

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

FORM 10-K

(Mark One)

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

For the fiscal year ended February 28, 2001  
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OR

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

For the transition period from ----- to -----

Commission File No. 001-08495

Delaware	CONSTELLATION BRANDS, INC.	16-0716709
	and its Subsidiaries:	
New York	Batavia Wine Cellars, Inc.	16-1222994
New York	Canandaigua Wine Company, Inc.	16-1462887
New York	Canandaigua Europe Limited	16-1195581
England and Wales	Canandaigua Limited	98-0198402
New York	Polyphenolics, Inc.	16-1546354
New York	Roberts Trading Corp.	16-0865491
Netherlands	Canandaigua B.V.	98-0205132
Delaware	Franciscan Vineyards, Inc.	94-2602962
California	Allberry, Inc.	68-0324763
California	Cloud Peak Corporation	68-0324762
California	M.J. Lewis Corp.	94-3065450
California	Mt. Veeder Corporation	94-2862667
Delaware	Barton Incorporated	36-3500366
Delaware	Barton Brands, Ltd.	36-3185921
Maryland	Barton Beers, Ltd.	36-2855879
Connecticut	Barton Brands of California, Inc.	06-1048198
Georgia	Barton Brands of Georgia, Inc.	58-1215938
Illinois	Barton Canada, Ltd.	36-4283446
New York	Barton Distillers Import Corp.	13-1794441
Delaware	Barton Financial Corporation	51-0311795
Wisconsin	Stevens Point Beverage Co.	39-0638900
Illinois	Monarch Import Company	36-3539106
(State or other jurisdiction of incorporation or organization)	(Exact name of registrant as specified in its charter)	(I.R.S. Employer Identification No.)

300 WillowBrook Office Park, Fairport, New York 14450  
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(Address of principal executive offices) (Zip Code)

Registrants' telephone number, including area code (716) 218-2169  
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SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class -----	Name of each exchange on which registered -----
Class A Common Stock (par value \$.01 per share)	New York Stock Exchange
Class B Common Stock (par value \$.01 per share)	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

Indicate by check mark whether the Registrants (1) have filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
Registrants were required to file such reports), and (2) have been subject to  
such filing requirements for the past 90 days. Yes X No  
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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405  
of Regulation S-K is not contained herein, and will not be contained, to the  
best of Registrants' knowledge, in definitive proxy or information statements

incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the common stock held by non-affiliates of Constellation Brands, Inc., as of May 15, 2001, was \$1,148,305,442.

The number of shares outstanding with respect to each of the classes of common stock of Constellation Brands, Inc., as of May 15, 2001, is set forth below (all of the Registrants, other than Constellation Brands, Inc., are direct or indirect wholly-owned subsidiaries of Constellation Brands, Inc.):

Class -----	Number of Shares Outstanding -----
Class A Common Stock, par value \$.01 per share	35,831,754
Class B Common Stock, par value \$.01 per share	6,137,670

#### DOCUMENTS INCORPORATED BY REFERENCE

The proxy statement of Constellation Brands, Inc. to be issued for the annual meeting of stockholders to be held July 17, 2001 is incorporated by reference in Part III.

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#### PART I

##### ITEM 1. BUSINESS

Unless the context otherwise requires, the term "Company" refers to Constellation Brands, Inc. and its subsidiaries, and all references to "net sales" refer to gross revenue less excise taxes and returns and allowances to conform with the Company's method of classification. All references to "Fiscal 2001", "Fiscal 2000" and "Fiscal 1999" shall refer to the Company's fiscal year ended the last day of February of the indicated year.

During Fiscal 2001, the Company changed its name from Canandaigua Brands, Inc. to Constellation Brands, Inc. The new name better reflects the Company's dynamic growth, promising potential and diversified portfolio as well as provides a clear distinction between the corporate parent and its operating divisions.

Market share and industry data disclosed in this Annual Report on Form 10-K have been obtained from the following industry and government publications: The Gomberg-Fredrikson Report; Adams Liquor Handbook; Adams Wine Handbook; Adams Beer Handbook; Adams Media Handbook Advance; The U.S. Wine Market: Impact Databank Review and Forecast; The U.S. Beer Market: Impact Databank Review and Forecast; The U.S. Distilled Spirits Markets: Impact Databank Review and Forecast; NACM; AC Nielsen; the Zenith Guide; Beer Marketer's Insights; and The Drink Pocketbook 2001. The Company has not independently verified these data. Unless otherwise noted, all references to market share data are based on unit volume and unless otherwise noted, the most recent complete industry data available are for 1999.

