

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D
Under the Securities Exchange Act of 1934

The Chalone Wine Group, Ltd.

(Name of Issuer)

Common Stock, no par value

(Title of Class of Securities)

157639105

(CUSIP Number)

Thomas J. Mullin, Esq.
Executive Vice President and
General Counsel
Constellation Brands, Inc.
370 Woodcliff Drive
Suite 300
Fairport, New York 11450
(585) 218-3650

With a copy to:
Richard F. Langan, Jr., Esq.
Nixon Peabody LLP
437 Madison Avenue
New York, New York 10022

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

May 16, 2004

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of § 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box .

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See § 240.13d-7(b) for other parties to whom copies are to be sent.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

1. Name of Reporting Person I.R.S. Identification No. of Above Person (Entities Only)

Constellation Brands, Inc.

16-0716709

2. Check the Appropriate Box if a Member of a Group*

- (a)
- (b)

3. SEC Use Only

4. Source of Funds (See Instructions)

WC, BK

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)

6. Citizenship or Place of Organization

State of Delaware

7. Sole Voting Power

0

NUMBER OF
SHARES
BENEFICIALLY
OWNED BY
EACH
REPORTING
PERSON
WITH

8. Shared Voting Power

5,556,103

9. Sole Dispositive Power

0

10. Shared Dispositive Power

5,556,103

11. Aggregate Amount Beneficially Owned by Each Reporting Person

5,556,103

12. Check Box if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)

13. Percent of Class Represented by Amount in Row (11)

46%

14. Type of Reporting Person (See Instructions)

CO

Item 1. Security and Issuer.

This Schedule 13D relates to shares of the common stock, no par value (the "Common Stock"), of The Chalone Wine Group, Ltd., a California corporation (the "Issuer"). The Issuer's principal executive office is located at 621 Airpark Road, Napa, California 94585-6272.

Item 2. Identity and Background.

This Schedule 13D is being filed by Constellation Brands, Inc, a Delaware corporation ("Constellation"). Constellation is a leading international producer and marketer of beverage alcohol brands with a portfolio across the wine, imported beer and spirits categories. The address of its principal business and its principal office is 370 Woodcliff Drive, Suite 300, Fairport, NY 14450. During the last five years, Constellation has not been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) and has not been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which it was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, Federal or state securities laws or finding any violation with respect to such laws.

The following sets forth with respect to each executive officer and director of Constellation the person's (a) name, (b) residence or business address, (c) present principal occupation or employment and the name, principal business and address of any corporation or other organization in which such employment is conducted, and (d) citizenship.

Name, Address and CitizenshipPrincipal Business or Employment

<u>Name, Address and Citizenship</u>	<u>Principal Business or Employment</u>
Directors:	
Richard Sands Constellation Brands, Inc. 370 Woodcliff Drive Suite 300 Fairport, NY 14450 United States of America	Chairman of the Board and Chief Executive Officer of Constellation Brands, Inc. Constellation Brands, Inc. 370 Woodcliff Drive Suite 300 Fairport, NY 14450
Robert Sands Constellation Brands, Inc. 370 Woodcliff Drive Suite 300 Fairport, NY 14450 United States of America	President and Chief Operating Officer of Constellation Brands, Inc. Constellation Brands, Inc. 370 Woodcliff Drive Suite 300 Fairport, NY 14450
George Bresler Kurzman, Eisenberg, Corbin, Lever & Goodman, LLP 521 Fifth Avenue, 28 th Floor New York, NY 10175 United States of America	Senior Counsel of law firm of Kurzman Eisenberg Corbin Lever & Goodman, LLP Kurzman, Eisenberg, Corbin, Lever & Goodman, LLP 521 Fifth Avenue, 28 th Floor New York, NY 10175
Jeananne K. Hauswald Solo Management Group, LLC 188 East 78 th Street Apartment 17B New York, NY 10021 United States of America	Managing Partner of Solo Management Group, LLC 188 East 78 th Street Apartment 17B New York, NY 10021 Solo Management Group, LLC is a corporate financial investment management consulting company.
James A. Locke III Nixon Peabody LLP One Clinton Square Rochester, NY 14603 United States of America	Partner of law firm of Nixon Peabody LLP Nixon Peabody LLP One Clinton Square Rochester, NY 14603

Name, Address and CitizenshipPrincipal Business or Employment

Thomas C. McDermott
GPM Associates, LLP
45 High Tech Drive
Rush, NY 14543
United States of America

Chairman of GPM Associates, LLP
GPM Associates, LLP
45 High Tech Drive
Rush, NY 14543

GPM Associates, LLP manufacturers custom vinyl business products for the financial and insurance markets.

Paul L. Smith
77 Babcock Drive
Rochester, NY 14610-3304
United States of America

Retired from Eastman Kodak Company

Executive Officers (in addition to Messrs. Sands):

F. Paul Hetterich
Constellation Brands, Inc.
370 Woodcliff Drive
Suite 300
Fairport, NY 14450
United States of America

Executive Vice President
Business Development and Corporate Strategy of Constellation Brands, Inc.
Constellation Brands, Inc.
370 Woodcliff Drive
Suite 300
Fairport, NY 14450

Thomas J. Mullin
Constellation Brands, Inc.
370 Woodcliff Drive
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Executive Vice President and General Counsel of Constellation Brands, Inc.
Constellation Brands, Inc.
370 Woodcliff Drive
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Thomas S. Summer
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Executive Vice President and Chief Financial Officer of Constellation Brands, Inc.
Constellation Brands, Inc.
370 Woodcliff Drive
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Fairport, NY 14450

W. Keith Wilson
Constellation Brands, Inc.
370 Woodcliff Drive
Suite 300
Fairport, NY 14450
United States of America

Executive Vice President and Chief Human Resources Officer of Constellation Brands, Inc.
Constellation Brands, Inc.
370 Woodcliff Drive
Suite 300
Fairport, NY 14450

Name, Address and CitizenshipPrincipal Business or Employment

Alexander Berk
Barton Incorporated
55 East Monroe Street
Suite 2600
Chicago, Illinois 60603
United States of America

Chief Executive Officer of Constellation Beer and Spirits
Barton Incorporated
55 East Monroe Street
Suite 2600
Chicago, Illinois 60603

Stephen B. Millar
Hardy Wine Company Limited
Reynell Road
Reynella, South Australia 5161
Australia

Chief Executive Officer of Constellation Wines
Hardy Wine Company Limited
Reynell Road
Reynella, South Australia 5161

During the past five years, none of the individuals named above has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction, as a result of which he or she was or is subject to a judgment, decree, or final order enjoining future violations of, or prohibiting or mandating activities subject to, Federal or state securities laws or finding violations with respect to such laws.

Constellation may be deemed to constitute a member of a group within the meaning of Rule 13d-5 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), together with Domaines Baron de Rothschild (Lafite), a "societe en comandite par actions" organized and existing under the laws of France ("DBR"), and Huneus Vintners, LLC, a Delaware limited liability company ("Huneus"). Constellation expressly declares that neither the filing of this Schedule 13D nor any of the information contained herein shall be construed as an admission that it has formed or is a member of any such group. Information with respect to

the beneficial ownership of Common Stock of the Issuer by DBR and Huneus and related information should be contained in Schedules 13D, as amended, filed or to be filed by each of them. Reference is made to Item 2 of those Schedules 13D, as amended, for information as to the identity and background of DBR and Huneus and persons related to them.

Constellation has no responsibility for the accuracy or completeness of any information given with respect to any other person or entity, including, without limitation, DBR and Huneus. Any disclosures made herein with respect to any person or entity other than Constellation are made on information and belief.

Item 3. Source and Amount of Funds or Other Consideration.

Constellation has not purchased any shares of Common Stock of the Issuer.

As more fully described herein, Constellation has entered into a Commitment Letter Summary, dated May 16, 2004 (the "Letter Agreement"), with DBR and Huneus pursuant to which, among other things, they indicated their intent to enter into certain transactions among themselves and, in connection therewith and prior thereto, to propose to the special committee of the board of directors of the Issuer that the Issuer enter into certain transactions. A copy of the Letter Agreement is annexed hereto as Exhibit 1 and incorporated herein by reference. In connection with the transactions contemplated by the Letter Agreement, Constellation, DBR and Huneus (collectively, the "Principals") have agreed to establish a joint venture company (the "JV") to which Constellation will contribute \$54 million in cash and certain assets, as described more fully herein, and Huneus will contribute certain assets and liabilities, and to which DBR will, upon the completion of the merger contemplated by the Letter Agreement, cause the Issuer

to contribute all of its assets and liabilities. Except for specified provisions of the Letter Agreement which are binding on the parties, the transactions contemplated by the Letter Agreement are subject to the preparation, execution and delivery of definitive agreements satisfactory to each of the Principals and any liability among the Principals shall attach only upon such execution and delivery of the merger agreement, contemplated by the Letter Agreement in a form acceptable to the Principals with the Issuer.

Constellation anticipates that the source of the \$54 million to be contributed by it to the JV will be working capital of Constellation and borrowings obtained under Constellation's credit facility. Constellation anticipates that the assets to be contributed by Constellation to the JV will be conveyed from among the operating assets of Constellation and/or one or more of its subsidiaries. Those assets are expected to consist of additional vineyard and winery operations to be contributed by Constellation.

The Letter Agreement provides that the JV will borrow a portion of the funds necessary for the merger contemplated by the Letter Agreement, and, in turn, lend those funds to the holding company that is expected to effect the merger. In addition, the Letter Agreement provides that DBR will contribute \$10 million to the holding company.

Item 4. Purpose of the Transaction.

The Principals entered into the Letter Agreement for the purpose of entering into certain transactions among themselves and, in connection therewith and prior thereto, to propose to the special committee of the board of directors of the Issuer that the Issuer enter into certain transactions. In connection with the transactions contemplated by the Letter Agreement,

the Principals agreed to establish the JV to which Constellation will contribute \$54 million in cash and certain assets, including the Oakville Estates vineyard and certain related equipment, and Huneus will contribute certain assets and liabilities, and to which DBR will, upon the completion of the merger contemplated by the Letter Agreement, cause the Issuer to contribute substantially all of its assets and liabilities. A copy of the Letter Agreement is annexed hereto as Exhibit 1 and incorporated herein by reference.

The Principals propose to effect the proposed transactions as follows: (i) DBR will incorporate a holding company (“Holdco”) and contribute \$10 million in cash to Holdco, as described above, and contribute its shares of Common Stock (including any shares that may be obtained upon conversion of its 9% convertible subordinated promissory note due August 21, 2004) to Holdco in exchange for Holdco shares, (ii) the JV will loan to Holdco an amount equal to the difference between the aggregate cash amount to be paid in exchange for the outstanding publicly held Common Stock of the Issuer (other than the shares of Common Stock of the Issuer held by DBR, Holdco and their affiliates) in the merger described in (iv) below and the \$10 million in cash to be contributed by DBR to Holdco; (iii) the source of funds for the loan by the JV will be \$54 million in cash contributed by Constellation; (iv) the Principals will propose to the special committee of the board of directors of the Issuer that Holdco enter into a merger agreement (the “Merger Agreement”) with and merge into the Issuer (the “Merger”), in which all of the outstanding publicly held shares of the Issuer (other than the shares held by DBR, Holdco and their affiliates, which shares shall be cancelled) shall be converted into cash (such transactions, including the Merger, collectively, the “Transactions”). The Principals will jointly and severally guarantee the obligations of Holdco under the Merger

Agreement. The closing of the Transactions will occur simultaneously. The material terms of the Merger Agreement setting forth the terms and conditions of the Merger, including the cash price per share to be paid to holders of shares of Common Stock of the Issuer (other than DBR, Holdco or its affiliates) will require the approval of each of the Principals. The commitment of the Principals pursuant to the Letter Agreement is subject to the following conditions: the successful consummation of the Merger; and all requisite consents and antitrust law approvals being obtained.

The Principals have agreed not to take any action or enter into any agreement inconsistent with the Letter Agreement for a period of four months from the date of the Letter Agreement (the "Commitment Period"). During the Commitment Period, each of the Principals will act exclusively with the others with respect to the Merger and the other Transactions and will use reasonable efforts to cause the Merger and the other Transactions to be consummated in the manner contemplated.

Pursuant to the Letter Agreement, DBR has further agreed that, during the Commitment Period, it will not (i) at any shareholders meeting of the Issuer vote for any transactions proposed by a third party that would result in such third party owning more than 50% of the Common Stock of the Issuer or its successor or a transaction involving the sale of all or substantially all of the assets of the Issuer (each, a "Competing Transaction"), (ii) solicit any third party to propose a Competing Transaction or discuss any such proposal with any such third party, or (iii) sell its shares of Common Stock of the Issuer to any third party other than an affiliate of DBR. If DBR breaches the commitment described above, DBR will immediately reimburse Huneeus its

documented reasonable expenses incurred in connection with the Transactions. DBR has also agreed, pursuant to the Letter Agreement, to enter into a voting agreement upon the execution of the Merger Agreement whereby DBR agrees for a period commencing upon the date of the Merger Agreement and ending on the termination of the Merger Agreement (i) not to sell or otherwise transfer its shares of Common Stock of the Issuer, (ii) not to solicit proposals for Competing Transactions or enter into discussions with any third party with respect to a Competing Transaction, and (iii) to vote its shares of Common Stock of the Issuer at a shareholders meeting of the Issuer in favor of the transaction proposed by the Merger Agreement and against any Competing Transaction.

The Letter Agreement also provides that, if within six months following the date of the Merger Agreement, the Issuer enters into a definitive agreement for a Competing Transaction at a price per share higher than \$7.80 (the "Reference Share Price"), DBR will within seven days of receipt of any amounts paid to it pursuant to the Competing Transaction, pay each of Constellation and Huneus an amount equal to one-third of the difference between the aggregate consideration received by DBR pursuant to such Competing Transaction and an amount equal to the Reference Share Price multiplied by the number of shares of Common Stock of the Issuer held by DBR that are sold. In addition, in any circumstance in which the Issuer is obligated to pay a break-up fee upon termination of the Merger Agreement as a result of the Issuer entering into a Competing Transaction, the fee will be paid to and shared equally by Constellation and Huneus. The Letter Agreement provides that none of the commitments and understandings agreed to by DBR will restrict any actions taken by any director of the Issuer who is an employee of or affiliated with DBR in furtherance of the director's fiduciary obligations.

Each Principal has agreed to severally, but not jointly, indemnify and hold harmless each other Principal (each, an "Indemnified Principal") against (f) JV Losses (as defined below) incurred by the Indemnified Principal (whether or not such JV Losses are occasioned by the acts or failures to act of the Indemnified Principal), in an amount that is proportionate to the Indemnifying Principal's prospective equity percentage in the JV, and (y) Other Losses (as defined below) arising out of the conduct, omission or statement of the Indemnifying Principal.

The term "Losses" means any and all actual losses, liabilities, damages, judgments, settlements and expenses (including interest and penalties with respect thereto and reasonable attorneys' fees and expenses and reasonable accountants' fees and expenses incurred in the investigation or defense of any Proceeding (as defined below)) incurred by any Principal to which such Principal may become subject as a result of a claim of or Proceeding initiated by a third party, irrespective of whether such Losses have been incurred or suffered as a result of Proceedings initiated by a governmental entity or otherwise. The term "JV Losses" means any Losses, but only insofar as such Losses arise out of or are based upon the Letter Agreement or the making of the proposal with respect to the Transactions by the Principals to the board of directors of the Issuer, or the consummation of the Transactions (including the Merger) pursuant to the Letter Agreement; provided, however, that JV Losses shall not include any Losses arising out of or based upon conduct, omissions or statements described in clauses (A) through (E) of the definition of Other Losses, as defined below. The term "Other Losses" means any Losses incurred by a Principal which at any time arise out of or are based upon: (A) actions or discussions by another Principal inconsistent with the course of conduct or direction approved or consented to by the Principals; (B) the failure of another Principal to file, or timely file, any forms, reports, statements or other

documents required to be filed with the Securities and Exchange Commission (as applicable, an "SEC Report"); (C) any untrue statement or alleged untrue statement or omission or alleged omission contained in the SEC Report of another Principal, which statement or omission originated from such Principal; (D) any act or omission by such Principal which would constitute fraud, gross negligence or willful misconduct by another Principal; or (E) the violation of any obligation of such Principal under any agreement relating to the Transactions. The term "Proceeding" means any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding and any informal proceeding), prosecution, contest, hearing, inquiry, inquest, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any governmental entity.

Except for specified provisions of the Letter Agreement which are binding on the parties, the transactions contemplated by the Letter Agreement are subject to the performance of due diligence and the preparation, execution and delivery of definitive agreements, in each case satisfactory to each of the Principals, and any liability among the Principals shall attach only upon such execution and delivery of the Merger Agreement, in a form acceptable to the Principals, with the Issuer.

Any proposed change to the material terms of the proposals or transactions set forth in the Letter Agreement and the definitive agreements contemplated thereby will be subject to the unanimous approval of the Principals.

All legal expenses of the JV and each of the Principals incurred in connection with the Transactions and the other transactions contemplated by the Letter Agreement will be apportioned as provided in the Letter Agreement.

If the transactions contemplated by the Letter Agreement are completed, the Principals intend to operate the business of the Issuer as an integral part of the JV. To this end, immediately upon the consummation of the Merger, the Principals shall cause the Issuer to contribute all of its assets and liabilities to the JV. In addition, it is intended that DBR through its affiliates will enter into a business arrangement with the JV to develop the first estate in Napa Valley to produce wine under its guidance. In addition, the JV intends to offer a wine benefits program to all persons eligible for participation in the Issuer's wine benefits program.

The Principals' commitment in the Letter Agreement will expire on September 15, 2004 if the Merger Agreement has not been entered into prior to that date.

On May 17, 2004, DBR is delivering to the board of directors of the Issuer a letter (the "Proposal Letter") to propose to the Issuer the business combination transaction contemplated by the Letter Agreement. The proposal contemplates that the Merger would be effected for cash consideration of \$9.25 per share of Issuer Common Stock (other than Common Stock held by DBR). A copy of the Proposal Letter is annexed hereto as Exhibit 2 and incorporated herein by reference.

On May 17, 2004, Constellation is issuing a press release, a copy of which is annexed hereto as Exhibit 3 and incorporated herein by reference.

