review of indefinite lived intangible assets for impairment, the Company determined that certain trademarks associated primarily with the CWAE segment s Australian reporting unit were impaired largely due to lower revenue and profitability associated with products incorporating these assets included in long-term financial forecasts developed as part of the strategic planning cycle conducted during the Company s fourth quarter. The Company measured the amount of impairment by calculating the amount by which the carrying value of these assets exceeded their estimated fair values, which were based on projected discounted cash flows (Level 3 fair value measurement see Note 6). As a result of this review, the Company recorded impairment losses of $103.2 million, which are included in impairment of goodwill and intangible assets on the Company s Consolidated Statements of Operations. In the fourth quarter of fiscal 2009, as a result of its annual review of indefinite lived intangible assets for impairment, the Company determined that certain trademarks associated primarily with the CWAE segment s U.K. reporting unit were impaired largely due to the aforementioned market declines in the U.K. during the fourth quarter of fiscal 2009, and the resulting lower revenue and profit forecasts associated with products incorporating these assets which reflected the significant fourth quarter deterioration in market conditions in the U.K. The Company measured the amount of impairment by calculating the amount by which the carrying value of these assets exceeded their estimated fair values, which were based on projected discounted cash flows. As a result of this review, the Company recorded impairment losses of $25.9 million, which are included in impairment of goodwill and intangible assets on the Company s Consolidated Statements of Operations. The Company had previously recorded impairment losses of $21.8 million during its second quarter of fiscal 2009 in connection with the Company s Australian Initiative (as defined in Note 21) and the resulting lower revenue and profit forecasts associated with certain brands incorporating these assets impacted by the Australian Initiative.

Other assets

Other assets include the following: (i) investments in equity method investees which are carried under the equity method of accounting (see Note 9); (ii) an investment in Accolade (as defined in Note 7) consisting of cost method investments which are carried at cost and available-for-sale debt securities which are carried at fair value (see Note 9); (iii) deferred financing costs which are stated at cost, net of accumulated amortization, and are amortized on an effective interest basis over the term of the related debt; (iv) notes receivable which are stated at cost; (v) derivative assets which are stated at fair value; and (vi) deferred tax assets which are stated net of valuation allowances (see Note 12).

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Long-lived assets impairment

In accordance with the FASB guidance for property, plant and equipment, the Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted cash flows, an impairment loss is recognized to the extent that the carrying value of the asset exceeds its fair value (Level 3 fair value measurement see Note 6). Assets held for sale are reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated (see below).

Pursuant to this policy, for the years ended February 28, 2011, February 28, 2010, and February 28, 2009, in connection with the Company s Australian Initiative, the Company s CWAE segment recorded asset impairment losses of $5.8 million, $13.4 million and $46.5 million, respectively, associated primarily with the write-down of certain winery and vineyard assets which satisfied the conditions necessary to be classified as held for sale. These assets were written down to a value based on the Company s estimate of fair value less cost to sell. These impairment losses are included in restructuring charges on the Company s Consolidated Statements of Operations.

Assets held for sale

As of February 28, 2011, the Company had no assets classified as held for sale. As of February 28, 2010, in connection with the Australian Initiative, the Company s CWAE segment had $21.9 million of property, plant and equipment, net, classified as held for sale. This amount is included in property, plant and equipment, net on the Company s Consolidated Balance Sheets as the amount is not deemed material for separate presentation on the face of the Company s Consolidated Balance Sheets.

Indemnification liabilities

The Company has indemnified respective parties against certain liabilities that may arise in connection with certain acquisitions and divestitures. The carrying value of the indemnification liabilities are included in other liabilities on the Company s Consolidated Balance Sheets (see Note 13, Note 15).

Income taxes

The Company uses the asset and liability method of accounting for income taxes. This method accounts for deferred income taxes by applying statutory rates in effect at the balance sheet date to the difference between the financial reporting and tax bases of assets and liabilities.

Environmental

Environmental expenditures that relate to current operations or to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities for environmental risks or components thereof are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the completion of a feasibility study or the Company s commitment to a formal plan of action. Liabilities for environmental costs were not material at February 28, 2011, and February 28, 2010.

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Earnings per common share

The Company has two classes of outstanding common stock: Class A Common Stock and Class B Convertible Common Stock (see Note 16). With respect to dividend rights, the Class A Common Stock is entitled to cash dividends of at least ten percent higher than those declared and paid on the Class B Convertible Common Stock. Accordingly, the Company uses the two-class computation method for the computation of earnings per common share basic and earnings per common share diluted. The two-class computation method for each period reflects the amount of allocated undistributed earnings per share computed using the participation percentage which reflects the minimum dividend rights of each class of stock.

Earnings per common share basic excludes the effect of common stock equivalents and is computed using the two-class computation method (see Note 18). Earnings per common share diluted for Class A Common Stock reflects the potential dilution that could result if securities or other contracts to issue common stock were exercised or converted into common stock. Earnings per common share diluted for Class A Common Stock has been computed using the more dilutive of the if-converted or two-class computation method. Using the if-converted method, earnings per common share diluted for Class A Common Stock assumes the exercise of stock options using the treasury stock method and the conversion of Class B Convertible Common Stock. Using the two-class computation method, earnings per common share diluted for Class A Common Stock assumes the exercise of stock options using the treasury stock method and no conversion of Class B Convertible Common Stock. For the years ended February 28, 2011, and February 28, 2010, earnings per common share diluted for Class A Common Stock has been calculated using the if-converted method. For the year ended February 28, 2009, loss per common share diluted for Class A Common Stock has been calculated using the two-class computation method. For the years ended February 28, 2011, February 28, 2010, and February 28, 2009, earnings per common share diluted for Class B Convertible Common Stock is presented without assuming conversion into Class A Common Stock and is computed using the two-class computation method.

Stock-based employee compensation plans

The Company has four stock-based employee compensation plans (see Note 17). The Company applies a grant date fair-value-based measurement method in accounting for its stock-based payment arrangements and records all costs resulting from stock-based payment transactions ratably over the requisite service period in its consolidated financial statements. Stock-based awards, primarily stock options, granted by the Company are subject to specific vesting conditions, generally time vesting, or upon retirement, disability or death of the employee (as defined by the stock option plan), if earlier. In accordance with the FASB guidance for compensation stock compensation, the Company recognizes compensation expense immediately for awards granted to retirement-eligible employees or ratably over the period from the date of grant to the date of retirement-eligibility if that is expected to occur during the requisite service period, when appropriate.

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2. RECENTLY ADOPTED ACCOUNTING GUIDANCE:

Consolidation of variable interest entities

Effective March 1, 2010, the Company adopted the FASB June 2009 amended guidance for consolidation. This guidance, among other things, (i) requires an entity to perform an analysis to determine whether an entity s variable interest or interests give it a controlling financial interest in a variable interest entity; (ii) requires ongoing reassessments of whether an entity is the primary beneficiary of a variable interest entity and eliminates the quantitative approach previously required for determining the primary beneficiary of a variable interest entity; (iii) amends previously issued guidance for determining whether an entity is a variable interest entity; and (iv) requires enhanced disclosure that will provide users of financial statements with more transparent information about an entity s involvement in a variable interest entity. In addition, effective March 1, 2010, the Company adopted the FASB additional December 2009 guidance on assessing whether a variable interest entity should be consolidated. This guidance identifies the determination of whether a reporting entity should consolidate another entity is based upon, among other things, (i) the other entity s purpose and design, and (ii) the reporting entity s ability to direct the activities of the other entity that most significantly impact the other entity s economic performance. This guidance also requires additional disclosures about an entity s involvement with a variable interest entity, including significant changes in risk exposure due to an entity s involvement with a variable interest entity and how the involvement with the variable interest entity affects the financial statements of the reporting entity. The adoption of the combined guidance did not have a material impact on the Company s consolidated financial statements.

Fair value measurements and disclosures

In January 2010, the FASB issued amended guidance for fair value measurements and disclosures. This guidance requires an entity to (i) disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and the reasons for the transfers, and (ii) present separately information about purchases, sales, issuances and settlements on a gross basis in the reconciliation for fair value measurements using significant unobservable inputs (Level 3). This guidance also clarifies existing disclosures requiring an entity to provide fair value measurement disclosures for each class of assets and liabilities and, for Level 2 or Level 3 fair value measurements, disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. Effective March 1, 2010, the Company adopted the additional disclosure requirements and clarifications of existing disclosures of this guidance, except for the disclosures about purchases, sales, issuances and settlements in the reconciliation for fair value measurements using significant unobservable inputs (Level 3). The Company is required to adopt those disclosures for its annual and interim periods beginning March 1, 2011. The adoption of the applicable provisions of this guidance on March 1, 2010, did not have a material impact on the Company s consolidated financial statements. The adoption of the remaining provision of this guidance on March 1, 2011, did not have a material impact on the Company s consolidated financial statements.

3. PREPAID EXPENSES AND OTHER:

The major components of prepaid expenses and other are as follows:

(in millions)	February 28, 2011	February 28, 2010
Income taxes receivable	$ 193.8	$ 34.4
Deferred tax assets	42.1	50.0
Other	51.2	66.6
	$ 287.1	$ 151.0

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4. PROPERTY, PLANT AND EQUIPMENT:

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

(in millions)	February 28, 2011	February 28, 2010
Land and land improvements	$ 298.9	$ 327.3
Vineyards	206.1	211.6
Buildings and improvements	312.6	416.1
Machinery and equipment	900.7	1,232.5
Motor vehicles	49.3	58.5
Construction in progress	86.4	44.0
	1,854.0	2,290.0
Less Accumulated depreciation	(634.4)	(722.8)
	$ 1,219.6	$ 1,567.2

5. DERIVATIVE INSTRUMENTS:

The fair value and location of the Company s derivative instruments on its Consolidated Balance Sheets are as follows (see Note 6):

Balance Sheet Location *(in millions)*	February 28, 2011	February 28, 2010
Derivative instruments designated as hedging instruments		
Foreign currency contracts		
Prepaid expenses and other	$ 11.0	$ 17.1
Other accrued expenses and liabilities	$ 3.4	$ 15.1
Other assets, net	$ 2.8	$ 13.5
Other liabilities	$ 0.9	$ 5.5
Interest rate swap contracts		
Other accrued expenses and liabilities	$ 6.1	$ 11.8
Other assets, net	$ 1.7	$ -
Derivative instruments not designated as hedging instruments		
Foreign currency contracts		
Prepaid expenses and other	$ 3.2	$ 12.0
Other accrued expenses and liabilities	$ 1.0	$ 7.8
Other assets, net	$ -	$ 1.6
Other liabilities	$ -	$ 1.2
Interest rate swap contracts		
Prepaid expenses and other	$ -	$ 2.7
Other accrued expenses and liabilities	$ -	$ 2.9

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The effect of the Company s derivative instruments designated in cash flow hedging relationships on its Consolidated Statements of Operations, as well as its Other Comprehensive Income (OCI), net of income tax effect, for the years ended February 28, 2011, and February 28, 2010, is as follows. As a result of the CWAE Divestiture, the Company recognized net gains of $6.3 million, net of income tax effect, for the year ended February 28, 2011, related to the discontinuance of cash flow hedge accounting due to the probability that the original forecasted transaction would not occur by the end of the originally specified time period (or within the two months following). There were no such amounts recognized for the years ended February 28, 2010, and February 28, 2009. As the Company adopted the FASB guidance for the below enhanced disclosures surrounding derivatives and hedging on December 1, 2008, the required comparative disclosures for the three months ended February 28, 2009, have not been included as amounts are not material.

Derivative Instruments in Designated Cash Flow Hedging Relationships	Net Gain (Loss) Recognized in OCI (Effective portion)		Location of Net Gain (Loss) Reclassified from AOCI to Income (Effective portion)	Net Gain (Loss) Reclassified from AOCI to Income (Effective portion)	
(in millions)					
For the Year Ended February 28, 2011					
Foreign currency contracts	$	11.2	Sales	$	13.6
Foreign currency contracts		0.6	Cost of product sold		9.5
Interest rate swap contracts		(2.7)	Interest expense, net		-
Total	$	9.1	Total	$	23.1
For the Year Ended February 28, 2010					
Foreign currency contracts	$	39.3	Sales	$	18.6
Foreign currency contracts		13.2	Cost of product sold		(4.6)
Foreign currency contracts		12.4	Selling, general and administrative expenses		22.8
Interest rate swap contracts		(4.7)	Interest expense, net		(27.7)
Total	$	60.2	Total	$	9.1

Derivative Instruments in Designated Cash Flow Hedging Relationships	Location of Net Gain Recognized in Income (Ineffective portion)	Net Gain Recognized in Income (Ineffective portion)	
(in millions)			
For the Year Ended February 28, 2011			
Foreign currency contracts	Selling, general and administrative expenses	$	1.4

For the Year Ended February 28, 2010			
Foreign currency contracts	Selling, general and administrative expenses	$	2.5

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Non-Derivative Instruments in Designated Net Investment Hedging Relationships	Net Gain (Loss) Recognized in OCI (Effective portion)	Location of Net Gain Reclassified from AOCI to Income (Effective portion)	Net Gain Reclassified from AOCI to Income (Effective portion)
(in millions)			
Sterling Senior Debt Instruments	$	Selling, general and administrative expenses	$ 17.8

The effect of the Company s undesignated derivative instruments on its Consolidated Statements of Operations for the years ended February 28, 2011, and February 28, 2010, is as follows. As the Company adopted the FASB guidance for the below enhanced disclosures surrounding derivatives and hedging on December 1, 2008, the required comparative disclosures for the three months ended February 28, 2009, have not been included as amounts are not material.

Derivative Instruments not Designated as Hedging Instruments	Location of Net Gain (Loss) Recognized in Income	Net Gain (Loss) Recognized in Income
(in millions)		
For the Year Ended February 28, 2011		
Foreign currency contracts	Selling, general and administrative expenses	$ 4.3
Total		$ 4.3
For the Year Ended February 28, 2010		
Foreign currency contracts	Selling, general and administrative expenses	$ 12.8
Interest rate swap contracts	Interest expense, net	(0.4)
Total		$ 12.4

6. FAIR VALUE OF FINANCIAL INSTRUMENTS:

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

	February 28, 2011		February 28, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(in millions)				
Assets:				
Cash and cash investments	$ 9.2	$ 9.2	$ 43.5	$ 43.5
Accounts receivable	$ 417.4	$ 417.4	$ 514.7	$ 514.7

Available-for-sale debt securities	$	40.8	$	40.8	$	-	$	-
Foreign currency contracts	$	17.0	$	17.0	$	44.2	$	44.2
Interest rate swap contracts	$	1.7	$	1.7	$	2.7	$	2.7
Notes receivable	$	4.8	$	4.8	$	65.7	$	65.7
Liabilities:								
Notes payable to banks	$	83.7	$	83.8	$	371.2	$	370.1
Accounts payable	$	129.2	$	129.2	$	268.8	$	268.8
Long-term debt, including current portion	$	3,152.6	$	3,298.2	$	3,464.3	$	3,483.4
Foreign currency contracts	$	5.3	$	5.3	$	29.6	$	29.6
Interest rate swap contracts	$	6.1	$	6.1	$	14.7	$	14.7

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

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

Available-for-sale debt securities: The fair value is estimated by discounting cash flows using market-based inputs (see Fair Value Measurements below).

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

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

Notes receivable: These instruments are fixed interest rate bearing notes. The fair value is estimated by discounting cash flows using market-based inputs, including counterparty credit risk.

Notes payable to banks: The revolving credit facility under the 2006 Credit Agreement (as defined in Note 11) is a variable interest rate bearing note which includes a fixed margin which is adjustable based upon the Company s debt ratio (as defined in the 2006 Credit Agreement). The fair value of the revolving credit facility is estimated by discounting cash flows using LIBOR plus a margin reflecting current market conditions obtained from participating member financial institutions. The remaining instruments are variable interest rate bearing notes for which the carrying value approximates the fair value.

Long-term debt: The tranche A term loan facility under the 2006 Credit Agreement is a variable interest rate bearing note which includes a fixed margin which is adjustable based upon the Company s debt ratio. The tranche B term loan facility under the 2006 Credit Agreement is a variable interest rate bearing note which includes a fixed margin. The fair value of the tranche A term loan facility and the tranche B term loan facility is estimated by discounting cash flows using LIBOR plus a margin reflecting current market conditions obtained from participating member financial institutions. The fair value of the remaining long-term debt, which is all fixed rate, is estimated by discounting cash flows using interest rates currently available for debt with similar terms and maturities.

Fair value measurements

The FASB guidance on fair value measurements and disclosures defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. This guidance 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 additional guidance which deferred the effective date for fair value measurements and disclosures of 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 for fair value measurements and disclosures that were not deferred by additional guidance. The adoption of these provisions did not have a material impact on the Company s consolidated financial statements. On March 1, 2009, in accordance with the additional guidance, the Company adopted the remaining provisions for fair value measurements and disclosures. The adoption of the remaining provisions did not have a material impact on the Company s consolidated financial statements.

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The fair value measurement guidance 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 Company s financial assets and liabilities measured at fair value on a recurring basis:

(in millions)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
February 28, 2011				
Assets:				
Available-for-sale debt securities	$ -	$ -	$ 40.8	$ 40.8
Foreign currency contracts	$ -	$ 17.0	$ -	$ 17.0
Interest rate swap contracts	$ -	$ 1.7	$ -	$ 1.7
Liabilities:				
Foreign currency contracts	$ -	$ 5.3	$ -	$ 5.3
Interest rate swap contracts	$ -	$ 6.1	$ -	$ 6.1
February 28, 2010				
Assets:				
Foreign currency contracts	$ -	$ 44.2	$ -	$ 44.2
Interest rate swap contracts	$ -	$ 2.7	$ -	$ 2.7
Liabilities:				
Foreign currency contracts	$ -	$ 29.6	$ -	$ 29.6
Interest rate swap contracts	$ -	$ 14.7	$ -	$ 14.7

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

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The following table represents a reconciliation of the changes in fair value of financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

(in millions)	Available-For-Sale Debt Securities
Balance at February 28, 2010	$ -
Retained interest in Accolade (see Note 7)	39.6
Total gains (losses):	
Included in earnings	0.4
Included in other comprehensive income (foreign currency translation adjustments)	0.8
Total gains (losses)	1.2
Transfers in and/or out of Level 3	-
Balance at February 28, 2011	$ 40.8

The following table presents the Company s assets and liabilities measured at fair value on a nonrecurring basis for which an impairment assessment was performed for the periods presented:

	Fair Value Measurements Using			
(in millions)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses
For the Year Ended February 28, 2011				
Long-lived assets held for sale	$ -	$ -	$ 4.1	$ 5.8
Trademarks	-	-	136.9	23.6
Total	$ -	$ -	$ 141.0	$ 29.4
For the Year Ended February 28, 2010				
Long-lived assets held for sale	$ -	$ -	$ 21.9	$ 13.4
Trademarks	-	-	162.7	103.2
Investment in equity method investee	-	-	4.2	25.4
Total	$ -	$ -	$ 188.8	$ 142.0

Long-lived assets held for sale:

For the year ended February 28, 2011, in connection with the Company s Australian Initiative, long-lived assets held for sale with a carrying value of $10.1 million were written down to their estimated fair value of $4.1 million, less cost to sell (which was estimated to be minimal), resulting in a loss of $5.8 million. For the year ended February 28, 2010, in connection with the Company s Australian Initiative, long-lived assets held for sale with a carrying value of $35.9 million were written down to their estimated fair value of $22.5 million, less cost to sell of $0.6 million (or $21.9 million), resulting in a loss of $13.4 million. These losses are included in restructuring charges on the Company s Consolidated Statements of Operations. For each period, these assets consisted primarily of certain winery and vineyard assets which had satisfied the conditions necessary to be classified as held for sale. As such, these assets were written down to a value based on the Company s estimate of fair value less cost to sell. The fair value was determined based on a market value approach adjusted for the different characteristics between assets measured and the assets upon which the observable inputs were based.

Trademarks:

For the year ended February 28, 2011, in connection with the Company s annual review of indefinite lived intangible assets for impairment, certain trademarks, with a carrying value of $153.9 million, were written down to their fair value of $136.9 million, resulting in an impairment of $16.7 million. In addition, in connection with the Company s third quarter of fiscal 2011 decision to discontinue certain wine brands within its CWNA segment s wine portfolio, certain indefinite-lived trademarks, with a carrying value of $6.9 million, were written down to their estimated fair value resulting in an impairment of $6.9 million. For the year ended February 28, 2010, in connection with the Company s annual review of indefinite lived intangible assets for impairment, certain trademarks, with a carrying value of $266.3 million, were written down to their fair value of $162.7 million, resulting in an impairment of $103.2 million for the year ended February 28, 2010. These impairments are included in impairment of goodwill and intangible assets on the Company s Consolidated Statements of Operations. For each period, 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 fair value was determined based on an income approach using the relief from royalty method, which assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to exploit the related benefits of trademark assets. The cash flow models the Company uses to estimate the fair values of its trademarks involve several assumptions, including (i) projected revenue growth rates; (ii) estimated royalty rates; (iii) calculated after-tax royalty savings expected from ownership of the subject trademarks; and (iv) discount rates used to derive the present value factors used in determining the fair value of the trademarks.