The Company is a leader in the production and marketing of beverage alcohol brands in North America and the United Kingdom, and a leading independent drinks wholesaler in the United Kingdom. As the second largest supplier of wine, the second largest importer of beer and the fourth largest supplier of distilled spirits, the Company is the largest single-source supplier of these products in the United States. In the United Kingdom, the Company is a leading marketer of wine and the second largest producer and marketer of cider. With its broad product portfolio, the Company believes it is distinctly positioned to satisfy an array of consumer preferences across all beverage alcohol categories. Leading brands in the Company's portfolio include: Franciscan Oakville Estate, Simi, Estancia, Corona Extra, Modelo Especial, St. Pauli Girl, Almaden, Arbor Mist, Talus, Vendange, Alice White, Black Velvet, Fleischmann's, Schenley, Ten High, Stowells of Chelsea, Blackthorn and K.

The Company's products are distributed by more than 1,000 wholesale distributors in North America. In the United Kingdom, the Company distributes its branded products and those of other companies to more than 16,500 customers. The Company operates 29 production facilities throughout the world. In addition to producing and marketing its own brands, the Company also purchases products for resale from other producers.

The Company is a Delaware corporation incorporated on December 4, 1972, as the successor to a business founded in 1945. Since the Company's founding in 1945 as a producer and marketer of wine products, the Company has grown through a combination of internal growth and acquisitions. The Company's internal growth has been driven by leveraging the Company's existing portfolio of leading brands, developing new products, new packaging and line extensions, and focusing

on the faster growing sectors of the beverage alcohol industry. The acquisitions of the Corus Assets (as defined below), the Turner Road Vintners Assets (as defined below), Forth Wines Limited ("Forth Wines"), Franciscan Vineyards, Inc. ("Franciscan Estates"), Simi Winery, Inc. ("Simi"), the Black Velvet Assets (as defined below) and Matthew Clark plc ("Matthew Clark") continued a series of strategic acquisitions made since

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1991 by which the Company has broadened its portfolio and increased its market share, net sales and cash flow.

#### RECENT DEVELOPMENTS

##### COMMON STOCK SPLIT

On April 10, 2001, the Board of Directors of the Company approved a two-for-one stock split of both the Company's Class A Common Stock and Class B Common Stock, which was distributed in the form of a stock dividend on May 14, 2001, to stockholders of record on April 30, 2001. Pursuant to the terms of the stock dividend, each holder of Class A Common Stock received one additional share of Class A stock for each share of Class A stock held, and each holder of Class B Common Stock received one additional share of Class B stock for each share of Class B stock held. All share and per share amounts have been retroactively restated to give effect to the common stock split.

##### PENDING ACQUISITION OF RAVENSWOOD WINERY

On April 10, 2001, the Company and Ravenswood Winery, Inc. ("Ravenswood") announced that they entered into a merger agreement under which the Company will acquire Ravenswood, a leading premium wine producer based in Sonoma, California. Under the terms of the merger agreement, the Company will pay \$29.50 in cash for each outstanding share of Ravenswood, or approximately \$148 million, and assume net debt, which the Company does not expect to be significant at the time of closing.

Ravenswood produces, markets and sells super-premium and ultra-premium California wines primarily under the Ravenswood brand name. The vast majority of the wines Ravenswood produces and sells are red wines, including the number one super-premium Zinfandel in the United States. The Company intends to manage Ravenswood through its Franciscan segment.

The proposed Ravenswood acquisition is in line with the Company's strategy of further penetrating the faster growing, higher gross profit margin super-premium and ultra-premium wine categories. The transaction is subject to satisfaction of customary closing conditions and is expected to close in late June or early July 2001. The Company cannot guarantee, however, that this transaction will be completed upon the agreed upon terms, or at all.

##### ACQUISITION OF THE CORUS ASSETS

On March 26, 2001, in an asset acquisition, the Company acquired certain wine brands, wineries, working capital (primarily inventories), and other related assets from Corus Brands, Inc. (the "Corus Assets"). In this acquisition, the Company acquired several well-known premium wine brands primarily sold in the northwestern United States, including Covey Run, Columbia, Ste. Chapelle and Alice White. The purchase price of the Corus Assets, including assumption of indebtedness, was \$52.0 million plus an earn-out over six years based on the performance of the brands. In connection with the transaction, the Company also entered into long-term grape supply agreements with affiliates of Corus Brands, Inc. covering more than 1,000 acres of Washington and Idaho vineyards.

##### ACQUISITION OF THE TURNER ROAD VINTNERS ASSETS

On March 5, 2001, in an asset acquisition, the Company acquired several well-known premium wine brands, including Vendange, Nathanson Creek, Heritage, and Talus, working capital (primarily inventories), two wineries in California, and other related assets from Sebastiani Vineyards, Inc. and Tuolomne River Vintners Group (the "Turner Road Vintners Assets"). The purchase price of the Turner Road Vintners Assets, including assumption of indebtedness, was \$289.7 million.