Although the foregoing represents the general range of activities presently contemplated by Constellation with respect to the Issuer, Constellation intends to continually review the Issuer's business, affairs and financial position, as well as conditions in the securities market and general economic and industrial conditions. The possible activities of Constellation are subject to change at any time. Except as set forth above, Constellation has no present plans or intentions which would result in or relate to any of the transactions required to be described in subparagraphs (a) through (j) of Item 4 of Schedule 13D.

The foregoing actions may be taken by some or all of Constellation and the other Principals.

Item 5. Interest in Securities of the Issuer.

a. Constellation may be deemed to have formed a "group" within the meaning of Rule 13d-5(b)(1) under the Exchange Act as a result of having entered into the Letter Agreement. As a result, Constellation may be deemed to jointly be the beneficial owner of the shares of Common Stock owned by the other Principals. Based on information provided to Constellation by DBR, DBR owns 5,556,103 shares of Common Stock, representing approximately 46% of the outstanding Common Stock. Based on information provided to Constellation by Huneeus, Huneeus owns no shares of Common Stock.

As a result, to the knowledge of Constellation, members of the group (consisting of Constellation, DBR and Huneeus) beneficially own an aggregate of 5,556,103 shares of Common Stock, representing approximately 46% of the total number of shares of such class.

Constellation is not entitled to any rights as a shareholder of the Issuer with respect to Common Stock of the Issuer owned by the other Principals, and expressly disclaims that it has any beneficial ownership interest in any shares of Common Stock of the Issuer beneficially owned by either of the other Principals.

Constellation is filing this statement individually pursuant to Rule 13d-1(k)(2) under the Exchange Act and does not know or have reason to know any information concerning either of the other Principals other than the information set forth in the Letter Agreement or directly provided to Constellation by the respective party.

b. Constellation does not have the sole power to vote or to direct the vote nor the sole power to dispose or to direct the disposition of any shares of the Issuer. Constellation may be considered to share the power to vote or to direct the vote, or share the power to dispose or to direct the disposition of shares of the Issuer's stock directly or beneficially owned by DBR or Huneus.

c. Constellation has not effected any transactions in the Common Stock of the Issuer during the past 60 days. All transactions effected by DBR and Huneus during the past 60 days should be contained in Schedules 13D, as amended, filed or to be filed by each of them.

d. Not applicable.

e. Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.

Reference is made to Items 3 and 4 of this Schedule 13D for information with respect to any contracts, arrangements, understandings or relationships between Constellation and the other Principals and between Constellation or any person or entity with respect to securities of the Issuer. Except as set forth in Items 3 and 4 of this Schedule 13D, there are no contracts, arrangements, understandings or relationships (legal or otherwise), including, but not limited to, transfer or voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or loss, or the giving or withholding of proxies, between Constellation and the other Principals and between Constellation or any person or entity with respect to securities of the Issuer.

Item 7. Material to Be Filed as Exhibits.

The following are filed herewith as Exhibits to this Statement:

<u>Exhibit No.</u>	<u>Description</u>
1	Commitment Letter Summary, dated May 16, 2004, among Constellation, DBR and Huneus
2	Proposal Letter to the Issuer's Board of Directors dated May 17, 2004
3	Press release dated May 17, 2004

Signature

After reasonable inquiry and to the best of the undersigned's knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Date: May 17, 2004

CONSTELLATION BRANDS, INC.

By: /s/ Richard Sands

Name: Richard Sands
Title: Chairman and Chief Executive Officer

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Exhibit Name</u>	<u>Location</u>
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3	Press release dated May 17, 2004	Filed herewith

Domaines Barons de Rothschild (Lafite) SCA
33, rue de la Baume
75008 Paris
France

May 16, 2004

Constellation Brands, Inc.
370 Woodcliff Drive
Fairport, New York 14450
Attention: Richard Sands

Huneus Vintners LLC
1601 Silverdo Trail
Napa, California 94574

Gentlemen:

This letter will confirm certain transactions proposed to be entered into among Domaines Barons de Rothschild (Lafite) SCA (**DBR**), Constellation Brands, Inc., acting through its wholly-owned subsidiary, Franciscan Vineyards, Inc. (**Constellation**), and Huneus Vintners LLC (**Huneus**).

1. Constellation, Huneus and DBR (collectively, the **Principals**) intend to enter into certain transactions among themselves and, in connection therewith and prior thereto, to propose to a special committee of the Board of Directors of Chalone (the **Special Committee**) that Chalone enter into certain transactions, based on and consistent with the terms set forth herein and other terms to be agreed upon. The Principals have agreed to establish a joint venture company (the **Joint Venture** or **JV**) to which Constellation will contribute \$54 million in cash and certain assets and Huneus will contribute certain assets and liabilities, and to which DBR will, upon the completion of the merger of Holdco into Chalone described below, cause Chalone to contribute substantially all of its assets and liabilities.

The Principals propose to effect the proposed transactions as follows: (i) DBR will form a corporation (**Holdco**) and contribute \$10 million in cash to Holdco and contribute its Chalone shares (including any shares obtained upon conversion of the Chalone convertible debt held by DBR) (the **Shares**) to Holdco in exchange for Holdco shares, (ii) the JV will loan to Holdco an amount equal to the difference between the aggregate cash amount to be paid in exchange for the outstanding publicly held shares of Chalone (other than the shares held by DBR, Holdco and their affiliates) in the merger described in (iv) below and the \$10 million in cash to be contributed by DBR to Holdco; (iii) the source of funds for the loan by the JV will be \$54 million in cash contributed by Constellation; (iv) DBR will propose to the Special Committee of the Board of Directors of Chalone that Holdco enter into a merger agreement with

Chalone providing for the merger of Holdco with and into Chalone (the "**Merger**"), in which merger all of the outstanding publicly held shares of Chalone (other than the shares held by DBR, Holdco and their affiliates, which shares shall be cancelled) shall be converted into cash and the stockholders (other than Holdco) will receive the wine purchase rights described on Annex G (such transactions, including the Merger, collectively, the "**Transactions**"). The Principals will jointly and severally guarantee the obligations of Holdco under the merger agreement between Holdco and Chalone (the "**Merger Agreement**"). The closing of the Transactions will occur simultaneously. The material terms of the Merger Agreement setting forth the terms and conditions of the Merger, including the cash price per share to be paid to holders of Chalone shares (other than DBR, Holdco or its affiliates) shall require the approval of each of the Principals.

2. Each of the Principals hereby commits to cause the following transactions: (i) Constellation will establish the JV as a Delaware limited liability company and Constellation and Huneecus shall enter into governance and other agreements relating to the JV on the terms set forth in Annex A hereto, (ii) Constellation and Huneecus will contribute cash, assets and liabilities to the JV (including debt amounting to no more than \$18.5 million to be contributed by Huneecus), and DBR will, immediately upon the consummation of the Merger, cause Chalone to contribute substantially all of its assets and liabilities to the JV, in each case on the terms and conditions set out in Annex B in exchange for ownership interests in the JV, (iii) the Principals will appoint Agustin Francisco Huneecus as the CEO of the JV and establish a management incentive plan on the terms set forth in Annex C hereto, (iv) the Principals will cause the JV to enter into certain other business arrangements with Constellation on the terms set forth in Annex D hereto, and (v) DBR shall enter into an arrangement with the JV as set forth in Annex E hereto. The Principals have valued the assets to be contributed by each of them, including cash contributions, as \$[81.2] million for Constellation, \$[68] million for Huneecus and \$[61.372] million for DBR, resulting in equity percentages (the "**Equity Percentages**") of [38.6]% for Constellation, [32.3]% for Huneecus and [29.1]% for DBR.

3. The obligations of the Principals to effect or cause to be effected the transactions described in (i) through (v) of paragraph 2 above are subject only to the prior satisfaction of the following conditions: (i) the successful consummation of the Merger, and (ii) all requisite consents and antitrust law approvals being obtained. The obligations of the Principals to consummate the transactions described in paragraph 2 above are not subject to any other conditions.

4. None of the Principals shall take any action or enter into any agreement inconsistent with the terms of this Commitment Letter during the Commitment Period (being a period of 4 months from the date of this letter). During the Commitment Period, each of the Principals shall act exclusively with

the others with respect to the Merger and the other Transactions and during the Commitment Period shall use reasonable efforts to cause the Merger and the other Transactions to be consummated as herein contemplated.

In furtherance of such agreement, DBR hereby commits that during the Commitment Period it shall not (i) at any shareholders meeting of Chalone, vote for any transactions proposed by a third party that would result in such third party owning more than 50% of the voting securities of Chalone or its successor or a transaction involving a sale of substantially all the assets of Chalone (each a "**Competing Transaction**"), (ii) solicit any third party to propose a Competing Transaction or discuss any such proposal with any third party, or (iii) sell its Shares to any third party other than an affiliate (which shall remain subject to the agreements herein). In the event that DBR shall breach the commitment described in the previous sentence, then DBR shall immediately reimburse Huneecus its documented reasonable expenses incurred in connection with the Transactions.

DBR agrees to enter into a Voting Agreement upon the execution of the Merger Agreement whereby DBR agrees for a period commencing upon the date of the Merger Agreement and ending on the termination of the Merger Agreement by its terms, (i) not to sell or otherwise transfer its Shares; (ii) not to solicit proposals for Competing Transactions or enter into discussions with any third party with respect to a Competing Transaction, and (iii) to vote its Shares at a shareholders meeting of Chalone in favor of the transaction proposed by the Merger Agreement and against any Competing Transaction.

In the event that at any time within a period of six months following the date of the Merger Agreement Chalone enters into a definitive agreement for a Competing Transaction at a price per share higher than \$7.80 (the "**Reference Share Price**") then (whether or not the Competing Transaction is consummated within such six month period) DBR shall, within seven days of receipt of any amounts paid to it pursuant to the Competing Transaction, pay each of Constellation and Huneecus an amount equal to one-third of the difference between the aggregate consideration received by DBR pursuant to such Competing Transaction and an amount equal to the Reference Share Price multiplied by the number of Shares. In addition, DBR agrees that in any circumstance in which Chalone is obligated to pay a break-up fee upon termination of the Merger Agreement pursuant to the terms of the Merger Agreement as a result of Chalone entering into a Competing Transaction, such fee shall be paid to and shared by Constellation and Huneecus as to 50% each.

The commitments and understandings of DBR in this paragraph shall not restrict any actions taken by any director of Chalone who is an employee of or affiliated with DBR in furtherance of his fiduciary obligations.

5. Any proposed change to the material terms of the proposals or transactions set forth in this Commitment Letter and the definitive agreements contemplated hereunder (including the terms set forth in the Annexes hereto) will be subject to the unanimous approval of the Principals.

6. Each Principal (each, an **"Indemnifying Principal"**) shall severally, but not jointly indemnify and hold harmless each other Principal (each, an **"Indemnified Principal"**) against (x) JV Losses (as defined below) incurred by the Indemnified Principal (whether or not such JV Losses are occasioned by the acts or failures to act of the Indemnified Principal), in an amount that is proportionate to the Indemnifying Principal's prospective Equity Percentage in the JV, and (y) Other Losses (as defined below) arising out of the conduct, omission or statement of the Indemnifying Principal.

(a) Promptly after the commencement of any action or proceeding against an Indemnified Principal which could give rise to a claim for indemnification under this Section 6, the Indemnified Principal shall give notice to each Indemnifying Principal if it wishes to assert a claim for indemnification under this Section 6, *provided, however*, that the failure so to notify the Indemnifying Principals (i) will not relieve the Indemnifying Principals from their indemnification obligations in this Section 6 unless and then only to the extent the Indemnifying Principals did not otherwise learn of such action and such failure results in the forfeiture by the Indemnifying Principals of substantial rights and defenses, and (ii) will not, in any event, relieve the Indemnifying Principals from any obligations to any Indemnified Principal other than the indemnification provisions in this Section 6.

(b) Following delivery of such notice, but subject to the provisions of clause (c) below, each Indemnifying Principal shall be entitled to participate in such action or proceeding and, to the extent that it shall wish, to assume the defense thereof with counsel satisfactory to such Indemnified Principal (but prior to assuming such defense, the Indemnifying Principal shall have acknowledged in writing its indemnification obligation hereunder if such claim is determined adversely to the Indemnified Principal). After notice from the Indemnifying Principal to the Indemnified Principal of its election to assume the defense of a claim, the Indemnifying Principal shall not be liable to such Indemnified Principal under this Section 6 for any fees of other counsel or any other expenses, in each case subsequently incurred by such Indemnified Principal in connection with the defense thereof, other than reasonable costs of investigation, or as provided in clause (d) below. If an Indemnifying Principal assumes the defense of such an action, (i) no compromise or settlement thereof may be effected by the Indemnifying Principal without the Indemnified Principal's consent (which shall not be unreasonably withheld) unless (A) there is no finding or admission of any violation of law or any violation of the rights of any person and no effect on any other claims that may be made against the Indemnified Principal and (B) the sole

relief provided is monetary damages that are paid in full by the Indemnifying Principal, and (ii) the Indemnifying Principal shall have no liability with respect to any compromise or settlement thereof effected by the Indemnified Principal without its consent (which shall not be unreasonably withheld). If notice is given to an Indemnifying Principal of the commencement of any action and it does not, within 30 days after the Indemnified Principal's notice is given, give notice to the Indemnified Principal of its election to assume the defense thereof (and in connection therewith, acknowledges in writing its indemnification obligation hereunder), the Indemnifying Principal shall be bound by any determination made in such action or any compromise or settlement thereof effected by the Indemnified Principal. Notwithstanding the foregoing, if an Indemnified Principal determines in good faith that there is a reasonable probability that an action may materially and adversely affect it or its affiliates other than as a result of monetary damages, such Indemnified Principal may, by notice to the Indemnifying Principal, assume the exclusive right to defend, compromise or settle such action, but the Indemnifying Principal shall have no liability with respect to a judgment entered in any action so defended, or a compromise or settlement thereof entered into, without its consent (which shall not be unreasonably withheld). Should there be more than one Indemnifying Principal, each Indemnifying Principal shall have the option to assume the defense of the action or proceeding. If more than one Indemnifying Principal chooses to assume the defense, such Indemnifying Principals shall act jointly in the defense, *it being understood* that no failure of agreement or cooperation among such Indemnifying Principals shall prejudice the rights of the Indemnified Principal. Any Indemnifying Principal which does not choose to assume the defense shall (to the extent it is liable for Losses as an Indemnifying Principal) be bound by the actions of the Indemnifying Principal or Principals which do assume the defense.

(c) In the case of JV Losses, the Principals shall select a single counsel to represent them at their joint expense in the action or proceeding. The Principals may retain separate counsel to protect their individual interests, but the fees and expenses of any such counsel shall be for the sole account of the Principal retaining such counsel.

(d) Notwithstanding the Indemnifying Principal's election to assume the defense of an action or proceeding, the Indemnified Principal or Principals in connection with an Other Loss (but not a JV Loss) shall have the right to employ one separate counsel (including local counsel), and the Indemnifying Principal shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the Indemnifying Principal to represent the Indemnified Principal or Principals would present such counsel with a conflict of interest; (ii) the actual or potential defendants in, or targets of, any such action include both the Indemnified Principal or Principals and the Indemnifying Principal and either or both of the Indemnified Principals shall have reasonably concluded that there may be legal defenses available to it which are

different from or additional to those available to the Indemnifying Principal; (iii) the Indemnifying Principal shall not have employed counsel reasonably satisfactory to the Indemnified Principal or Principals to represent the Indemnified Principal or Principals within a reasonable time after notice of the institution of such action; or (iv) the Indemnifying Principal shall authorize either or both of the Indemnified Principals to employ separate counsel at the expense of the Indemnifying Principal.

(e) If the indemnification provided for in this Section 6 is unavailable or insufficient to hold harmless any Indemnified Principal, then each Indemnifying Principal shall contribute to the amount paid or payable by such Indemnified Principal as a result of the JV Loss or Other Loss, as the case may be, in such proportion as is appropriate to reflect (i) in the case of JV Losses, the relative benefits received by the Indemnified Principal on the one hand and the Indemnifying Principals on the other hand, in each case from the consummation of the Transactions as contemplated by and pursuant to the terms of this letter, which relative benefits the parties agree are proportionate to their prospective Equity Percentages in the JV, and (ii) in the case of Other Losses, the extent to which such Losses result from actions or failures to act of the Indemnifying Principal. Notwithstanding the rights of any Principal to contribution in this Section 6(e), no Principal shall be required to contribute an amount that is in excess of the amount which would have been required to be paid by such Principal had such amount been calculated in accordance with the indemnification provisions of this Section 6.

(f) Definitions. For purposes of this Section 6,

(i) The term "Proceeding" shall mean any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding and any informal proceeding), prosecution, contest, hearing, inquiry, inquest, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any governmental entity.

(ii) The term "Losses" shall mean any and all actual losses, liabilities, damages, judgments, settlements and expenses (including interest and penalties with respect thereto and reasonable attorneys' fees and expenses and reasonable accountants' fees and expenses incurred in the investigation or defense of any Proceeding) incurred by any Principal to which such Principal may become subject as a result of a claim of or Proceeding initiated by a third party, irrespective of whether such Losses have been incurred or suffered as a result of Proceedings initiated by a governmental entity or otherwise.

(iii) The term "JV Losses" shall mean any Losses, but only insofar as such Losses arise out of or are based upon this Commitment Letter or the making of a proposal with respect to the Merger by the Principals to the Board of

Directors of Chalone, or the consummation of the Transactions (including the Merger) pursuant to this Commitment Letter; *provided, however*, that JV Losses shall not include any Losses arising out of or based upon conduct, omissions or statements described in any of clauses (A) through (E) of the definition of "Other Losses".

(iv) The term "Other Losses" shall mean any Losses incurred by a Principal which at any time arise out of or are based upon:

(A) actions or discussions by another Principal inconsistent with the course of conduct or direction approved or consented to by the Principals;

(B) the failure of another Principal to file, or timely file, any forms, reports, statements or other documents required to be filed with the Securities and Exchange Commission (as applicable, an "**SEC Report**");

(C) any untrue statement or alleged untrue statement or omission or alleged omission contained in the SEC Report of another Principal, which such statement or omission originated from such Principal;

(D) any act or omission by such Principal which would constitute fraud, gross negligence or willful misconduct by another Principal; or

(E) the violation of any obligation of such Principal under any agreement relating to the Transactions.