Investment in equity method investee:

For the year ended February 28, 2010, in connection with the Company s review of its equity method investments for other-than-temporary impairment in the third quarter of fiscal 2010, the Company s CWNA segment s international equity method investment, Ruffino, with a carrying value of $29.8 million was written down to its fair value of $4.2 million, resulting in a loss of $25.4 million. This loss is included in equity in earnings of equity method investees on the Company s Consolidated Statements of Operations. The Company measured the amount of impairment by calculating the amount by which the carrying value of its investment exceeded its estimated fair value, which was based on projected discounted cash flows of this equity method investee.

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7. GOODWILL:

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

	CWNA	CWAE	Crown Imports	Consolidations and Eliminations	Consolidated
(in millions)					
Balance, February 28, 2009					
Goodwill	$ 2,615.0	$ 852.6	$ 13.0	$ (13.0)	$ 3,467.6
Accumulated impairment losses	-	(852.6)	-	-	(852.6)
	2,615.0	-	13.0	(13.0)	2,615.0
Foreign currency translation adjustments	114.1	-	-	-	114.1
Divestiture of business	(158.5)	-	-	-	(158.5)
Balance, February 28, 2010					
Goodwill	2,570.6	852.6	13.0	(13.0)	3,423.2
Accumulated impairment losses	-	(852.6)	-	-	(852.6)
	2,570.6	-	13.0	(13.0)	2,570.6
Foreign currency translation adjustments	49.2	-	-	-	49.2
Divestiture of business					
Goodwill	-	(852.6)	-	-	(852.6)
Accumulated impairment losses	-	852.6	-	-	852.6
Balance, February 28, 2011					
Goodwill	2,619.8	-	13.0	(13.0)	2,619.8
Accumulated impairment losses	-	-	-	-	-
	$ 2,619.8	$ -	$ 13.0	$ (13.0)	$ 2,619.8

For the year ended February 28, 2010, the CWNA segment s divestiture of business consists of the Company s reduction of goodwill in connection with the March 2009 sale of its value spirits business. For the year ended February 28, 2011, the CWAE segment s divestiture of business consists of the Company s reduction of goodwill and accumulated impairment losses in connection with the January 2011 CWAE Divestiture.

Divestiture of the Pacific Northwest Business

In June 2008, the Company sold certain businesses consisting of several of the California wineries and wine brands acquired in the acquisition of all of the issued and outstanding capital stock of Beam Wine Estates, Inc. (BWE), 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 this divestiture, the Company s CWNA segment recorded a loss of $23.2 million for the year ended February 28, 2009, which included a loss on business sold of $15.8 million and losses on contractual obligations of $7.4 million. This loss of $23.2 million is included in selling, general and administrative expenses on the Company s Consolidated Statements of Operations.

Divestiture of the Value Spirits Business

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

Divestiture of the Australian and U.K. Business

In January 2011, the Company sold 80.1% of its Australian and U.K. business (the CWAE Divestiture) at a transaction value of $266.9 million, subject to post-closing adjustments. The Company received cash proceeds, net of cash divested of $15.8 million and direct costs paid of $2.3 million, of $221.3 million, subject to post-closing adjustments. The Company retained a 19.9% interest in its previously owned Australian and U.K. business, hereinafter referred to as Accolade Wines (Accolade) (see Note 9). The following table summarizes the net gain recognized and the net cash proceeds received in connection with this divestiture:

(in millions)	
Net assets sold	$ (734.1)
Cash received from buyer, net of cash divested	223.6
Retained interest in Accolade	48.2
Estimated post-closing adjustments	(19.3)
Foreign currency reclassification	678.8
Indemnification liabilities	(26.1)
Direct costs to sell, paid and accrued	(14.0)
Other	8.0
Net gain on sale	165.1
Loss on settlement of pension (see Note 14)	(109.9)
Net gain	$ 55.2

In addition, the Company s CWAE segment recorded an additional net gain of $28.5 million, primarily associated with a net gain on derivative instruments of $20.8 million, related to this divestiture. Total net gains associated with this divestiture of $83.7 million are included in selling, general and administrative expenses on the Company s Consolidated Statements of Operations.

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8. INTANGIBLE ASSETS:

The major components of intangible assets are as follows:

	February 28, 2011 Gross Carrying Amount	February 28, 2011 Net Carrying Amount	February 28, 2010 Gross Carrying Amount	February 28, 2010 Net Carrying Amount
(in millions)				
Amortizable intangible assets:				
Customer relationships	$ 83.2	$ 64.1	$ 85.0	$ 69.0
Other	2.6	-	2.6	0.3
Total	$ 85.8	64.1	$ 87.6	69.3
Nonamortizable intangible assets:				
Trademarks		816.5		846.0
Other		5.7		9.7
Total		822.2		855.7
Total intangible assets, net		$ 886.3		$ 925.0

The Company did not incur costs to renew or extend the term of acquired intangible assets during the years ended February 28, 2011, and February 28, 2010. 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 $5.5 million, $5.8 million and $6.8 million for the years ended February 28, 2011, February 28, 2010, and February 28, 2009, respectively. Estimated amortization expense for each of the five succeeding fiscal years and thereafter is as follows:

(in millions)	
2012	$ 4.7
2013	$ 4.7
2014	$ 4.6
2015	$ 4.7
2016	$ 4.7
Thereafter	$ 40.7

9. OTHER ASSETS:

The major components of other assets are as follows:

	February 28, 2011	February 28, 2010
(in millions)		
Investments in equity method investees	$ 262.9	$ 278.5
Investment in Accolade	49.6	-
Deferred financing costs	47.3	47.1
Notes receivable	4.8	65.7
Other	22.4	70.2

		387.0		461.5
Less Accumulated amortization		(28.1)		(19.1)
	$	358.9	$	442.4

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Investments in equity method investees

Crown Imports:

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

The Company accounts for the investment in Crown Imports under the equity method. Accordingly, the results of operations of Crown Imports are included in equity in earnings of equity method investees on the Company s Consolidated Statements of Operations. As of February 28, 2011, and February 28, 2010, the Company s investment in Crown Imports was $183.3 million and $167.2 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 $210.0 million, $191.7 million and $265.9 million of cash distributions from Crown Imports for the years ended February 28, 2011, February 28, 2010, and February 28, 2009, respectively, all of which represent distributions of earnings.

Constellation Beers provides certain administrative services to Crown Imports. Amounts related to the performance of these services for the years ended February 28, 2011, February 28, 2010, and February 28, 2009, were not material. In addition, as of February 28, 2011, and February 28, 2010, amounts receivable from Crown Imports were not material.

Ruffino:

The Company has a 49.9% interest in Ruffino, the well-known Italian fine wine company. The Company does not have a controlling interest in Ruffino or exert any managerial control. The Company accounts for the investment in Ruffino under the equity method; accordingly, the results of operations of Ruffino are included in equity in earnings of equity method investees on the Company s Consolidated Statements of Operations.

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In connection with the Company s December 2004 investment in Ruffino, the Company granted separate irrevocable and unconditional options to the two other shareholders of Ruffino to put to the Company all of the ownership interests held by these shareholders for a price as calculated in the joint venture agreement. Each option was exercisable during the period starting from January 1, 2010, and ending on December 31, 2010. For the year ended February 28, 2010, in connection with the notification by the 9.9% shareholder of Ruffino to exercise its option to put its entire equity interest in Ruffino to the Company for the specified minimum value of 23.5 million, the Company recognized a loss of $34.3 million for the third quarter of fiscal 2010 on the contractual obligation created by this notification. This loss was included in selling, general and administrative expenses on the Company s Consolidated Statements of Operations. In May 2010, the Company settled this put option through a cash payment of 23.5 million ($29.6 million) to the 9.9% shareholder of Ruffino, thereby increasing the Company s equity interest in Ruffino from 40.0% to 49.9%. In December 2010, the Company received notification from the 50.1% shareholder of Ruffino that it was exercising its option to put its entire equity interest in Ruffino to the Company for 55.9 million. Prior to this notification, the Company had initiated arbitration proceedings against the 50.1% shareholder alleging various matters which should affect the validity of the put option. However, subsequent to the initiation of the arbitration proceedings, the Company began discussions with the 50.1% shareholder on a framework for settlement of all legal actions. The framework of the settlement would include the Company s purchase of the 50.1% shareholder s entire equity interest in Ruffino on revised terms to be agreed upon by both parties. As a result, the Company recognized a loss for the fourth quarter of fiscal 2011 of 43.4 million ($60.0 million) on the contingent obligation. This loss is included in selling, general and administrative expenses on the Company s Consolidated Statements of Operations. As of February 28, 2011, and February 28, 2010, the Company s investment in Ruffino was $7.4 million and $4.1 million, respectively.

The Company s CWNA segment distributes Ruffino s products, primarily in the U.S. Amounts purchased from Ruffino under this arrangement for the years ended February 28, 2011, February 28, 2010, and February 28, 2009, were not material. As of February 28, 2011, and February 28, 2010, amounts payable to Ruffino were not material.

Other:

In connection with prior acquisitions, the Company acquired several investments which are being accounted for under the equity method. The primary investment consists of Opus One Winery LLC (Opus One), a 50% owned joint venture arrangement. As of February 28, 2011, and February 28, 2010, the Company s investment in Opus One was $57.2 million and $57.4 million, respectively. The percentage of ownership of the remaining investments ranges from 20% to 50%.

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

	February 28, 2011			February 28, 2010		
	Crown Imports	Other	Total	Crown Imports	Other	Total
(in millions)						
Current assets	$ 386.9	$ 110.1	$ 497.0	$ 336.6	$ 255.7	$ 592.3
Noncurrent assets	$ 32.1	$ 120.9	$ 153.0	$ 32.3	$ 177.6	$ 209.9
Current liabilities	$ (147.5)	$ (100.7)	$ (248.2)	$ (161.7)	$ (198.1)	$ (359.8)
Noncurrent liabilities	$ (0.1)	$ (76.3)	$ (76.4)	$ (0.1)	$ (122.4)	$ (122.5)

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(in millions)	Crown Imports	Other	Total
For the Year Ended February 28, 2011			
Net sales	$ 2,392.9	$ 987.5	$ 3,380.4
Gross profit	$ 690.5	$ 170.4	$ 860.9
Income from continuing operations	$ 452.3	$ 40.4	$ 492.7
Net income	$ 452.3	$ 40.4	$ 492.7
For the Year Ended February 28, 2010			
Net sales	$ 2,256.2	$ 1,126.2	$ 3,382.4
Gross profit	$ 658.4	$ 186.3	$ 844.7
Income from continuing operations	$ 443.9	$ 36.7	$ 480.6
Net income	$ 443.9	$ 36.7	$ 480.6
For the Year Ended February 28, 2009			
Net sales	$ 2,395.4	$ 988.0	$ 3,383.4
Gross profit	$ 717.4	$ 184.5	$ 901.9
Income from continuing operations	$ 504.6	$ 32.4	$ 537.0
Net income	$ 504.6	$ 32.4	$ 537.0

Investment in Accolade

In connection with the Company s CWAE Divestiture, the Company retained a 19.9% interest in Accolade, its previously owned Australian and U.K. business, which consists of equity securities and available-for-sale debt securities. The investment in the equity securities will be accounted for under the cost method. Accordingly, the Company will recognize earnings only upon the receipt of a dividend from Accolade. Dividends received in excess of net accumulated earnings since the date of investment will be considered a return of investment and will be recorded as a reduction of the cost of the investment. No dividends were received for the year ended February 28, 2011. The available-for-sale debt securities will be measured at fair value on a recurring basis with unrealized holding gains and losses, including foreign currency gains and losses, reported in other comprehensive income until realized. Interest income will be recognized based on the interest rate implicit in the available-for-sale debt securities fair value and will be reported in interest expense, net, on the Company s Consolidated Statements of Operations. Interest income recognized in connection with the available-for-sale debt securities was not material for the year ended February 28, 2011. The available-for-sale debt securities have a contractual maturity of twelve years from the date of issuance and can be settled, at the option of the issuer, in cash, equity shares of the issuer, or a combination thereof.

Other items

Amortization of deferred financing costs of $9.1 million, $6.3 million and $6.6 million for the years ended February 28, 2011, February 28, 2010, and February 28, 2009, respectively, is included in interest expense, net on the Company s Consolidated Statements of Operations.

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10. OTHER ACCRUED EXPENSES AND LIABILITIES:

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

(in millions)	February 28, 2011	February 28, 2010
Salaries and commissions	$ 76.1	$ 80.0
Contractual obligation from put option of Ruffino shareholder	60.0	32.1
Advertising and promotions	53.7	113.8
Deferred revenue	31.7	33.4
Accrued interest	23.9	26.8
Accrued insurance	17.7	18.7
Accrued profit sharing	15.8	12.7
Income taxes payable	14.1	43.1
Other	126.9	141.0
	$ 419.9	$ 501.6

11. BORROWINGS:

Borrowings consist of the following:

	February 28, 2011			February 28, 2010
(in millions)	Current	Long-term	Total	Total
Notes Payable to Banks:				
Senior Credit Facility				
Revolving Credit Loans	$ 74.9	$ -	$ 74.9	$ 289.3
Other	8.8	-	8.8	81.9
	$ 83.7	$ -	$ 83.7	$ 371.2
Long-term Debt:				
Senior Credit Facility Term Loans	$ 5.6	$ 1,222.4	$ 1,228.0	$ 1,549.1
Senior Notes	-	1,893.6	1,893.6	1,892.6
Other Long-term Debt	10.3	20.7	31.0	22.6
	$ 15.9	$ 3,136.7	$ 3,152.6	$ 3,464.3

Senior credit facility

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 are parties to a credit agreement, as amended (the 2006 Credit Agreement). The 2006 Credit Agreement provides for aggregate credit facilities of $3,842.0 million, consisting of (i) a $1,200.0 million tranche A term loan facility with an original final maturity in June 2011, fully repaid as of February 28, 2011 (the Tranche A Term Loans), (ii) a $1,800.0 million tranche B term loan facility, of which $1,500.0 million has a final maturity in June 2013 (the 2013 Tranche B Term Loans) and $300.0 million has a final maturity in June 2015 (the 2015 Tranche B Term Loans), and (iii) an $842.0 million revolving credit facility (including a sub-facility for letters of credit of up to $200 million), of which $192.0 million terminates in June 2011 (the 2011 Revolving Facility) and $650.0 million terminates in June 2013 (the 2013 Revolving Facility). The Company uses its revolving credit facility under the 2006 Credit Agreement for general corporate purposes.

As of February 28, 2011, the required principal repayments of the tranche B term loan facility for each of the five succeeding fiscal years and thereafter are as follows:

(in millions)	Tranche B Term Loan Facility
2012	$ 5.6
2013	466.4
2014	465.1
2015	146.2
2016	144.7
Thereafter	-
	$ 1,228.0

The rate of interest on borrowings under the 2006 Credit Agreement is a function of LIBOR plus a margin, the federal funds rate plus a margin, or the prime rate plus a margin. The margin is adjustable based upon the Company s debt ratio (as defined in the 2006 Credit Agreement) with respect to the 2011 Revolving Facility and the 2013 Revolving Facility, and is fixed with respect to the 2013 Tranche B Term Loans and the 2015 Tranche B Term Loans. As of February 28, 2011, the LIBOR margin for the 2011 Revolving Facility is 1.25%; the LIBOR margin for the 2013 Revolving Facility is 2.50%; the LIBOR margin for the 2013 Tranche B Term Loans is 1.50%; and the LIBOR margin on the 2015 Tranche B Term Loans is 2.75%.

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, the 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 maintaining a maximum total debt coverage ratio and minimum interest coverage ratio.

As of February 28, 2011, under the 2006 Credit Agreement, the Company had outstanding 2013 Tranche B Term Loans of $928.0 million bearing an interest rate of 1.8%, 2015 Tranche B Term Loans of $300.0 million bearing an interest rate of 3.1%, 2011 Revolving Facility of $7.5 million bearing an interest rate of 3.5%, 2013 Revolving Facility of $67.4 million bearing an interest rate of 3.1%, outstanding letters of credit of $13.9 million, and $753.2 million in revolving loans available to be drawn.

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In April 2009, the Company transitioned its interest rate swap agreements to a one-month LIBOR base rate versus the then existing three-month LIBOR base rate. Accordingly, the Company entered into new interest rate swap agreements which were designated as cash flow hedges of $1,200.0 million of the Company s floating LIBOR rate debt. In addition, the then existing interest rate swap agreements were dedesignated by the Company and the Company entered into additional undesignated interest rate swap agreements for $1,200.0 million to offset the prospective impact of the newly undesignated interest rate swap agreements. As a result, the Company fixed its interest rates on $1,200.0 million of the Company s floating LIBOR rate debt at an average rate of 4.0% through February 28, 2010. On March 1, 2010, the Company paid $11.9 million in connection with the maturity of these outstanding interest rate swap agreements, which is reported in other, net in cash flows from operating activities in the Company s Consolidated Statements of Cash Flows. In June 2010, the Company entered into a new five year delayed start interest rate swap agreement effective September 1, 2011, which was designated as a cash flow hedge for $500.0 million of the Company s floating LIBOR rate debt. Accordingly, the Company fixed its interest rates on $500.0 million of the Company s floating LIBOR rate debt at an average rate of 2.9% (exclusive of borrowing margins) through September 1, 2016. For the year ended February 28, 2011, the Company did not reclassify any amount from AOCI to interest expense, net on its Consolidated Statements of Operations. For the years ended February 28, 2010, and February 28, 2009, the Company reclassified net losses of $27.7 million and $12.6 million, net of income tax effect, respectively, from AOCI to interest expense, net on the Company s Consolidated Statements of Operations.

Senior notes

In November 1999, the Company issued £75.0 million ($121.7 million upon issuance) aggregate principal amount of 8 1/2% Senior Notes due November 2009 (the Sterling Senior Notes). In March 2000, the Company exchanged £75.0 million aggregate principal amount of 8 1/2% Series B Senior Notes due in November 2009 (the Sterling Series B Senior Notes) for all of the Sterling Senior Notes. In October 2000, the Company exchanged £74.0 million aggregate principal amount of Sterling Series C Senior Notes (as defined below) for £74.0 million of the Sterling Series B Senior Notes. On May 15, 2000, the Company issued £80.0 million ($120.0 million upon issuance) aggregate principal amount of 8 1/2% Series C Senior Notes due November 2009 (the Sterling Series C Senior Notes). In November 2009, the Company repaid the Sterling Series B Senior Notes and the Sterling Series C Senior Notes with proceeds from its revolving credit facility under its then existing senior credit facility and cash flows from operating activities.

In February 2009, the Company entered into a foreign currency forward contract to fix the U.S. dollar payment of the Sterling Series B Senior Notes and Sterling Series C Senior Notes. In accordance with the FASB guidance for derivatives and hedging, this foreign currency forward contract qualified for cash flow hedge accounting treatment. In November 2009, the Company received $33.2 million of proceeds from the maturity of this derivative instrument. This amount is reported in cash flows from financing activities on the Company s Consolidated Statements of Cash Flows.

On August 15, 2006, the Company issued $700.0 million aggregate principal amount of 7 1/4% Senior Notes due September 2016 at an issuance price of $693.1 million (net of $6.9 million unamortized discount, with an effective interest rate of 7.4%) (the August 2006 Senior Notes). The net proceeds of the offering ($685.6 million) were used to reduce a corresponding amount of borrowings under the Company s then existing senior credit facility. Interest on the August 2006 Senior Notes is payable semiannually on March 1 and September 1 of each year, beginning March 1, 2007. As of February 28, 2011, and February 28, 2010, the Company had outstanding $695.6 million (net of $4.4 million unamortized discount) and $695.0 million (net of $5.0 million unamortized discount), respectively, aggregate principal amount of August 2006 Senior Notes.

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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 then existing senior credit facility. Interest on the Original May 2007 Senior Notes is payable semiannually on May 15 and November 15 of each year, beginning November 15, 2007. 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. As of February 28, 2011, and February 28, 2010, 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. Interest on the December 2007 Senior Notes is payable semiannually on June 15 and December 15 of each year, beginning June 15, 2008. As of February 28, 2011, and February 28, 2010, the Company had outstanding $498.0 million (net of $2.0 million unamortized discount) and $497.6 million (net of $2.4 million unamortized discount) aggregate principal amount of December 2007 Senior Notes.

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

Senior subordinated notes

On January 23, 2002, the Company issued $250.0 million aggregate principal amount of 8 1/8% Senior Subordinated Notes due January 2012 (the January 2002 Senior Subordinated Notes). On February 25, 2010, the Company repaid the January 2002 Senior Subordinated Notes with proceeds from its revolving credit facility under the 2006 Credit Agreement and cash flows from operating activities.