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The acquisition of the Corus Assets, along with the acquisition of the Turner Road Vintners Assets, has strengthened the Company's portfolio in the higher margin and growing premium table wine category. The acquired operations are being integrated into the Company's Canandaigua Wine segment.

#### ACQUISITIONS IN FISCAL 2001, FISCAL 2000 AND FISCAL 1999

##### ACQUISITION OF FORTH WINES

On October 27, 2000, Matthew Clark acquired all of the outstanding stock of

Forth Wines, a wine and spirit wholesaler operating primarily in Scotland. The purchase price of the shares was \$4.5 million. The addition of Forth Wines further strengthened Matthew Clark's position as one of the United Kingdom's leading drinks wholesalers, and made Matthew Clark the leading provider of wine to the on-premise market in Scotland.

#### ACQUISITIONS OF FRANCISCAN ESTATES AND SIMI

On June 4, 1999, the Company purchased all of the outstanding capital stock of Franciscan Estates and, in related transactions, purchased vineyards, equipment and other vineyard related assets located in Northern California (collectively the "Franciscan Acquisition"). The purchase price of the shares, including the assumption of indebtedness, net of cash acquired, was \$243.2 million. Franciscan Estates is one of the foremost super-premium and ultra-premium wine companies in California.

Also on June 4, 1999, the Company purchased all of the outstanding capital stock of Simi. (The acquisition of the capital stock of Simi is hereafter referred to as the "Simi Acquisition".) The purchase price of the shares was \$57.5 million. The Simi Acquisition included the Simi winery (located in Healdsburg, California), equipment, vineyards, inventory and worldwide ownership of the Simi brand name. Founded in 1876, Simi is one of the oldest and best known wineries in California, combining a strong super-premium and ultra-premium brand with a flexible and well-equipped facility and high quality vineyards in the key Sonoma appellation. On February 29, 2000, Simi was merged into Franciscan Estates.

The Franciscan and Simi Acquisitions have established the Company as a leading producer and marketer of super-premium and ultra-premium wine. Together, Franciscan Estates and Simi represent one of the largest super-premium and ultra-premium wine companies in the United States. The Company operates Franciscan Estates and Simi, and their properties, together as a separate business segment (collectively, "Franciscan").

#### ACQUISITION OF THE BLACK VELVET ASSETS

On April 9, 1999, in an asset acquisition, the Company acquired several well-known Canadian whisky brands, including Black Velvet, the third best selling Canadian whisky and the 16th best selling distilled spirits brand in the United States, production facilities located in Alberta and Quebec, Canada, case goods and bulk whisky inventories and other related assets from affiliates of Diageo plc (collectively, the "Black Velvet Assets"). Other principal brands acquired in the transaction were Golden Wedding, OFC, MacNaughton, McMaster's and Triple Crown. In connection with the transaction, the Company also entered into multi-year agreements with affiliates of Diageo plc to provide packaging and distilling services for various brands retained by the Diageo plc affiliates. The purchase price of the Black Velvet Assets was \$183.6 million.

The addition of the Canadian whisky brands from this transaction strengthened the Company's position in the North American distilled spirits category, and enhanced the Company's portfolio of brands

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and category participation. The acquired operations have been integrated into the Company's Barton segment.

#### ACQUISITION OF MATTHEW CLARK

On December 1, 1998, the Company acquired control of Matthew Clark and as of February 28, 1999, had acquired all of Matthew Clark's outstanding shares (the "Matthew Clark Acquisition"). The purchase price of the shares, including the assumption of indebtedness, net of cash acquired, was \$484.8 million. Matthew Clark has a number of leading market positions, including positions as the number one producer of branded wine, the number one branded producer of fortified British wine, the number two producer of cider, a leading branded bottler of sparkling water and the leading independent beverage wholesaler to the on-premise trade.

The Matthew Clark Acquisition has given the Company a presence in the United Kingdom and a platform for growth in the European market. The acquisition of Matthew Clark also offers potential benefits including distribution opportunities to market California-produced wine and U.S.-produced distilled spirits in the United Kingdom, as well as the potential to market Matthew Clark products in the United States.

Through these and prior acquisitions, the Company has become more competitive by: diversifying its portfolio; developing strong market positions in the growing beverage alcohol product categories of varietal table wine and imported beer; strengthening its relationships with wholesalers; expanding its distribution and enhancing its production capabilities; and acquiring additional management, operational, marketing, and research and development expertise.

#### BUSINESS SEGMENTS

The Company operates primarily in the beverage alcohol industry in North America and the United Kingdom. The Company reports its operating results in five segments: Canandaigua Wine (branded popular premium wine and brandy, and other, primarily grape juice concentrate); Barton (primarily beer and distilled spirits); Matthew Clark (branded wine, cider and bottled water, and wholesale wine, cider, distilled spirits, beer and soft drinks); Franciscan (primarily branded super-premium and ultra-premium wine) and Corporate Operations and Other (primarily corporate related items).