7. All legal expenses of the JV and each of the Principals incurred in connection with the Transactions and the other transactions contemplated in this Commitment Letter (including the transactions described in the Annexes hereto) (the "**Transaction Costs**") will (i) be borne individually by each of the Principals (with respect to the legal fees incurred by such Principal) except as provided as follows; (ii) (a) Transaction Costs solely in organizing the JV will be borne by Constellation; (b) Transaction Costs for services described on Annex F in connection with work required to consummate such transactions will be borne by the JV; and (c) Transaction Costs for services performed for each of Principals in the event that the transactions described herein (including the Annexes hereto) are not consummated will be borne by each of the Principals. The expenses of other outside advisors retained by or for the account of the JV will be borne by the JV.

8. The Principals' commitments in this Commitment Letter, other than those in paragraphs 6 and 7, shall expire on September 15, 2004 if no Merger Agreement shall have been entered into prior to that date.

9. Except for the provisions of paragraphs 4, 6 and 7, which shall be binding on the parties from the date hereof, (i) the transactions contemplated hereby are subject to the performance of due diligence and the preparation, execution and delivery of definitive agreements, in each case satisfactory to each of the Principals, and (ii) any liability among the Principals shall attach only upon execution and delivery of the Merger Agreement (in a form acceptable to the Principals) with Chalone.

10. This letter and the interpretation thereof will be governed by New York law applicable to agreements made and to be performed therein.

Please confirm that the foregoing conforms to your understanding by executing and returning a copy of this letter to the undersigned, whereupon this letter shall, to the extent set forth in paragraph 10, constitute a binding agreement among ourselves.

Very truly yours,

DOMAINES BARONS DE ROTHSCHILD
(LAFITE) SCA

By: /s/ Eric de Rothschild

Eric de Rothschild, Managing Director

Confirmed and Agreed:

CONSTELLATION BRANDS, INC.

By: /s/ Richard Sands

Richard Sands, Chairman of the Board and Chief Executive
Officer

HUNEEUS VINTNERS LLC

By: /s/ Agustin Huneus

Agustin Huneus, Manager

**LLC OPERATING AGREEMENT
TERM SHEET**

Parties	Franciscan Vineyards, Inc. (“F”), Domaines Barons de Rothschild (Lafite) SCA (“D”) and Huneceus Vintners LLC (“H”) (the “Members”)
Entity	_____, LLC Delaware limited liability company, manager managed
Percentage Interests	F = [38.6]%, to be classified as Class A Membership Interests H = [32.3]%, to be classified as Class B Membership Interests D = [29.1]%, to be classified as Class C Membership Interests All such interests (the “Membership Interests”) will have identical rights, regardless of class, except for class voting rights of Members and their designated Managers, as described herein.
Capital Contributions	As per Contribution Agreement. No further capital calls without unanimous consent of the Members.
Scope and Purpose of Joint Venture	To serve as a platform for the luxury wine business in the United States.
Management	At least two managers to be designated by each Class of Membership Interests <i>ℓ.e.</i> by each Member) (the “Managers”); <i>provided</i> that any Member may designate additional Managers if it so chooses. The Joint Venture shall have a Chief Executive Officer and those officers, holding those titles and duties, as determined by the Board of Directors.
Board of Directors	The Board of Directors (the “Board”) will be comprised of the Managers appointed by each Class of Membership Interests as described above. The management of the Joint Venture shall be vested in the Board of Directors. Except for the appointment of Managers, or as otherwise provided herein or by

nonwaivable provisions of applicable law, the Members shall not have any right to vote or to take part in the management or control of the Joint Venture business or have any right or authority to act for or bind the Joint Venture.

Each Manager on the Board of Directors shall be a “manager” for purposes of the Delaware Limited Liability Company Act (the “Act”).

Except for situations in which the approval of the Members is expressly required by the provisions hereof or by nonwaivable provisions of applicable law, the Board shall have complete discretion, power and authority in the management and control of the business of the Joint Venture, shall make all decisions affecting the business of the Joint Venture and shall manage and control the affairs of the Joint Venture to carry out the business and purposes of the Joint Venture.

In all votes of the Board, the Managers designated by each class of Membership Interests (each of which, a “Class” of Managers) shall have a single vote. If there is more than one Manager of a Class present at a meeting, they shall determine among themselves the vote to be cast by the Class. Telephonic meetings will be authorized. At least one Manager of each Class shall be required to constitute a quorum, *provided* that on votes requiring only a majority of the Board, (i) if a quorum is not present the meeting may be continued on at least 72 hours notice to all Directors, (ii) if a quorum is not present at the continued meeting, the meeting may again be continued on at least 72 hours notice to all, and (iii) at the second continued meeting, a quorum shall consist of Managers of only two Classes.

Provision shall be made for written minutes of all meetings of the Board, to be circulated and approved by the Managers of each Class.

Unless otherwise specifically set forth in the Operating Agreement or required by applicable law, approval of any vote or action of the Board shall require the affirmative vote of at least the Managers of two Classes. However, the following votes and action shall require the affirmative approval of the Managers of all three Classes (“**Unanimous Approval**”), except as otherwise provided under “Business Opportunities” below:

- (a) the assumption of the representation of any third-party brands, or the purchase, licensing, sale or other acquisition or disposition of brands;

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- (b) any amendments to the Certificate of Formation of the Joint Venture or the Operating Agreement;
 - (c) any issuance of additional membership interests or rights therein, except for AFH incentive compensation, as described in Annex ___ to the Commitment Letter;
 - (d) any incurrence of indebtedness in excess of that contemplated by the indebtedness reduction schedule provided for in the current 5-year business plan, as increased by 0.25x EBITDA for the trailing 12 months;
 - (e) any capital expenditures in excess of \$1 million in the aggregate not provided for in the current 5-year business plan;
 - (f) any program to build up inventory above the level provided for in the current 5-year business plan;
 - (g) any merger, consolidation or other business combination;
 - (h) any acquisition of assets, equity or debt of another business or person outside the ordinary course of business in excess of \$1 million;
 - (i) any disposition, directly or indirectly of all or substantially all of the assets of the Joint Venture;
 - (j) any disposition of an asset with either a book or fair market value in excess of \$3 million;
 - (k) any (i) voluntary or involuntary dissolution or liquidation, (ii) filing of a petition in bankruptcy, (iii) appointment of a receiver, or (iv) assignment for the benefit of creditors;
 - (l) any change in dividend or distribution policies;

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- (m) any change in accounting or tax policies;
 - (n) appointment of a new CEO;
 - (o) appointment or termination of a CFO;
 - (p) any action, transaction or series of transactions with a single unaffiliated third party during any fiscal year of the Joint Venture (1) in the ordinary course of business of the Joint Venture, involving in the aggregate an amount in excess of \$5 million, or (2) outside the ordinary course of business of the Joint Venture, involving in the aggregate an amount in excess of \$1 million;
 - (q) any material departure from the strategic direction developed by the parties for the business of the Joint Venture;
 - (r) if [70% Test failure] has occurred, then thereafter any action not in accordance with the annual business plan (the **Business Plan**); and
 - (s) material transactions between the Joint Venture and any Member or a Member's affiliate.

Other matters which require Board action shall require the affirmative approval of two of the three Classes ("**Majority Approval**"). These include without limitation:

- (a) adoption of and adjustment or amendment of any annual Business Plan;
- (b) termination of the CEO for "cause" (as defined in the CEO's employment agreement);
- (c) during any fiscal year of the Joint Venture, any action, transaction or series of transactions, or any capital expenditure or like transaction (including but not limited to capital leases) not (as to any of the foregoing) authorized by other Board action (such as specific authorization in the Business Plan or any continuing written authorization) (1) in the ordinary course of business of the Joint Venture, involving in the aggregate an amount in excess of \$1 million, or (2) outside the

ordinary course of business of the Joint Venture, involving in the aggregate an amount in excess of \$100,000;

- (d) determination of terms of employment offers to senior management (direct reports to the CEO);
- (e) approval of all long-term and short-term incentive plans offered to the employees of the Joint Venture; and
- (f) transactions involving an aggregate amount in excess of \$60,000 between the Joint Venture and any Member or a Member's affiliate.

Chief Executive Officer

Agustin Francisco Huneeus will be appointed as the Chief Executive Officer.

Subject to the direction of the Board, the Chief Executive Officer shall have general and active control of the Joint Venture's general day-to-day business and shall see that all orders and resolutions of the Board are put into effect.

Entity Classification Election

The Joint Venture shall elect to be taxed as a partnership for both state and federal tax purposes.

Allocation of Profits and Losses

The Joint Venture's profits and losses shall be allocated to the Members in accordance with each Member's Percentage Interest, subject to possible special allocations agreed to by all Members.

Mandatory Distributions

1 – Tax distributions, in an amount equal to the highest marginal combined federal, state and local tax rates of any Member (currently estimated at [47%]) multiplied by the Joint Venture's taxable income for the applicable period.

2 - An additional amount such that H's *pro rata* share will be \$500,000, if requested by any Member.

3 - Beginning in the eighth year of the existence of the Joint Venture, an additional amount which, together with the distributions in 1 and 2 above, constitutes 75% of the available cash (net of reserves) for the year.

The foregoing shall be subject to any external constraints, such as loan covenants and prudent reserve

policies, *provided* that no voluntary external restrictions on distributions will be agreed to without Unanimous Approval. All distributions shall be made to the Members in accordance with their Percentage Interests.

Any other distributions will be made only with the Unanimous Approval of the Board.

Business Opportunities

Any opportunity presented to a Member to acquire an interest in any of a list of brands to be attached to the LLC Agreement must first be offered to the Joint Venture prior to such Member acquiring the same. If the Joint Venture determines not to acquire such interest, then the Member presenting the opportunity may acquire that interest. The determination of whether such business opportunity should be acquired by the Joint Venture will, notwithstanding any contrary provision above requiring Unanimous Approval, be made by a Majority Approval of the Board. Other than as noted above, any Member may engage in, or possess an interest in, other business ventures of any nature and description, whether or not such other enterprises shall be in competition with or operating the same or similar businesses as the Joint Venture, and no Member shall have any obligation or duty to bring business opportunities to the attention of the Joint Venture or any other Member.

Voluntary Transfer of Interests

No transfers to third parties (including, as to any Member, any other Member), except to a Permitted Transferee, except as provided below.

If one Member sells its interest to another Member, all matters previously requiring Majority Approval shall require Unanimous Approval.

“Permitted Transferee” shall be defined, with respect to any Member, as any individual, corporation, partnership, joint venture, association, trust or unincorporated organization directly or indirectly controlling, controlled by, or under common control with such Member, *provided* that (x) the entire interest of the original Member must be transferred to such Permitted Transferee and (y) such Member shall unconditionally and irrevocably at all times be liable for the payment and performance obligations of such person hereunder and under the Commitment Letter and all other arrangements described therein.

Right of First Offer

If after the sixth anniversary of the formation of the Joint Venture a Member desires to sell all or any portion of its Membership Interest, then that Member shall first offer such Membership Interest to the other Members by giving written notice of such offer to the Board of Directors and the other Members, stating the portion of its Membership Interest it proposes to sell, the offer price, the consideration it will accept and, in reasonable detail, all other material matters relating to the offer. If a second Member does not, within 15 days of receipt of the Notice, give notice that it will join the offer to sell, then the following procedures will apply and, until they are completed, neither other Member may initiate a sale of its Membership Interest.

The other Members shall have the option to accept such offer, exercisable by giving written notice of acceptance to the initiating Member, with a copy to each of the other Members, within 120 days after its receipt of the offer. The closing of the transfer of the Membership Interest shall take place on a date selected by the responding Member or Members not less than 30 days or more than 60 days after the giving of the acceptance notice. If the other Members do not elect to purchase all of the offered Membership Interest, then the initiating Member shall have 180 days within which to sell such Membership Interest to a third party on terms and conditions no more favorable to the third party than as set forth in the original offer to the other Members.

If, within 15 days of receipt of the notice from the initiating Member, a second Member gives notice that it will join the initiating Member's offer to sell, then the following procedures will apply.

The remaining Member shall have the option to accept the offer of the two other Members, on the same basis and within the same time periods as set forth above. If the remaining Member does not elect to purchase all of the Offered Membership Interests, then the offering Members shall have 180 days within which to sell such Membership Interests to a third party or to cause the Joint Venture or its

assets to be sold, in which case (i) the offering Members shall have the right (in the case of a sale of Membership Interests) to cause the remaining Member to sell its Membership Interest on the same terms and conditions, (ii) the remaining Member shall be required to grant any necessary approvals to such sale, and (iii) should the other Members not require the remaining Member to join in the sale, the remaining Member shall have the right to sell its Membership Interest in the sale on the same terms and conditions as the other Members.

Time shall be of the essence with respect to exercise of rights to buy or sell under the provisions of this section.

Change of Control

If a change of control [to be defined] of any Member, or of a person or entity controlling such Member, occurs, the other Members will have the right to determine whether to sell their Membership Interests to or purchase the Membership Interest held by the Member as to which the change of control has occurred at the fair market value thereof. If the other Members choose to purchase the Membership Interest held by the Member as to which the change of control has occurred, each such Member will have the right to purchase such Membership Interest *pro rata* according to their ownership interests in the Joint Venture. The decision to purchase or sell must be made jointly by the other Members. In the absence of agreement, there will be no purchase or sale, *provided* that the other Members may agree that one of them will purchase the Membership Interests of the other two Members, at the fair market value thereof, which agreement will also be binding upon the Member as to which the change of control has occurred.

Appropriate adjustments in the governance provisions will be agreed to reflect the changed economic interest of the acquiring Member(s).

Unless it is determined by agreement among the Members, fair market value will be determined by the following process.

The Members as to which the change of control has occurred, on the one hand, and the other Members (by agreement between them),

on the other hand, will prepare a proposal as to the fair market value of the Joint Venture, including such supporting information as they may select, and each will submit its proposal to an arbitrator, who shall be experienced in the valuation of businesses similar to the Joint Venture's business. The arbitrator, in its discretion, may conduct a proceeding to receive additional information about the basis of and support for the two proposals. The arbitrator will then determine the fair market value of the Joint Venture by choosing one or the other of the two proposals; *provided* that the arbitrator shall not have the discretion or authority to choose any other value. The fair market value of the Membership Interest or Interests to be purchased and sold hereunder will then be deemed to be the amount that would be distributed to the holder of such Membership Interest(s) if the Joint Venture were sold at the amount determined by the arbitrator and then liquidated.

Material Breach

No special provisions. Members retain their contractual remedies.

Business Plan Deadline

If the Board fails to approve the Business Plan on two successive years, the second of which is no earlier than the fourth year of the Joint Venture, then:

FIRST: The Members shall negotiate in good faith to resolve the issue or to agree on an exit. If necessary, the dispute will be referred to the chief executive officers of each of the Members.

SECOND: If no agreement is reached, then the following blind auction process shall be used:

(1) Each Member may submit a sealed offer to an independent person. An offer is a proposed all cash price for the entire Joint Venture.

(2) Subject to (3) below, the Member submitting the highest offer must buy out the other Members at the lower submitted offers. If more than one Member submits the same highest offer, they will resubmit bids, which may be higher, lower or the same as before. If, after resubmission, there remains more than one offer at the same highest amount, the buyer will be selected by random process.

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- (A) Each selling Member shall receive what it would receive if the Joint Venture were sold for that Member's submitted offer and then liquidated.
 - (B) In determining liquidation amounts, all outstanding incentive equity will be treated as fully vested immediately before the liquidation.
 - (C) A Member who does not submit an offer will become a seller who is deemed, for these purposes, to have submitted an offer at the same amount as the buyer.
- (3) To give the buying Member adequate time to arrange purchase financing, the closing will be a date selected by the buyer no later than 180 days after being selected as buyer.

(A) The purchase will be on an all-cash basis;

(B) If the buyer fails to timely close, the buyer will promptly reimburse the other Members for all reasonable costs they incurred in connection with the buy-sell process. If there is at least one other Member who submitted an offer, then the Member who submitted the next highest offer becomes the buyer and the initial buyer becomes a seller and is deemed to have submitted an offer at the same amount as the new buyer (and, if a Member had not submitted an offer, its deemed offer price is also adjusted to the price of the new buyer). (The process will be the same if the new buyer fails to close: that is, if all three Members submitted offers, the Member who submitted the lowest offer will become the buyer, and the other two Members will become sellers and will be deemed to have submitted offers at the same amount as the new buyer.)

(4) If the process in paragraphs (1)-(3) above does not result in a purchase-sale transaction (including if no offers are submitted), the Members will appoint an investment banker to solicit bids from

**Termination, Dissolution,
Liquidation by Vote of the
Board**

third parties to buy the entire Joint Venture, and the Joint Venture will be sold to the highest and best third-party bidder.

The property and proceeds from liquidation of Joint Venture assets shall be applied as follows:

- (a) first, to the payment of creditors of the Joint Venture, including Members who are creditors, to the extent permitted by law;
- (b) and then, to pay the expenses of winding up the Joint Venture; and
- (c) and finally, to each Member in accordance with its Percentage Interest.

**CONTRIBUTION AGREEMENT
TERM SHEET**

Parties	C, H, D and Holdco (a 100%-owned subsidiary of D) ¹
Creation of JV	The parties will form a Delaware limited liability company (the “ JV ”) to which they will contribute cash and certain assets and in which they will receive the following ownership interests: C – [38.6]%; H – [32.3]% and Holdco – [29.1]%).
Contributed Assets	Pursuant to the terms of a Contribution Agreement (the “ Contribution Agreement ”), each of the following parties shall contribute to the JV the following assets (the “ Contributed Assets ”) in consideration of the ownership interests received in the JV:
<i>C</i>	<ul style="list-style-type: none"> • Cash in the amount of \$54 million; and • all assets set forth on Schedule C, including the Oakville Estates vineyard and certain equipment pertaining to the vineyard (the “Non-cash C Assets”), but not including the 2004 crop from the Oakville Estates vineyard.
<i>H</i>	<ul style="list-style-type: none"> • all Contracts set forth on a schedule to the Contribution Agreement, all assets set forth on Schedule H, including the assets of the Quintessa vineyard and winery and the business operated with such assets. • The contributed assets shall not include: <ul style="list-style-type: none"> • four parcels of land shown on Schedule H hereto; • building rights with respect to the parcels of land which are being contributed; • accounts receivable with respect to sales of wines of the 2001 vintage;

¹ Holdco shall act through CH following the consummation of the Merger (as defined in the Commitment Letter).