Indentures

The Company s Indentures relating to its outstanding senior notes contain certain covenants, including, but not limited to: (i) a limitation on liens on certain assets; (ii) a limitation on certain sale and leaseback transactions; and (iii) restrictions on mergers, consolidations and the transfer of all or substantially all of the assets of the Company to another person.

Subsidiary credit facilities

The Company has additional credit arrangements totaling $154.2 million and $266.3 million as of February 28, 2011, and February 28, 2010, respectively. These arrangements primarily support the financing needs of the Company s domestic and foreign subsidiary operations. Interest rates and other terms of these borrowings vary from country to country, depending on local market conditions. As of February 28, 2011, and February 28, 2010, amounts outstanding under these arrangements were $39.8 million and $104.5 million, respectively.

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Debt payments

Principal payments required under long-term debt obligations (excluding unamortized discount of $6.4 million) for each of the five succeeding fiscal years and thereafter are as follows:

(in millions)	
2012	$ 15.9
2013	471.1
2014	468.7
2015	650.3
2016	146.2
Thereafter	1,406.8
	$ 3,159.0

12. INCOME TAXES:

Income (loss) before income taxes was generated as follows:

	For the Years Ended		
(in millions)	February 28, 2011	February 28, 2010	February 28, 2009
Domestic	$ 946.0	$ 365.6	$ 401.9
Foreign	(395.0)	(106.3)	(508.7)
	$ 551.0	$ 259.3	$ (106.8)

The income tax (benefit) provision consisted of the following:

	For the Years Ended		
(in millions)	February 28, 2011	February 28, 2010	February 28, 2009
Current:			
Federal	$ (112.9)	$ 139.4	$ 133.8
State	21.7	34.2	36.4
Foreign	11.8	17.0	22.1
Total current	(79.4)	190.6	192.3
Deferred:			
Federal	31.8	5.4	22.7
State	4.6	0.9	(3.5)
Foreign	34.5	(36.9)	(16.9)
Total deferred	70.9	(30.6)	2.3

Income tax provision	$	(8.5)	$	160.0	$	194.6

The foreign (benefit) provision for income taxes is based on foreign pretax earnings. Earnings of foreign subsidiaries would be subject to U.S. income taxation on repatriation to the U.S. The Company s consolidated financial statements provide for anticipated tax liabilities on amounts that may be repatriated.

Deferred tax assets and liabilities reflect the future income tax effects of temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and are measured using enacted tax rates that apply to taxable income.

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Significant components of deferred tax assets (liabilities) consist of the following:

(in millions)	February 28, 2011	February 28, 2010
Deferred tax assets:		
Stock-based compensation	$ 49.2	$ 43.0
Inventory	16.1	13.9
Net operating losses	9.9	158.2
Insurance accruals	6.4	6.7
Employee benefits	4.1	30.6
Other accruals	40.8	30.6
Gross deferred tax assets	126.5	283.0
Valuation allowances	(11.4)	(234.7)
Deferred tax assets, net	115.1	48.3
Deferred tax liabilities:		
Intangible assets	(383.4)	(286.5)
Property, plant and equipment	(192.8)	(167.9)
Investment in equity method investees	(41.4)	(33.7)
Provision for unremitted earnings	(22.6)	(1.5)
Unrealized foreign exchange	(10.6)	-
Derivative instruments	(4.6)	(14.5)
Total deferred tax liabilities	(655.4)	(504.1)
Deferred tax liabilities, net	$ (540.3)	$ (455.8)

Amounts recognized in the Consolidated Balance Sheets consist of:

(in millions)	February 28, 2011	February 28, 2010
Current deferred tax assets	$ 42.1	$ 50.0
Long-term deferred tax assets	1.8	30.8
Current deferred tax liabilities	(1.1)	(0.4)
Long-term deferred tax liabilities	(583.1)	(536.2)
	$ (540.3)	$ (455.8)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. Management considers the projected reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon this assessment, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of any valuation allowances. During the years ended February 28, 2011, and February 28, 2010, the Company recorded additional valuation allowances, primarily associated with its Australian and U.K. business. The decrease in the valuation allowance as of February 28, 2011, is primarily related to the January 2011 CWAE Divestiture.

Operating loss carryforwards totaling $42.0 million at February 28, 2011, are being carried forward in a number of foreign jurisdictions where the Company is permitted to use tax operating losses from prior periods to reduce future taxable income. Of these operating loss carryforwards, $27.0 million will expire in 2013 through 2027 and $15.0 million of operating losses in foreign jurisdictions may be carried forward indefinitely. A U.S. tax loss of $235.2 million was generated during the year ended February 28, 2011. The Company expects to carryback this loss and credits generated during the year ended February 28, 2011, to the years ended February 28, 2010, and February 28, 2009.

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The Company is subject to ongoing tax examinations and assessments in various jurisdictions. Accordingly, the Company provides for additional tax expense based on probable outcomes of such matters. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, the Company believes the reserves reflect the probable outcome of known tax contingencies. Unfavorable settlement of any particular issue would require the use of cash. Favorable resolution would be recognized as a reduction to the effective tax rate in the year of resolution. During the year ended February 28, 2011, various federal, state, and international examinations were finalized. A tax benefit of $36.0 million was recorded primarily related to the resolution of certain tax positions in connection with those examinations and the expiration of statutes of limitation.

A reconciliation of the total tax provision to the amount computed by applying the statutory U.S. Federal income tax rate to income (loss) before provision for income taxes is as follows:

	For the Years Ended					
	February 28, 2011		February 28, 2010		February 28, 2009	
	Amount	% of Pretax Income	Amount	% of Pretax Income	Amount	% of Pretax Income
(in millions, except % of pretax income data)						
Income tax provision (benefit) at statutory rate	$ 192.9	35.0	$ 90.8	35.0	$ (37.4)	35.0
State and local income taxes, net of federal income tax benefit	17.1	3.1	22.8	8.8	21.3	(20.0)
Deduction for investments and loans related to the CWAE Divestiture	(207.0)	(37.5)	-	-	-	-
CWAE Divestiture	(19.7)	(3.6)	-	-	-	-
Impairments and dispositions of nondeductible goodwill, equity method investments and other intangible assets	21.0	3.8	61.5	23.7	131.5	(123.1)
Net operating loss valuation allowance	46.8	8.5	18.6	7.2	67.4	(63.2)
Nontaxable foreign exchange gains and losses	(3.8)	(0.7)	(8.8)	(3.4)	11.4	(10.6)
Earnings of subsidiaries taxed at other than U.S. statutory rate	(46.8)	(8.5)	(27.7)	(10.7)	(3.5)	3.3
Miscellaneous items, net	(9.0)	(1.6)	2.8	1.1	3.9	(3.6)
	$ (8.5)	(1.5)	$ 160.0	61.7	$ 194.6	(182.2)

The effect of earnings of foreign subsidiaries includes the difference between the U.S. statutory rate and local jurisdiction tax rates, as well as the (benefit) provision for incremental U.S. taxes on unremitted earnings of foreign subsidiaries offset by foreign tax credits and other foreign adjustments.

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As of February 28, 2011, and February 28, 2010, the liability for income taxes associated with uncertain tax positions, excluding interest and penalties, was $154.4 million and $124.0 million, respectively. A reconciliation of the beginning and ending unrecognized tax benefit liabilities is as follows:

	For the Years Ended February 28, 2011	February 28, 2010
(in millions)		
Balance, March 1	$ (124.0)	$ (146.6)
Increases as a result of tax positions taken during a prior period	(9.5)	(4.8)
Decreases as a result of tax positions taken during a prior period	1.8	10.8
Increases as a result of tax positions taken during the current period	(59.5)	(25.3)
Decreases related to settlements with tax authorities	36.0	39.6
Decreases related to lapse of applicable statute of limitations	0.8	2.3
Balance, February 28	$ (154.4)	$ (124.0)

As of February 28, 2011, and February 28, 2010, the Company has $163.3 million and $130.8 million, respectively, of non-current unrecognized tax benefit liabilities, including interest and penalties, recorded on the Company s Consolidated Balance Sheet. These liabilities are recorded as non-current as payment of cash is not anticipated within one year of the balance sheet date.

As of February 28, 2011, and February 28, 2010, the Company has $154.4 million and $124.0 million, respectively, of unrecognized tax benefit liabilities that, if recognized, would decrease the effective tax rate.

In accordance with the Company s accounting policy, the Company recognizes interest and penalties related to unrecognized tax benefit liabilities as a component of the provision for income taxes on the Company s Consolidated Statements of Operations. For the years ended February 28, 2011, and February 28, 2010, the Company recorded ($4.1) million and ($1.1) million of net interest expense (income), net of income tax effect, and penalties, respectively. As of February 28, 2011, and February 28, 2010, $11.6 million, net of income tax effect, and $15.7 million, net of income tax effect, respectively, was included in the liability for uncertain tax positions for the possible payment of interest and penalties.

Various U.S. Federal, state and foreign income tax examinations are currently in progress. It is reasonably possible that the liability associated with the Company s unrecognized tax benefit liabilities will increase or decrease within the next twelve months as a result of these examinations or the expiration of statutes of limitation. As of February 28, 2011, the Company estimates that unrecognized tax benefit liabilities could change by a range of $25 million to $70 million. The Company files U.S. Federal income tax returns and various state, local and foreign income tax returns. Major tax jurisdictions where the Company is subject to examination by tax authorities include Australia, Canada, New Zealand, the U.K. and the U.S. With few exceptions, the Company is no longer subject to U.S. Federal, state, local or foreign income tax examinations for fiscal years prior to February 28, 2006.

13. OTHER LIABILITIES:

The major components of other liabilities are as follows:

(in millions)	February 28, 2011	February 28, 2010
Unrecognized tax benefit liabilities	$ 151.7	$ 130.8
Indemnification liabilities	27.8	1.8
Accrued pension liability (see Note 14)	10.3	115.6
Adverse grape contracts (see Note 15)	9.3	15.9
Other	33.9	68.0
	$ 233.0	$ 332.1

14. DEFINED CONTRIBUTION AND DEFINED BENEFIT PLANS:

Defined contribution plans

The Company s retirement and profit sharing plan, the Constellation Brands, Inc. 401(k) and Profit Sharing Plan (the Plan), covers substantially all U.S. employees, excluding those employees covered by collective bargaining agreements. The 401(k) portion of the Plan permits eligible employees to defer a portion of their compensation (as defined in the Plan) on a pretax basis. Participants may defer up to 50% of their compensation for the year, subject to limitations of the Plan. The Company makes a matching contribution of 50% of the first 6% of compensation a participant defers. The amount of the Company s contribution under the profit sharing portion of the Plan is a discretionary amount as determined by the Board of Directors on an annual basis, subject to limitations of the Plan. Company contributions under the Plan were $13.6 million, $15.6 million and $14.0 million for the years ended February 28, 2011, February 28, 2010, and February 28, 2009, respectively.

In addition to the Plan discussed above, the Company has a defined contribution plan that covers substantially all of its New Zealand employees and a defined contribution plan that covers certain of its Canadian employees. The Company also has the Retirement Plan for Salaried Employees of Vincor International Inc. (the Vincor Retirement Plan) which covers substantially all of its salaried Canadian employees. The Vincor Retirement Plan has a defined benefit component and a defined contribution component. Prior to the CWAE Divestiture, the Company also had the Constellation Wines Australia Superannuation Plan (the Constellation Wines Australia Plan) which covered substantially all of its salaried Australian employees. The Constellation Wines Australia Plan had a defined benefit component and a defined contribution component. The Company also had a statutory obligation to provide a minimum defined contribution on behalf of any Australian employees who were not covered by the Constellation Wines Australia Plan. Lastly, the Company had a defined contribution plan that covered substantially all of its U.K. employees. Company contributions under the defined contribution component of the Constellation Wines Australia Plan, the Australian statutory obligation, the U.K. defined contribution plan, the New Zealand defined contribution plan, the Canadian defined contribution plan and the defined contribution component of the Vincor Retirement Plan aggregated $7.0 million, $8.2 million and $8.6 million for the years ended February 28, 2011, February 28, 2010, and February 28, 2009, respectively.

Defined benefit pension plans

The Company also has defined benefit pension plans that cover certain of its non-U.S. employees. These consist of a Canadian plan, the defined benefit component of the Vincor Retirement Plan and one defined benefit pension plan which covers substantially all of its hourly Canadian employees. Prior to the CWAE Divestiture, the Company also had defined benefit pension plans that consisted of an U.K. plan and the defined benefit component of the Constellation Wines Australia Plan.

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Effective February 28, 2009, the Company adopted amended FASB guidance for compensation retirement benefits. This guidance requires companies to measure the funded status of a defined benefit postretirement plan as of the date of the company s fiscal year-end (with limited exceptions). The Company had previously used a December 31 measurement date for its defined benefit pension and other postretirement plans. On March 1, 2008, the Company elected to transition to a fiscal year-end measurement date utilizing the second alternative prescribed by the amended FASB guidance. 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 postretirement plan assets or liabilities. These adjustments did not have a material impact on the Company s consolidated financial statements. The Company completed its adoption of this amended FASB guidance on February 28, 2009, when the Company changed its measurement date for its defined benefit pension and other postretirement plans to February 28, 2009. Accordingly, the Company used the last day of February as its measurement date for all of its plans for the years ended February 28, 2011, February 28, 2010 and February 28, 2009.

For the year ended February 28, 2011, in connection with the January 2011 CWAE Divestiture, the Company recognized settlement losses of $109.9 million associated with the settlement of the related pension obligations. For the year ended February 28, 2009, 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 $8.6 million and $0.4 million, respectively, associated with the settlement of the related pension obligation. Net periodic benefit cost reported in the Consolidated Statements of Operations for all of the Company s defined benefit pension plans includes the following components:

	For the Years Ended		
(in millions)	February 28, 2011	February 28, 2010	February 28, 2009
Service cost	$ 4.4	$ 2.4	$ 3.9
Interest cost	22.2	21.8	23.4
Expected return on plan assets	(23.8)	(25.5)	(27.5)
Amortization of prior service cost	0.1	0.1	0.2
Recognized net actuarial loss	9.0	4.4	6.9
Recognized loss due to curtailment	-	-	0.4
Recognized net loss due to settlement	109.9	1.1	8.6
Net periodic benefit cost	$ 121.8	$ 4.3	$ 15.9

The following table summarizes the funded status of the Company s defined benefit pension plans and the related amounts included in the Consolidated Balance Sheets:

(in millions)	February 28, 2011	February 28, 2010
Change in benefit obligation:		
Benefit obligation as of March 1	$ 397.6	$ 288.8
Service cost	4.4	2.4
Interest cost	22.2	21.8
Plan participants contributions	1.8	1.8
Curtailment	(12.1)	(1.6)
Actuarial loss	4.3	78.7

Plan amendment		(2.6)		-
Settlement		(337.3)		(4.5)
Benefits paid		(15.9)		(15.5)
Foreign currency exchange rate changes		23.7		25.7
Benefit obligation as of the last day of February	$	86.1	$	397.6

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(in millions)	February 28, 2011	February 28 , 2010
Change in plan assets:		
Fair value of plan assets as of March 1	$ 283.1	$ 240.1
Actual return on plan assets	45.7	29.4
Employer contribution	10.4	7.5
Plan participants contributions	1.8	1.8
Settlement	(268.1)	(4.5)
Benefits paid	(15.9)	(15.5)
Foreign currency exchange rate changes	18.7	24.3
Fair value of plan assets as of the last day of February	$ 75.7	$ 283.1
Funded status of the plan as of the last day of February	$ (10.4)	$ (114.5)
Amounts recognized in the Consolidated Balance Sheets consist of:		
Long-term pension asset	$ -	$ 1.2
Current accrued pension liability	(0.1)	(0.1)
Long-term accrued pension liability	(10.3)	(115.6)
	$ (10.4)	$ (114.5)
Amounts recognized in accumulated other comprehensive income:		
Unrecognized prior service (credit) cost	$ (2.1)	$ 0.6
Unrecognized actuarial loss	15.4	145.1
Accumulated other comprehensive income, gross	13.3	145.7
Cumulative tax impact	3.3	40.3
Accumulated other comprehensive income, net	$ 10.0	$ 105.4

The estimated amounts that will be amortized from accumulated other comprehensive income, net of income tax effect, into net periodic benefit cost over the next fiscal year are as follows:

(in millions)	
Prior service cost	$ 0.1
Net actuarial loss	$ 0.4

As of February 28, 2011, and February 28, 2010, the accumulated benefit obligation for all defined benefit pension plans was $71.6 million and $379.2 million, respectively. The following table summarizes the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for only those pension plans with an accumulated benefit obligation in excess of plan assets:

(in millions)	February 28, 2011	February 28, 2010
Projected benefit obligation	$ 7.2	$ 323.2
Accumulated benefit obligation	$ 6.9	$ 317.2
Fair value of plan assets	$ 5.8	$ 217.6

The following table sets forth the weighted average assumptions used in developing the net periodic pension expense:

	For the Years Ended	
	February 28, 2011	February 28, 2010
Rate of return on plan assets	9.11%	9.72%
Discount rate	5.95%	6.82%
Rate of compensation increase	4.40%	4.03%

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The actuarial present value of the benefit obligation is based on the expected date of separation or retirement. The following table sets forth the weighted average assumptions used in developing the benefit obligation:

	February 28, 2011	February 28, 2010
Discount rate	5.23%	5.95%
Rate of compensation increase	3.50%	4.40%

The Company s weighted average expected long-term rate of return on plan assets is 9.11%. The Company considers the historical level of long-term returns and the current level of expected long-term returns for each asset class, as well as the current and expected allocation of assets when developing its expected long-term rate of return on assets assumption. The expected return for each asset class is weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the Company s portfolios.

On February 28, 2010, the Company adopted the amended FASB guidance for compensation retirement benefits which provided additional guidance on an employer s disclosures about plan assets of a defined benefit pension or other postretirement plan. The following table presents the major categories and the respective fair value hierarchy for the Company s defined benefit pension plan assets as of February 28, 2011, and February 28, 2010:

(in millions)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
February 28, 2011				
Asset Class				
Cash and cash equivalent funds	$ 3.4	$ -	$ -	$ 3.4
Equity securities:				
U. S. equities	11.0	-	-	11.0
Non-U.S. equities	45.8	-	-	45.8
Fixed income securities:				
Corporate bonds	-	5.9	-	5.9
Government bonds	-	9.2	-	9.2
Mortgage-backed	-	0.4	-	0.4
Total fair value of plan assets	$ 60.2	$ 15.5	$ -	$ 75.7
February 28, 2010				
Asset Class				
Cash and cash equivalent funds	$ 12.8	$ -	$ -	$ 12.8
Equity securities:				
U. S. equities	23.6	-	-	23.6
Non-U.S. equities	69.0	-	-	69.0
Fixed income securities:			-	
Corporate bonds	40.0	5.2	-	45.2
Government bonds	18.7	6.9	-	25.6
Mortgage-backed	-	0.5	-	0.5
Asset-backed	0.2	8.8	-	9.0

Real estate		-		0.5		-		0.5
Hedge funds		27.0		26.0		-		53.0
Other		33.9		10.0		-		43.9
Total fair value of plan assets	$	225.2	$	57.9	$	-	$	283.1

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The following methods and assumptions were used to estimate the fair value of each asset class:

Cash and cash equivalent funds: The value is based on cost, which approximates fair value.

Equity securities: Investments in stocks are valued using quoted market prices multiplied by the number of shares held.

Fixed income securities: The value is determined using quoted prices in an active market; or independent observable market inputs, such as matrix pricing, yield curves and indices.

Real estate: The value is based on the net asset value of units of ownership underlying the assets held at year end. The fair value of real estate holdings is based on market data including earnings capitalization, discounted cash flow analysis, comparable sales transactions or a combination of these methods.

Hedge funds: The value is based on the net asset value of the underlying assets of the investment. The underlying assets consist of cash, equity securities and fixed income securities.

Other: The value is calculated by the counterparty using a combination of quoted market prices, discounted cash flow analysis, and the Black-Scholes option-pricing model.

For its Canadian defined benefit plans, the Company employs an investment return approach whereby a mix of equities and fixed income investments are used to maximize the long-term rate of return on plan assets for a prudent level of risk. From time to time, the Company will target asset allocation to enhance total return while balancing risks. The established weighted average target allocations are approximately 78.5% equity securities, 21.3% fixed income securities and 0.2% all other types of investments. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. The individual investment portfolios contain a diversified blend of equity and fixed income investments. Equity investments are diversified across the plan s local jurisdiction stocks as well as international stocks, and across multiple asset classifications, including growth, value, and large and small capitalizations. Investment risk is measured and monitored on an ongoing basis through periodic investment portfolio reviews and annual liability measures.

The Company expects to contribute $4.2 million to its pension plans during the year ended February 29, 2012.