Information regarding net sales, operating income and total assets of each of the Company's business segments and information regarding geographic areas is set forth in Note 15 to the Company's consolidated financial statements located in Item 8 of this Annual Report on Form 10-K.

#### CANANDAIGUA WINE

Canandaigua Wine produces, bottles, imports and markets wine and brandy in the United States. It is the second largest supplier of wine in the United States and exports wine to approximately 60 countries from the United States. Canandaigua Wine sells table wine, dessert wine, sparkling wine and brandy. Its leading brands include Alice White, Almaden, Arbor Mist, Covey Run, Dunnewood, Estate Cellars, Inglenook, Manischewitz, Marcus James, Mystic Cliffs, Paul Masson, Talus, Taylor, Vendange, Vina Santa Carolina, Cook's, J. Roget, Richards Wild Irish Rose, and Paul Masson Grande Amber Brandy. Most of its wine is marketed in the \$4.00 to \$10.00 per 750 ml bottle price range.

As a related part of its U.S. wine business, Canandaigua Wine is a leading grape juice concentrate producer in the United States. Grape juice concentrate competes with other domestically produced and imported fruit-based concentrates. Canandaigua Wine's other wine-related products and services include

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bulk wine, cooking wine, grape juice and St. Regis, a leading de-alcoholized line of wine in the United States.

#### BARTON

Barton produces, bottles, imports and markets a diversified line of beer and distilled spirits. It is the second largest marketer of imported beer in the United States and distributes six of the top 25 imported beer brands in the United States: Corona Extra, Modelo Especial, Corona Light, Pacifico, St. Pauli Girl, and Negra Modelo. Corona Extra is the best selling imported beer in the United States. Barton's other imported beer brands include Tsingtao from China, Peroni from Italy and Double Diamond and Tetley's English Ale from the United Kingdom. Barton also operates the Stevens Point Brewery, a regional brewer located in Wisconsin, which produces Point Special, among other brands.

Barton is the fourth largest supplier of distilled spirits in the United States and exports distilled spirits to approximately 25 countries from the United States. Barton's principal distilled spirits brands include Black Velvet, Fleischmann's, Mr. Boston, Canadian LTD, Chi-Chi's prepared cocktails, Ten High, Montezuma, Barton, Monte Alban and Inver House. Substantially all of Barton's distilled spirits unit volume consists of products marketed in the value and mid-premium priced category. Barton also sells distilled spirits in bulk and provides contract production and bottling services for third parties.

#### MATTHEW CLARK

Matthew Clark is a leading producer and marketer of cider, wine and bottled water and a leading drinks wholesaler throughout the United Kingdom. Matthew Clark also exports its branded products to approximately 50 countries from the United Kingdom. Matthew Clark is the second largest producer and marketer of cider in the United Kingdom. Matthew Clark distributes its cider brands in both the on-premise and off-premise. Matthew Clark's leading cider brands include Blackthorn, the number two cider brand in the United Kingdom, Gaymer's Olde English, the United Kingdom's second largest cider brand in the take-home market, Diamond White and K.

Matthew Clark's Stowells of Chelsea brand is the best selling branded table wine in the United Kingdom. Matthew Clark is the largest supplier of wine to the on-premise trade in the United Kingdom and maintains a leading market share position in fortified British wine through its QC and Stone's brand names. It also produces and markets Strathmore bottled water in the United Kingdom, the fourth largest bottled water brand and a leading sparkling water brand in the country.

Matthew Clark is the leading independent beverage wholesaler to the on-premise trade in the United Kingdom and has one of the largest customer bases in the United Kingdom, with more than 16,000 on-premise accounts. Matthew Clark's wholesaling business involves the distribution of branded wine, distilled spirits, cider, beer and soft drinks. While these products are primarily produced by third parties, they also include Matthew Clark's branded cider and wine products.

## FRANCISCAN

The Company's Franciscan segment is a major player in the super-premium and ultra-premium wine market. The Franciscan segment includes the prestigious Franciscan Oakville Estate (in Napa Valley, California), Estancia (in Monterey and Sonoma, California), Simi (in Sonoma, California), Mt. Veeder and Quintessa (in Napa Valley, California), and Veramonte (in the Casablanca Valley, Chile) wines. The portfolio of fine wines is supported by the division's winery and vineyard holdings in California and Chile. These brands are marketed by a dedicated sales force, primarily focusing on high-end restaurants and fine wine shops. Franciscan also exports its products to approximately 20 countries from the United States.

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## CORPORATE OPERATIONS AND OTHER

Corporate Operations and Other includes traditional corporate related items and the results of an immaterial operation.