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- personal antique furniture of AH and vineyard equipment and office equipment associated with H's retained business.
- Holdco*
- all right, title and interest of CH in the assets used in the business of CH, wherever located, but excluding CH's right to appoint a director to D's board, which right shall be terminated, and excluding the rights and obligations related to a certain joint venture, provided that subject to obtaining the requisite consents these rights will be transferred and if they are not the parties will agree on other arrangements as described in the "Non-Transferable Assets and Liabilities" section, below.
- Transferred Liabilities**
- Each of the following parties shall transfer or cause to be transferred to the JV the following liabilities (the "**Transferred Liabilities**"), which the JV will assume:
- C*
- all liabilities associated with the ownership, use and operation of the Non-cash C Assets, arising on or after the date of the closing of the Contribution Agreement of such assets to the JV
- H*
- up to \$18.5 million in debt; and
 - except for liabilities related to employees, which liabilities are being dealt with in the "Employee Benefits Matters" section below, all liabilities associated with the ownership, use and operation of the assets contributed by H, arising on or after the date of the closing of the Contribution Agreement of such assets to the JV.
- Holdco*
- all liabilities of any kind, character or description (whether known or unknown, accrued, absolute, contingent or otherwise) of CH or otherwise related to any of the assets or the business of CH.
- For the avoidance of doubt, with respect to the Transferred Liabilities of C and H only, the JV will not assume the following (the "**Retained Liabilities**"):
- any liabilities arising out of the real estate, equipment or rights retained or transferred to a third party by H (as shown on Schedule H hereto) or any other assets specifically retained by H or C; and

-
- any tax liabilities, except as otherwise provided in the “Taxes” section of this Annex, with respect to pre-Closing tax periods or resulting from any transfers required by the Contribution Agreement.

Non-Transferable Assets and Liabilities

If any assets, contracts, rights, benefits or liabilities of CH intended to be contributed or transferred hereunder require any third party or governmental consent to be so contributed or transferred to the JV, each of Holdco and the JV will use their best efforts to obtain all such consents necessary to cause the contribution or transfer of all such assets, contracts, rights, benefits or liabilities to the JV. If such consents are not obtained, the parties will, at the JV’s expense, cooperate in a mutually agreeable arrangement under which the JV would obtain the rights and benefits and assume the obligations and liabilities thereunder in accordance with the Contribution Agreement. The JV will indemnify and otherwise make whole each of the parties for any claims, obligations and liabilities (including all costs and expenses incurred in connection therewith) arising under any such assets, contracts, rights, benefits or liabilities.

Employee Benefits Matters

The JV will assume all liabilities associated with the current and former employees of CH.

The JV will assume only the accrued but unused vacation and sick leave obligations of the current employees of Quintessa vineyard and winery who are employed by the JV after the closing of the Contribution Agreement.

Representations and Warranties

Holdco will cause the assets and liabilities of CH to be transferred to the JV on an “as is, where is” basis.

Holdco will make the following representations and warranties for the benefit of the JV:

- corporate existence, power and due authorization of Holdco to enter into Contribution Agreement.

C and H will make the following representations and warranties for the benefit of the JV, as of the date hereof and as of the closing of the Contribution Agreement (knowledge and materiality qualifiers to be reviewed by the parties):

- corporate existence, power and due authorization of such party;

-
- non-contravention of all material agreements relating to the Contributed Assets of such party;
 - no consents required from third parties with respect to the transfer of Contributed Assets to the JV or the assumption of the Transferred Liabilities by the JV (with exception of H's transferred debt);
 - each such party has good title to, and upon closing of the Contribution Agreement, the JV will have good title to, or in the case of any leased real property or personal property has valid leasehold interests in, and upon contribution the JV will have valid leasehold interests in, all Contributed Assets. Each of the Contributed Assets shall be free of any mortgage, lien, pledge, charge, security interest or encumbrance (collectively, "**Liens**"), with the exception of:
 - Liens disclosed in the financial statements of such party or as a matter of public record set forth specifically in the Contribution Agreement;
 - Liens for taxes, assessments and similar charges that are not yet due; and
 - mechanic's, materialman's, carrier's, repairer's and other similar Liens arising or incurred in the ordinary course of business or that are not yet due and payable.
 - each such party has contributed to the JV all such rights, privileges, property and assets as are required to operate the business or activities related to such party's Contributed Assets in the ordinary course of business consistent with past practices of such party;
 - all of such party's inventories arising from or otherwise relating to the Contributed Assets are owned free and clear of all Liens. All such inventories consist of items of a quality usable or saleable in the normal course of business consistent with past practices of such party and are and will be in quantities sufficient for the normal operation of the business of the JV;

-
- all accounts receivable contributed by a party will, at the closing of the Contribution Agreement, be valid, genuine and fully collectible in the aggregate amount thereof, subject to reasonable and customary reserves for doubtful accounts;
 - the intellectual property contributed by a party is not, and upon contribution shall not be, subject to any outstanding judgment, injunction, order, decree or agreement restricting the use thereof by the JV or restricting the licensing thereof by the JV to any person;
 - all intercompany arrangements and accounts relating to such party's Contributed Assets (other than as specifically disclosed in the Contribution Agreement) have been terminated prior to the Closing of the Contribution Agreement;
 - none of such party's Contributed Assets are bound by any material contracts (other than as specifically disclosed in the Contribution Agreement);
 - no material litigation affecting such party's Contributed Assets;
 - compliance with laws, regulations and court orders;
 - no undisclosed material liabilities with respect to such party's Contributed Assets;
 - employee and employee benefit matters with respect to such party's Contributed Assets; and
 - environmental and tax matters.

Covenants

The following parties will make the following covenants:

- From the date of the Contribution Agreement until the closing of the Contribution Agreement, C and H shall conduct all business in connection with their Contributed Assets in the ordinary course and shall use their reasonable best efforts to preserve intact the relationships with third parties and, in the case of H, to keep available the services of the

present employees. C and H will not commit or agree to commit any action that would make any representation or warranty of such party under the Contribution Agreement untrue, or omit or agree to omit to take any action necessary to prevent any such representation or warranty from being inaccurate in any respect at any such time; and

- H and C will continue to maintain insurance coverage through the closing of the Contribution Agreement, at levels consistent with past practices, with respect to such party's Contributed Assets.

Closing Conditions

The obligations of each party to consummate the contribution contemplated hereby are subject only to the following conditions:

- receipt of all requisite antitrust approvals in the U.S.;
- the consummation of the merger of Holdco into CH;
- the execution of all agreements described in the Commitment Letter (including the Annexes thereto) and the satisfaction of all conditions to all such agreements set forth in the agreements or the Commitment Letter by all requisite parties; and
- the absence of any injunctions preventing the consummation of the transactions contemplated hereby.

Termination

The Contribution Agreement may be terminated:

- by any party if any closing condition is incapable of being satisfied, provided that the party seeking to terminate is not responsible for such condition not being satisfied.

Indemnification

JV

The parties and the JV shall indemnify one another as follows:

The JV will indemnify each of C, H and Holdco against any damages arising out of the Transferred Liabilities and will indemnify CH for any other liabilities arising from the business of CH whether prior to or after the closing of the Contribution Agreement.

C and H

Each of C and H will indemnify the JV against any damages arising out of liabilities not expressly assumed by the JV and any material misrepresentations by such party.

D will indemnify the JV with respect to 49% of any damages suffered by the JV as a result of the existence of any liability of CH in existence as of the closing of the Contribution Agreement not either publicly disclosed, provided for in the financial statements of CH, arising out of any agreements or arrangements which are publicly disclosed or available, or which have otherwise been disclosed to C, H or the JV in writing.

D's obligations under the indemnity will be subject to a deductible of \$2,000,000 and a cap of \$10,000,000 and will expire 12 months from the closing of the Contribution Agreement.

Limitations regarding Misrepresentations

The indemnity for material misrepresentations shall survive for 12 months from the Closing and be subject to an individual deductible of \$1,000,000 in connection with H's indemnity and \$500,000 in connection with C's indemnity.

Neither C nor H shall be required to indemnify the JV in an amount greater than \$10,000,000.

Prepaid Expenses

So as to provide the benefits and burdens of the 2004 harvests from the contributed H and C vineyards, all vineyard expenses shall be apportioned between the respective contributing parties and the JV, based on the number of days included in the period up to and including the last day of the month succeeding the 2004 harvest on the one hand, and the number of days following such date during such growing period on the other hand. Similarly expenses related to the production of the 2004 vintage wines being contributed by H will be apportioned as of the same date.

Taxes

All real property taxes, personal property taxes and similar *ad valorem* obligations levied with respect to the Contributed Assets of C and H for a taxable period which includes (but does not end on) the date of the Contribution Agreement shall be apportioned, based on the number of days included in the period up to and including the last day of the month succeeding the 2004 harvest on the one hand, and the number of days

following such date during such taxable period on the other hand, between the respective party contributing such assets and the JV.

All excise, sales, use, value added, registration, stamp, recording, documentary, conveyancing, franchise, property, transfer, gains and similar taxes, levies, charges and fees incurred in connection with the transactions contemplated by the Contribution Agreement shall be borne by the JV.

Debt

The JV shall use its best efforts to negotiate, and shall bear all costs and expenses in connection with any negotiations, with CH's creditors to assign all of CH's debt instruments (including all private placement notes and bank credit agreements) to the JV. In the event that such debt instruments cannot be assigned, the JV shall, at its own cost and expense and for its own account, cause all necessary actions to be taken to discharge all of CH's obligations, including principal, interest, penalties and all costs and expenses in connection therewith, under such debt instruments.

All costs and expenses in connection with the negotiation or refinancing of H's debt in connection with this Contribution Agreement shall be borne *pro rata* by the JV and H according to the following formula:

- the JV will pay the percentage of such costs that corresponds to the percentage of the value of all debt that is to be contributed by H to the JV; and
- H will pay the percentage of such costs that corresponds to the percentage of the value of all debt that is retained by H,

except that all costs and expenses incurred in connection with the division of the debt collateral between the Contributed Assets and the assets to be retained by H shall be borne by H.

Other Tax Matters

For tax purposes, (i) the contributions of assets and liabilities by C and H are intended to be treated as contributions described in Section 721 of the Internal Revenue Code of 1986, as amended (the "**Code**"), and (ii) the contribution of assets and liabilities by Holdco (through CH) are intended to be treated as (x) in part a contribution by CH of its assets to JV under Section 721

of the Code, and (y) in part a sale by CH of its assets to JV under Section 707 of the Code. Notwithstanding the foregoing, there is no intention for the JV to indemnify any party other than to indemnify CH, for tax liabilities arising out of such party's contribution.

The parties will negotiate in good faith to agree the fair market values of the specific categories of assets contributed by C, H and Holdco as of the closing of the Contribution Agreement.

Governing Law; Jurisdiction

New York

SCHEDULE C
(To Contribution Term Sheet)

Contributed Assets of C

See the following as attached:

1. Deed for Oakville Vineyard
2. Equipment List

1999-0018240

FIRST AMERICAN TITLE COMPANT OF NAPA
RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO

Recorded
Official Records
County Of
NAPA
JOHN TUTEUR
Recorder

REC FEE 16.00
PCOR FE 20.00

02:25PM 04-Jun-1999

SS
Page 1 of 4

Farella Braun & Martel LLP
899 Adams Street, Suite G
St. Helena, CA 94574
ATTN.: Jeffrey P. Newman, Esq.
117088-F

APN: 031-080-009, 031-080-027

See separate declaration for transfer tax.

GRANT DEED

By this instrument dated June 4, 1999, for a valuable consideration,

ECKES PROPERTY, INC., a California corporation,

hereby GRANTS to

SCV-EPI VINEYARDS, INC., a New York corporation;

the Real Property in the State of California, County of Napa,

described in Exhibit A attached hereto and made a part hereof

ECKES PROPERTY, INC.,
a California corporation

By: /s/ William Skowronski

William Skowronski, Secretary

DOCUMENTARY TAX

Documentary Transfer Tax \$ DECLARATION FILED
Computed on full value of Property Conveyed, or
Computed on full value less liens & encumbrances
remaining thereon at time of sale.

[ILLEGIBLE]

Signature of declarant or agent determining tax

CERTIFICATE OF ACKNOWLEDGEMENT

State of California

County of San Francisco

On June 3, 1999 before me, Cornelia M. Bell, Notary Public

personally appeared William Skowronski

personally known to me, OR

[SEAL]

proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal

Signature /s/ Cornelia M. Bell

EXHIBIT A
(Legal Description)

The land referred to herein is situated in the State of California, County of Napa and is described as follows:

BEING Lots 17, 18, 19 and 20 in Block D and a portion of the lands of J. M. Mayfield as shown on the map entitled, "Map of the Subdivision of the Caymus Grant in Napa County, California", recorded January 2, 1874 and filed in Book 1 of Maps at page 81 in the office of the Napa County Recorder, described as follows:

BEGINNING at a 3/4" iron pipe on the Southeasterly line of the Oakville Cross Road at the most Northerly corner of Parcel 1, as said parcel is shown on map No. 2384 entitled, "Parcel Map of the Lands of Raymond T. Duncan", recorded May 25, 1973 and filed in Book 5 of Parcel Maps at page 28 in said Recorders Office; thence North 60° 02' 55" East along said Southeasterly line of said Oakville Cross Road 251.93 feet to a 3/4" iron pipe; thence south 35° East 1799.89 feet to a 3/4" iron pipe on the Northwesterly line of Lot 17 of said Caymus Grant; thence along said Northwesterly line of said Lot 17, North 59° 50' East 1530.52 feet to a 6" x 6" Redwood stake on the Westerly line of the County road known as "Middle Valley Road" as shown on said map of said Caymus Grant, from which the remnants of a large oak stump bears South 26° East 44.2 feet; thence along the Westerly line of said "Middle Valley Road" South 22° 20' 35" East 1885.90 feet to a 3/4" iron pipe at the most Easterly corner of Lot 20 of said Caymus Grant; thence South 52° 35' 10" West along the Southeasterly line of said Lot 20 and Lot 19 of said Caymus Grant 3784.03 feet to the center of the Napa River, thence up the center of the Napa River, North 85° 50' West 13.16 feet, North 81° 29' West 93.9 feet, North 64° 43' West 88.5 feet, North 41° 42' West 79.9 feet North 56° 38' West 125.9 feet, North 85° 28' West 135.7 feet, North 89° 06' West 100.7 feet, North 71° 42' West 96.4 feet, South 71° 33' West 115.3 feet, South 78° 46' West 158.1 feet, North 50° 12' West 96.1 feet, North 50° 18' West 87.7 feet, North 29° 44' West 136.1 feet, North 11° 50' West 102.0 feet, North 15° 20' West 147.0 feet, North 38° 04' East 124.5 feet, North 5° 13' East 100.4 feet, North 5° 36' West 97.7 feet, North 44° 56' West 94.0 feet, North 39° 32' West 72.0 feet, North 26° 21' West 130.9 feet, North 33° 18' West 112.6 feet, North 60° 13' West 79.6 feet, North 72° 07' West 80.5 feet, North 40° 51' West 149.6 feet, North 19° 41' West 103.2 feet, North 58° 30' West 75.8 feet, North 89° 07' West 99.4 feet, and North 74° 03' West 103.87 feet to the Northwesterly line of Lot 18 of said Caymus Grant; thence along said Northwesterly line of said Lot 18, North 59° 50' East 894.19 feet to a 1 1/4" iron pipe at the most Easterly corner of the 26.49 acre tract of land shown on map number 426 entitled, "Record of Survey Map of the Lands of Peter Del Bondio", recorded September 1, 1959 and filed in Book 5 of Surveys at page 4 in said Recorders Office; thence along the Northeasterly line of said 26.49 acre tract, North 34° 57' 36" West 1808.92 feet to a 1 1/4" iron pipe at the most Northerly corner of said 26.49 acre tract on the Southeasterly line of said Oakville Cross Road; thence along the Southeasterly line of said road, North 60° 02' 55" East 968.40 feet to a 3/4" iron pipe that replaces the 1 1/4" iron pipe at the most Westerly corner of parcel B shown on map number 1539 entitled, "Record of Survey Map of the lands of Barry N. Harding et ux", recorded August 15, 1966 and filed in Book 15 of Surveys at page 21 in said Recorders Office; thence along the Southwesterly line of said parcel B, South 34° 57' 08" East 1805.25 feet to a 3/4" iron pipe on the

(Continued)

EXHIBIT A (cont.)
(Legal Description)

Northwesterly line of said Lot 18; thence along the Northwesterly line of said Lot 18 and said Lot 17, North 59° 50' East 970.82 feet to a 3/4" iron pipe on the Southwesterly line of the "Remaining Lands of Duncan", as shown on said map number 2384; thence along said Southwesterly line of Duncan, North 35° west 1566.99 feet to a 3/4" iron pipe at the most Southerly corner of said Parcel 1 shown on said map number 2384; thence along the Southeasterly and Northeasterly lines of said Parcel 1, North 60° 02' 55" East 232.87 feet to a 3/4" iron pipe and North 35° West 234.73 feet to the point of beginning.

EXCEPTING THEREFROM that certain Parcel conveyed to Raymond T. Duncan by Deed recorded November 25, 1980 in Book 1184 at page 479 of Official Records of Napa County.