Benefit payments, which reflect expected future service, as appropriate, expected to be paid during the next ten fiscal years are as follows:

(in millions)		
2012	$	2.4
2013	$	2.8
2014	$	2.8
2015	$	3.1
2016	$	3.4
2017 2021	$	23.2

15. COMMITMENTS AND CONTINGENCIES:

Operating leases

Step rent provisions, escalation clauses, capital improvement funding and other lease concessions, when present in the Company s leases, are taken into account in computing the minimum lease payments. The minimum lease payments for the Company s operating leases are recognized on a straight-line basis over the minimum lease term.

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Future payments under noncancelable operating leases having initial or remaining terms of one year or more are as follows for each of the five succeeding fiscal years and thereafter:

(in millions)	
2012	$ 59.8
2013	45.3
2014	30.7
2015	24.8
2016	21.3
Thereafter	158.3
	$ 340.2

Rental expense was $92.6 million, $99.4 million and $94.6 million for the years ended February 28, 2011, February 28, 2010, and February 28, 2009, respectively.

Purchase commitments and contingencies

In connection with previous acquisitions as well as with the BWE acquisition, the acquisition of all the outstanding common shares of Vincor International Inc. (Vincor) and the acquisition of all of the outstanding capital stock of The Robert Mondavi Corporation (Robert Mondavi), the Company has assumed grape purchase contracts with certain growers and suppliers. In addition, the Company has entered into other grape purchase contracts with various growers and suppliers in the normal course of business. Under the grape purchase contracts, the Company is committed to purchase grape production yielded from a specified number of acres for a period of time from one to fourteen years. The actual tonnage and price of grapes that must be purchased by the Company will vary each year depending on certain factors, including weather, time of harvest, overall market conditions and the agricultural practices and location of the growers and suppliers under contract. The Company purchased $383.4 million, $404.8 million and $446.2 million of grapes under contracts for the years ended February 28, 2011, February 28, 2010, and February 28, 2009, respectively. Based on current production yields and published grape prices, the aggregate minimum purchase obligations under these contracts are estimated to be $915.5 million over the remaining terms of the contracts which extend through December 2024.

In connection with previous acquisitions as well as with the BWE acquisition, the Vincor acquisition and the Robert Mondavi acquisition, the Company established a liability for the estimated loss on firm purchase commitments assumed at the time of acquisition. As of February 28, 2011, and February 28, 2010, the remaining balance on this liability is $14.1 million and $25.3 million, respectively.

The Company s aggregate minimum purchase obligations under bulk wine purchase contracts are estimated to be $29.4 million over the remaining terms of the contracts which extend through December 2013. The Company s aggregate minimum purchase obligations under certain raw material purchase contracts are estimated to be $326.5 million over the remaining terms of the contracts which extend through February 2015.

In connection with a previous acquisition, the Company assumed certain processing contracts which commit the Company to utilize outside services to process and/or package a minimum volume quantity. The Company s aggregate minimum contractual obligations under these processing contracts are estimated to be $130.1 million over the remaining terms of the contracts which extend through March 2019.

Indemnification liabilities

In connection with the Company s January 2011 CWAE Divestiture, the Company indemnified respective parties against certain liabilities that may arise related to certain contracts with certain investees of Accolade, a certain facility in the U.K. and a certain income tax matter. As a result, the Company recorded liabilities with a fair value of $26.1 million at January 31, 2011, resulting in a loss of $26.1 million. This loss is included in selling, general and administrative expenses on the Company s Consolidated Statements of Operations. The fair value was determined using a probability-weighted cash flow analysis based on the credit profile of the issuer. As of February 28, 2011, the carrying amount of these indemnification liabilities was $26.1 million. If the indemnified party were to incur a liability, pursuant to the terms of the indemnification, the Company would be required to reimburse the indemnified party. As of February 28, 2011, the Company estimates that these indemnifications could require the Company to make potential future payments of up to $331.9 million under these indemnifications with $282.1 million of this amount able to be recovered by the Company from third parties under recourse provisions. The Company does not expect to be required to make material payments under the indemnifications and the Company believes that the likelihood is remote that the indemnifications could have a significant adverse effect on the Company s financial position, results of operations, cash flows or liquidity.

Other contingency

In February 2011, the Company terminated early a certain agreement with a certain equity method investee. Based upon the terms of the certain agreement and the related joint venture agreement, the Company concluded as of February 28, 2011, that it is not probable that there is a likelihood of loss under this contingency. Therefore, no liability has been recorded by the Company related to this contingency. While the Company believes it should prevail against any claim related to the early termination of this agreement, a loss of up to $55 million could be incurred by the Company should it not prevail in any claim.

Employment contracts

The Company has employment contracts with its executive officers and certain other management personnel with either automatic one year renewals after an initial term or an indefinite term of employment unless terminated by either party. These employment contracts provide for minimum salaries, as adjusted for annual increases, and may include incentive bonuses based upon attainment of specified management goals. These employment contracts may also provide for severance payments in the event of specified termination of employment. In addition, the Company has employment arrangements with certain other management personnel which provide for severance payments in the event of specified termination of employment. As of February 28, 2011, the aggregate commitment for future compensation and severance, excluding incentive bonuses, was $35.6 million, none of which was accrued.

Employees covered by collective bargaining agreements

Approximately 10% of the Company s full-time employees are covered by collective bargaining agreements at February 28, 2011. Agreements expiring within one year cover approximately 2% of the Company s full-time employees.

Legal matters

In the course of its business, the Company is subject to litigation from time to time. Although the amount of any liability with respect to such litigation cannot be determined, in the opinion of management, such liability will not have a material adverse effect on the Company s financial condition, results of operations or cash flows.

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16. STOCKHOLDERS EQUITY:

Common stock

The Company has two classes of outstanding common stock: Class A Common Stock and Class B Convertible Common Stock. Class B Convertible Common Stock shares are convertible into shares of Class A Common Stock on a one-to-one basis at any time at the option of the holder. Holders of Class B Convertible Common Stock are entitled to ten votes per share. Holders of Class A Common Stock are entitled to one vote per share and a cash dividend premium. If the Company pays a cash dividend on Class B Convertible Common Stock, each share of Class A Common Stock will receive an amount at least ten percent greater than the amount of the cash dividend per share paid on Class B Convertible Common Stock. In addition, the Board of Directors may declare and pay a dividend on Class A Common Stock without paying any dividend on Class B Convertible Common Stock. However, the Company s senior credit facility limits the cash dividends that can be paid by the Company on its common stock to an amount determined in accordance with the terms of the 2006 Credit Agreement.

In addition, the Company has a class of common stock consisting of shares of Class 1 Common Stock, $0.01 par value per share (the Class 1 Common Stock). Shares of Class 1 Common Stock do not generally have voting rights. Class 1 Common Stock shares are convertible into shares of Class A Common Stock on a one-to-one basis at any time at the option of the holder, provided that the holder immediately sells the Class A Common Stock acquired upon conversion. Because shares of Class 1 Common Stock are convertible into shares of Class A Common Stock, for each share of Class 1 Common Stock issued, the Company must reserve one share of Class A Common Stock for issuance upon the conversion of the share of Class 1 Common Stock. Holders of Class 1 Common Stock do not have any preference as to dividends, but may participate in any dividend if and when declared by the Board of Directors. If the Company pays a cash dividend on Class 1 Common Stock, each share of Class A Common Stock will receive an amount at least ten percent greater than the amount of cash dividend per share paid on Class 1 Common Stock. In addition, the Board of Directors may declare and pay a dividend on Class A Common Stock without paying a dividend on Class 1 Common Stock. The cash dividends declared and paid on Class B Convertible Common Stock and Class 1 Common Stock must always be the same.

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

At February 28, 2011, there were 187,550,967 shares of Class A Common Stock and 23,611,958 shares of Class B Convertible Common Stock outstanding, net of treasury stock. There were no shares outstanding of Class 1 Common Stock at February 28, 2011.

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Stock repurchases

In April 2010, the Company s Board of Directors authorized the repurchase of up to $300.0 million of the Company s Class A Common Stock and Class B Convertible Common Stock. During the year ended February 28, 2011, the Company repurchased 17,223,404 shares of Class A Common Stock pursuant to this authorization at an aggregate cost of $300.0 million, or an average cost of $17.42 per share, through a collared accelerated stock buyback (ASB) transaction that was announced in April 2010. The Company paid the purchase price under the ASB transaction in April 2010, at which time it received an initial installment of 11,016,451 shares of Class A Common Stock. In May 2010, the Company received an additional installment of 2,785,029 shares of Class A Common Stock in connection with the early termination of the hedge period on May 10, 2010. In November 2010, the Company received the final installment of 3,421,924 shares of Class A Common Stock following the end of the calculation period on November 24, 2010. The Company used revolver borrowings under the 2006 Credit Agreement to pay the purchase price for the repurchased shares. The repurchased shares have become treasury shares. No shares were repurchased during the years ended February 28, 2010, and February 28, 2009.

In April 2011, the Company s Board of Directors authorized the repurchase of up to $500.0 million of the Company s Class A Common Stock and Class B Convertible Common Stock. The Board of Directors did not specify a date upon which this authorization would expire. Share repurchases under this authorization are expected to be accomplished from time to time based on market conditions, the Company s cash and debt position, and other factors as determined by management. Shares may be repurchased through open market or privately negotiated transactions, and management currently expects that the repurchase under this authorization will be implemented over a multi-year period. The Company may fund share repurchases with cash generated from operations or proceeds of borrowings under its senior credit facility. Any repurchased shares will become treasury shares. As of April 28, 2011, no shares have been repurchased pursuant to this authorization.

17. STOCK-BASED EMPLOYEE COMPENSATION:

The Company has four stock-based employee compensation plans (as further discussed below). Total compensation cost and income tax benefits recognized for the Company s stock-based awards are as follows:

	For the Years Ended		
(in millions)	February 28, 2011	February 28, 2010	February 28, 2009
Total compensation cost for stock-based awards recognized in the Consolidated Statements of Operations	$ 48.2	$ 56.3	$ 46.1
Total income tax benefit recognized in the Consolidated Statements of Operations for stock-based compensation	$ 18.7	$ 18.1	$ 14.0
Total compensation cost for stock-based awards capitalized in inventory in the Consolidated Balance Sheets	$ 3.9	$ 5.1	$ 4.6

Long-term stock incentive plan

Under the Company s Long-Term Stock Incentive Plan, nonqualified stock options, restricted stock, performance shares and other stock-based awards may be granted to employees, officers and directors of the Company. The aggregate number of shares of the Company s Class A Common Stock and Class 1 Common Stock available for awards under the Company s Long-Term Stock Incentive Plan is 108,000,000 shares. The exercise price, vesting period and term of nonqualified stock options granted are established by the committee administering the plan (the Committee). The exercise price of any nonqualified stock option may not be less than the fair market value of the Company s Class A Common Stock on the date of grant. Nonqualified stock options generally vest and become exercisable over a four-year period from the date of grant. Nonqualified stock options expire at the times established by the Committee, but not later than ten years after the grant date.

Grants of restricted stock, performance shares and other stock-based awards may contain such vesting, terms, conditions and other requirements as the Committee may establish. Restricted stock awards are generally based on service and vest over one to four years from the date of grant. Performance share awards are based on service and the satisfaction of certain performance goals, and vest over one to three years from the date of grant. The actual number of units to be awarded at the end of each performance period will range between 0% and 200% of the target, based upon a measure of performance as determined by the Committee. Performance share awards granted during the year ended February 28, 2011, reflect the award at target.

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

Incentive stock option plan

The Company s Incentive Stock Option Plan provides for the grant of incentive stock to employees, including officers, of the Company. Grants, in the aggregate, may not exceed 8,000,000 shares of the Company s Class A Common Stock. The exercise price of any incentive stock option may not be less than the fair market value of the Company s Class A Common Stock on the date of grant. The vesting period and term of incentive stock options granted are established by the Committee. Incentive stock options generally vest and become exercisable over a four-year period from the date of grant. Incentive stock options expire at the times established by the Committee, but not later than ten years after the grant date. While unexercised incentive stock options are currently held by certain grant recipients, under the current terms of the Incentive Stock Option Plan, no additional grants of incentive stock options are permitted.

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

	Number of Options Outstanding	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
Balance, February 29, 2008	29,991,853	$ 19.16	16,989,765	$ 16.56
Granted	8,730,084	$ 19.18		
Exercised	(2,254,660)	$ 12.03		
Forfeited	(1,274,860)	$ 21.11		
Expired	(1,096,454)	$ 24.74		
Balance, February 28, 2009	34,095,963	$ 19.39	17,499,016	$ 17.99
Granted	7,632,249	$ 11.87		
Exercised	(1,453,431)	$ 8.43		
Forfeited	(2,683,940)	$ 18.51		
Expired	(2,744,746)	$ 22.12		
Balance, February 28, 2010	34,846,095	$ 18.05	19,277,958	$ 18.95
Granted	3,340,413	$ 16.69		
Exercised	(5,100,677)	$ 12.22		
Forfeited	(1,331,443)	$ 17.42		
Expired	(1,910,783)	$ 22.54		
Balance, February 28, 2011	29,843,605	$ 18.63	18,148,632	$ 20.31

A summary of restricted Class A Common Stock activity under the Company s Long-Term Stock Incentive Plan is as follows:

	Restricted Stock Awards		
	Number of Restricted Stock Awards Outstanding	Weighted Average Grant-Date Price	Fair Value of Shares Vested
Nonvested balance, February 29, 2008	13,726	$ 22.21	
Granted	460,036	$ 19.25	
Vested	(13,726)	$ 22.21	$ 290,091
Forfeited	-	$ -	
Nonvested balance, February 28, 2009	460,036	$ 19.25	
Granted	1,365,460	$ 12.35	
Vested	(180,641)	$ 18.06	$ 2,336,708
Forfeited	(136,497)	$ 13.89	

Nonvested balance, February 28, 2010	1,508,358	$ 13.63	
Granted	739,388	$ 16.67	
Vested	(399,566)	$ 13.79	$ 7,302,455
Forfeited	(37,864)	$ 14.23	
Nonvested balance, February 28, 2011	1,810,316	$ 14.83	

	Restricted Stock Units		
	Number of Restricted Stock Units Outstanding	Weighted Average Grant-Date Price	Fair Value of Shares Vested
Nonvested balance, February 29, 2008	-	$ -	
Granted	173,400	$ 20.05	
Vested	-	$ -	$ -
Forfeited	(21,100)	$ 20.05	
Nonvested balance, February 28, 2009	152,300	$ 20.05	
Granted	368,966	$ 12.89	
Vested	(38,255)	$ 20.01	$ 444,870
Forfeited	(100,165)	$ 15.69	
Nonvested balance, February 28, 2010	382,846	$ 14.29	
Granted	125,349	$ 16.35	
Vested	(77,408)	$ 14.12	$ 1,414,244
Forfeited	(211,289)	$ 14.60	
Nonvested balance, February 28, 2011	219,498	$ 15.23	

	Performance Stock Units		
	Number of Performance Stock Units Outstanding	Weighted Average Grant-Date Price	Fair Value of Shares Vested
Nonvested balance, February 28, 2010	-	$ -	
Granted	407,750	$ 16.67	
Vested	-	$ -	$ -
Forfeited	(3,340)	$ 16.67	
Nonvested balance, February 28, 2011	404,410	$ 16.67	

The following table summarizes information about stock options outstanding at February 28, 2011:

Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Aggregate Intrinsic Value
$ 8.87 - $12.38	7,325,454	6.4 years	$ 11.62	
$13.37 - $16.87	5,175,448	6.9 years	$ 16.46	
$17.66 - $21.47	10,039,358	6.6 years	$ 19.91	
$21.88 - $26.15	5,225,736	5.4 years	$ 24.73	

$26.22 - $30.52	2,077,609	4.3 years	$ 27.29	
Options outstanding	29,843,605	6.2 years	$ 18.63	$ 90,088,104
Options exercisable	18,148,632	5.1 years	$ 20.31	$ 38,142,651

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Other information pertaining to stock options is as follows:

	For the Years Ended February 28, 2011	February 28, 2010	February 28, 2009
Weighted average grant-date fair value of stock options granted	$ 6.19	$ 4.19	$ 5.93
Total fair value of stock options vested	$ 37,360,244	$ 41,841,484	$ 32,000,344
Total intrinsic value of stock options exercised	$ 33,134,478	$ 7,016,315	$ 18,335,574
Tax benefit realized from stock options exercised	$ 7,810,198	$ 2,619,418	$ 6,980,681

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

	For the Years Ended February 28, 2011	February 28, 2010	February 28, 2009
Expected life	5.9 years	5.9 years	5.3 years
Expected volatility	32.2%	31.7%	27.7%
Risk-free interest rate	3.2%	2.6%	2.8%
Expected dividend yield	0.0%	0.0%	0.0%

For the years ended February 28, 2011, February 28, 2010, and February 28, 2009, the Company used a projected expected life for each award granted based on historical experience of employees exercise behavior for similar type grants. Expected volatility for the years ended February 28, 2011, February 28, 2010, and February 28, 2009, is based on historical volatility levels of the Company s Class A Common Stock. The risk-free interest rate for the years ended February 28, 2011, February 28, 2010, and February 28, 2009, is based on the implied yield currently available on U.S. Treasury zero coupon issues with a remaining term equal to the expected life.

Employee stock purchase plans

The Company has a stock purchase plan under which 9,000,000 shares of Class A Common Stock may be issued. Under the terms of the plan, eligible employees may purchase shares of the Company s Class A Common Stock through payroll deductions. The purchase price is the lower of 85% of the fair market value of the stock on the first or last day of the purchase period. During the years ended February 28, 2011, February 28, 2010, and February 28, 2009, employees purchased 304,916 shares, 388,294 shares and 376,297 shares, respectively, under this plan.

The weighted average fair value of purchase rights granted during the years ended February 28, 2011, February 28, 2010, and February 28, 2009, was $4.05, $3.55 and $4.92, respectively. The fair value of purchase rights granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	For the Years Ended February 28, 2011	February 28, 2010	February 28, 2009
Expected life	0.5 years	0.5 years	0.5 years
Expected volatility	25.7%	32.4%	45.8%
Risk-free interest rate	0.2%	0.2%	1.1%
Expected dividend yield	0.0%	0.0%	0.0%

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The Company has a stock purchase plan under which 2,000,000 shares of the Company s Class A Common Stock may be issued to eligible employees and directors of the Company s U.K. subsidiaries (the U.K. Sharesave Scheme). Under the terms of the plan, participants may purchase shares of the Company s Class A Common Stock through payroll deductions. The purchase price may be no less than 80% of the closing price of the stock on the day the purchase price is fixed by the committee administering the plan. There were 291 shares purchased under this plan during the year ended February 28, 2011. There were no shares purchased under this plan during the years ended February 28, 2010, and February 28, 2009.

There were no purchase rights granted during the years ended February 28, 2011, and February 28, 2010. The weighted average fair value of purchase rights granted during the year ended February 28, 2009, was $7.42. The fair value of the purchase rights granted for the year ended February 28, 2009, is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: risk-free interest rate of 2.2%, volatility of 29.1%, expected purchase right life of 3.7 years and a dividend yield of 0%. The maximum number of shares which can be purchased under purchase rights granted during the year ended February 28, 2009, is 18,292 shares. While purchase rights are currently held by certain grant recipients, under the current terms of the U.K. Sharesave Scheme, no additional grants of purchase rights are permitted.

As of February 28, 2011, there was $59.7 million of total unrecognized compensation cost related to nonvested stock-based compensation arrangements granted under the Company s four stock-based employee compensation plans. This cost is expected to be recognized in the Company s Consolidated Statements of Operations over a weighted-average period of 2.1 years. With respect to the issuance of shares under any of the Company s stock-based compensation plans, the Company has the option to issue authorized but unissued shares or treasury shares.

18. EARNINGS (LOSS) PER COMMON SHARE:

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

	For the Years Ended		
	February 28, 2011	February 28, 2010	February 28, 2009
(in millions, except per share data)			
Income (loss) available to common stockholders	$ 559.5	$ 99.3	$ (301.4)
Weighted average common shares outstanding basic:			
Class A Common Stock	187.224	196.095	193.906
Class B Convertible Common Stock	23.686	23.736	23.753
Weighted average common shares outstanding diluted:			
Class A Common Stock	187.224	196.095	193.906
Class B Convertible Common Stock	23.686	23.736	-
Stock-based awards, primarily stock options	2.855	1.379	-
Weighted average common shares outstanding diluted	213.765	221.210	193.906
Earnings (loss) per common share basic:			
Class A Common Stock	$ 2.68	$ 0.46	$ (1.40)
Class B Convertible Common Stock	$ 2.44	$ 0.41	$ (1.27)

Earnings (loss) per common share diluted:						
Class A Common Stock	$	2.62	$	0.45	$	(1.40)
Class B Convertible Common Stock	$	2.40	$	0.41	$	(1.27)

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For the years ended February 28, 2011, and February 28, 2010, stock-based awards, primarily stock options, which could result in the issuance of 20.7 million and 30.4 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 year ended February 28, 2009, 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 34.1 million shares of Class A Common Stock because the inclusion of such potentially dilutive common shares would have been antidilutive.

19. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME:

Other comprehensive (loss) income, net of income tax effect, includes the following components:

(in millions)	Before Tax Amount	Tax (Expense) or Benefit	Net of Tax Amount
Other comprehensive (loss) income, February 28, 2009:			
Foreign currency translation adjustments	$ (676.6)	$ (6.9)	$ (683.5)
Unrealized loss on cash flow hedges:			
Net derivative losses	(2.8)	(13.6)	(16.4)
Reclassification adjustments	2.4	(1.6)	0.8
Net loss recognized in other comprehensive income	(0.4)	(15.2)	(15.6)
Pension/postretirement:			
Net gains	64.8	(20.5)	44.3
Reclassification adjustments	16.5	(4.5)	12.0
Net gain recognized in other comprehensive income	81.3	(25.0)	56.3
Other comprehensive loss, February 28, 2009	$ (595.7)	$ (47.1)	$ (642.8)
Other comprehensive income (loss), February 28, 2010:			
Foreign currency translation adjustments	$ 500.6	$ (3.1)	$ 497.5
Unrealized gain on cash flow hedges:			
Net derivative gains	91.3	(31.1)	60.2
Reclassification adjustments	(19.1)	7.5	(11.6)
Net gain recognized in other comprehensive income	72.2	(23.6)	48.6
Pension/postretirement:			
Net losses	(79.3)	21.6	(57.7)
Reclassification adjustments	6.2	(1.6)	4.6
Net loss recognized in other comprehensive income	(73.1)	20.0	(53.1)
Other comprehensive income, February 28, 2010	$ 499.7	$ (6.7)	$ 493.0
Other comprehensive (loss) income, February 28, 2011:			
Foreign currency translation adjustments:			

Net gains	$ 201.5	$ (23.3)	$ 178.2
Reclassification adjustments	(678.8)	21.7	(657.1)
Net loss recognized in other comprehensive income	(477.3)	(1.6)	(478.9)
Unrealized loss on cash flow hedges:			
Net derivative gains	11.4	(2.3)	9.1
Reclassification adjustments	(49.4)	24.9	(24.5)
Net loss recognized in other comprehensive income	(38.0)	22.6	(15.4)
Pension/postretirement:			
Net gains	12.9	(3.6)	9.3
Reclassification adjustments	121.0	(34.4)	86.6
Net gain recognized in other comprehensive income	133.9	(38.0)	95.9
Other comprehensive loss, February 28, 2011	$ (381.4)	$ (17.0)	$ (398.4)

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

(in millions)	Foreign Currency Translation Adjustments	Net Unrealized Gains (Losses) on Derivatives	Pension/ Postretirement Adjustments	Accumulated Other Comprehensive Income (Loss)
Balance, February 28, 2010	$ 672.9	$ 19.6	$ (105.3)	$ 587.2
Current period change	(478.9)	(15.4)	95.9	(398.4)
Balance, February 28, 2011	$ 194.0	$ 4.2	$ (9.4)	$ 188.8

20. SIGNIFICANT CUSTOMERS AND CONCENTRATION OF CREDIT RISK:

Sales to the five largest customers represented 41.7%, 39.2% and 36.3% of the Company s sales for the years ended February 28, 2011, February 28, 2010, and February 28, 2009, respectively. Sales to the Company s largest customer, Southern Wine and Spirits, represented 19.5%, 17.7% and 15.7% of the Company s sales for the years ended February 28, 2011, February 28, 2010, and February 28, 2009, respectively, all of which is reported within the CWNA segment. Accounts receivable from the Company s largest customer represented 35.7%, 19.4% and 13.4% of the Company s total accounts receivable as of February 28, 2011, February 28, 2010, and February 28, 2009, respectively. Sales to the Company s five largest customers are expected to continue to represent a significant portion of the Company s revenues. The Company s arrangements with certain of its customers may, generally, be terminated by either party with prior notice. The Company performs ongoing credit evaluations of its customers financial position, and management of the Company is of the opinion that any risk of significant loss is reduced due to the diversity of customers and geographic sales area.

21. RESTRUCTURING CHARGES:

The Company has several restructuring plans primarily within its CWNA segment and, prior to the CWAE Divestiture, the CWAE segment, as follows:

Robert Mondavi Plan

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

Fiscal 2006 Plan

In 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 were to reorganize and simplify the infrastructure and reporting structure of the Company s global wine business and to consolidate certain west coast production processes. This Fiscal 2006 Plan was 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 was to achieve greater efficiency in sales, administrative and operational activities and to eliminate redundant costs. The Fiscal 2006 Plan included 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. All costs and related cash expenditures associated with the Fiscal 2006 Plan were complete as of February 28, 2009.

Vincor Plan

In July 2006, the Company announced a plan to restructure and integrate the operations of Vincor (the Vincor Plan). The objective of the Vincor Plan was to achieve operational efficiencies and eliminate redundant costs resulting from the June 2006 Vincor acquisition, as well as to achieve greater efficiency in sales, marketing, administrative and operational activities. The Vincor Plan included the elimination of certain employment redundancies, primarily in the U.S., U.K. and Australia, and the termination of various contracts. All costs and related cash expenditures associated with the Vincor Plan were complete as of February 28, 2011.

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 included new investments in property, plant and equipment and certain disposals of property, plant and equipment and was expected to increase wine bottling capacity and efficiency and reduce costs of transport, production and distribution. The U.K. portion of the plan also included costs for employee terminations. The Australian portion of the plan included the buy-out of certain grape supply and processing contracts and the sale of certain property, plant and equipment. The initiatives were 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. Prior to the January 2011 CWAE Divestiture, all costs and related cash expenditures associated with the Fiscal 2007 Wine Plan were complete.

Fiscal 2008 Plan

In November 2007, the Company initiated its plans to streamline certain of its international operations, including the consolidation of certain winemaking and packaging operations in Australia, the buy-out of certain grape processing and wine storage contracts in Australia, equipment relocation costs in Australia, and certain employee termination costs. In addition, the Company incurred certain other restructuring charges during the third quarter of fiscal 2008 in connection with the consolidation of certain spirits production processes in the U.S. In January 2008, the Company announced its plans to streamline certain of its operations in the U.S., primarily in connection with the restructuring and integration of the operations acquired in the BWE acquisition. These initiatives are collectively referred to as the Fiscal 2008 Plan. The Fiscal 2008 Plan is part of the Company s ongoing efforts to maximize asset utilization, further reduce costs and improve long-term return on invested capital throughout its domestic and international operations. The Company does not expect any additional costs associated with the Fiscal 2008 Plan to be recognized in its Consolidated Statements of Operations. The Company expects cash expenditures to be substantially complete by February 29, 2012.

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Australian Initiative

In 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 included 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 years ended February 28, 2011, February 28, 2010, and February 28, 2009, is $4.2 million, $13.4 million and $46.5 million of net noncash charges related to the write-down of property, plant and equipment, net, held for sale in connection with the Australian Initiative (which are excluded from the restructuring liability rollforward table below). As a result of the CWAE Divestiture, all costs and related cash expenditures associated with the Australian Initiative were complete as of January 31, 2011.

Fiscal 2010 Global Initiative

In April 2009, the Company announced its plan to simplify its business, increase efficiencies and reduce its cost structure on a global basis (the Global Initiative). The Global Initiative includes an approximately five percent reduction in the Company s global workforce and the closing of certain office, production and warehouse facilities. In addition, the Global Initiative includes the termination of certain contracts, and a streamlining of the Company s production footprint and sales and administrative organizations. Lastly, the Global Initiative includes other non-material restructuring activities primarily in connection with the consolidation of the Company s remaining spirits business into its North American wine business following the March 2009 divestiture of its value spirits business. This initiative is part of the Company s ongoing efforts to maximize asset utilization, reduce costs and improve long-term return on invested capital throughout the Company s operations. Included in the Company s restructuring charges on its Consolidated Statements of Operations for the year ended February 28, 2011, is $1.1 million of noncash charges for other compensation costs (which are excluded from the restructuring liability rollforward table below). The Company recognized substantially all costs associated with the Global Initiative in its Consolidated Statements of Operations as of February 28, 2011, with the related cash expenditures to be substantially complete by February 28, 2013.

Restructuring charges consist of employee termination benefit costs, contract termination costs and other associated costs. Employee termination benefit costs are accounted for under the FASB guidance for compensation nonretirement postemployment benefits, 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 the FASB guidance for exit or disposal cost obligations. 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. Other associated costs include, but are not limited to, costs to consolidate or close facilities and relocate employees. The Company includes employee relocation costs and equipment relocation costs as other associated costs.

Details of each plan for which the Company expects to incur additional costs are presented separately in the following table. Plans for which exit activities were completed prior to March 1, 2010, are reported below under Other Plans. These plans include the Fiscal 2007 Wine Plan, the Vincor Plan, the Fiscal 2006 Plan, the Robert Mondavi Plan and certain other immaterial restructuring activities.

(in millions)	Global Initiative	Australian Initiative	Fiscal 2008 Plan	Other Plans	Total
Restructuring liability, February 29, 2008	$ -	$ -	$ 26.2	$ 13.0	$ 39.2
BWE acquisition	-	-	4.5	-	4.5
Vincor acquisition	-	-	-	(1.7)	(1.7)
Other acquisition	-	-	-	0.8	0.8
Restructuring charges:					
Employee termination benefit costs	-	8.0	(0.1)	8.6	16.5
Contract termination costs	-	0.5	1.1	1.6	3.2
Facility consolidation/relocation costs	-	0.7	0.9	0.2	1.8
Restructuring charges, February 28, 2009	-	9.2	1.9	10.4	21.5
Cash expenditures	-	(7.7)	(23.9)	(7.5)	(39.1)
Foreign currency translation adjustments	-	(0.3)	(0.2)	(2.0)	(2.5)
Restructuring liability, February 28, 2009	-	1.2	8.5	13.0	22.7
Restructuring charges:					
Employee termination benefit costs	24.4	1.5	(0.5)	(0.4)	25.0
Contract termination costs	3.7	3.0	0.3	0.6	7.6
Facility consolidation/relocation costs	1.1	0.4	0.1	-	1.6
Restructuring charges, February 28, 2010	29.2	4.9	(0.1)	0.2	34.2
Cash expenditures	(21.6)	(6.3)	(4.6)	(11.9)	(44.4)
Foreign currency translation adjustments	1.3	0.2	0.2	0.5	2.2
Restructuring liability, February 28, 2010	8.9	-	4.0	1.8	14.7
Restructuring charges:					
Employee termination benefit costs	10.0	1.0	-	-	11.0
Contract termination costs	5.0	0.1	-	0.1	5.2
Facility consolidation/relocation costs	1.5	0.1	-	-	1.6
Restructuring charges, February 28, 2011	16.5	1.2	-	0.1	17.8

Cash expenditures		(15.5)		(0.8)		(2.6)		(1.6)		(20.5)
CWAE Divestiture		(3.0)		(0.5)		-		-		(3.5)
Foreign currency translation adjustments		0.7		0.1		0.3		0.1		1.2
Restructuring liability, February 28, 2011	$	7.6	$	-	$	1.7	$	0.4	$	9.7

In connection with the Company s BWE acquisition, Vincor acquisition and Robert Mondavi acquisition, the Company accrued $24.7 million, $37.7 million and $50.5 million of liabilities for exit costs, respectively, as of the respective acquisition date. The BWE acquisition line item in the table above for the year ended February 28, 2009, reflects adjustments to the fair value of liabilities assumed in the BWE acquisition. The Vincor acquisition line item in the table above for the year ended February 28, 2009, reflects adjustments to the fair value of liabilities assumed in the Vincor acquisition. As of February 28, 2011, there was no remaining balance for the Vincor purchase accounting accrual. As of February 28, 2011, the balances of the BWE and Robert Mondavi purchase accounting accruals were $1.7 million and $0.4 million, respectively. As of February 28, 2010, the balances of the BWE, Vincor and Robert Mondavi purchase accounting accruals were $3.9 million, $0.3 million and $1.2 million, respectively. As of February 28, 2009, the balances of the BWE, Vincor and Robert Mondavi purchase accounting accruals were $6.3 million, $0.7 million and $2.7 million, respectively.

For the year ended February 28, 2011, employee termination benefit costs include the reversal of prior accruals of $0.4 million associated with the Global Initiative. For the year ended February 28, 2010, employee termination benefit costs include the reversal of prior accruals of $1.5 million associated with the Fiscal 2008 Plan and other immaterial restructuring activities. For the year ended February 28, 2009, employee termination benefit costs and contract termination costs include the reversal of prior accruals of $0.5 million and $0.4 million, respectively, associated primarily with the Fiscal 2006 Plan and the Vincor Plan, respectively.

The following table presents other costs incurred in connection with the Company s restructuring activities:

	Global Initiative	Australian Initiative	Fiscal 2008 Plan	Other	Total
(in millions)					
<u>For the Year Ended February 28, 2011</u>					
Restructuring charges	$ 17.6	$ 5.4	$ -	$ 0.1	$ 23.1
Other costs:					
Accelerated depreciation/inventory write-down/other costs (cost of product sold)	2.0	-	0.2	-	2.2
Asset write-down/other costs/acquisition-related integration costs (selling, general and administrative expenses)	5.4	0.1	0.6	(0.3)	5.8
Asset impairment (impairment of goodwill and intangible assets)	-	-	-	-	-
Total other costs	7.4	0.1	0.8	(0.3)	8.0
Total costs	$ 25.0	$ 5.5	$ 0.8	$ (0.2)	$ 31.1
Total Costs by Reportable Segment:					
CWNA					
Restructuring charges	$ 6.9	$ -	$ -	$ 0.1	$ 7.0
Other costs	6.9	-	0.7	-	7.6
Total CWNA	$ 13.8	$ -	$ 0.7	$ 0.1	$ 14.6
CWAE					
Restructuring charges	$ 9.4	$ 5.4	$ -	$ -	$ 14.8

Other costs		0.4		0.1		0.1		(0.3)		0.3
Total CWAE	$	9.8	$	5.5	$	0.1	$	(0.3)	$	15.1
Corporate Operations and Other										
Restructuring charges	$	1.3	$	-	$	-	$	-	$	1.3
Other costs		0.1		-		-		-		0.1
Total Corporate Operations and Other	$	1.4	$	-	$	-	$	-	$	1.4

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(in millions)	Global Initiative	Australian Initiative	Fiscal 2008 Plan	Other	Total
For the Year Ended February 28, 2010					
Restructuring charges	$ 29.2	$ 18.3	$ (0.1)	$ 0.2	$ 47.6
Other costs:					
Accelerated depreciation/inventory write-down/other costs (cost of product sold)	11.5	1.7	-	10.8	24.0
Asset write-down/other costs/acquisition-related integration costs (selling, general and administrative expenses)	34.9	2.0	1.3	4.4	42.6
Asset impairment (impairment of goodwill and intangible assets)	-	-	-	-	-
Total other costs	46.4	3.7	1.3	15.2	66.6
Total costs	$ 75.6	$ 22.0	$ 1.2	$ 15.4	$ 114.2
Total Costs by Reportable Segment:					
CWNA					
Restructuring charges	$ 16.1	$ -	$ (0.3)	$ 0.4	$ 16.2
Other costs	35.7	-	0.1	0.6	36.4
Total CWNA	$ 51.8	$ -	$ (0.2)	$ 1.0	$ 52.6
CWAE					
Restructuring charges	$ 10.1	$ 18.3	$ 0.2	$ (0.2)	$ 28.4
Other costs	5.8	3.7	1.2	14.6	25.3
Total CWAE	$ 15.9	$ 22.0	$ 1.4	$ 14.4	$ 53.7
Corporate Operations and Other					
Restructuring charges	$ 3.0	$ -	$ -	$ -	$ 3.0
Other costs	4.9	-	-	-	4.9
Total Corporate Operations and Other	$ 7.9	$ -	$ -	$ -	$ 7.9
For the Year Ended February 28, 2009					
Restructuring charges	$ -	$ 55.7	$ 1.9	$ 10.4	$ 68.0
Other costs:					
Accelerated depreciation/inventory write-down/other costs (cost of product sold)	-	57.5	3.4	7.1	68.0

Asset write-down/other costs/acquisition- related integration costs (selling, general and administrative expenses)		-		4.9		8.8		18.7		32.4
Asset impairment (impairment of goodwill and intangible assets)		-		21.8		-		0.4		22.2
Total other costs		-		84.2		12.2		26.2		122.6
Total costs	$	-	$	139.9	$	14.1	$	36.6	$	190.6
Total Costs by Reportable Segment:										
CWNA										
Restructuring charges	$	-	$	-	$	0.1	$	7.1	$	7.2
Other costs		-		-		9.7		5.2		14.9
Total CWNA	$	-	$	-	$	9.8	$	12.3	$	22.1

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(in millions)	Global Initiative	Australian Initiative	Fiscal 2008 Plan	Other	Total
CWAE					
Restructuring charges	$ -	$ 55.7	$ 1.8	$ 3.3	$ 60.8
Other costs	-	84.2	2.5	20.8	107.5
Total CWAE	$ -	$ 139.9	$ 4.3	$ 24.1	$ 168.3
Corporate Operations and Other					
Restructuring charges	$ -	$ -	$ -	$ -	$ -
Other costs	-	-	-	0.2	0.2
Total Corporate Operations and Other	$ -	$ -	$ -	$ 0.2	$ 0.2

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)	Global Initiative	Australian Initiative	Fiscal 2008 Plan	Other Plans
Costs incurred to date				
Restructuring charges:				
Employee termination benefit costs	$ 35.5	$ 10.5	$ 8.7	$ 42.0
Contract termination costs	8.7	3.6	1.5	25.2
Facility consolidation/relocation costs	2.6	1.2	1.0	1.7
Impairment charges on assets held for sale, net of gains on sales of assets held for sale	-	64.1	-	-
Total restructuring charges	46.8	79.4	11.2	68.9
Other costs:				
Accelerated depreciation/inventory write-down/other costs (costs of product sold)	13.5	59.2	18.1	46.1
Asset write-down/other costs/acquisition-related integration costs (selling, general and administrative expenses)	40.3	7.0	16.5	97.3
Asset impairment (impairment of goodwill and intangible assets)	-	21.8	7.4	0.4
Total other costs	53.8	88.0	42.0	143.8
Total costs incurred to date	$ 100.6	$ 167.4	$ 53.2	$ 212.7

Total Costs Incurred to Date by Reportable Segment:

CWNA								
Restructuring charges	$	23.0	$	-	$	7.1	$	24.2
Other costs		42.6		-		34.7		68.2
Total CWNA	$	65.6	$	-	$	41.8	$	92.4
CWAE								
Restructuring charges	$	19.5	$	79.4	$	4.1	$	42.8
Other costs		6.2		88.0		7.1		72.7
Total CWAE	$	25.7	$	167.4	$	11.2	$	115.5
Corporate Operations and Other								
Restructuring charges	$	4.3	$	-	$	-	$	1.9
Other costs		5.0		-		0.2		2.9
Total Corporate Operations and Other	$	9.3	$	-	$	0.2	$	4.8

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(in millions)	Global Initiative	Australian Initiative	Fiscal 2008 Plan	Other Plans
Total expected costs				
Restructuring charges:				
Employee termination benefit costs	$ 35.5	$ 10.5	$ 8.7	$ 42.0
Contract termination costs	8.7	3.6	1.5	25.2
Facility consolidation/relocation costs	2.9	1.2	1.0	1.7
Impairment charges on assets held for sale, net of gains on sales of assets held for sale	-	64.1	-	-
Total restructuring charges	47.1	79.4	11.2	68.9
Other costs:				
Accelerated depreciation/inventory write-down/other costs (costs of product sold)	13.9	59.2	18.1	46.1
Asset write-down/other costs/acquisition-related integration costs (selling, general and administrative expenses)	42.1	7.0	16.5	97.3
Asset impairment (impairment of goodwill and intangible assets)	-	21.8	7.4	0.4
Total other costs	56.0	88.0	42.0	143.8
Total expected costs	$ 103.1	$ 167.4	$ 53.2	$ 212.7
Total Expected Costs by Reportable Segment:				
CWNA				
Restructuring charges	$ 23.3	$ -	$ 7.1	$ 24.2
Other costs	44.8	-	34.7	68.2
Total CWNA	$ 68.1	$ -	$ 41.8	$ 92.4
CWAE				
Restructuring charges	$ 19.5	$ 79.4	$ 4.1	$ 42.8
Other costs	6.2	88.0	7.1	72.7
Total CWAE	$ 25.7	$ 167.4	$ 11.2	$ 115.5
Corporate Operations and Other				
Restructuring charges	$ 4.3	$ -	$ -	$ 1.9
Other costs	5.0	-	0.2	2.9
Total Corporate Operations and Other	$ 9.3	$ -	$ 0.2	$ 4.8

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22. CONDENSED CONSOLIDATING FINANCIAL INFORMATION:

The following information sets forth the condensed consolidating balance sheets as of February 28, 2011, and February 28, 2010, the condensed consolidating statements of operations for the years ended February 28, 2011, February 28, 2010, and February 28, 2009, and the condensed consolidating statements of cash flows for the years ended February 28, 2011, February 28, 2010, and February 28, 2009, for the Company, the parent company, the combined subsidiaries of the Company which guarantee the Company s senior 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 and include the recently adopted accounting guidance described in Note 2. There are no restrictions on the ability of the Subsidiary Guarantors to transfer funds to the Company in the form of cash dividends, loans or advances.