## MARKETING AND DISTRIBUTION

### NORTH AMERICA

The Company's products are distributed and sold throughout North America through over 1,000 wholesalers, as well as through state and provincial alcoholic beverage control agencies. Canandaigua Wine, Barton and Franciscan employ full-time, in-house marketing, sales and customer service organizations to develop and service their sales to wholesalers and state agencies.

The Company believes that the organization of its sales force into separate segments positions it to maintain a high degree of focus on each of its principal product categories. However, where appropriate, the Company leverages its sales and marketing skills across the organization, particularly in national accounts.

The Company's marketing strategy places primary emphasis upon promotional programs directed at its broad national distribution network, and at the retailers served by that network. The Company has extensive marketing programs for its brands including promotional programs on both a national basis and regional basis in accordance with the strength of the brands, point-of-sale materials, consumer media advertising, event sponsorship, market research, trade advertising and public relations.

### UNITED KINGDOM

The Company's U.K.-produced branded products are distributed throughout the United Kingdom by Matthew Clark. The products are packaged at one of three production facilities. Shipments of cider and wine are then made to Matthew Clark's national distribution center for branded products. All branded products are then distributed to either the on-premise or off-premise markets with some of the sales to on-premise customers made through Matthew Clark's wholesale business. Matthew Clark's wholesale products are distributed through 11 depots located throughout the United Kingdom. On-premise distribution channels include hotels, restaurants, pubs, wine bars and clubs. The off-premise distribution channels include grocers, convenience retail and cash-and-carry outlets.

Matthew Clark employs a full-time, in-house marketing and sales organization that targets off-premise customers for Matthew Clark's branded products. Matthew Clark also employs a full-time, in-house branded products marketing and sales organization that services specifically the on-premise market in the United Kingdom. Additionally, Matthew Clark employs a full-time, in-house marketing and sales organization to service the customers of its wholesale business.

## TRADEMARKS AND DISTRIBUTION AGREEMENTS

The Company's products are sold under a number of trademarks, most of which are owned by the Company. The Company also produces and sells wine and distilled spirits products under exclusive license or distribution agreements. Important agreements include a long-term license agreement with Hiram Walker & Sons, Inc., which expires in 2116, for the Ten High, Crystal Palace, Northern Light and Imperial Spirits brands; and a long-term license agreement with the B. Manischewitz Company, which expires in 2042, for the Manischewitz brand of kosher wine. On September 30, 1998, under the provisions of an existing long-term license agreement, Nabisco Brands Company agreed to transfer to

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Barton all of its right, title and interest to the corporate name "Fleischmann Distilling Company" and worldwide trademark rights to the "Fleischmann" mark for alcoholic beverages. Pending the completion of the assignment of such interests, the license will remain in effect. The Company also has other less significant license and distribution agreements related to the sale of wine and distilled spirits with terms of various durations.

All of the Company's imported beer products are marketed and sold pursuant to exclusive distribution agreements with the suppliers of these products. These agreements have terms that vary and prohibit us from importing other beer from other producers from the same country. The Company's agreement to distribute Corona Extra and other Mexican beer brands exclusively throughout 25 primarily western U.S. states expires in December 2006 and, subject to compliance with certain performance criteria, continued retention of certain Company personnel and other terms under the agreement, will be automatically renewed for additional terms of five years. Changes in control of the Company or of its subsidiaries involved in importing the Mexican beer brands, changes in the position of the Chief Executive Officer of Barton Beers, Ltd., including by death or disability, or the termination of the President of Barton Incorporated, may be a basis for the supplier, unless it consents to such changes, to terminate the agreement. The supplier's consent to such changes may not be unreasonably withheld. The Company's agreement for the importation of St. Pauli Girl expires in June 2003. Prior to their expiration, these agreements may be terminated if the Company fails to meet certain performance criteria. The Company believes it is currently in compliance with its material imported beer distribution agreements. From time to time, the Company has failed, and may in the future fail, to satisfy certain performance criteria in its distribution agreements. Although there can be no assurance that the Company's beer distribution agreements will be renewed, given the Company's long-term relationships with its suppliers, the Company expects that such agreements will be renewed prior to their expiration and does not believe that these agreements will be terminated.

The Company owns the trademarks for most of the brands that were acquired in the Matthew Clark acquisition. The Company has a series of distribution agreements and supply agreements in the United Kingdom related to the sale of its products with varying terms and durations.

#### COMPETITION

The beverage alcohol industry is highly competitive. The Company competes on the basis of quality, price, brand recognition and distribution. The Company's beverage alcohol products compete with other alcoholic and nonalcoholic beverages for consumer purchases, as well as shelf space in retail stores, a presence in restaurants and marketing focus by the Company's wholesalers. The Company competes with numerous multinational producers and distributors of beverage alcohol products, some of which may have greater resources than the Company. In the United States, Canandaigua Wine's principal competitors include E & J Gallo Winery and The Wine Group. Barton's principal competitors include Heineken USA, Molson Breweries USA, Labatt's USA, Guinness Import Company, Brown-Forman Beverages, Jim Beam Brands and Heaven Hill Distilleries, Inc. Franciscan's principal competitors include Beringer Blass, Robert Mondavi Corp., and Kendall-Jackson. In the United Kingdom, Matthew Clark's principal competitors include H.P. Bulmer, Halewood Vintners, Waverley Vintners and Perrier. In connection with its wholesale business, Matthew Clark distributes the branded wine of third parties that compete directly against its own wine brands.