APNs 031-080-009 and 031-080-027

Class	AcqDate	Asset#	Description	Est Life	Rem Life	Svc Date
B	7/1/1982	F1-00464	STEEL BLDG FOUNDATN	480	234	7/1/1982
B	5/1/1992	F1-00828	IMPRV - SHOP	120	—	5/1/1992
B	6/1/1992	F1-00827	IMPRV - OFFICE	120	—	6/1/1992
B	6/1/1992	F1-00829	IMPRV - TOWER	120	—	6/1/1992
B	9/1/1992	F1-00826	IMPRV - HOUSE	120	—	9/1/1992
B	10/31/1998	F1-01542	OAKVILLE OFFICE ROOF	480	426	10/31/1998
B	12/1/2001	F1-02181	Oakville Vyd Office Buildout	396	378	12/1/2001
B	3/1/2002	F-02308	Oakville House Remodel 01	396	366	12/31/2000
B	3/1/2002	F-02312	Oakville House Remodel 01	396	366	2/28/2001
B	3/1/2002	F-02314	Oakville House Remodel 02	396	378	5/30/2001
B	3/21/2002	F-02195	Oakville house-professional svcs	480	474	3/21/2002
B	12/31/2002	F-02307	Oakville House Remodel 01	396	366	12/31/2000
B	1/31/2003	F-02300	Oakville House-interior design	480	474	1/31/2003
B	1/31/2003	F-02309	Oakville House Remodel 01	396	366	1/31/2001
B	1/31/2003	F-02310	Oakville House Remodel 01	396	366	1/31/2001
B	1/31/2003	F-02311	Oakville House Remodel 01	396	366	1/31/2001
B Total						
FE	3/31/1998	F1-01540	OAKVILLE OFFICE FURN	120	66	3/31/1998
FE	1/31/2003	F-02196	Oakville House Furn	120	114	1/31/2003
FE Total						
LI	1/1/1992	F1-00832	514 SOIL PREP	120	—	1/1/1992
LI	1/1/1992	F1-00833	514 OTHER - DEVEL.	120	—	1/1/1992
LI	1/1/1992	F1-00837	515C SOIL PREP	120	—	1/1/1992
LI	1/1/1992	F1-00838	515C OTHER - DEVEL.	120	—	1/1/1992
LI	5/1/1992	F1-00824	REFURBISH WELL BL560	120	—	5/1/1992
LI	1/1/1993	F1-00960	BLK 550 SOIL PREP	120	—	1/1/1993
LI	1/1/1993	F1-00965	BLK 555 SOIL PREP	120	—	1/1/1993
LI	1/1/1994	F1-01076	551 SOIL PREP	120	6	1/1/1994
LI	1/1/1994	F1-01081	565 SOIL PREP	120	6	1/1/1994
LI	1/1/1995	F1-01218	516 SOIL PREP	120	18	1/1/1995
LI	1/1/1995	F1-01222	519 SOIL PREP	120	18	1/1/1995
LI	1/1/1995	F1-01229	531 SOIL PREP	120	18	1/1/1995
LI	1/1/1995	F1-01233	546 SOIL PREP	120	18	1/1/1995
LI	1/1/1996	F1-01387	505 SOIL PREP	120	30	1/1/1996
LI	1/1/1997	F1-01460	526 SOIL PREP	120	42	1/1/1997
LI	1/1/1997	F1-01465	532 SOIL PREP	120	42	1/1/1997
LI	1/1/1998	F1-01602	501 SOIL PREP	120	54	1/1/1998
LI	1/1/1998	F1-01607	510 SOIL PREP	120	54	1/1/1998
LI	1/1/1998	F1-01612	511 SOIL PREP	120	54	1/1/1998
LI	1/1/1998	F1-01614	511 DRAINAGE	120	54	1/1/1998
LI	1/1/1998	F1-01621	517 SOIL PREP	120	54	1/1/1998
LI	1/1/1998	F1-01623	517 DRAINAGE	120	54	1/1/1998
LI	1/1/1998	F1-01627	518 SOIL PREP	120	54	1/1/1998
LI	1/1/1998	F1-01632	519 SOIL PREP	120	54	1/1/1998
LI	1/1/1998	F1-01637	599 DRAINAGE	120	54	1/1/1998
LI	4/30/1998	F1-01543	OAKVILLE RESERVOIR	240	186	4/30/1998
LI Total						
ME	7/1/1994	F1-01043	OAKVILLE DECK/TRELIS	60	—	7/1/1994
ME	7/31/1998	F1-01541	AIR CONDITIONER	120	66	7/31/1998
ME	2/28/2002	F1-02155	Well Filter- Oakville	120	102	2/28/2002

Class	AcqDate	Asset#	Description	Est Life	Rem Life	Svc Date
ME	2/28/2002	F1-02183	Septic Tank	120	102	2/28/2002
ME Total						
T	3/1/1992	F1-00820	KUBOTA TRACTOR	120	—	3/1/1992
T	3/1/1997	F1-01432	FORD 4430 TRACTOR - 1	120	54	3/1/1997
T	5/31/1999	F1-01687	KUBOTA TRACTOR	120	78	5/31/1999
T Total						
V	1/1/1990	F1-00698	BLOCK 519	120	—	1/1/1990
V	1/1/1990	F1-00699	BLOCK 517	120	—	1/1/1990
V	1/1/1991	F1-00742	513A VINES	240	90	1/1/1991
V	1/1/1992	F1-00834	514 VINES	240	102	1/1/1992
V	1/1/1992	F1-00839	515C VINES	240	102	1/1/1992
V	1/1/1993	F1-00962	BLK 550 VINES	240	114	1/1/1993
V	1/1/1993	F1-00967	BLK 555 VINES	240	114	1/1/1993
V	1/1/1994	F1-01073	555 VINES	240	126	1/1/1994
V	1/1/1994	F1-01078	551 VINES	240	126	1/1/1994
V	1/1/1994	F1-01083	565 VINES	240	126	1/1/1994
V	1/1/1994	F1-01087	535 VINES	240	126	1/1/1994
V	1/1/1995	F1-01236	516 VINES	240	138	1/1/1995
V	1/1/1995	F1-01237	519 VINES	240	138	1/1/1995
V	1/1/1995	F1-01238	546 VINES	240	138	1/1/1995
V	1/1/1995	F1-01239	530 VINES	240	138	1/1/1995
V	1/1/1996	F1-01391	505 VINES	240	150	1/1/1996
V	1/1/1996	F1-01392	516 VINES	240	150	1/1/1996
V	1/1/1997	F1-01463	526 VINES	240	162	1/1/1997
V	1/1/1997	F1-01468	532 VINES	240	162	1/1/1997
V	1/1/1998	F1-01601	501 VINES	240	174	1/1/1998
V	1/1/1998	F1-01606	510 VINES	240	174	1/1/1998
V	1/1/1998	F1-01611	511 VINES	240	174	1/1/1998
V	1/1/1998	F1-01617	516 VINES	240	174	1/1/1998
V	1/1/1998	F1-01620	517 VINES	240	174	1/1/1998
V	1/1/1998	F1-01626	518 VINES	240	174	1/1/1998
V	1/1/1998	F1-01631	519 VINES	240	174	1/1/1998
V	1/1/1998	F1-01636	599 VINES	240	174	1/1/1998
V Total						
VE	4/1/1989	F1-00594	BLK 517N EXP TRELLIS	144	—	4/1/1989
VE	4/1/1989	F1-00595	BLK 511 EXP TRELLIS	144	—	4/1/1989
VE	5/1/1990	F1-00688	VALLEY TOWN DUSTER	120	—	5/1/1990
VE	1/1/1991	F1-00743	513A SPRINKLER	120	—	1/1/1991
VE	1/1/1991	F1-00744	513A TRELLIS	120	—	1/1/1991
VE	7/1/1991	F1-00736	CANE CUTTERS	120	—	7/1/1991
VE	1/1/1992	F1-00830	514 TRELLIS	120	—	1/1/1992
VE	1/1/1992	F1-00831	514 SPRINKLER	120	—	1/1/1992
VE	1/1/1992	F1-00835	515C TRELLIS	120	—	1/1/1992
VE	1/1/1992	F1-00836	515C SPRINKLER	120	—	1/1/1992
VE	3/1/1992	F1-00819	DOMRIES WHEEL DISC	120	—	3/1/1992
VE	5/1/1992	F1-00821	300 GAL - SPRAYER	120	—	5/1/1992
VE	1/1/1993	F1-00958	BLK 550 SPRINKLER	120	—	1/1/1993
VE	1/1/1993	F1-00959	BLK 550 TRELLIS	120	—	1/1/1993
VE	1/1/1993	F1-00961	BLK 550 OTHER	120	—	1/1/1993
VE	1/1/1993	F1-00963	BLK 555 SPRINKLER	120	—	1/1/1993
VE	1/1/1993	F1-00964	BLK 555 TRELLIS	120	—	1/1/1993
VE	1/1/1993	F1-00966	BLK 555 OTHER	120	—	1/1/1993

Class	AcqDate	Asset#	Description	Est Life	Rem Life	Svc Date
VE	1/1/1994	F1-01071	550 TRELIS	120	6	1/1/1994
VE	1/1/1994	F1-01072	555 TRELIS	120	6	1/1/1994
VE	1/1/1994	F1-01074	551 TRELIS	120	6	1/1/1994
VE	1/1/1994	F1-01075	551 SPRINKLER	120	6	1/1/1994
VE	1/1/1994	F1-01077	551 OTHER DEVEL	120	6	1/1/1994
VE	1/1/1994	F1-01079	565 TRELIS	120	6	1/1/1994
VE	1/1/1994	F1-01080	565 SPRINKLER	120	6	1/1/1994
VE	1/1/1994	F1-01082	565 OTHER DEVEL	120	6	1/1/1994
VE	1/1/1994	F1-01084	535 TRELIS	120	6	1/1/1994
VE	1/1/1994	F1-01085	535 SPRINKLER	120	6	1/1/1994
VE	1/1/1994	F1-01086	535 OTHER DEVEL	120	6	1/1/1994
VE	1/1/1995	F1-01219	516 SPRINKLER	120	18	1/1/1995
VE	1/1/1995	F1-01220	516 TRELIS	120	18	1/1/1995
VE	1/1/1995	F1-01221	516 OTHER	120	18	1/1/1995
VE	1/1/1995	F1-01223	519 OTHER	120	18	1/1/1995
VE	1/1/1995	F1-01227	530 OTHER	120	18	1/1/1995
VE	1/1/1995	F1-01228	531 OTHER	120	18	1/1/1995
VE	1/1/1995	F1-01230	531 SPRINKLER	120	18	1/1/1995
VE	1/1/1995	F1-01231	531 TRELIS	120	18	1/1/1995
VE	1/1/1995	F1-01232	546 OTHER	120	18	1/1/1995
VE	1/1/1995	F1-01234	546 TRELIS	120	18	1/1/1995
VE	1/1/1995	F1-01235	546 SPRINKLER	120	18	1/1/1995
VE	1/1/1996	F1-01386	505 OTHER	120	30	1/1/1996
VE	1/1/1996	F1-01388	505 SPRINKLER	120	30	1/1/1996
VE	1/1/1996	F1-01389	505 TRELIS	120	30	1/1/1996
VE	1/1/1996	F1-01390	516 OTHER	120	30	1/1/1996
VE	1/1/1996	F1-01397	546 OTHER	120	30	1/1/1996
VE	1/1/1997	F1-01458	505 OTHER	120	42	1/1/1997
VE	1/1/1997	F1-01459	526 OTHER	120	42	1/1/1997
VE	1/1/1997	F1-01461	526 SPRINKLER	120	42	1/1/1997
VE	1/1/1997	F1-01462	526 TRELIS	120	42	1/1/1997
VE	1/1/1997	F1-01464	532 OTHER	120	42	1/1/1997
VE	1/1/1997	F1-01466	532 SPRINKLER	120	42	1/1/1997
VE	1/1/1997	F1-01467	532 TRELIS	120	42	1/1/1997
VE	6/1/1997	F1-01431	GEARMORE SPRAYER	120	54	6/1/1997
VE	1/1/1998	F1-01603	501 SPRINKLER	120	54	1/1/1998
VE	1/1/1998	F1-01604	501 TRELIS	120	54	1/1/1998
VE	1/1/1998	F1-01605	501 OTHER	120	54	1/1/1998
VE	1/1/1998	F1-01608	510 SPRINKLER	120	54	1/1/1998
VE	1/1/1998	F1-01609	510 TRELIS	120	54	1/1/1998
VE	1/1/1998	F1-01610	510 OTHER	120	54	1/1/1998
VE	1/1/1998	F1-01613	511 SPRINKLER	120	54	1/1/1998
VE	1/1/1998	F1-01615	511 TRELIS	120	54	1/1/1998
VE	1/1/1998	F1-01616	511 OTHER	120	54	1/1/1998
VE	1/1/1998	F1-01618	516 TRELIS	120	54	1/1/1998
VE	1/1/1998	F1-01619	516 OTHER	120	54	1/1/1998
VE	1/1/1998	F1-01622	517 SPRINKLER	120	54	1/1/1998
VE	1/1/1998	F1-01624	517 TRELIS	120	54	1/1/1998
VE	1/1/1998	F1-01625	517 OTHER	120	54	1/1/1998
VE	1/1/1998	F1-01628	518 SPRINKLER	120	54	1/1/1998
VE	1/1/1998	F1-01629	518 TRELIS	120	54	1/1/1998
VE	1/1/1998	F1-01630	518 OTHER	120	54	1/1/1998

<u>Class</u>	<u>AcqDate</u>	<u>Asset#</u>	<u>Description</u>	<u>Est Life</u>	<u>Rem Life</u>	<u>Svc Date</u>
VE	1/1/1998	F1-01633	519 SPRINKLER	120	54	1/1/1998
VE	1/1/1998	F1-01634	519 TRELLIS	120	54	1/1/1998
VE	1/1/1998	F1-01635	519 OTHER	120	54	1/1/1998
VE	1/1/1998	F1-01638	599 SPRINKLER	120	54	1/1/1998
VE	1/1/1998	F1-01639	599 TRELLIS	120	54	1/1/1998
VE	1/1/1998	F1-01640	599 OTHER	120	54	1/1/1998
VE	4/30/1999	F1-01686	AIR CONDITIONER	60	18	4/30/1999
VE	5/31/1999	F1-01689	WEATHER STATION	84	42	5/31/1999
VE	6/7/2001	F1-02034	2001 Honda ATV TRX500	60	42	6/7/2001
VE	6/7/2001	F1-02035	2001 Honda ATV TRX500	60	42	6/7/2001
VE	6/22/2001	F1-02023	Gearmore S420 Sulfer Duster	120	102	6/22/2001
VE Total						
L	6/4/1999	E-00004	Oakville land	—	—	6/4/1999
L Total						
rand Total						

SCHEDULE H
(To Contribution Term Sheet)

Contributed Assets of H

See the following as attached:

1. Site Map
2. List of Retained Parcels
3. Equipment List
4. Schedule of Additional Contributed Assets and Retained Assets

Quintessa Parcel Map

[GRAPHIC SITE MAP APPEARS HERE]

	After Lot Line Adj	Before Lot Line Adj
030-060-049	46.27	46.27
030-060-052	7.36	7.36
030-060-055	45.8	45.8
	99.43	99.43
030-060-051	6.42	6.42
030-060-053	7.28	7.28
030-060-057	7.46	7.46
030-060-059	52.1	52.1
	73.26	73.26
030-060-050	12	12
030-060-054	55.39	55.39
030-060-056	7.97	21
	75.36	88.39
030-060-058	18.13	5.1
Total Quintessa Acres	266.18	266.18

Huneus Vintners Land Contribution

<u>Parcel #</u>	<u>Total Acreage</u>	<u>Plantable Acreage</u>
1 030-060-053	7.28	5.175
2 030-060-052	7.36	0 Retained
3 030-060-051	6.42	0 Retained
4 030-060-050	12	0 Retained
5 030-060-054	55.39	46.815
6 030-060-049	46.27	34.427
7 030-060-059	52.1	28.77
8 030-060-055	45.8	34.61
9 030-060-056(060)	8	5.76
10 030-060-057	7.46	1.433 Retained
11 030-060-058(061)	18.1	8.191
Total	266.18	165.181
Total (Less Retained)	232.94	163.748

Rights to build residences on contributed parcels are not being contributed

**Hunees Vintners LLC
Special Report**

Sys No	Classification	Description	Tax In Ser Date	Tax Acq Value	Tax Curr Acc Dep	Tax Current NBV
66	Barrels	100 Demplos Barrels	10/1/2002	60,000.00	52,222.23	7,777.77
67	Barrels	100 Saury Barrel	10/1/2002	59,100.00	51,438.89	7,661.11
68	Barrels	103 Seguin Moreau Barrels	10/1/2002	65,718.00	57,198.94	8,519.06
69	Barrels	97 Artisan Barrels	10/1/2002	56,822.00	49,456.06	7,365.94
71	Barrels	60 Nadalie Barrels	10/1/2002	38,450.00	33,465.83	4,984.17
72	Barrels	100 Sylvain Barrels	10/1/2002	64,007.00	55,709.81	8,297.19
70	Barrels	140 Raddoux Barrels	10/1/2002	97,659.66	84,999.94	12,659.72
197	Barrels	329 Barrels	7/31/2003	223,257.23	161,241.34	62,015.89
198	Barrels	10 Francois Frerer Barrels	8/22/2003	7,292.25	5,266.63	2,025.62
224	Barrels	80 Nadalie Barrels	8/31/2003	54,902.02	39,651.46	15,250.56
225	Barrels	10 Tarasund Barrels	8/31/2003	7,863.57	5,679.25	2,184.32
201	Barrels	100 Tonnellerie Sylvain barrels	9/30/2003	71,706.96	51,788.36	19,918.60
202	Barrels	100 Tonnellerie Demplos barrels	9/30/2003	68,737.50	49,643.75	19,093.75
203	Barrels	40 Tonnellerie Randoux barrels	9/30/2003	31,577.46	22,805.94	8,771.52
204	Barrels	4 Tonnellerie Berger barrels	9/30/2003	2,881.48	2,081.07	800.41
205	Barrels	10 Redmond barrels	9/30/2003	7,673.08	5,541.67	2,131.41
41	Building - Admin	Entrance sign	8/1/2002	18,301.00	7,622.09	10,678.91
226	Building - Admin	Interior Design	3/1/2003	78,008.06	1,500.15	76,507.91
216	Building - Admin	Winery Building - Admin Office	3/1/2003	2,905,899.40	77,614.84	2,828,284.56
1	Building - Cellar	Winery Building	9/1/2002	14,098,360.00	557,306.51	13,541,053.49
2	Building - Cellar	Pump House	9/1/2002	13,009.00	513.96	12,495.04
3	Building - Cellar	Caves	9/1/2002	2,116,386.00	1,183,352.36	933,033.64
215	Building - Cellar	Caves	7/31/2003	24,128.90	13,934.13	10,194.77
218	Building - Cellar	Winery Building	7/31/2003	362,631.24	6,418.01	356,213.23
12	Buildings	Foreman'S House	5/15/1990	30,175.00	16,596.75	13,578.25
13	Buildings	Barn	5/15/1990	124,702.00	68,586.10	56,115.90
14	Buildings	Machine Storage Shed	5/15/1990	28,932.00	15,911.60	13,020.40
15	Buildings	Open Shed	5/15/1990	21,688.00	11,928.40	9,759.60
24	Buildings	Fence - Entrance	5/15/1990	1,509.00	1,037.31	471.69
23	Buildings	Septic System	9/15/1990	1,373.00	944.81	428.19
26	Buildings	Domestic Waterline	1/1/1991	430.00	273.87	156.13
25	Buildings	Telephone Lines	8/1/1991	564.00	358.25	205.75
16	Buildings	Foreman House - Ins	11/1/1991	853.00	434.65	418.35
17	Buildings	Barn Slab	9/1/1992	6,568.00	3,858.50	2,709.50
18	Buildings	Foreman'S House Repairs	9/1/1993	22,183.00	10,002.15	12,180.85
19	Buildings	Barn - Repairs	9/1/1993	17,753.00	7,706.65	10,046.35
120	Buildings	Garage And Tractor Shed	4/12/1995	2,454.00	563.65	1,890.35
131	Buildings	Deck	8/31/1996	6,076.00	1,188.75	4,887.25