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
(in millions)					
Condensed Consolidating Balance Sheet at February 28, 2011					
Current assets:					
Cash and cash investments	$ 0.7	$ 0.9	$ 7.6	$ -	$ 9.2
Accounts receivable, net	322.8	32.3	62.3	-	417.4
Inventories	127.5	965.3	284.3	(7.8)	1,369.3
Prepaid expenses and other	23.1	118.2	370.9	(225.1)	287.1
Intercompany (payable) receivable	(522.3)	389.7	132.6	-	-
Total current assets	(48.2)	1,506.4	857.7	(232.9)	2,083.0
Property, plant and equipment, net	110.3	764.8	344.5	-	1,219.6
Investments in subsidiaries	6,142.6	153.4	-	(6,296.0)	-
Goodwill	-	1,987.4	632.4	-	2,619.8
Intangible assets, net	-	672.1	214.2	-	886.3
Other assets, net	36.3	256.9	72.9	(7.2)	358.9
Total assets	$ 6,241.0	$ 5,341.0	$ 2,121.7	$ (6,536.1)	$ 7,167.6
Current liabilities:					
Notes payable to banks	$ 74.9	$ -	$ 8.8	$ -	$ 83.7
Current maturities of long-term debt	12.5	3.4	-	-	15.9
Accounts payable	9.7	97.1	22.4	-	129.2
Accrued excise taxes	10.2	1.8	2.2	-	14.2
Other accrued expenses and liabilities	354.6	137.2	155.0	(226.9)	419.9
Total current liabilities	461.9	239.5	188.4	(226.9)	662.9

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Long-term debt, less current maturities	3,117.3	19.4	-	-	3,136.7
Deferred income taxes	-	509.0	81.3	(7.2)	583.1
Other liabilities	109.9	37.0	86.1	-	233.0
Stockholders equity:					
Preferred stock	-	9.0	1,130.7	(1,139.7)	-
Common stock	2.6	100.7	24.0	(124.7)	2.6
Additional paid-in capital	1,602.4	1,394.6	1,620.5	(3,015.1)	1,602.4
Retained earnings (deficit)	1,662.3	2,991.6	(1,221.1)	(1,770.5)	1,662.3
Accumulated other comprehensive income	188.8	40.2	211.8	(252.0)	188.8
Treasury stock	(904.2)	-	-	-	(904.2)
Total stockholders equity	2,551.9	4,536.1	1,765.9	(6,302.0)	2,551.9
Total liabilities and stockholders equity	$ 6,241.0	$ 5,341.0	$ 2,121.7	$ (6,536.1)	$ 7,167.6

Condensed Consolidating Balance Sheet at February 28, 2010

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Current assets:					
Cash and cash investments	$ 0.3	$ 3.3	$ 39.9	$ -	$ 43.5
Accounts receivable, net	219.5	22.6	272.6	-	514.7
Inventories	119.8	1,017.5	754.0	(11.4)	1,879.9
Prepaid expenses and other	18.5	65.2	38.0	29.3	151.0
Intercompany receivable (payable)	(68.6)	(132.1)	200.7	-	-
Total current assets	289.5	976.5	1,305.2	17.9	2,589.1
Property, plant and equipment, net	71.8	784.4	711.0	-	1,567.2
Investments in subsidiaries	6,191.0	130.8	-	(6,321.8)	-
Goodwill	-	1,985.9	584.7	-	2,570.6
Intangible assets, net	-	682.8	242.2	-	925.0
Other assets, net	104.7	236.3	108.2	(6.8)	442.4
Total assets	$ 6,657.0	$ 4,796.7	$ 2,951.3	$ (6,310.7)	$ 8,094.3
Current liabilities:					
Notes payable to banks	$ 289.3	$ -	$ 81.9	$ -	$ 371.2
Current maturities of long-term debt	172.7	1.3	13.2	-	187.2
Accounts payable	14.5	104.6	149.7	-	268.8
Accrued excise taxes	8.3	-	35.5	-	43.8
Other accrued expenses and liabilities	190.2	85.3	201.0	25.1	501.6
Total current liabilities	675.0	191.2	481.3	25.1	1,372.6
Long-term debt, less current maturities	3,270.9	5.6	0.6	-	3,277.1
Deferred income taxes	-	475.5	67.5	(6.8)	536.2

Other liabilities	134.8	47.7	149.6	-	332.1
Stockholders equity:					
Preferred stock	-	9.0	1,430.9	(1,439.9)	-
Common stock	2.6	100.7	184.0	(284.7)	2.6
Additional paid-in capital	1,493.2	1,323.6	1,269.0	(2,592.6)	1,493.2
Retained earnings (deficit)	1,102.8	2,611.0	(1,260.8)	(1,350.2)	1,102.8
Accumulated other comprehensive income	587.2	32.4	629.2	(661.6)	587.2
Treasury stock	(609.5)	-	-	-	(609.5)
Total stockholders equity	2,576.3	4,076.7	2,252.3	(6,329.0)	2,576.3
Total liabilities and stockholders equity	$ 6,657.0	$ 4,796.7	$ 2,951.3	$ (6,310.7)	$ 8,094.3

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(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Statement of Operations for the Year Ended February 28, 2011					
Sales	$ 726.0	$ 1,916.1	$ 1,904.7	$ (450.1)	$ 4,096.7
Less excise taxes	(136.9)	(96.6)	(531.2)	-	(764.7)
Net sales	589.1	1,819.5	1,373.5	(450.1)	3,332.0
Cost of product sold	(312.7)	(1,173.1)	(1,006.6)	350.5	(2,141.9)
Gross profit	276.4	646.4	366.9	(99.6)	1,190.1
Selling, general and administrative expenses	(306.9)	(262.0)	(175.3)	103.3	(640.9)
Impairment of goodwill and intangible assets	-	(6.9)	(16.7)	-	(23.6)
Restructuring charges	(1.3)	(7.1)	(14.7)	-	(23.1)
Operating (loss) income	(31.8)	370.4	160.2	3.7	502.5
Equity in earnings of equity method investees and subsidiaries	735.9	246.3	8.3	(746.7)	243.8
Interest expense, net	(213.3)	14.6	3.4	-	(195.3)
Loss on write-off of financing costs	-	-	-	-	-
Income before income taxes	490.8	631.3	171.9	(743.0)	551.0
Benefit from (provision for) income taxes	68.7	(251.1)	194.1	(3.2)	8.5
Net income	$ 559.5	$ 380.2	$ 366.0	$ (746.2)	$ 559.5
Condensed Consolidating Statement of Operations for the Year Ended February 28, 2010					
Sales	$ 689.8	$ 1,803.9	$ 2,097.1	$ (377.8)	$ 4,213.0
Less excise taxes	(147.4)	(95.0)	(605.8)	-	(848.2)
Net sales	542.4	1,708.9	1,491.3	(377.8)	3,364.8
Cost of product sold	(288.5)	(1,067.6)	(1,150.2)	286.3	(2,220.0)
Gross profit	253.9	641.3	341.1	(91.5)	1,144.8
Selling, general and administrative expenses	(251.4)	(236.8)	(282.2)	87.9	(682.5)
Impairment of goodwill and intangible assets	-	-	(103.2)	-	(103.2)
Restructuring charges	(0.8)	(14.9)	(31.9)	-	(47.6)
Operating income (loss)	1.7	389.6	(76.2)	(3.6)	311.5
Equity in earnings (losses) of equity method investees and subsidiaries	273.6	265.9	(18.8)	(307.1)	213.6
Interest expense, net	(257.8)	(1.7)	(5.6)	-	(265.1)

Loss on write-off of financing costs		(0.7)		-		-		-		(0.7)
Income (loss) before income taxes		16.8		653.8		(100.6)		(310.7)		259.3
Benefit from (provision for) income taxes		82.5		(278.4)		32.9		3.0		(160.0)
Net income (loss)	$	99.3	$	375.4	$	(67.7)	$	(307.7)	$	99.3

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(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Statement of Operations for the Year Ended February 28, 2009					
Sales	$ 533.3	$ 2,492.4	$ 2,097.9	$ (400.6)	$ 4,723.0
Less excise taxes	(71.4)	(440.4)	(556.6)	-	(1,068.4)
Net sales	461.9	2,052.0	1,541.3	(400.6)	3,654.6
Cost of product sold	(225.1)	(1,292.6)	(1,200.6)	293.7	(2,424.6)
Gross profit	236.8	759.4	340.7	(106.9)	1,230.0
Selling, general and administrative expenses	(241.2)	(252.3)	(443.8)	105.3	(832.0)
Impairment of goodwill and intangible assets	-	-	(300.4)	-	(300.4)
Restructuring charges	(2.3)	(5.0)	(60.7)	-	(68.0)
Operating (loss) income	(6.7)	502.1	(464.2)	(1.6)	29.6
Equity in earnings (losses) of equity method investees and subsidiaries	(111.5)	252.3	(78.1)	123.9	186.6
Interest expense, net	(241.9)	(62.2)	(18.9)	-	(323.0)
Loss on write-off of financing costs	-	-	-	-	-
(Loss) income before income taxes	(360.1)	692.2	(561.2)	122.3	(106.8)
Benefit from (provision for) income taxes	58.7	(274.4)	21.4	(0.3)	(194.6)
Net (loss) income	$ (301.4)	$ 417.8	$ (539.8)	$ 122.0	$ (301.4)
Condensed Consolidating Statement of Cash Flows for the Year Ended February 28, 2011					
Net cash (used in) provided by operating activities	$ (108.8)	$ 483.5	$ 244.6	$ -	$ 619.3
Cash flows from investing activities:					
Proceeds from sales of businesses, net of cash divested	(2.3)	(3.5)	225.5	-	219.7
Proceeds from notes receivable	60.0	-	-	-	60.0
Proceeds from sales of assets	-	3.4	16.1	-	19.5
Capital distribution from equity method investee	-	-	0.3	-	0.3
Purchases of property, plant and equipment	(39.4)	(31.5)	(18.2)	-	(89.1)
Investments in equity method investees	-	(0.1)	(29.6)	-	(29.7)
Purchases of businesses, net of cash acquired	-	-	-	-	-
Other investing activities	-	7.0	0.4	-	7.4
	18.3	(24.7)	194.5	-	188.1

Net cash provided by (used in) investing activities

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Cash flows from financing activities:					
Intercompany financings, net	858.5	(459.5)	(399.0)	-	-
Principal payments of long-term debt	(325.7)	(1.7)	(1.1)	-	(328.5)
Purchases of treasury stock	(300.0)	-	-	-	(300.0)
Net (repayment of) proceeds from notes payable	(214.4)	-	(75.3)	-	(289.7)
Payment of financing costs of long-term debt	(0.2)	-	-	-	(0.2)
Proceeds from exercise of employee stock options	61.0	-	-	-	61.0
Proceeds from excess tax benefits from stock-based payment awards	7.4	-	-	-	7.4
Proceeds from employee stock purchases	4.3	-	-	-	4.3
Proceeds from maturity of derivative instrument	-	-	-	-	-
Net cash provided by (used in) financing activities	90.9	(461.2)	(475.4)	-	(845.7)
Effect of exchange rate changes on cash and cash investments	-	-	4.0	-	4.0
Net increase (decrease) in cash and cash investments	0.4	(2.4)	(32.3)	-	(34.3)
Cash and cash investments, beginning of year	0.3	3.3	39.9	-	43.5
Cash and cash investments, end of year	$ 0.7	$ 0.9	$ 7.6	$ -	$ 9.2

Condensed Consolidating Statement of Cash Flows for the Year Ended February 28, 2010

Net cash (used in) provided by operating activities	$ (139.4)	$ 287.3	$ 254.6	$ -	$ 402.5
Cash flows from investing activities:					
Proceeds from sales of businesses, net of cash divested	-	262.1	87.5	-	349.6
Proceeds from note receivable	-	-	-	-	-
Proceeds from sales of assets	-	0.4	16.8	-	17.2
Capital distribution from equity method investee	-	-	0.2	-	0.2
	(21.7)	(55.4)	(30.6)	-	(107.7)

Purchases of property, plant and equipment					
Investment in equity method investee	-	(0.9)	-	-	(0.9)
Purchases of businesses, net of cash acquired	-	-	-	-	-
Other investing activities	1.7	-	(3.5)	-	(1.8)
Net cash (used in) provided by investing activities	(20.0)	206.2	70.4	-	256.6

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(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Cash flows from financing activities:					
Intercompany financings, net	663.8	(491.0)	(172.8)	-	-
Principal payments of long-term debt	(769.7)	(2.9)	(8.7)	-	(781.3)
Purchases of treasury stock	-	-	-	-	-
Net proceeds from (repayment of) notes payable	222.1	-	(105.0)	-	117.1
Payment of financing costs of long-term debt	(11.5)	-	-	-	(11.5)
Proceeds from exercise of employee stock options	12.3	-	-	-	12.3
Proceeds from excess tax benefits from stock-based payment awards	2.7	-	-	-	2.7
Proceeds from employee stock purchases	4.5	-	-	-	4.5
Proceeds from maturity of derivative instrument	33.2	-	-	-	33.2
Net cash provided by (used in) financing activities	157.4	(493.9)	(286.5)	-	(623.0)
Effect of exchange rate changes on cash and cash investments	-	-	(5.7)	-	(5.7)
Net (decrease) increase in cash and cash investments	(2.0)	(0.4)	32.8	-	30.4
Cash and cash investments, beginning of year	2.3	3.7	7.1	-	13.1
Cash and cash investments, end of year	$ 0.3	$ 3.3	$ 39.9	$ -	$ 43.5

Condensed Consolidating Statement of Cash Flows for the Year Ended February 28, 2009

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Net cash (used in) provided by operating activities	$ (131.1)	$ 608.8	$ 29.2	$ -	$ 506.9
Cash flows from investing activities:					
Proceeds from sale of business, net of cash divested	(2.4)	206.6	-	-	204.2
Proceeds from note receivable	-	-	-	-	-
Proceeds from sales of assets	-	2.1	23.3	-	25.4
Capital distributions from equity method investees	-	20.7	0.1	-	20.8
Purchases of property, plant and equipment	(5.6)	(41.2)	(81.8)	-	(128.6)

Investments in equity method investees	-	(1.0)	(2.2)	-	(3.2)
Purchases of businesses, net of cash acquired	(0.6)	10.9	(10.2)	-	0.1
Other investing activities	-	9.9	-	-	9.9
Net cash (used in) provided by investing activities	(8.6)	208.0	(70.8)	-	128.6

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(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Cash flows from financing activities:					
Intercompany financings, net	907.0	(806.5)	(100.5)	-	-
Principal payments of long-term debt	(564.4)	(9.4)	(3.8)	-	(577.6)
Purchases of treasury stock	-	-	-	-	-
Net (repayment of) proceeds from notes payable	(240.8)	-	131.1	-	(109.7)
Payment of financing costs of long-term debt	-	-	-	-	-
Proceeds from exercise of employee stock options	27.1	-	-	-	27.1
Proceeds from excess tax benefits from stock-based payment awards	7.2	-	-	-	7.2
Proceeds from employee stock purchases	5.6	-	-	-	5.6
Proceeds from maturity of derivative instrument	-	-	-	-	-
Net cash provided by (used in) financing activities	141.7	(815.9)	26.8	-	(647.4)
Effect of exchange rate changes on cash and cash investments	-	-	4.5	-	4.5
Net increase (decrease) in cash and cash investments	2.0	0.9	(10.3)	-	(7.4)
Cash and cash investments, beginning of year	0.3	2.8	17.4	-	20.5
Cash and cash investments, end of year	$ 2.3	$ 3.7	$ 7.1	$ -	$ 13.1

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23. BUSINESS SEGMENT INFORMATION:

Prior to May 1, 2010, the Company s internal management financial reporting consisted of two business divisions, Constellation Wines and Crown Imports. In connection with the Company s changes during the first quarter of fiscal 2011 within its internal management structure for its Australian and U.K. business, and the Company s revised business strategy within these markets, the Company changed its internal management financial reporting on May 1, 2010, to consist of four business divisions: Constellation Wines North America, Constellation Wines Australia and Europe, Constellation Wines New Zealand and Crown Imports. However, due to a number of factors, including the size of the Constellation Wines New Zealand segment s operations, the similarity of its economic characteristics and long-term financial performance with that of the Constellation Wines North America business, and the fact that the vast majority of the wine produced by the Constellation Wines New Zealand operating segment is sold in the U.S. and Canada, the Company has aggregated the results of this operating segment with its Constellation Wines North America operating segment to form one reportable segment. Accordingly, beginning May 1, 2010, the Company began reporting its operating results in four segments: Constellation Wines North America (wine and spirits) (CWNA), Constellation Wines Australia and Europe (wine) (CWAE), Corporate Operations and Other, and Crown Imports (imported beer). As a result of the January 2011 CWAE Divestiture, as of February 1, 2011, the Company is no longer reporting operating results for the CWAE segment. Amounts included in the Corporate Operations and Other segment consist of costs of executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal, public relations, global information technology and global supply chain. Any costs incurred at the corporate office that are applicable to the segments are allocated to the appropriate segment. The amounts included in the Corporate Operations and Other segment are general costs that are applicable to the consolidated group and are therefore not allocated to the other reportable segments. All costs reported within the Corporate Operations and Other segment are not included in the chief operating decision maker s evaluation of the operating income performance of the other reportable segments.

The new business segments reflect how the Company s operations are managed, how operating performance within the Company is evaluated by senior management and the structure of its internal financial reporting. The financial information for the years ended February 28, 2010, and February 28, 2009, has been restated to conform to the new segment presentation.

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

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For the years ended February 28, 2011, February 28, 2010, and February 28, 2009, restructuring charges and unusual items included in operating income consist of:

	For the Years Ended		
	February 28, 2011	February 28, 2010	February 28, 2009
(in millions)			
Cost of Product Sold			
Flow through of inventory step-up	$ 2.4	$ 8.4	$ 22.2
Accelerated depreciation	2.2	17.7	11.2
Inventory write-downs	-	1.6	56.8
Other	0.1	4.7	37.1
Cost of Product Sold	4.7	32.4	127.3
Selling, General and Administrative Expenses			
Net gains on the CWAE Divestiture and related activities	(83.7)	-	-
Net (gain) loss on sale of nonstrategic assets/business	(3.3)	(11.2)	8.1
Loss on contractual obligation from put option of Ruffino shareholder	60.0	34.3	-
Acquisition-related integration costs	0.5	0.2	8.2
Net (gain) loss on March 2009 sale of value spirits business	-	(0.2)	15.6
Loss on sale of Pacific Northwest Business	-	-	23.2
Other costs	6.3	42.4	24.2
Selling, General and Administrative Expenses	(20.2)	65.5	79.3
Impairment of Goodwill and Intangible Assets	23.6	103.2	300.4
Restructuring Charges	23.1	47.6	68.0
Restructuring Charges and Unusual Items	$ 31.2	$ 248.7	$ 575.0

For the year ended February 28, 2010, restructuring charges and unusual items included in equity in losses of equity method investees of $25.4 million consist of an impairment loss on the Company s investment in Ruffino. For the year ended February 28, 2009, restructuring charges and unusual items included in equity in losses of equity method investees of $83.3 million consist primarily of impairment losses on the Company s investments in Ruffino and Matthew Clark.

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 and include the recently adopted accounting guidance described in Note 2.