#### PRODUCTION

In the United States, the Company's wine is produced from several varieties of wine grapes grown principally in California and New York. The grapes are crushed at the Company's wineries and stored as wine, grape juice or concentrate. Such grape products may be made into wine for sale under the Company's brand names, sold to other companies for resale under their own labels, or shipped to

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customers in the form of juice, juice concentrate, unfinished wine, high-proof grape spirits or brandy. Most of the Company's wine is bottled and sold within 18 months after the grape crush. The Company's inventories of wine, grape juice and concentrate are usually at their highest levels in November and December immediately after the crush of each year's grape harvest, and are substantially reduced prior to the subsequent year's crush.

The bourbon whiskeys, domestic blended whiskeys and light whiskeys marketed by the Company are primarily produced and aged by the Company at its distillery in Bardstown, Kentucky. Following the Black Velvet Assets acquisition, the majority of the Company's Canadian whisky requirements are produced and aged at its Canadian distilleries in Lethbridge, Alberta, and Valleyfield, Quebec. At its Albany, Georgia, facility, the Company produces all of the neutral grain spirits and whiskeys it uses in the production of vodka, gin and blended whiskey it sells to customers in the state of Georgia. The Company's requirements of Scotch whisky, tequila, mezcal and the neutral grain spirits it uses in the production of gin and vodka for sale outside of Georgia, and other spirits products, are purchased from various suppliers.

The Company operates three facilities in the United Kingdom that produce, bottle and package cider, wine and water. To produce Stowells of Chelsea, wine is imported in bulk from various countries such as Chile, Germany, France,

Spain, South Africa and Australia, which is then packaged at the Company's facility at Bristol and distributed under the Stowells of Chelsea brand name. Cider production was consolidated at the Company's facility at Shepton Mallet, where apples of many different varieties are purchased from U.K. growers and crushed. This juice, along with European-sourced concentrate, is then fermented into cider. The Strathmore brand of bottled water (which is available in still, sparkling, and flavored varieties) is sourced and bottled in Forfar, Scotland.

The Company operates one winery in Chile that crushes, vinifies, cellars and bottles wine.

#### SOURCES AND AVAILABILITY OF RAW MATERIALS

The principal components in the production of the Company's branded beverage alcohol products are packaging materials (primarily glass) and agricultural products, such as grapes and grain. The Company utilizes glass and polyethylene terephthalate ("PET") bottles and other materials such as caps, corks, capsules, labels and cardboard cartons in the bottling and packaging of its products. Glass bottle costs are one of the largest components of the Company's cost of product sold. The glass bottle industry is highly concentrated with only a small number of producers. The Company has traditionally obtained, and continues to obtain, its glass requirements from a limited number of producers. The Company has not experienced difficulty in satisfying its requirements with respect to any of the foregoing and considers its sources of supply to be adequate. However, the inability of any of the Company's glass bottle suppliers to satisfy the Company's requirements could adversely affect the Company's operations.

Most of the Company's annual grape requirements are satisfied by purchases from each year's harvest which normally begins in August and runs through October. The Company believes that it has adequate sources of grape supplies to meet its sales expectations. However, in the event demand for certain wine products exceeds expectations, the Company could experience shortages.

The Company purchases grapes from approximately 800 independent growers, principally in the San Joaquin Valley and Monterey regions of California and in New York State. The Company enters into written purchase agreements with a majority of these growers on a year-to-year basis. The Company currently owns or leases approximately 8,000 acres of land and vineyards, either fully bearing or under development, in California, New York and Chile. This acreage supplies only a small percentage of the Company's total needs. The Company continues to consider the purchase or lease of additional vineyards, and additional land for vineyard plantings, to supplement its grape supply.

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The distilled spirits manufactured by the Company require various agricultural products, neutral grain spirits and bulk spirits. The Company fulfills its requirements through purchases from various sources through contractual arrangements and through purchases on the open market. The Company believes that adequate supplies of the aforementioned products are available at the present time.

The Company manufactures cider, perry, light and fortified British wine from materials that are purchased either on a contracted basis or on the open market. In particular, supplies of cider apples are sourced through long-term supply arrangements with owners of apple orchards. There are adequate supplies of the various raw materials at this particular time.