Sys No	Classification	Description	Tax In Ser Date	Tax Acq Value	Tax Curr Acc Dep	Tax Current NBV
136	Buildings	Entrance Gate	2/14/1997	6,692.00	6,529.33	162.67
135	Buildings	Platform	6/30/1997	9,668.00	1,683.87	7,984.13
147	Buildings	Pump Station Roof	11/8/1999	24,821.00	9,736.77	15,084.23
143	Buildings	Building	11/30/1999	83,271.00	25,694.73	57,576.27
30	Drainage	Irrigation/Drainage - Blk 1-5	7/15/1990	50,667.00	50,667.00	0.00
48	Drainage	Irrigation/Drainage - Blk 1-5	7/15/1990	61,086.00	61,086.00	0.00
97	Drainage	Drainage - Blk 1&5	1/1/1991	681.00	681.00	0.00
33	Drainage	Drainage - Blk 1&5	1/1/1991	34.00	34.00	0.00
51	Drainage	Drainage - Blk 1&5	1/1/1991	67.00	67.00	0.00
31	Drainage	Irrigation/Drainage	6/15/1991	25,431.00	25,431.00	0.00
49	Drainage	Irrigation/Drainage	6/15/1991	48,767.00	48,767.00	0.00
37	Equipment	Gas Tank	7/15/1990	1,437.00	1,437.00	0.00
46	Equipment	Kubota Tractor	7/15/1990	29,219.00	29,219.00	0.00
38	Equipment	Diesel Tank	8/15/1990	2,395.00	2,395.00	0.00
41	Equipment	Air Compressor	8/15/1990	483.00	483.00	0.00
42	Equipment	Bench Grinder	8/15/1990	208.00	208.00	0.00
43	Equipment	Tool Box	8/15/1990	418.00	418.00	0.00
44	Equipment	Torch & Misc Tools	8/15/1990	518.00	518.00	0.00
40	Equipment	Water Tank	9/15/1990	8,107.00	8,107.00	0.00
39	Equipment	Fuel Tank Pad	11/15/1990	1,293.00	1,293.00	0.00
45	Equipment	Ford 1920 Tractor	11/15/1990	12,763.00	12,763.00	0.00
47	Equipment	Water Truck - 1974 Chevy	4/1/1991	10,108.00	10,108.00	0.00
48	Equipment	Rock Trailer	6/1/1991	3,511.00	3,511.00	0.00
20	Equipment	Fuel Pump & Tank	9/1/1993	4,950.00	2,660.37	2,289.63
138	Equipment	Cultivator	4/15/1998	10,484.00	8,878.50	1,605.50
139	Equipment	Mower	4/27/1998	3,771.00	3,193.50	577.50
141	Equipment	Fertilizer Sitrrer	4/15/1999	7,014.00	5,080.92	1,933.08
142	Equipment	Weather Station	4/15/1999	12,651.00	9,164.78	3,486.22
148	Equipment	Chemical Container	6/11/1999	1,814.00	1,313.86	500.14
149	Equipment	Sprayer	6/25/1999	6,961.00	5,042.71	1,918.29
150	Equipment	Domries Disc	6/30/1999	5,991.00	4,340.14	1,650.86
151	Equipment	Domries Roller	6/30/1999	1,809.00	1,310.78	498.22
152	Equipment	Mower	7/7/1999	6,971.00	5,050.14	1,920.86
153	Equipment	Harvest Bins & Trailer	8/26/1999	5,711.00	4,137.28	1,573.72
34	Equipment - Cellar	Well	7/1/2002	28,005.00	11,662.88	16,342.12
4	Equipment - Cellar	Density Meter	9/1/2002	2,007.00	1,208.50	798.50
5	Equipment - Cellar	TOAD Fluid Distribution	9/1/2002	1,634.00	983.47	650.53
8	Equipment - Cellar	Winery Software	9/1/2002	10,560.00	5,221.00	5,339.00
9	Equipment - Cellar	6 Jabsco Impeller pumps	9/1/2002	47,518.00	28,607.91	18,910.09
15	Equipment - Cellar	Waukesha Pumps	9/1/2002	47,410.00	28,542.76	18,867.24
16	Equipment - Cellar	Winery Equipment	9/1/2002	7,804.00	4,698.06	3,105.94
18	Equipment - Cellar	Refrigeration	9/1/2002	345,310.00	207,890.72	137,419.28
21	Equipment - Cellar	Tank Vents	9/1/2002	4,338.00	2,611.79	1,726.21
23	Equipment - Cellar	Hoses	9/1/2002	12,055.00	7,257.28	4,797.72

Sys No	Classification	Description	Tax In Ser Date	Tax Acq Value	Tax Curr Acc Dep	Tax Current NBV
28	Equipment - Cellar	Pumps	9/1/2002	45,106.00	27,155.92	17,950.08
31	Equipment - Cellar	Destemmer Crusher	9/1/2002	17,655.00	10,628.71	7,026.29
35	Equipment - Cellar	Barrel Washer	9/1/2002	11,096.00	6,680.51	4,415.49
38	Equipment - Cellar	1/2 ton harvest bins	9/1/2002	12,737.00	7,668.39	5,068.61
39	Equipment - Cellar	Stainless Steel tanks	9/1/2002	489,549.00	294,728.55	194,820.45
40	Equipment - Cellar	Water Filtration System	9/1/2002	18,420.00	11,089.60	7,330.40
42	Equipment - Cellar	Sorting Table	9/1/2002	43,046.00	25,915.72	17,130.28
43	Equipment - Cellar	Winery Equipment	9/1/2002	62,938.00	37,891.38	25,046.62
45	Equipment - Cellar	Oak Tank Storage	9/1/2002	225.00	135.13	89.87
46	Equipment - Cellar	Scale	9/1/2002	2,716.00	1,635.41	1,080.59
49	Equipment - Cellar	Set Stainless Tanks	9/1/2002	16,017.00	9,643.09	6,373.91
50	Equipment - Cellar	Fittings	9/1/2002	3,170.00	1,908.47	1,261.53
51	Equipment - Cellar	Tank elbows	9/1/2002	400.00	240.82	159.18
53	Equipment - Cellar	Oak Tanks	9/1/2002	236,812.00	142,570.36	94,241.64
55	Equipment - Cellar	Tables	9/1/2002	964.00	580.10	383.90
56	Equipment - Cellar	Catwalk	9/1/2002	315,475.00	189,928.50	125,546.50
57	Equipment - Cellar	Stainless Steel wine Lines	9/1/2002	24,495.00	14,746.66	9,748.34
58	Equipment - Cellar	Aluminum Pedistals	9/1/2002	3,434.00	2,067.14	1,366.86
63	Equipment - Cellar	Grape Transfer Chutes	9/1/2002	43,100.00	25,947.96	17,152.04
64	Equipment - Cellar	Misc Fittings	9/1/2002	6,284.00	3,782.96	2,501.04
10	Equipment - Cellar	Pumpover Sprinkler	9/15/2002	2,909.00	1,751.41	1,157.59
11	Equipment - Cellar	Sparge Device & Fittings	9/15/2002	2,617.00	1,575.74	1,041.26
12	Equipment - Cellar	20 kegs	9/15/2002	2,815.00	1,694.42	1,120.58
20	Equipment - Cellar	Solution Dispensing System	9/15/2002	3,763.00	2,265.28	1,497.72
26	Equipment - Cellar	Radios	9/15/2002	4,284.00	2,988.65	1,295.35
30	Equipment - Cellar	Lab Equipment	9/15/2002	10,127.00	6,097.07	4,029.93
33	Equipment - Cellar	Forklift	9/17/2002	33,272.00	20,030.97	13,241.03
6	Equipment - Cellar	Silicon Bungs	10/1/2002	5,334.00	4,642.67	691.33
7	Equipment - Cellar	Chemstat Analyzer	10/1/2002	7,512.00	4,522.40	2,989.60
13	Equipment - Cellar	SS Tank Conversion	10/1/2002	1,486.88	895.37	591.51
14	Equipment - Cellar	Cellar Fittings	10/1/2002	4,264.00	2,566.84	1,697.16
19	Equipment - Cellar	Barrel Racks	10/1/2002	8,612.00	5,184.64	3,427.36
22	Equipment - Cellar	Sump Carts	10/1/2002	14,180.00	8,536.94	5,643.06
24	Equipment - Cellar	Fittings	10/1/2002	12,787.00	7,698.50	5,088.50
27	Equipment - Cellar	CO2 Instruments	10/1/2002	1,452.00	874.03	577.97
29	Equipment - Cellar	Tank signs	10/1/2002	1,626.00	979.19	646.81
37	Equipment - Cellar	Basket Press	10/1/2002	52,154.00	31,398.57	20,755.43
44	Equipment - Cellar	Set Basket press	10/1/2002	870.00	523.77	346.23
47	Equipment - Cellar	CO2 Monitors	10/1/2002	3,211.00	1,933.09	1,277.91
52	Equipment - Cellar	Computer	10/1/2002	4,115.00	2,870.57	1,244.43
54	Equipment - Cellar	Fittings	10/1/2002	23,080.00	13,895.10	9,184.90
59	Equipment - Cellar	Tank Top Grates	10/1/2002	6,465.00	3,891.87	2,573.13
65	Equipment - Cellar	Racking elbows	10/1/2002	1,603.00	964.88	638.12
17	Equipment - Cellar	Computer	10/9/2002	1,354.00	944.79	409.21

Sys No	Classification	Description	Tax In Ser Date	Tax Acq Value	Tax Curr Acc Dep	Tax Current NBV
48	Equipment - Cellar	Tank Thermometer	10/15/2002	964.00	580.10	383.90
60	Equipment - Cellar	Aluminum Hose Racks	11/1/2002	6,993.00	4,209.88	2,783.12
61	Equipment - Cellar	Bucket Trees	11/1/2002	1,293.00	778.24	514.76
62	Equipment - Cellar	Fitting Boards	11/1/2002	2,983.00	1,795.69	1,187.31
36	Equipment - Cellar	Floor cleaner	12/1/2002	1,185.00	713.09	471.91
219	Equipment - Cellar	Pumpover Lines	3/31/2003	10,675.00	4,727.50	5,947.50
183	Equipment - Cellar	Sump Cart	3/31/2003	2,009.54	889.94	1,119.60
184	Equipment - Cellar	Scott Labs Mixer Stand	3/31/2003	1,441.70	638.47	803.23
185	Equipment - Cellar	Pipe Mixer	3/31/2003	4,223.80	1,870.54	2,353.26
186	Equipment - Cellar	Wire Security Cage	5/22/2003	4,968.00	2,990.94	1,977.06
187	Equipment - Cellar	Bottling Line Filter	5/30/2003	11,390.27	6,857.41	4,532.86
188	Equipment - Cellar	Scale	6/24/2003	1,295.00	779.64	515.36
189	Equipment - Cellar	Ozone Machine	8/18/2003	11,313.75	6,811.35	4,502.40
190	Equipment - Cellar	Scale Printer	8/18/2003	479.19	306.69	172.50
191	Equipment - Cellar	Grape Press	8/22/2003	61,142.74	36,810.43	24,332.31
192	Equipment - Cellar	Dump Trailer	9/9/2003	3,600.00	2,167.35	1,432.65
193	Equipment - Cellar	Stainless Steel Tank	9/22/2003	16,809.00	10,119.70	6,689.30
194	Equipment - Cellar	Bin Dumper	9/24/2003	27,739.50	16,700.31	11,039.19
206	Equipment - Cellar	Recirculating Chiller	9/30/2003	3,158.79	1,901.73	1,257.06
195	Equipment - Cellar	Tank Piping and controls	10/16/2003	6,451.00	3,883.77	2,567.23
196	Equipment - Cellar	Lab Tables	12/31/2003	2,400.00	1,444.90	955.10
94	Equipment - Office	Office Furniture	9/30/1999	55,366.00	43,475.71	11,890.29
95	Equipment - Office	Vineyard Photos	9/30/1999	8,582.00	6,738.92	1,843.08
96	Equipment - Office	Office Furniture	8/1/2000	3,022.00	2,145.82	876.18
97	Equipment - Office	Dell Laptop Computer	9/1/2000	4,510.00	3,860.50	649.50
101	Equipment - Office	Office furniture	1/1/2001	5,715.00	3,394.24	2,320.76
98	Equipment - Office	AutoCad SureTrak Software	1/4/2001	1,290.00	1,290.00	0.00
99	Equipment - Office	DesignJet 500 Printer	1/4/2001	3,511.00	2,601.10	909.90
100	Equipment - Office	Sony Camcorder	1/4/2001	1,637.00	1,212.56	424.44
102	Equipment - Office	Computer Equipment	1/25/2002	4,495.23	3,135.69	1,359.54
103	Equipment - Office	Dell Computer	5/30/2002	1,581.78	1,103.21	478.57
104	Equipment - Office	Dell Computer	8/23/2002	2,065.00	1,440.49	624.51
106	Equipment - Office	Dell Computer	9/15/2002	1,163.72	811.86	351.86
105	Equipment - Office	Small Business Server	10/2/2002	1,461.38	1,019.68	441.70
107	Equipment - Office	Cisco Router	10/15/2002	1,335.67	931.77	403.90
108	Equipment - Office	Computer Equipment	10/25/2002	2,000.37	1,395.43	604.94
207	Equipment - Office	Furniture from Chile	1/6/2003	11,972.72	5,302.21	6,670.51
208	Equipment - Office	Furniture from Chile	1/6/2003	13,960.00	6,182.29	7,777.71
209	Equipment - Office	Office Files & Chairs	1/6/2003	19,718.85	8,732.64	10,986.21
182	Equipment - Office	4 Tasting Room Tables	2/4/2003	4,308.35	1,907.99	2,400.36
168	Equipment - Office	Espresso Machine	3/10/2003	3,026.10	1,500.94	1,525.16
169	Equipment - Office	Retail Sales System	3/13/2003	6,266.40	3,108.14	3,158.26
170	Equipment - Office	Dell Computer	3/24/2003	3,092.05	1,533.67	1,558.38
210	Equipment - Office	Office Shades	3/27/2003	10,900.00	4,827.14	6,072.86

Sys No	Classification	Description	Tax In Ser Date	Tax Acq Value	Tax Curr Acc Dep	Tax Current NBV
171	Equipment - Office	Server	3/27/2003	617.69	306.38	311.31
211	Equipment - Office	Winery Sculpture	3/31/2003	19,841.25	8,786.85	11,054.40
212	Equipment - Office	Retail Room Artwork	3/31/2003	30,000.00	13,285.72	16,714.28
172	Equipment - Office	Nextel Cellular phones	3/31/2003	993.99	493.02	500.97
213	Equipment - Office	Light for Retail Room	3/31/2003	279.36	123.72	155.64
173	Equipment - Office	Retail Register Equipment	4/1/2003	6,958.16	3,451.25	3,506.91
214	Equipment - Office	Carpet Retail room	4/22/2003	1,800.00	797.14	1,002.86
174	Equipment - Office	Rug - Tasting Room	7/29/2003	4,710.00	3,014.40	1,695.60
180	Equipment - Office	Timekeeping Software Web based	7/31/2003	2,520.00	1,575.00	945.00
222	Equipment - Office	Furniture & Antiques - Retail room	7/31/2003	84,844.17	51,079.66	33,764.51
223	Equipment - Office	Chairs	7/31/2003	1,664.19	1,001.92	662.27
175	Equipment - Office	Office Mini Blinds	8/18/2003	4,250.00	2,558.67	1,691.33
176	Equipment - Office	BBQ	8/31/2003	1,494.48	956.47	538.01
177	Equipment - Office	VH Computer	8/31/2003	3,880.05	2,483.23	1,396.82
221	Equipment - Office	Metal Planters	9/15/2003	5,100.00	3,070.41	2,029.59
178	Equipment - Office	G/L Software Upgrade	11/30/2003	6,301.45	3,938.41	2,363.04
179	Equipment - Office	Upgrade Winery Software	12/31/2003	2,909.25	1,818.29	1,090.96
232	Equipment - Office	AH Laptop Computer	1/30/2004	1,960.44	1,029.23	931.21
29	Land	Total Land	5/15/1990	7,448,887.00	0.00	7,448,887.00
54	Land	Land - Lot Line Split	5/30/2001	364,637.00	0.00	364,637.00
30	Land	Land Not Contributed 33.24 Acre @ \$27,984per		-930,188.16		-930,188.16
22	Land Improvements	Rock Wall	8/15/1990	10,690.00	7,212.12	3,477.88
99	Land Improvements	Land - Terracing And Grading	12/31/1990	137,571.00	0.00	137,571.00
35	Land Improvements	Land - Terracing And Grading	12/31/1990	31,069.00	0.00	31,069.00
53	Land Improvements	Land - Terracing And Grading	12/31/1990	55,160.00	0.00	55,160.00
21	Land Improvements	Land Additions	1/1/1991	52,402.00	0.00	52,402.00
98	Land Improvements	Land Reservoir/Spillway	1/1/1991	53,257.00	0.00	53,257.00
34	Land Improvements	Land Reservoir/Spillway	1/1/1991	23,860.00	0.00	23,860.00
52	Land Improvements	Land Reservoir/Spillway	1/1/1991	42,363.00	0.00	42,363.00
27	Land Improvements	Roads	1/1/1992	36,026.00	21,164.62	14,861.38
1	Land Improvements	Roads	1/1/1992	8,385.00	4,925.06	3,459.94
19	Land Improvements	Roads	1/1/1992	13,815.00	8,117.43	5,697.57
28	Land Improvements	Roads	7/1/1993	1,475.00	793.18	681.82
2	Land Improvements	Roads	7/1/1993	343.00	183.43	159.57
20	Land Improvements	Roads	7/1/1993	566.00	303.37	262.63
110	Land Improvements	Landscaping - Clarevale	7/31/1994	17,354.00	8,403.62	8,950.38
126	Land Improvements	Entrance	8/31/1996	20,537.00	11,744.88	8,792.12
129	Land Improvements	Landscaping	8/31/1996	63,563.00	36,350.76	27,212.24
130	Land Improvements	Landscaping	8/31/1996	82,747.00	47,323.50	35,423.50
127	Land Improvements	Entrance	12/21/1996	2,835.00	1,621.26	1,213.74
137	Land Improvements	Roads	3/25/1997	6,608.00	3,389.63	3,218.37
140	Land Improvements	Lot Line Engineering Costs	12/31/1998	22,705.00	0.00	22,705.00
154	Land Improvements	Rock Wall	6/30/1999	9,662.00	3,790.64	5,871.36
73	Land Improvements	Landscape	9/1/2002	883,795.00	117,839.58	765,955.42