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Segment information is as follows:

	For the Years Ended February 28, 2011	February 28, 2010	February 28, 2009
(in millions)			
CWNA			
Net sales	$ 2,557.3	$ 2,434.7	$ 2,703.4
Segment operating income	$ 631.0	$ 638.0	$ 644.3
Equity in earnings of equity method investees	$ 12.7	$ 11.8	$ 12.8
Long-lived assets	$ 1,101.7	$ 1,106.5	$ 1,126.5
Investment in equity method investees	$ 79.6	$ 75.6	$ 91.0
Total assets	$ 6,692.3	$ 6,476.1	$ 6,596.1
Capital expenditures	$ 52.1	$ 56.6	$ 71.9
Depreciation and amortization	$ 88.8	$ 103.2	$ 96.0
CWAE			
Net sales	$ 774.7	$ 930.1	$ 951.2
Segment operating income	$ 9.3	$ 16.9	$ 47.1
Equity in earnings of equity method investees	$ 5.6	$ 5.3	$ 4.8
Long-lived assets	$ -	$ 380.2	$ 380.7
Investment in equity method investees	$ -	$ 35.7	$ 30.2
Total assets	$ -	$ 1,228.4	$ 1,199.2
Capital expenditures	$ 5.3	$ 13.4	$ 53.4
Depreciation and amortization	$ 26.1	$ 39.7	$ 48.9
Corporate Operations and Other			
Net sales	$ -	$ -	$ -
Segment operating loss	$ (106.6)	$ (94.7)	$ (86.8)
Long-lived assets	$ 117.9	$ 80.5	$ 40.3
Total assets	$ 292.0	$ 222.6	$ 104.2
Capital expenditures	$ 31.7	$ 37.7	$ 3.3
Depreciation and amortization	$ 18.9	$ 13.0	$ 12.1
Crown Imports			
Net sales	$ 2,392.9	$ 2,256.2	$ 2,395.4
Segment operating income	$ 453.0	$ 444.1	$ 504.1
Long-lived assets	$ 4.8	$ 5.0	$ 5.4
Total assets	$ 419.0	$ 368.9	$ 324.2
Capital expenditures	$ 1.6	$ 1.0	$ 2.0
Depreciation and amortization	$ 1.8	$ 1.5	$ 1.1
Restructuring Charges and Unusual Items			
Operating loss	$ (31.2)	$ (248.7)	$ (575.0)
Equity in losses of equity method investees	$ (0.6)	$ (25.4)	$ (83.3)
Consolidation and Eliminations			
Net sales	$ (2,392.9)	$ (2,256.2)	$ (2,395.4)

Operating income	$	(453.0)	$	(444.1)	$	(504.1)
Equity in earnings of Crown Imports	$	226.1	$	221.9	$	252.3
Long-lived assets	$	(4.8)	$	(5.0)	$	(5.4)
Investment in equity method investees	$	183.3	$	167.2	$	136.9
Total assets	$	(235.7)	$	(201.7)	$	(187.2)
Capital expenditures	$	(1.6)	$	(1.0)	$	(2.0)
Depreciation and amortization	$	(1.8)	$	(1.5)	$	(1.1)

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	For the Years Ended		
	February 28, 2011	February 28, 2010	February 28, 2009
(in millions)			
Consolidated			
Net sales	$ 3,332.0	$ 3,364.8	$ 3,654.6
Operating income	$ 502.5	$ 311.5	$ 29.6
Equity in earnings of equity method investees	$ 243.8	$ 213.6	$ 186.6
Long-lived assets	$ 1,219.6	$ 1,567.2	$ 1,547.5
Investment in equity method investees	$ 262.9	$ 278.5	$ 258.1
Total assets	$ 7,167.6	$ 8,094.3	$ 8,036.5
Capital expenditures	$ 89.1	$ 107.7	$ 128.6
Depreciation and amortization	$ 133.8	$ 155.9	$ 157.0

The Company s areas of operations are principally in the U.S. Current operations outside the U.S. are primarily in Canada and New Zealand and are included within the CWNA segment. Prior to the Company s January 2011 CWAE Divestiture, operations outside the U.S. also included Australia and the U.K. and were reported within the CWAE segment. Revenues are attributed to countries based on the location of the selling company.

Geographic data is as follows:

	For the Years Ended		
	February 28, 2011	February 28, 2010	February 28, 2009
(in millions)			
Net Sales			
U.S.	$ 2,087.7	$ 2,001.3	$ 2,266.1
Non-U.S.	1,244.3	1,363.5	1,388.5
Total	$ 3,332.0	$ 3,364.8	$ 3,654.6
Significant non-U.S. revenue sources include:			
U.K.	$ 478.0	$ 611.5	$ 631.7
Canada	410.7	379.0	378.3
Australia	278.4	294.1	296.9
New Zealand	54.7	51.1	54.5
Other	22.5	27.8	27.1
Total	$ 1,244.3	$ 1,363.5	$ 1,388.5

	February 28, 2011	February 28, 2010
(in millions)		
Long-lived assets		
U.S.	$ 896.3	$ 878.3

Non-U.S.		323.3		688.9
Total	$	1,219.6	$	1,567.2
Significant non-U.S. long-lived assets include:				
Canada	$	176.2	$	167.5
New Zealand		144.6		141.2
Australia		-		300.1
U.K.		-		78.7
Other		2.5		1.4
Total	$	323.3	$	688.9

24. ACCOUNTING GUIDANCE NOT YET ADOPTED:

Intangibles goodwill and other

In December 2010, the FASB issued amended guidance for when to perform Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. The amended guidance modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. Any resulting goodwill impairment upon adoption should be recorded as a cumulative-effect adjustment to beginning retained earnings in the period of adoption. The Company is required to adopt the guidance for its annual and interim periods beginning March 1, 2011. The adoption of this amended guidance on March 1, 2011, did not have a material impact on the Company s consolidated financial statements.

25. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

A summary of selected quarterly financial information is as follows:

	QUARTER ENDED				
Fiscal 2011	May 31, 2010	August 31, 2010	November 30, 2010	February 28, 2011	Full Year
(in millions, except per share data)					
Net sales	$ 787.5	$ 862.8	$ 966.4	$ 715.3	$ 3,332.0
Gross profit	$ 270.0	$ 314.2	$ 351.9	$ 254.0	$ 1,190.1
Net income (1)	$ 49.1	$ 91.3	$ 139.3	$ 279.8	$ 559.5
Earnings per common share (2):					
Basic Class A Common Stock	$ 0.23	$ 0.44	$ 0.67	$ 1.36	$ 2.68
Basic Class B Convertible Common Stock	$ 0.21	$ 0.40	$ 0.61	$ 1.24	$ 2.44
Diluted Class A Common Stock	$ 0.22	$ 0.43	$ 0.65	$ 1.32	$ 2.62
Diluted Class B Convertible Common Stock	$ 0.21	$ 0.40	$ 0.60	$ 1.21	$ 2.40

	QUARTER ENDED				
Fiscal 2010	May 31, 2009	August 31, 2009	November 30, 2009	February 28, 2010	Full Year
(in millions, except per share data)					
Net sales	$ 791.6	$ 876.8	$ 987.7	$ 708.7	$ 3,364.8
Gross profit	$ 268.7	$ 309.6	$ 344.1	$ 222.4	$ 1,144.8
Net income (loss)(3)	$ 6.5	$ 99.7	$ 44.1	$ (51.0)	$ 99.3
Earnings (loss) per common share(2):					
Basic Class A Common Stock	$ 0.03	$ 0.46	$ 0.20	$ (0.23)	$ 0.46
Basic Class B Convertible Common Stock	$ 0.03	$ 0.42	$ 0.18	$ (0.21)	$ 0.41

Diluted	Class A Common Stock	$	0.03	$	0.45	$	0.20	$	(0.23)	$	0.45
Diluted	Class B Convertible Common Stock	$	0.03	$	0.41	$	0.18	$	(0.21)	$	0.41

(1) In Fiscal 2011, the Company recorded certain unusual items consisting of accelerated depreciation associated primarily with the Global Initiative; other cost of product sold related to costs incurred in connection with the sale of nonstrategic assets; net gains on the January 2011 CWAE Divestiture and related activities; net gain on the sale of nonstrategic assets; a loss on the potential settlement of the contractual obligation created by the notification by the 50.1% shareholder of Ruffino to exercise the option to put its entire equity interest to the Company; acquisition-related integration costs associated with the Fiscal 2008 Plan; other selling, general and administrative costs associated primarily with the Global Initiative; impairment of intangible assets associated primarily with the Company s Canadian business; restructuring charges associated primarily with the Global Initiative and the Australian Initiative; other equity method investment loss; and a valuation allowance against deferred tax assets in the U.K. The following table identifies these items, net of income tax effect, by quarter and in the aggregate for Fiscal 2011:

	QUARTER ENDED									
Fiscal 2011	May 31, 2010		August 31, 2010		November 30, 2010		February 28, 2011		Full Year	
(in millions, net of income tax effect)										
Accelerated depreciation	$	0.6	$	0.1	$	0.3	$	0.4	$	1.4
Other cost of product sold costs	$	-	$	-	$	0.1	$	-	$	0.1
Net gains on the CWAE Divestiture and related activities	$	-	$	-	$	-	$	(281.5)	$	(281.5)
Net gain on sale of nonstrategic assets	$	(1.0)	$	-	$	(2.3)	$	-	$	(3.3)
Loss on contractual obligation from put option of Ruffino shareholder	$	-	$	-	$	-	$	60.0	$	60.0
Acquisition-related integration costs	$	0.1	$	0.1	$	-	$	0.1	$	0.3
Other selling, general and administrative costs	$	0.6	$	2.0	$	1.0	$	0.6	$	4.2
Impairment of intangible assets	$	-	$	-	$	4.2	$	11.4	$	15.6
Restructuring charges	$	4.3	$	13.2	$	(1.4)	$	3.5	$	19.6
Other equity method investment loss	$	0.5	$	0.1	$	-	$	-	$	0.6
Deferred tax assets valuation allowance	$	28.1	$	2.0	$	-	$	-	$	30.1

(2) The sum of the quarterly earnings per common share in Fiscal 2011 and Fiscal 2010 may not equal the total computed for the respective years as the earnings per common share are computed independently for each of the quarters presented and for the full year.

(3) In Fiscal 2010, the Company recorded certain unusual items consisting of accelerated depreciation associated primarily with the Global Initiative and the Fiscal 2007 Wine Plan; inventory write-downs associated primarily with the Global Initiative; other cost of product sold primarily related to the Fiscal 2007 Wine Plan; a loss on the March 2009 sale of the Company s value spirits business; a loss on the contractual obligation created by the notification by the 9.9% shareholder of Ruffino to exercise the option to put its entire equity interest to the Company; a gain on the sale of the Company s nonstrategic U.K. cider business; acquisition-related integration costs associated primarily with the Fiscal 2008 Plan; other selling, general and administrative costs associated primarily with the Global Initiative; impairment of intangible assets associated primarily with the Company s Australian business; restructuring charges associated primarily with the Global Initiative and the Australian Initiative; an impairment loss of the Company s equity method investment in Ruffino; and a loss on the write-off of financing costs. The following table identifies these items, net of income tax effect, by quarter and in the aggregate for Fiscal 2010:

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Fiscal 2010	QUARTER ENDED May 31, 2009	August 31, 2009	November 30, 2009	February 28, 2010	Full Year
(in millions, net of income tax effect)					
Accelerated depreciation	$ 2.6	$ 7.6	$ 1.1	$ 1.3	$ 12.6
Inventory write-downs, restructuring activities	$ 0.3	$ 0.5	$ 0.3	$ 0.1	$ 1.2
Other cost of product sold costs	$ 1.2	$ 1.1	$ 0.8	$ 0.7	$ 3.8
Loss on March 2009 sale of value spirits business	$ 37.3	$ 0.1	$ -	$ -	$ 37.4
Loss on contractual obligation from put option of Ruffino shareholder	$ -	$ -	$ 34.3	$ -	$ 34.3
Gain on sale of nonstrategic U.K. cider business	$ -	$ -	$ -	$ (14.0)	$ (14.0)
Acquisition-related integration costs	$ -	$ -	$ 0.1	$ -	$ 0.1
Other selling, general and administrative costs	$ 8.9	$ 6.9	$ 7.9	$ 5.6	$ 29.3
Impairment of intangible assets	$ -	$ -	$ -	$ 97.9	$ 97.9
Restructuring charges	$ 14.3	$ 2.5	$ 5.2	$ 18.5	$ 40.5
Impairment of equity method investment	$ -	$ -	$ 25.4	$ -	$ 25.4
Loss on write-off of financing costs	$ -	$ -	$ -	$ 0.4	$ 0.4

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Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Not Applicable.

Item 9A. 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

(a) See page 61 of this Annual Report on Form 10-K for Management s Annual Report on Internal Control over Financial Reporting, which is incorporated herein by reference.

(b) See page 59 of this Annual Report on Form 10-K for the attestation report of KPMG LLP, the Company s independent registered public accounting firm, which is incorporated herein by reference.

(c) In connection with management s quarterly evaluation of internal control over financial reporting (as defined in the Securities Exchange Act of 1934 Rules 13a-15(f) and 15d-15(f)) no changes were identified in the Company s internal control over financial reporting during the Company s fiscal quarter ended February 28, 2011 (the Company s fourth fiscal quarter) that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Item 9B. Other Information.

Not Applicable.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item (except for the information regarding executive officers required by Item 401 of Regulation S-K which is included in Part I hereof in accordance with General Instruction G(3)) is incorporated herein by reference to the Company s proxy statement to be issued in connection with the Annual Meeting of Stockholders of the Company which is expected to be held on July 21, 2011, under those sections of the proxy statement to be titled Director Nominees, The Board of Directors and Committees of the Board and Section 16(a) Beneficial Ownership Reporting Compliance, which proxy statement will be filed within 120 days after the end of the Company s fiscal year.

The Company has adopted the Chief Executive Officer and Senior Financial Executive Code of Ethics which is a code of ethics that applies to its chief executive officer and its senior financial officers. The Chief Executive Officer and Senior Financial Executive Code of Ethics is located on the Company s Internet website at http://www.cbrands.com/investors/corporate-governance. Amendments to, and waivers granted under, the Company s Chief Executive Officer and Senior Financial Executive Code of Ethics, if any, will be posted to the Company s website as well. The Company will provide to anyone, without charge, upon request, a copy of such Code of Ethics. Such requests should be directed in writing to Investor Relations Department, Constellation Brands, Inc., 207 High Point Drive, Building 100, Victor, New York 14564 or by telephoning the Company s Investor Center at 1-888-922-2150.

Item 11. Executive Compensation.

The information required by this Item is incorporated herein by reference to the Company s proxy statement to be issued in connection with the Annual Meeting of Stockholders of the Company which is expected to be held on July 21, 2011, under those sections of the proxy statement to be titled Executive Compensation, Compensation Committee Interlocks and Insider Participation and Director Compensation, which proxy statement will be filed within 120 days after the end of the Company s fiscal year. Notwithstanding the foregoing, the Compensation Committee Report included within the section of the proxy statement to be titled Executive Compensation is only being furnished hereunder and shall not be deemed filed with the Securities and Exchange Commission or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item is incorporated herein by reference to the Company s proxy statement to be issued in connection with the Annual Meeting of Stockholders of the Company which is expected to be held on July 21, 2011, under that section of the proxy statement to be titled Beneficial Ownership, which proxy statement will be filed within 120 days after the end of the Company s fiscal year. Additional information required by this item is as follows:

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information with respect to the Company s compensation plans under which its equity securities may be issued, as of February 28, 2011. The equity compensation plans approved by security holders include the Company s Long-Term Stock Incentive Plan, Incentive Stock Option Plan, 1989 Employee Stock Purchase Plan and U.K. Sharesave Scheme.

Equity Compensation Plan Information

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	30,871,923 (1)	$ 18.63 (2)	34,058,561 (3)(4)(5)
Equity compensation plans not approved by security holders	-	-	-
Total	30,871,923	$ 18.63	34,058,561

(1) Includes 808,820 shares of unvested performance share units and 219,498 shares of unvested restricted stock units under the Company s Long-Term Stock Incentive Plan. The unvested performance share units represent the maximum number of shares to be awarded, or 200% of the target shares granted. The Company currently estimates that only 150% of the target shares granted will be awarded based upon the current expectations regarding the achievement of specified performance targets.

(2) Excludes unvested performance share units and unvested restricted stock units under the Company s Long-Term Stock Incentive Plan that can be exercised for no consideration.

(3) Includes 7,438,756 shares of Class A Common Stock under the Company s Incentive Stock Option Plan. However, by the current terms of the Incentive Stock Option Plan, no additional grants of incentive stock options are permitted.

(4) Includes 1,641,255 shares of Class A Common Stock under the Company s U.K. Sharesave Scheme. However, by the current terms of the U.K. Sharesave Scheme, no additional offerings under the U.K. Sharesave Scheme are permitted.

(5) Includes 2,506,279 shares of Class A Common Stock under the Company s Employee Stock Purchase Plan remaining available for purchase, of which approximately 145,100 shares are subject to purchase during the current offering period.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item is incorporated herein by reference to the Company s proxy statement to be issued in connection with the Annual Meeting of Stockholders of the Company which is expected to be held on

July 21, 2011, under those sections of the proxy statement to be titled Director Nominees, The Board of Directors and Committees of the Board and Certain Relationships and Related Transactions, which proxy statement will be filed within 120 days after the end of the Company s fiscal year.

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Item 14. Principal Accountant Fees and Services.

The information required by this Item is incorporated herein by reference to the Company s proxy statement to be issued in connection with the Annual Meeting of Stockholders of the Company which is expected to be held on July 21, 2011, under that section of the proxy statement to be titled Proposal 2 Ratification of the Selection of KPMG LLP as Independent Registered Public Accounting Firm, which proxy statement will be filed within 120 days after the end of the Company s fiscal year.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

1. Financial Statements

   The following consolidated financial statements of the Company are submitted herewith:

   Report of Independent Registered Public Accounting Firm KPMG LLP

   Report of Independent Registered Public Accounting Firm KPMG LLP

   Management s Annual Report on Internal Control Over Financial Reporting

   Consolidated Balance Sheets February 28, 2011, and February 28, 2010

   Consolidated Statements of Operations for the years ended February 28, 2011, February 28, 2010, and February 28, 2009

   Consolidated Statements of Changes in Stockholders Equity for the years ended February 28, 2011, February 28, 2010, and February 28, 2009

   Consolidated Statements of Cash Flows for the years ended February 28, 2011, February 28, 2010, and February 28, 2009

   Notes to Consolidated Financial Statements

2. Financial Statement Schedules

   Schedules are not submitted because they are not applicable or not required under Regulation S-X or because the required information is included in the financial statements or notes thereto.

   The following financial statements of the Company s 50 percent owned joint venture, Crown Imports LLC, are included pursuant to Rule 3-09 of Regulation S-X:

   Financial Statements as of and for the three years ended December 31, 2010

3. 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 143 of this Report. The Index to Exhibits is incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: April 29, 2011

CONSTELLATION BRANDS, INC.

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Robert Sands

Robert Sands, Director, President and Chief Executive Officer (principal executive officer)
Dated: April 29, 2011

/s/ Robert Ryder

Robert Ryder, Executive Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)
Dated: April 29, 2011

/s/ Richard Sands

Richard Sands, Director and Chairman of the Board
Dated: April 29, 2011

/s/ Jerry Fowden

Jerry Fowden, Director
Dated: April 29, 2011

/s/ Barry A. Fromberg

Barry A. Fromberg, Director
Dated: April 29, 2011

/s/ Jeananne K. Hauswald

Jeananne K. Hauswald, Director
Dated: April 29, 2011

/s/ James A. Locke III

James A. Locke III, Director
Dated: April 29, 2011

/s/ Paul L. Smith

Paul L. Smith, Director
Dated: April 29, 2011

/s/ Mark Zupan

Mark Zupan, Director
Dated: April 29, 2011

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INDEX TO EXHIBITS

Exhibit No.	
2.1	Agreement to Establish Joint Venture, dated July 17, 2006, between Barton Beers, Ltd. and Diblo, S.A. de C.V. (filed as Exhibit 2.1 to the Company s Current Report on Form 8-K dated July 17, 2006, filed July 18, 2006 and incorporated herein by reference).+ #
2.2	Amendment No. 1, dated as of January 2, 2007 to the Agreement to Establish Joint Venture, dated July 17, 2006, between Barton Beers, Ltd. and Diblo, S.A. de C.V. (filed as Exhibit 2.1 to the Company s Current Report on Form 8-K dated January 2, 2007, filed January 3, 2007 and incorporated herein by reference).+ #
2.3	Barton Contribution Agreement, dated July 17, 2006, among Barton Beers, Ltd., Diblo, S.A. de C.V. and Company (a Delaware limited liability company to be formed) (filed as Exhibit 2.2 to the Company s Current Report on Form 8-K dated July 17, 2006, filed July 18, 2006 and incorporated herein by reference).+ #
2.4	Stock Purchase Agreement dated as of November 9, 2007 by and between Beam Global Spirits & Wine, Inc. and Constellation Brands, Inc. (filed as Exhibit 2.1 to the Company s Current Report on Form 8-K dated November 13, 2007, filed November 14, 2007 and incorporated herein by reference).
2.5	Assignment and Assumption Agreement made as of November 29, 2007 between Constellation Brands, Inc. and Constellation Wines U.S., Inc. relating to that certain Stock Purchase Agreement dated as of November 9, 2007 by and between Beam Global Spirits & Wine, Inc. and Constellation Brands, Inc. (filed as Exhibit 2.9 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2007 and incorporated herein by reference).
2.6	Share Subscription Agreement dated December 23, 2010 among Constellation Brands, Inc., Vincor U.K. Limited, CBI Australia Holdings Pty Limited, Perpetual Trustee Company Limited as trustee of the CHAMP Buyout III Trust, Perpetual Corporate Trust Limited as trustee of the CHAMP Buyout III (SWF) Trust, CHAMP Buyout III Pte Ltd, and Canopus Holdco Limited (filed as Exhibit 2.1 to the Company s Current Report on Form 8-K dated December 23, 2010, filed December 28, 2010 and incorporated herein by reference).
2.7	Deed of Amendment and Restatement dated January 31, 2011 to the Share Subscription Agreement dated December 23, 2010 among Constellation Brands, Inc., Vincor U.K. Limited, CBI Australia Holdings Pty Limited, Perpetual Trustee Company Limited as trustee of the CHAMP Buyout III Trust, Perpetual Corporate Trust Limited as trustee of the CHAMP Buyout III (SWF) Trust, CHAMP Buyout III Pte Ltd, and Canopus Holdco Limited (filed as Exhibit 2.1 to the Company s Current Report on Form 8-K dated January 31, 2011, filed February 4, 2011 and incorporated herein by reference).