#### GOVERNMENT REGULATION

The Company's operations in the United States are subject to extensive federal and state regulation. These regulations cover, among other matters, sales promotion, advertising and public relations, labeling and packaging, changes in officers or directors, ownership or control, distribution methods and relationships, and requirements regarding brand registration and the posting of prices and price changes. All of the Company's operations and facilities are also subject to federal, state, foreign and local environmental laws and regulations and the Company is required to obtain permits and licenses to operate its facilities.

In the United Kingdom, the Company has secured a Customs and Excise License to carry on its excise trade. Licenses are required for all premises where wine is produced. The Company holds a license to act as an excise warehouse operator. Registrations have been secured for the production of cider and bottled water. Formal approval of product labeling is not required.

In Canada, the Company's operations are also subject to extensive federal and provincial regulation. These regulations cover, among other matters, advertising and public relations, labeling and packaging, environmental matters and customs and duty requirements. The Company is also required to obtain licenses and permits to operate its facilities.

The Company believes that it is in compliance in all material respects with all applicable governmental laws and regulations and that the cost of



administration and compliance with, and liability under, such laws and regulations does not have, and is not expected to have, a material adverse impact on the Company's financial condition, results of operations or cash flows.

#### EMPLOYEES

The Company had approximately 3,000 full-time employees in the United States at the end of April 2001, of which approximately 830 were covered by collective bargaining agreements. Additional workers may be employed by the Company during the grape crushing season.

The Company had approximately 1,770 full-time employees in the United Kingdom at the end of April 2001, of which approximately 410 were covered by collective bargaining agreements. Additional workers may be employed during the peak season.

The Company had approximately 220 full-time employees in Canada at the end of April 2001, of which approximately 160 were covered by collective bargaining agreements.

The Company considers its employee relations generally to be good.

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#### INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control, that could cause actual results to differ materially from those set forth in, or implied by, such forward-looking statements. All statements other than statements of historical facts included in this Annual Report on Form 10-K, including the statements under this Item 1 "Business" and Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding our business strategy, future financial position, prospects, plans and objectives of management, as well as information concerning expected actions of third parties are forward-looking statements. All forward-looking statements speak only as of the date of this Annual Report on Form 10-K. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. In addition to the risks and uncertainties of ordinary business operations, important factors that could cause actual results to differ materially from those set forth in, or implied by the Company's forward-looking statements contained in this Annual Report on Form 10-K are as follows:

#### COMPETITION COULD HAVE A MATERIAL ADVERSE EFFECT ON THE COMPANY'S BUSINESS.

The Company is in a highly competitive industry and the dollar amount, and unit volume, of its sales could be negatively affected by its inability to maintain or increase prices, changes in geographic or product mix, a general decline in beverage alcohol consumption or the decision of our wholesale customers, retailers or consumers to purchase competitive products instead of the Company's products. Wholesaler, retailer and consumer purchasing decisions are influenced by, among other things, the perceived absolute or relative overall value of the Company's products, including their quality or pricing, compared to competitive products. Unit volume and dollar sales could also be affected by pricing, purchasing, financing, operational, advertising or promotional decisions made by wholesalers and retailers which could affect their supply of, or consumer demand for, the Company's products. The Company could also experience higher than expected selling, general and administrative expenses if the Company finds it necessary to increase the number of its personnel or advertising or promotional expenditures to maintain its competitive position or for other reasons.

#### INCREASE IN EXCISE TAXES AND GOVERNMENT RESTRICTIONS COULD HAVE A MATERIAL ADVERSE EFFECT ON THE COMPANY'S BUSINESS.

In the United States, the federal government and individual states impose excise taxes on beverage alcohol products in varying amounts which have been subject to change. Increases in excise taxes on beverage alcohol products, if enacted, could materially and adversely affect the Company's financial condition or results of operations. In addition, the beverage alcohol products industry is subject to extensive regulation by state and federal agencies. The federal U.S. Bureau of Alcohol, Tobacco and Firearms and the various state liquor authorities regulate such matters as licensing requirements, trade and pricing practices, permitted and required labeling, advertising and relations with wholesalers and retailers. In recent years, federal and state regulators have required warning labels and signage. In the United Kingdom, Matthew Clark carries on its operations under a Customs and Excise License. Licenses are required for all premises where wine is produced. Matthew Clark holds a license to act as an

excise warehouse operator and registrations have been secured for the production of cider and bottled water. New or revised regulations or increased licensing fees and requirements could have a material adverse effect on the Company's financial condition or results of operations.

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THE COMPANY RELIES ON THE PERFORMANCE OF WHOLESALE DISTRIBUTORS FOR THE SUCCESS OF ITS BUSINESS.