Sys No	Classification	Description	Tax In Ser Date	Tax Acq Value	Tax Curr Acc Dep	Tax Current NBV
181	Land Improvements	Landscaping	3/31/2003	158,521.15	53,936.83	104,584.32
220	Land Improvements	Gate Work	5/13/2003	11,690.00	6,276.07	5,413.93
70	Trellis / Irrigation	Trellis - Blk 1-5	7/15/1990	87,709.00	87,709.00	0.00
94	Trellis / Irrigation	Irrigation/Drainage - Blk 1-5	7/15/1990	111,779.00	111,779.00	0.00
6	Trellis / Irrigation	Trellis - Blk 1-5	7/15/1990	27,393.00	27,393.00	0.00
24	Trellis / Irrigation	Trellis - Blk 1-5	7/15/1990	32,623.00	32,623.00	0.00
96	Trellis / Irrigation	Irrigation	6/1/1991	79,938.00	79,938.00	0.00
32	Trellis / Irrigation	Irrigation	6/1/1991	13,033.00	13,033.00	0.00
50	Trellis / Irrigation	Irrigation	6/1/1991	38,179.00	38,179.00	0.00
71	Trellis / Irrigation	Trellis -	6/15/1991	10,620.00	10,620.00	0.00
95	Trellis / Irrigation	Irrigation/Drainage	6/15/1991	123,697.00	123,697.00	0.00
7	Trellis / Irrigation	Trellis -	6/15/1991	1,232.00	1,232.00	0.00
25	Trellis / Irrigation	Trellis -	6/15/1991	4,403.00	4,403.00	0.00
72	Trellis / Irrigation	Trellis -	7/1/1991	88,714.00	88,714.00	0.00
8	Trellis / Irrigation	Trellis -	7/1/1991	26,702.00	26,702.00	0.00
26	Trellis / Irrigation	Trellis -	7/1/1991	66,879.00	66,879.00	0.00
73	Trellis / Irrigation	Trellis/Irrigation	12/1/1992	54,704.00	54,704.00	0.00
9	Trellis / Irrigation	Trellis/Irrigation	12/1/1992	11,889.00	11,889.00	0.00
27	Trellis / Irrigation	Trellis/Irrigation	12/1/1992	26,132.00	26,132.00	0.00
74	Trellis / Irrigation	Trellis/Irrigation	12/1/1993	34,385.00	34,385.00	0.00
10	Trellis / Irrigation	Trellis/Irrigation	12/1/1993	5,911.00	5,910.55	0.45
28	Trellis / Irrigation	Trellis/Irrigation	12/1/1993	13,443.00	13,443.00	0.00
111	Trellis / Irrigation	Irrigation Pipe & Sprinklers	3/22/1994	3,224.00	3,176.00	48.00
109	Trellis / Irrigation	Trellis-Hillside	8/11/1994	1,521.00	1,475.12	45.88
112	Trellis / Irrigation	Trellis - Hillside	8/11/1994	1,601.00	1,552.12	48.88
113	Trellis / Irrigation	Trellis - Hillside / Angaston	8/11/1994	1,681.00	1,629.12	51.88
114	Trellis / Irrigation	Trellis - Hillside /Clarevale	8/11/1994	1,574.00	1,525.75	48.25
121	Trellis / Irrigation	Trellis Wiring	5/31/1995	20,201.00	17,675.12	2,525.88
36	Vehicle	1984 F 150 Ford Truck	6/15/1990	2,000.00	2,000.00	0.00
9	Vehicle	1991 Nissan Truck	5/1/1991	15,223.00	15,223.00	0.00
35	Vineyard	Vineyard Phase I	1/1/1992	233,319.00	136,555.43	96,763.57
75	Vineyard	Vineyard Phase Ii	1/1/1993	859,556.00	859,555.80	0.20
131	Vineyard Equipment	Bege Scraper	6/4/1999	2,107.00	1,497.57	609.43
132	Vineyard Equipment	Ford tractor 4430	6/4/1999	21,819.00	15,504.86	6,314.14
133	Vineyard Equipment	Tandem Disc	6/4/1999	2,069.00	1,470.50	598.50
74	Vineyard Equipment	Flowry pump & gear	1/1/2000	10,586.00	6,371.11	4,214.89
76	Vineyard Equipment	Kubota Tractor	8/1/2000	30,165.00	18,156.61	12,008.39
77	Vineyard Equipment	Digital Crane	8/1/2000	3,675.00	2,211.77	1,463.23
75	Vineyard Equipment	Bio-dynamic Stirring Machine	10/1/2000	16,282.00	9,800.06	6,481.94
78	Vineyard Equipment	72" Loader	11/1/2000	5,075.00	3,054.95	2,020.05
81	Vineyard Equipment	Toro Spreader	5/25/2001	7,192.00	3,448.28	3,743.72
82	Vineyard Equipment	French Plow	6/19/2001	3,634.00	1,741.74	1,892.26
142	Vineyard Equipment	Domeries Disc	1/1/2002	3,518.00	1,182.28	2,335.72
144	Vineyard Equipment	Disc	1/1/2002	5,550.00	1,865.35	3,684.65

Sys No	Classification	Description	Tax In Ser Date	Tax Acq Value	Tax Curr Acc Dep	Tax Current NBV
145	Vineyard Equipment	Fuel Tank	1/1/2002	1,393.00	467.93	925.07
146	Vineyard Equipment	Harvest Trailer	1/1/2002	1,654.00	555.67	1,098.33
147	Vineyard Equipment	Harvest Trailer	1/1/2002	1,654.00	555.67	1,098.33
152	Vineyard Equipment	Honda Trailer Tank	1/1/2002	7,180.00	2,412.64	4,767.36
153	Vineyard Equipment	Dump Trailer	1/1/2002	3,030.00	1,018.50	2,011.50
154	Vineyard Equipment	Lime Spreader	1/1/2002	12,930.00	4,344.88	8,585.12
83	Vineyard Equipment	Model 1700 Toro Spader	3/13/2002	7,192.00	3,849.12	3,342.88
84	Vineyard Equipment	3 Weedeaters	4/4/2002	1,389.81	743.70	646.11
85	Vineyard Equipment	2 Trimmers	4/11/2002	927.00	496.52	430.48
86	Vineyard Equipment	Bin Trailer	6/1/2002	1,968.53	1,053.90	914.63
87	Vineyard Equipment	Domries Disc, Ring Roller	6/27/2002	9,442.73	5,053.94	4,388.79
88	Vineyard Equipment	Lawn Tractor	8/31/2002	2,833.10	1,516.02	1,317.08
89	Vineyard Equipment	4 Valley bin Trailers	8/31/2002	6,856.85	3,669.84	3,187.01
163	Vineyard Equipment	New Holland Tractor	3/27/2003	38,017.50	15,529.47	22,488.03
159	Vineyard Equipment	Weed Eaters	3/21/2003	926.54	378.47	548.07
160	Vineyard Equipment	Compost Tea Brewer	3/31/2003	4,392.45	1,794.24	2,598.21
161	Vineyard Equipment	Pressure Chamber Inst.	4/16/2003	2,675.00	1,092.70	1,582.30
158	Vineyard Equipment	Barn Electrical	7/29/2003	15,670.00	9,049.23	6,620.77
164	Vineyard Equipment	2004 Honda ATV	9/30/2003	5,336.15	3,081.57	2,254.58
234	Vineyard Equipment	New Holland Tractor	3/18/2004	23,529.75	11,890.93	11,638.82
5	Vineyards	Vineyard Phase I	1/1/1992	133,073.00	78,182.06	54,890.94
23	Vineyards	Vineyard Phase I	1/1/1992	134,087.00	78,775.43	55,311.57
11	Vineyards	Vineyard Phase Ii	1/1/1993	162,165.00	115,542.31	46,622.69
29	Vineyards	Vineyard Phase Ii	1/1/1993	410,387.00	410,387.00	0.00
91	Vyd Devel - CIP	Quintessa Vyd under Development	12/31/2000	501,694.77	0.00	501,694.77
167	Vyd Devel - CIP	2003 Vineyards Under Development	7/31/2003	120,543.20	0.00	120,543.20
229	Vyd Devel - CIP	Vyd Development	12/31/2003	10,282.06	0.00	10,282.06
230	Vyd Devel - CIP	Vineyard Development - Cap. Int	12/31/2003	31,389.30	0.00	31,389.30
78	Wells & Pumps	Ejector 100 Ppd	5/15/1990	212.00	212.00	0.00
81	Wells & Pumps	Vac Regulator C12	5/15/1990	736.00	736.00	0.00
14	Wells & Pumps	Ejector 100 Ppd	5/15/1990	50.00	50.00	0.00
17	Wells & Pumps	Vac Regulator C12	5/15/1990	171.00	171.00	0.00
32	Wells & Pumps	Ejector 100 Ppd	5/15/1990	82.00	82.00	0.00
35	Wells & Pumps	Vac Regulator C12	5/15/1990	282.00	282.00	0.00
79	Wells & Pumps	Iron Well	6/15/1990	6,800.00	4,676.00	2,124.00
80	Wells & Pumps	River Well	6/15/1990	5,394.00	3,709.12	1,684.88
15	Wells & Pumps	Iron Well	6/15/1990	1,582.00	1,087.87	494.13
16	Wells & Pumps	River Well	6/15/1990	1,256.00	864.50	391.50
33	Wells & Pumps	Iron Well	6/15/1990	2,608.00	1,792.00	816.00
34	Wells & Pumps	River Well	6/15/1990	2,069.00	1,422.31	646.69
76	Wells & Pumps	Cornell Pump	7/15/1990	1,200.00	1,200.00	0.00
77	Wells & Pumps	Corner Well	7/15/1990	2,685.00	1,845.81	839.19
12	Wells & Pumps	Cornell Pump	7/15/1990	280.00	280.00	0.00
13	Wells & Pumps	Corner Well	7/15/1990	625.00	625.00	0.00

Sys No	Classification	Description	Tax In Ser Date	Tax Acq Value	Tax Curr Acc Dep	Tax Current NBV
30	Wells & Pumps	Cornell Pump	7/15/1990	461.00	461.00	0.00
31	Wells & Pumps	Corner Well	7/15/1990	1,030.00	708.37	321.63
83	Wells & Pumps	Booster Pump	8/15/1990	1,170.00	1,170.00	0.00
85	Wells & Pumps	Pump At Lake	8/15/1990	1,363.00	1,363.00	0.00
19	Wells & Pumps	Booster Pump	8/15/1990	272.00	272.00	0.00
21	Wells & Pumps	Pump At Lake	8/15/1990	317.00	317.00	0.00
37	Wells & Pumps	Booster Pump	8/15/1990	448.00	448.00	0.00
39	Wells & Pumps	Pump At Lake	8/15/1990	523.00	523.00	0.00
82	Wells & Pumps	Domestic Well	9/15/1990	2,489.00	1,710.56	778.44
84	Wells & Pumps	Sump Pump	9/15/1990	3,970.00	3,970.00	0.00
18	Wells & Pumps	Domestic Well	9/15/1990	579.00	398.18	180.82
20	Wells & Pumps	Sump Pump	9/15/1990	924.00	924.00	0.00
36	Wells & Pumps	Domestic Well	9/15/1990	954.00	657.62	296.38
38	Wells & Pumps	Sump Pump	9/15/1990	1,523.00	1,523.00	0.00
86	Wells & Pumps	Pump Station	12/15/1990	43,600.00	43,600.00	0.00
22	Wells & Pumps	Pump Station	12/15/1990	10,148.00	10,148.00	0.00
40	Wells & Pumps	Pump Station	12/15/1990	16,720.00	16,720.00	0.00
88	Wells & Pumps	Domestic Well	2/1/1991	1,112.00	709.50	402.50
24	Wells & Pumps	Domestic Well	2/1/1991	259.00	165.18	93.82
42	Wells & Pumps	Domestic Well	2/1/1991	427.00	270.68	156.32
89	Wells & Pumps	Sump Pump - Blks	5/1/1991	4,190.00	4,190.00	0.00
25	Wells & Pumps	Sump Pump - Blks	6/1/1991	975.00	975.00	0.00
43	Wells & Pumps	Sump Pump - Blks	6/1/1991	1,607.00	1,607.00	0.00
87	Wells & Pumps	Pump Station	7/1/1991	65,792.00	65,792.00	0.00
23	Wells & Pumps	Pump Station	7/1/1991	15,314.00	15,314.00	0.00
41	Wells & Pumps	Pump Station	7/1/1991	25,230.00	25,230.00	0.00
90	Wells & Pumps	Pump Station	2/1/1992	10,971.00	10,971.00	0.00
26	Wells & Pumps	Pump Station	2/1/1992	2,553.00	2,553.00	0.00
44	Wells & Pumps	Pump Station	2/1/1992	4,207.00	4,207.00	0.00
91	Wells & Pumps	Pump Station	3/1/1992	7,528.00	7,528.00	0.00
27	Wells & Pumps	Pump Station	3/1/1992	1,753.00	1,753.00	0.00
45	Wells & Pumps	Pump Station	3/1/1992	2,887.00	2,887.00	0.00
92	Wells & Pumps	Pump Station	4/1/1992	506.00	506.00	0.00
29	Wells & Pumps	Pump Station	4/1/1992	119.00	119.00	0.00
47	Wells & Pumps	Pump Station	4/1/1992	195.00	195.00	0.00
93	Wells & Pumps	Pump Station	6/1/1992	90.00	90.00	0.00
28	Wells & Pumps	Pump Station	6/1/1992	21.00	21.00	0.00
46	Wells & Pumps	Pump Station	6/1/1992	35.00	35.00	0.00
122	Wells & Pumps	Pump Station	4/12/1995	3,573.00	3,573.00	0.00
123	Wells & Pumps	Lake Line	7/24/1995	1,124.00	1,124.00	0.00
				36,510,079.80	7,928,230.80	28,581,849.00

Additional Contributed Assets

1. Accounts receivable, other than with respect to wines from the 2001 vintage.
2. Inventory consisting of all Quintessa library wines from previously released vintages plus the 2002 and 2003 vintages, and for 2004 wines from 193 tons of Quintessa grapes (approximately 12,000 nine liter cases), and excluding the 2001 vintage apart from ____ cases reserved as library wines.
3. Trademarks
4. Contracts as set forth on a schedule to the Contribution Agreement

Assets Excluded From Contribution

1. Four parcels of land as described in this Schedule.
2. Home building rights with respect to the parcels of land which are being contributed
3. Accounts receivable with respect to sales of wines of the 2001 vintage
4. Vineyard and office equipment associated with the business being retained by Huneeus
5. Antique furniture belonging to Agustin Huneeus

AFH Arrangements

- 1. Position** President and CEO, with all senior management reporting to him, and authority and discretion comparable to a CEO of a public company and reporting directly to the Board.
- 2. Salary** \$360,000 per year Base salary. Bonus equal to 55% of Base at annual plan achievement, 0% bonus at 90% of plan or less, 110% of Base at 110% of plan; straight line percentages in between.
Base increased annually by CPI, and subject to increase in Board discretion every two years.
- 3. Benefits** Health, disability and other insurance comparable to other company executives.
Car or car allowance.
\$2m term life insurance.
- 4. Term** 7 years, and automatically extended for three additional years if not terminated in the Majority of the Board's discretion within the first three months after the end of the 7 year term.
- 5. Termination** Only for Cause, as described below, as determined by a Majority of the Board.
- 6. Management Incentive** Formula for calculation of the Equity Award to be described. Cap at 25%.
Vests ratably over 10 years, but accelerates to full vesting on a sale of the company.

Measurement Date is earlier of ten years or when there has been an arm's length sale of the company. In the event of such a sale the enterprise value implied in that sale will determine the ending value. In the event there is no such sale, the ending value will be calculated based on 10X EBITDA valuation metric (to be refined) and will be subject to retroactive adjustment if there is an arm's length sale within 30 months thereafter.

After Measurement Date, the future sharing percentage will be fixed as a total percentage of the company for the Management calculations, and AFH interest will begin to participate in

distributions at that fixed percentage. The idea is that the fixed valuation will not be paid out at the Measurement Date, but will instead remain as an interest in the company.

These interests will not carry any voting or control rights and once vested and measured can be tagged along as if part of the H interests in the Company.

All vesting accelerates one additional year on death.

Incentive interests may be structured to result in capital gains, provided it does not create adverse tax effect to any other Principal.

8. Cause

Failure over any three year period of the company to achieve at least 70% of approved annual plan EBIT.

Conviction of a felony involving intentional misconduct (not including motor vehicle or victimless crime offenses).