3.1	Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2009 and incorporated herein by reference).
3.2	Certificate of Amendment to the Certificate of Incorporation of the Company (filed as Exhibit 3.2 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2009 and incorporated herein by reference).
3.3	Amended and Restated By-Laws of the Company (filed as Exhibit 3.2 to the Company s Current Report on Form 8-K dated December 6, 2007, filed December 12, 2007 and incorporated herein by reference).
4.1	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).#
4.2	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).#
4.3	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).#
4.4	Supplemental Indenture No. 3, dated as of May 4, 2007, by and among the Company, Barton SMO Holdings LLC, ALCOFI INC., and Spirits Marque One LLC, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.32 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2007 and incorporated herein by reference).
4.5	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).

4.6	Supplemental Indenture No. 5, dated as of January 22, 2008, by and among the Company, BWE, Inc., Atlas Peak Vineyards, Inc., Buena Vista Winery, Inc., Clos du Bois Wines, Inc., Gary Farrell Wines, Inc., Peak Wines International, Inc., and Planet 10 Spirits, LLC, and The Bank of New York Trust Company, N.A. (successor trustee to BNY Midwest Trust Company), as Trustee (filed as Exhibit 4.37 to the Company s Annual Report on Form 10-K for the fiscal year ended February 29, 2008 and incorporated herein by reference).
4.7	Supplemental Indenture No. 6, dated as of February 27, 2009, by and among the Company, Constellation Services LLC, and The Bank of New York Mellon Trust Company National Association (successor trustee to BNY Midwest Trust Company), as Trustee (filed as Exhibit 4.31 to the Company s Annual Report on Form 10-K for the fiscal year ended February 28, 2009 and incorporated herein by reference).
4.8	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).
4.9	Supplemental Indenture No. 1, dated as of January 22, 2008, by and among the Company, BWE, Inc., Atlas Peak Vineyards, Inc., Buena Vista Winery, Inc., Clos du Bois Wines, Inc., Gary Farrell Wines, Inc., Peak Wines International, Inc., and Planet 10 Spirits, LLC, and The Bank of New York Trust Company, N.A. (successor trustee to BNY Midwest Trust Company), as Trustee (filed as Exhibit 4.39 to the Company s Annual Report on Form 10-K for the fiscal year ended February 29, 2008 and incorporated herein by reference).
4.10	Supplemental Indenture No. 2, dated as of February 27, 2009, by and among the Company, Constellation Services LLC, and The Bank of New York Mellon Trust Company National Association (successor trustee to BNY Midwest Trust Company), as Trustee (filed as Exhibit 4.34 to the Company s Annual Report on Form 10-K for the fiscal year ended February 28, 2009 and incorporated herein by reference).
4.11	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 4.11 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2010 and incorporated herein by reference).

4.12	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). #
4.13	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).
4.14	Amendment No. 3, dated as of January 25, 2010, to the Credit Agreement, dated as of June 5, 2006, among Constellation Brands, Inc., the Subsidiary Guarantors referred to on the signature pages to such Amendment No. 3, JPMorgan Chase Bank, N.A., in its capacity as Administrative Agent and Issuing Lender, Bank of America, N.A., in its capacity as Swingline Lender, The Bank of Nova Scotia, in its capacity as Issuing Lender, JPMorgan Securities Inc., in its capacity as joint bookrunner, CoBank, ACB, in its capacity as joint bookrunner, Banc of America Securities LLC, in its capacity as joint bookrunner and Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland , New York Branch in its capacity as joint bookrunner (filed as Exhibit 4.1 to the Company s Current Report on Form 8-K, dated January 25, 2010, filed January 26, 2010, and incorporated herein by reference).
4.15	Guarantee Assumption Agreement, dated as of August 11, 2006, by Constellation Leasing, LLC, in favor of JPMorgan Chase Bank, N.A., as Administrative Agent, pursuant to the Credit Agreement dated as of June 5, 2006 (as modified and supplemented and in effect from time to time) (filed as Exhibit 4.29 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2006 and incorporated herein by reference). #
4.16	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). #
4.17	Guarantee Assumption Agreement, dated as of May 4, 2007, by Barton SMO Holdings LLC, ALCOFI INC., and Spirits Marque One LLC in favor of JPMorgan Chase Bank, N.A., as Administrative Agent, pursuant to the Credit Agreement dated as of June 5, 2006 (as modified and supplemented and in effect from time to time) (filed as Exhibit 4.39 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2007 and incorporated herein by reference).

4.18	Guarantee Assumption Agreement, dated as of January 22, 2008, by BWE, Inc., Atlas Peak Vineyards, Inc., Buena Vista Winery, Inc., Clos du Bois Wines, Inc., Gary Farrell Wines, Inc., Peak Wines International, Inc., and Planet 10 Spirits, LLC in favor of JPMorgan Chase Bank, N.A., as Administrative Agent, pursuant to the Credit Agreement dated as of June 5, 2006 (as modified and supplemented and in effect from time to time) (filed as Exhibit 4.46 to the Company s Annual Report on Form 10-K for the fiscal year ended February 29, 2008 and incorporated herein by reference).
4.19	Guarantee Assumption Agreement, dated as of February 27, 2009, by Constellation Services LLC in favor of JPMorgan Chase Bank, N.A., as Administrative Agent, pursuant to the Credit Agreement dated as of June 5, 2006 (as modified and supplemented and in effect from time to time) (filed as Exhibit 4.42 to the Company s Annual Report on Form 10-K for the fiscal year ended February 28, 2009 and incorporated herein by reference).
10.1	Marvin Sands Split Dollar Insurance Agreement (filed as Exhibit 10.9 to the Company s Annual Report on Form 10-K for the fiscal year ended August 31, 1993 and also filed as Exhibit 10.1 to the Company s Annual Report on Form 10-K for the fiscal year ended February 29, 2004 and incorporated herein by reference).#
10.2	Constellation Brands, Inc. Long-Term Stock Incentive Plan, amended and restated as of December 6, 2007 (filed as Exhibit 99.1 to the Company s Current Report on Form 8-K dated December 6, 2007, filed December 12, 2007 and incorporated herein by reference).*
10.3	First Amendment to the Company s Long-Term Stock Incentive Plan (filed as Exhibit 99.1 to the Company s Current Report on Form 8-K, dated July 23, 2009, filed July 24, 2009, and incorporated herein by reference).*
10.4	Form of Stock Option Amendment pursuant to the Company s Long-Term Stock Incentive Plan (filed as Exhibit 99.2 to the Company s Current Report on Form 8-K dated December 6, 2007, filed December 12, 2007 and incorporated herein by reference).*
10.5	Form of Terms and Conditions Memorandum for Employees with respect to grants of options to purchase Class A Common Stock pursuant to the Company s Long-Term Stock Incentive Plan (filed as Exhibit 99.2 to the Company s Current Report on Form 8-K dated July 26, 2007, filed July 31, 2007 and incorporated herein by reference).*
10.6	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 before July 26, 2007) (filed as Exhibit 99.3 to the Company s Current Report on Form 8-K dated December 6, 2007, filed December 12, 2007 and incorporated herein by reference).*

10.7	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 July 26, 2007 and before April 1, 2008) (filed as Exhibit 99.4 to the Company s Current Report on Form 8-K dated December 6, 2007, filed December 12, 2007 and incorporated herein by reference).*
10.8	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 and before April 6, 2009) (filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2008 and incorporated herein by reference).*
10.9	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 6, 2009 and before April 5, 2010) (filed as Exhibit 99.1 to the Company s Current Report on Form 8-K, dated April 6, 2009, filed April 9, 2009, and incorporated herein by reference).*
10.10	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 5, 2010) (filed as Exhibit 99.1 to the Company s Current Report on Form 8-K, dated April 5, 2010, filed April 9, 2010, and incorporated herein by reference).*
10.11	Form of Restricted Stock Award Agreement for Employees with respect to the Company s Long-Term Stock Incentive Plan (grants before April 6, 2009) (filed as Exhibit 99.1 to the Company s Current Report on Form 8-K dated April 1, 2008, filed April 7, 2008 and incorporated herein by reference).*
10.12	Form of Restricted Stock Award Agreement for Employees with respect to the Company s Long-Term Stock Incentive Plan (grants on or after April 6, 2009 and before April 5, 2010) (filed as Exhibit 99.2 to the Company s Current Report on Form 8-K, dated April 6, 2009, filed April 9, 2009, and incorporated herein by reference).*
10.13	Form of Restricted Stock Award Agreement for Employees with respect to the Company s Long-Term Stock Incentive Plan (grants on or after April 5, 2010 and before April 5, 2011) (filed as Exhibit 99.2 to the Company s Current Report on Form 8-K, dated April 5, 2010, filed April 9, 2010, and incorporated herein by reference).*
10.14	Form of Restricted Stock Award Agreement for Employees with respect to the Company s Long-Term Stock Incentive Plan (grants on or after April 5, 2011) (filed as Exhibit 99.2 to the Company s Current Report on Form 8-K, dated April 5, 2011, filed April 8, 2011, and incorporated herein by reference).*

10.15	Form of Performance Share Unit Award Agreement for Executives with respect to the Company s Long-Term Stock Incentive Plan (awards before April 5, 2011) (filed as Exhibit 99.3 to the Company s Current Report on Form 8-K, dated April 5, 2010, filed April 9, 2010, and incorporated herein by reference).*
10.16	Form of Performance Share Unit Award Agreement for Executives with respect to the Company s Long-Term Stock Incentive Plan (awards on or after April 5, 2011) (filed as Exhibit 99.3 to the Company s Current Report on Form 8-K, dated April 5, 2011, filed April 8, 2011, and incorporated herein by reference).*
10.17	Form of Terms and Conditions Memorandum for Directors with respect to options to purchase Class A Common Stock pursuant to the Company s Long-Term Stock Incentive Plan (filed as Exhibit 99.3 to the Company s Current Report on Form 8-K dated July 26, 2007, filed July 31, 2007 and incorporated herein by reference).*
10.18	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 before July 17, 2008) (filed as Exhibit 99.5 to the Company s Current Report on Form 8-K dated December 6, 2007, filed December 12, 2007 and incorporated herein by reference).*
10.19	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 and before July 22, 2010) (filed as Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2008 and incorporated herein by reference).*
10.20	Form of Terms and Conditions Memorandum for Directors with respect to a pro rata grant of options to purchase Class 1 Stock pursuant to the Company s Long-Term Stock Incentive Plan (filed as Exhibit 99.1 to the Company s Current Report on Form 8-K dated April 20, 2010, filed April 22, 2010 and incorporated herein by reference).*
10.21	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 22, 2010) (filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2010 and incorporated herein by reference).*
10.22	Form of Restricted Stock Agreement for Directors with respect to the Company s Long-Term Stock Incentive Plan (grants before July 22, 2010) (filed as Exhibit 10.13 to the Company s Annual Report on Form 10-K for the fiscal year ended February 28, 2006 and incorporated herein by reference).* #

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10.23	Form of Restricted Stock Agreement for Directors with respect to a pro rata award of restricted stock pursuant to the Company s Long-Term Stock Incentive Plan (filed as Exhibit 99.2 to the Company s Current Report on Form 8-K dated April 20, 2010, filed April 22, 2010 and incorporated herein by reference).*
10.24	Form of Restricted Stock Award Agreement for Directors with respect to the Company s Long-Term Stock Incentive Plan (grants on or after July 22, 2010) (filed as Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2010 and incorporated herein by reference).*
10.25	Incentive Stock Option Plan of the Company (filed as Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 and incorporated herein by reference).* #
10.26	Amendment Number One to the Company s Incentive Stock Option Plan (filed as Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 and incorporated herein by reference).* #
10.27	Amendment Number Two to the Company s Incentive Stock Option Plan (filed as Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2000 and incorporated herein by reference).* #
10.28	Amendment Number Three to the Company s Incentive Stock Option Plan (filed as Exhibit 10.13 to the Company s Annual Report on Form 10-K for the fiscal year ended February 28, 2001 and incorporated herein by reference).* #
10.29	Form of Terms and Conditions Memorandum with respect to the Company s Incentive Stock Option Plan (filed as Exhibit 10.18 to the Company s Annual Report on Form 10-K for the fiscal year ended February 28, 2007 and incorporated herein by reference).* #
10.30	Constellation Brands, Inc. Annual Management Incentive Plan, amended and restated as of July 26, 2007 (filed as Exhibit 99.4 to the Company s Current Report on Form 8-K dated July 26, 2007, filed July 31, 2007 and incorporated herein by reference).*
10.31	Amendment Number 1, dated April 6, 2009, to the Constellation Brands, Inc. Annual Management Incentive Plan, amended and restated as of July 26, 2007 (filed as Exhibit 99.3 to the Company s Current Report on Form 8-K dated April 6, 2009, filed April 9, 2009 and incorporated herein by reference).*
10.32	Supplemental Executive Retirement Plan of the Company (filed as Exhibit 10.14 to the Company s Annual Report on Form 10-K for the fiscal year ended February 28, 1999 and incorporated herein by reference).* #

10.33	First Amendment to the Company s Supplemental Executive Retirement Plan (filed as Exhibit 10 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 1999 and incorporated herein by reference).* #
10.34	Second Amendment to the Company s Supplemental Executive Retirement Plan (filed as Exhibit 10.20 to the Company s Annual Report on Form 10-K for the fiscal year ended February 28, 2001 and incorporated herein by reference).* #
10.35	Third Amendment to the Company s Supplemental Executive Retirement Plan (filed as Exhibit 99.2 to the Company s Current Report on Form 8-K dated April 7, 2005, filed April 13, 2005 and incorporated herein by reference).* #
10.36	2005 Supplemental Executive Retirement Plan of the Company (filed as Exhibit 99.3 to the Company s Current Report on Form 8-K dated April 7, 2005, filed April 13, 2005 and incorporated herein by reference).* #
10.37	First Amendment to the Company s 2005 Supplemental Executive Retirement Plan (filed as Exhibit 10.7 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2007 and incorporated herein by reference).*
10.38	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 4.11 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2010 and incorporated herein by reference).
10.39	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).#
10.40	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).

10.41	Amendment No. 3, dated as of January 25, 2010, to the Credit Agreement, dated as of June 5, 2006, among Constellation Brands, Inc., the Subsidiary Guarantors referred to on the signature pages to such Amendment No. 3, JPMorgan Chase Bank, N.A., in its capacity as Administrative Agent and Issuing Lender, Bank of America, N.A., in its capacity as Swingline Lender, The Bank of Nova Scotia, in its capacity as Issuing Lender, JPMorgan Securities Inc., in its capacity as joint bookrunner, CoBank, ACB, in its capacity as joint bookrunner, Banc of America Securities LLC, in its capacity as joint bookrunner and Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland , New York Branch in its capacity as joint bookrunner (filed as Exhibit 4.1 to the Company s Current Report on Form 8-K, dated January 25, 2010, filed January 26, 2010, and incorporated herein by reference).
10.42	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).#
10.43	Guarantee Assumption Agreement, dated as of November 30, 2006, by Vincor International Partnership, Vincor International II, LLC, Vincor Holdings, Inc., R.H. Phillips, Inc., The Hogue Cellars, Ltd., and Vincor Finance, LLC in favor of JPMorgan Chase Bank, N.A., as Administrative Agent, pursuant to the Credit Agreement dated as of June 5, 2006 (as modified and supplemented and in effect from time to time) (filed as Exhibit 4.31 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2006 and incorporated herein by reference).#
10.44	Guarantee Assumption Agreement, dated as of May 4, 2007, by Barton SMO Holdings LLC, ALCOFI INC., and Spirits Marque One LLC in favor of JPMorgan Chase Bank, N.A., as Administrative Agent, pursuant to the Credit Agreement dated as of June 5, 2006 (as modified and supplemented and in effect from time to time) (filed as Exhibit 4.39 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2007 and incorporated herein by reference).
10.45	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).
10.46	Guarantee Assumption Agreement, dated as of February 27, 2009, by Constellation Services LLC in favor of JPMorgan Chase Bank, N.A., as Administrative Agent, pursuant to the Credit Agreement dated as of June 5, 2006 (as modified and supplemented and in effect from time to time) (filed as Exhibit 4.42 to the Company s Annual Report on Form 10-K for the fiscal year ended February 28, 2009 and incorporated herein by reference).

10.47	The Constellation Brands UK Sharesave Scheme, as amended (filed as Exhibit 10.4 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2006 and incorporated herein by reference).* #
10.48	Letter Agreement dated April 26, 2007 (together with addendum dated May 8, 2007) between the Company and Robert Ryder addressing compensation (filed as Exhibit 10.5 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2007 and incorporated herein by reference).*
10.49	Form of Executive Employment Agreement between Constellation Brands, Inc. and its Chairman of the Board and its President and Chief Executive Officer (filed as Exhibit 99.1 to the Company s Current Report on Form 8-K, dated and filed May 21, 2008, and incorporated herein by reference).*
10.50	Form of Executive Employment Agreement between Constellation Brands, Inc. and its Other Executive Officers (filed as Exhibit 99.2 to the Company s Current Report on Form 8-K, dated and filed May 21, 2008, and incorporated herein by reference).*
10.51	Amended and Restated Limited Liability Company Agreement of Crown Imports LLC, dated as of January 2, 2007 (filed as Exhibit 99.1 to the Company s Current Report on Form 8-K dated January 2, 2007, filed January 3, 2007 and incorporated herein by reference).+ #
10.52	Importer Agreement, dated as of January 2, 2007, by and between Extrade II, S.A. de C.V. and Crown Imports LLC (filed as Exhibit 99.2 to the Company s Current Report on Form 8-K dated January 2, 2007, filed January 3, 2007 and incorporated herein by reference).+ #
10.53	Administrative Services Agreement, dated as of January 2, 2007, by and between Barton Incorporated and Crown Imports LLC (filed as Exhibit 99.3 to the Company s Current Report on Form 8-K dated January 2, 2007, filed January 3, 2007 and incorporated herein by reference).+ #
10.54	Sub-license Agreement, dated as of January 2, 2007, by and between Marcas Modelo, S.A. de C.V. and Crown Imports LLC (filed as Exhibit 99.4 to the Company s Current Report on Form 8-K dated January 2, 2007, filed January 3, 2007 and incorporated herein by reference).+ #
10.55	Agreement Regarding Products dated October 28, 2010, between Extrade II, S.A. de C.V., Crown Imports LLC and Marcas Modelo, S.A. de C.V. (filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2010 and incorporated herein by reference).++

10.56	Master Confirmation, dated as of April 16, 2010, with respect to a Collared Accelerated Stock Buyback Transaction between the Company and Goldman Sachs & Co. (filed as Exhibit 10.10 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2010 and incorporated herein by reference).
10.57	Supplemental Confirmation, dated April 16, 2010, with respect to a Collared Accelerated Stock Buyback Transaction between the Company and Goldman Sachs & Co. (filed as Exhibit 10.11 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2010 and incorporated herein by reference).
10.58	Trade Notification, dated May 10, 2010, with respect to a Collared Accelerated Stock Buyback Transaction between the Company and Goldman Sachs & Co. (filed as Exhibit 10.12 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2010 and incorporated herein by reference).
21.1	Subsidiaries of Company (filed herewith).
23.1	Consent of KPMG LLP (filed herewith).
23.2	Consent of PricewaterhouseCoopers LLP as it relates to Crown Imports LLC (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).
99.1	1989 Employee Stock Purchase Plan (Restated June 27, 2001) (filed as Exhibit 99.1 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2001 and incorporated herein by reference).#
99.2	Financial Statements of Crown Imports LLC as of and for the three years ended December 31, 2010 (filed herewith).

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101.1	The following materials from the Company s Annual Report on Form 10-K for the fiscal year ended February 28, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of February 28, 2011 and February 28, 2010, (ii) Consolidated Statements of Operations for the years ended February 28, 2011, February 28, 2010 and February 28, 2009, (iii) Consolidated Statements of Changes in Stockholders Equity for the years ended February 28, 2011, February 28, 2010, and February 28, 2009 (iv) Consolidated Statements of Cash Flows for the years ended February 28, 2011, February 28, 2010 and February 28, 2009, and (v) Notes to Consolidated Financial Statements.**

* Designates management contract or compensatory plan or arrangement.

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 (Securities Act), as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934 (Exchange Act), as amended, and otherwise not subject to liability under those sections. This exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Registrant specifically incorporates this exhibit by reference.

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

+ Portions of this exhibit were redacted pursuant to a confidential treatment request filed with and approved by the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

++ 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.