Fraud or other material conduct not in good faith where he could not have reasonably believed that he was acting in the best interest of the company or not opposed to the interests of the company, and with respect to criminal matters had reasonable cause to believe his conduct was unlawful.

Habitual or recurrent personal conduct which is not corrected after reasonable notice and opportunity to cure which has or is likely to have a serious adverse impact on the financial results or image of the company.

Disability for more than 180 consecutive days.

9. Indemnity

To the fullest extent allowed for a director or officer of a Delaware corporation.

CERTAIN BUSINESS ARRANGEMENTS

Subject to the consummation of the Merger, Newco and Constellation (and its affiliates) will enter into the following agreements upon the Closing:

1. Stonewall Canyon and Pinnacles Grape Contract. Newco and Franciscan Vineyards, Inc. will enter into an agreement, for the 2004-2008 harvests, for Newco to purchase Pinot Noir grapes produced at Franciscan's Stonewall Canyon vineyard and Pinot Noir and Chardonnay grapes produced at its Pinnacles vineyard, both in Monterey County. Newco will purchase 80 tons of the 2004 Stonewall Canyon Pinot Noir crop at a price of \$1,800 per ton, 250 tons of the 2004 Pinnacles Pinot Noir crop at a price of \$1,400 per ton, and 200 tons of the 2004 Pinnacles Chardonnay crop at a price of \$1,000 per ton. Tonnage of subsequent crops will be determined by agreement of the parties prior to March 1 of each harvest year. The actual tonnage of such grapes that will be available to Newco in any harvest year will not be guaranteed and may be more or less than the designated amount, since it will be based on the actual production from specified blocks within the vineyards designated annually by a selection process set forth in the contract; provided that, in the event of a shortage, Franciscan will sell additional grapes to Newco from the vineyards on the same terms, if the grapes can be made available. In the event of excess grapes being produced on the designated block, Newco will purchase those grapes on the same terms. The prices per ton for crops after 2004 will be based on the 2004 prices, adjusted annually (but not below the 2004 price) by the lesser of (i) the percentage change in the average price of the relevant variety in the immediately preceding two (2) harvest years in Monterey County, or (ii) changes in the Consumer Price Index, with a maximum adjustment of 5% per year. With respect to the Stonewall Canyon vineyard, Newco will have the option to convert the arrangement to an acreage contract pursuant to which it would purchase all of the grapes grown on the designated acres at a rate of \$6,300 per acre plus Franciscan's actual incremental costs incurred for any special viticultural services necessary or required by Newco.

2. Oakville Estates Grape Contract. Although Constellation (through Franciscan) is contributing the Oakville Estate vineyards to Newco, Franciscan is retaining title to the 2004 crop produced at the vineyards. Newco and Franciscan will enter into an agreement, pursuant to which Newco will purchase grapes from the vineyard's 2004 harvest (to be made into wine at the Quintessa Winery), and Franciscan will purchase grapes from the 2005-2009 harvests.

For the 2004 harvest, Newco will purchase from Franciscan 42 tons of Cabernet Sauvignon, 102 tons of Merlot and such additional grapes as Newco may require, up to a combined total of 21 tons of such varieties as are necessary to enable Newco to create a meritage wine. Newco will pay \$4,011 per ton for the Cabernet Sauvignon grapes and \$2,715 per ton for the Merlot grapes. If Newco is established, it will retain Huneus to process the grapes. If Newco is not established and Franciscan therefore retains the wine produced from the grapes, Franciscan will pay Huneus for the processing at the same rate it paid for such services for the 2003 crop. The actual tonnage of such grapes that will be available to Newco is not guaranteed and may be more or less than the designated amount, since it will be based on the actual production from specified blocks within the vineyard designated by a selection process set forth in the contract; provided that, in the event of a shortage, Franciscan will sell additional grapes to

Newco from the vineyard on the same terms, if the grapes are available. In the event of excess grapes being produced on the designated block, Newco will purchase those grapes on the same terms.

For the 2005-2009 harvests, Franciscan will purchase the following percentages of the crop of Bordeaux varietals: 2005 harvest: 66% (estimated to be 614 tons); 2006 harvest: 58% (estimated to be 587 tons); 2007 harvest: 43% (estimated to be 553 tons); 2008 harvest: 24% (estimated to be 273 tons); and 2009 harvest: 15% (estimated to be 176 tons). The actual tonnage of such grapes to be sold to Franciscan will be based on the actual production from specified blocks within the vineyard designated annually by a selection process set forth in the contract. The prices per ton for such grapes will be the lesser of (i) the percentage change in the average price of the relevant variety in the immediately preceding two (2) harvest years in Napa County, or (ii) changes in the Consumer Price Index, with a maximum adjustment of 5% per year.

3. Quintessa Grape Contract. An existing grape contract between Huneeus and Franciscan for Franciscan's purchase of grapes from the 2004-2006 harvests from the Quintessa vineyards will be amended and contributed by Huneeus to Newco. Whether or not Newco is formed, the contract will be modified to provide for a reduction in the grape purchase prices in exchange for the following payments to Huneeus: \$479,850 on November 1 of each of 2004, 2005 and 2006. As amended and contributed to Newco, the contract will provide for Franciscan to purchase all of the grapes produced from the vineyard's 2004-2006 harvests other than the following amounts, which will be retained by Newco: 2004 harvest: 242 tons; 2005 harvest: 262 tons; and 2006 harvest: 281 tons. For the 2004 harvest, Franciscan will pay \$4,011 per ton for the Cabernet Sauvignon grapes and \$2,715 per ton for the Merlot grapes. The prices per ton for crops after 2004 will be based on the 2004 prices, adjusted annually (but not below the 2004 price) by the lesser of (i) the percentage change in the average price of the relevant variety in the immediately preceding two (2) harvest years in Napa County, or (ii) changes in the Consumer Price Index, with a maximum adjustment of 5% per year. In addition, Franciscan and Newco will identify two blocks at the Quintessa vineyards to be farmed more aggressively for higher yields for the 2005 and 2006 harvests. If Franciscan is satisfied with the quality of the grapes produced from these blocks, it will have the right, during the 2007-2011 harvests, to buy the grapes from these blocks that are not used by Newco, at market prices.

4. Distribution Agreement. Pursuant to an existing agreement with Huneeus, Franciscan will continue to be the exclusive distributor for Huneeus wines through February 28, 2005, thereby entitling it to distribute the 2001 vintage produced at Quintessa. When Newco takes on distribution of the Quintessa brand effective March 1, 2005, it will assume the distribution rights and obligations with respect to any remaining inventory of the 2001 vintage retained by Huneeus, which is expected to be very little as of March 1, 2005.

5. New Zealand and Australian Wines. Newco will enter into an agreement with Constellation to develop a brand for, and to distribute in the United States, a variety of New Zealand and Australian wines produced by Constellation. Under the agreement, which will begin with the 2004 vintage (for New Zealand wines) and the 2005 vintage (for Australian wines), Newco anticipates increasing its sales of such wines from 5,000 cases of one New Zealand varietal of the 2004 vintage to approximately 150,000 cases of the 2013 vintage

(including two varietals from New Zealand and four varietals for Australia). Pricing under the distribution agreement will be on competitive market terms.

6. Understandings Regarding Production. Newco anticipates using production services, including crushing services, barrel fermentation and possibly storage, at the Franciscan and Estancia wineries, beginning with the 2004 crop. The pricing for such services will be on a formula basis that is competitive with other facilities providing comparable services.

7. General Services. Newco anticipates contracting for a variety of services that Franciscan may be able to provide or facilitate at prices or on terms that will be advantageous to Newco, including, for example, access to market data services, management of information technology resources, joint warehousing of case goods, accounts receivable management and employee benefit programs, and joint purchasing of glass, corks and other components.

WINE PURCHASE, DISTRIBUTION AND TECHNICAL ASSISTANCE AGREEMENT

1. Parties
BRANDCO - 100% OWNED BY DBR (Lafite) ("DBR") VentureCo (voting interest being 50% Brandco, 25% FE(C) and 25% H) and economic interests to be equal to the Newco percentages
2. Relationships
Venture Co will create and market a wine under the auspices of DBR who will provide technical assistance to Venture Co for which it will receive a remuneration to be agreed upon.
Marketing in the USA will be done by Newco.
Marketing in the rest of the world will be done by DBR, or by others subject to DBR's consent.
If the quality of the wine is deemed to be acceptable by DBR, specific Rothschild intangibles to be agreed upon will be included in the packaging of the wine.
3. Term
The partners of VentureCo will remain together for a minimum of 10 years from the selling of the first VentureCo "Brand" vintage (10 year term)
All agreements between the Parties, including VentureCo distribution and marketing agreements with Newco, are also for the same minimum 10 year term
4. "Brand" Owner
VentureCo owns all brand, trade dress and other intangibles (including distinctive features and logo) and excluding the Rothschild specific intangibles, H specific intangibles and FE specific intangibles.
5. Termination
Subject to earlier termination for cause (to be determined), any party can sell their VentureCo interest after the minimum 10 year term and their specific intangibles will be allowed to be used only for a reasonable time thereafter to complete and sell previously acquired wines and then removed from all packaging, advertising and collateral merchandising materials forever.
6. Exclusivity
DBR, H and FE agree not to produce/join in partnership or allow use of their specific intangibles for any North American produced wine (other than VentureCo's "brands") except what is otherwise in use today.

Activities

Proxy materials/ 13e-3 Filings/ SEC review process

Special Committee process/ Merger Agreement process

Third party consents for asset/liability transfers (other than HVI debt)

HSR and other regulatory consents (on behalf of Chalone, Holdco and DBR)

Chalone Shareholder Wine Program Continuation

It is the intention of Newco following the merger to maintain and enhance the existing Chalone wine club program by continuing to make fine wines available for purchase by shareholders, other than DBR on a non-discriminatory basis, as eligible members of a founder's wine club.

In addition, subject to applicable rules, all eligible former shareholders will as members of the founder's club be entitled to an additional 50% discount on select fine wines purchased over the next two years through the program up to a maximum discount value of \$1.00 per share held on a date to be determined. These founders club benefits will not be transferable.

In addition, founder's club members who purchase specified levels of wines in addition to the special discount wines for each of three years will receive special access and pricing to the company's most exclusive and allocated wines.

Purchase and shipping of founder's club wines would be subject to compliance with applicable laws.

VIP Tours, dinners and other benefits would also be continued.

Domaines Barons de Rothschild (Lafite) SCA
33, rue de la Baume
75008 Paris
France

May 17, 2004

Board of Directors
The Chalone Wine Group, Ltd.
621 Airpark Road
Napa, CA 94558

Gentlemen:

We are writing on behalf of ourselves ("**DBR**"), as well as Constellation Brands, Inc. ("**CBI**") and Huneus Vintners LLC ("**HVI**"), and together with ourselves and CBI, the "**Partners**"), to propose a business combination transaction to The Chalone Wine Group, Ltd. (the "**Company**") which we believe will be in the best interests of the Company, its shareholders and employees. We are proposing that a newly formed Delaware corporation incorporated by us ("**Holdco**"), which will hold all of our shares of common stock (the "**Shares**") in the Company (including any Shares we may receive upon conversion of the 9% convertible subordinated promissory note due August 21, 2004 issued from the Company to DBR), merge with and into the Company, in which merger all of the outstanding shares of common stock of the Company, other than the Shares held by Holdco (which will be cancelled), will be converted into \$9.25 in cash per Share (such merger and acquisition of Shares, the "**Merger**"). DBR and CBI have committed to provide Holdco the funds required to complete the Merger.

The Partners intend to operate the business of the Company as an integral part of a joint venture limited liability company (the "**JV**") to be established by the Partners, which JV will include additional vineyard and winery operations to be contributed by CBI and HVI. To this end, immediately upon the consummation of the Merger, we will cause the Company to contribute substantially all of its assets and liabilities to the JV. In addition, the JV intends to offer a non-transferable wine benefits program that we believe will compare very favorably with the existing wine benefits that shareholders of the Company currently enjoy.

The continuation of the Company's management and other employees with the JV is important to the Partners. Therefore, we intend to work with the existing management of the Company to ensure that existing employees are fully motivated to continue with the JV. Specifically, we intend to continue comparable salary and other compensation arrangements and plan to make appropriate arrangements, in consultation with existing management, to provide substantially similar employee benefits.

This proposal is subject to the conduct and completion of a due diligence investigation customary for a transaction of this type (which we would anticipate completing prior to entering into a definitive merger agreement), the execution, and delivery of definitive agreements with respect to the JV, which we anticipate will occur promptly and in any event before any Merger Agreement is signed, and the execution of a definitive merger agreement satisfactory to a special committee of independent directors of the Board of Directors of the Company and each of the Partners. This proposal is not subject to financing conditions. Should you or your counsel have any questions concerning our offer, please do not hesitate to contact Emmanuel Roth at +33-1-53-89-78-14 (eroth@lafite.com) or Frank Currie at (650)752-2002 (fcurrie@dpw.com).

We recognize the importance of Tom Selfridge in Chalone's growth and market positioning. When the special committee of the Board of Directors determines it appropriate to do so, we would like to discuss with Tom our thoughts on the future role Tom could play in the joint venture company.

We are prepared to move quickly on the Merger. We trust that you and your advisors will conclude that this offer is attractive and fair to the public shareholders of the Company and that we can move promptly to execute a mutually satisfactory merger agreement. In any event, this proposal will remain open for your consideration until June 30, 2004. Your prompt response would be appreciated.

Very truly yours,

DOMAINES BARONS DE ROTHSCHILD (LAFITE) SCA

By: /s/ Eric de Rothschild

Eric de Rothschild, Managing Director

SO ACKNOWLEDGED:

CONSTELLATION BRANDS, INC.

By: /s/ Richard Sands

Richard Sands, Chairman of the Board
and Chief Executive Officer

HUNEEUS VINTNERS LLC

By: /s/ Agustin Huneus

Agustin Huneus, Manager



NEWS RELEASE

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**CONSTELLATION BRANDS, DOMAINES BARONS DE
ROTHSCHILD & THE HUNEEUS FAMILY PROPOSE FORMING
A LUXURY WINE GROUP**

*Domaines Barons de Rothschild offers going private acquisition of The Chalone
Wine Group at \$9.25 per share*

FAIRPORT, N.Y., May 17, 2004 – Constellation Brands, Inc. (NYSE:STZ, ASX:CBR), Domaines Barons de Rothschild (Lafite), a 46% owner of The Chalone Wine Group (NASDAQ:CHLN), and The Huneeus Family announced today they are proposing the formation of a new independent company (joint venture) to create what would be one of the world's most prestigious luxury wines companies.

As a first step and on behalf of the proposed joint venture, Domaines Barons de Rothschild (Lafite) today made a written offer for a going private acquisition of The Chalone Wine Group, pursuant to which each share of Chalone Common Stock not owned by Domaines Barons de Rothschild (Lafite) (54%) would be converted into \$9.25 of cash. Constellation Brands, Inc. and Domaines Barons de Rothschild (Lafite) would provide the cash funding for the purchase of the Chalone shares. The proposed joint venture would also provide current Chalone shareholders with wine club benefits and rights similar to those currently provided by Chalone.

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Upon completion of the going private transaction, Domaines Barons de Rothschild (Lafite) would transfer to the new joint venture substantially all of the premium assets and brands of The Chalone Wine Group, The Huneeus Family would contribute the very successful Quintessa winery, vineyards and brand, and Constellation Brands would contribute the prestigious Oakville vineyard owned by Franciscan Estates, Constellation Brands' fine wine company. Also, as part of the proposed joint venture, Domaines Barons de Rothschild would develop, in Napa Valley, the first estate to produce a wine under its guidance.

In announcing the joint venture, Richard Sands, chairman and CEO, Constellation Brands said, "Each of the joint venture investors is strong individually – and combined they are industry icons of quality, innovation and financial stability. We are changing the way business has traditionally been done in the luxury segment, from primarily an individual company basis, to a collective partnership of some of the most respected members in the industry. We are creating a new strategic platform for increasing our participation in the luxury wine business."

Baron Eric de Rothschild, managing director, Domaines Barons de Rothschild (Lafite), added "We have been active participants over the past 15 years in Chalone's growth to its present leading position in the luxury wine field. We feel that this proposed transaction establishes a stronger, more influential independent company and will provide management, employees and distributors with continuity and the greatest potential for future expansion and success in this highly competitive market environment. The strength of the proposed joint venture will come from the unique collection of top quality wine acreage it will own in the greatest North American appellations, and from its strong brands. The proposed joint venture will be supported by the very diverse experience and dedication to quality which the three partners bring to this endeavor."

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Agustin Huneus said, "I am very gratified to place Quintessa in this venture which is dedicated to the creation of wines of "terroir" which has always been my interest and motivation. I am also most gratified to be working with two exceptional heads of business: Baron Eric de Rothschild and Richard Sands, Chairman of Constellation."

Agustin Francisco Huneus who left Franciscan Estates a few months ago to pursue entrepreneurial opportunities said, "The strength and breadth of this very fine wine portfolio will make the joint venture an interesting supplier to distributors, and give the Company a unique position in today's fragmented market." It is expected that Agustin Francisco Huneus of The Huneus Family will lead the new joint venture.

The formation of the proposed joint venture and the purchase of the Chalone shares are subject to the execution of definitive agreements among the parties, due diligence by the proposed joint venture, and the formation of a special committee of The Chalone Wine Group Board to evaluate the offer made by the proposed joint venture. If the special committee approves the offer, the offer to the Chalone shareholders will be put to shareholder vote, subject to the filing of a proxy statement.

Constellation Brands, Inc. is a leading international producer and marketer of beverage alcohol brands with a broad portfolio across the wine, spirits and imported beer categories. Constellation Brands is a leading fine wine company in the United States.

Domaines Barons de Rothschild (Lafite) owned by the Rothschild family and Chateau Lafite Rothschild, owns and operates a prestigious set of wine properties in France, Chile, Portugal and Argentina, which produce and sell a selection of ultra premium and luxury wines.

Huneus Vintners, owned by The Huneus Family, is a privately held wine company in Napa, California owning the Quintessa Estate and other vineyard properties. Agustin Huneus, an illustrious member of the international wine industry, has based his successful career in the wine industry on his belief that "Great wines are a reflection of place". He and his wife Valeria purchased the 280-acre Quintessa property in 1990 and developed Quintessa into a world-class wine estate.

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