In the United States, the Company sells its products principally to wholesalers for resale to retail outlets including grocery stores, package liquor stores, club and discount stores and restaurants. The replacement or poor performance of the Company's major wholesalers or the Company's inability to collect accounts receivable from the Company's major wholesalers could materially and adversely affect the Company's results of operations and financial condition. Distribution channels for beverage alcohol products have been characterized in recent years by rapid change, including consolidations of certain wholesalers. In addition, wholesalers and retailers of the Company's products offer products which compete directly with the Company's products for retail shelf space and consumer purchases. Accordingly, there is a risk that these wholesalers or retailers may give higher priority to products of the Company's competitors. In the future, the Company's wholesalers and retailers may not continue to purchase the Company's products or provide the Company's products with adequate levels of promotional support.

THE COMPANY'S BUSINESS COULD BE ADVERSELY AFFECTED BY A GENERAL DECLINE IN THE CONSUMPTION OF PRODUCTS THE COMPANY SELLS.

In the United States the overall per capita consumption of beverage alcohol products by adults (ages 21 and over) has declined substantially over the past 20 years. These declines have been caused by a variety of factors including:

- increased concern about the health consequences of consuming beverage alcohol products and about drinking and driving;
- a trend toward a healthier diet including lighter, lower calorie beverages such as diet soft drinks, juices and water products;
- the increased activity of anti-alcohol consumer groups; and
- increased federal and state excise taxes.

THE COMPANY GENERALLY DOES NOT HAVE LONG-TERM SUPPLY CONTRACTS AND THE COMPANY IS SUBJECT TO SUBSTANTIAL PRICE FLUCTUATIONS FOR GRAPES AND GRAPE-RELATED MATERIALS; THE COMPANY HAS A LIMITED GROUP OF SUPPLIERS OF GLASS BOTTLES.

The Company's business is heavily dependent upon raw materials, such as grapes, grape juice concentrate, grains, alcohol and packaging materials from third-party suppliers. The Company could experience raw material supply, production or shipment difficulties which could adversely affect the Company's ability to supply goods to its customers. The Company is also directly affected by increases in the costs of such raw materials. In the past, the Company has experienced dramatic increases in the cost of grapes. Although the Company believes it has adequate sources of grape supplies, in the event demand for certain wine products exceeds expectations, the Company could experience shortages. In addition, one of the Company's largest components of cost of goods sold is that of glass bottles, which have only a small number of producers. The inability of any of the Company's glass bottle suppliers to satisfy its requirements could adversely affect the Company's business.

CURRENCY RATE FLUCTUATIONS/FOREIGN OPERATIONS.

The Company has operations in different countries and, therefore, is subject to the risks associated with currency fluctuations. The Company could experience changes in its ability to obtain or hedge against foreign currency, foreign exchange rates and fluctuations in those rates. The Company could also be affected by nationalizations or unstable governments or legal systems or intergovernmental

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disputes. These currency, economic and political uncertainties may affect the Company's results, especially to the extent these matters, or the decisions, policies or economic strength of the Company's suppliers, affect the Company's foreign operations or imported beer products.

THE COMPANY'S ACQUISITION STRATEGY MAY NOT BE SUCCESSFUL.

The Company has recently made a number of acquisitions and anticipates that it may, from time to time, acquire additional businesses, assets or securities of companies that the Company believes would provide a strategic fit with its business. Any other acquired business will need to be integrated with the Company's existing operations. There can be no assurance that the Company will effectively assimilate the business or product offerings of acquired companies

into its business or product offerings. Any acquisitions also will be accompanied by risks such as potential exposure to unknown liabilities of acquired companies, the difficulty and expense of integrating the operations and personnel of the acquired companies, the potential disruption to the Company's business, the diversion of management time and attention, the impairment of relationships with and the possible loss of key employees and customers of the acquired business, and the incurrence of amortization expenses if any acquisition is accounted for as a purchase. The Company's failure to adequately manage the risks associated with any acquisition could have a material adverse effect on the Company's financial condition or results of operations.

THE TERMINATION OR NON-RENEWAL OF IMPORTED BEER DISTRIBUTION AGREEMENTS COULD HAVE A MATERIAL ADVERSE EFFECT ON THE COMPANY'S BUSINESS.

All of the Company's imported beer products are marketed and sold pursuant to exclusive distribution agreements with the suppliers of these products which are subject to renewal from time to time. Our exclusive agreement to distribute Corona Extra and our other Mexican beer brands in 25 primarily western U.S. states expires in December 2006 and, subject to compliance with certain performance criteria, continued retention of certain personnel and other terms of the agreement, will be automatically renewed for additional terms of five years. Changes in control of the Company or its subsidiaries involved in importing the Mexican beer brands, or changes in the chief executive officer of such subsidiaries, may be a basis for the supplier, unless it consents to such changes, to terminate the agreement. The supplier's consent to such changes may not be unreasonably withheld. Prior to their expiration, these agreements may be terminated if the Company fails to meet certain performance criteria. The Company believes that it is currently in compliance with all of its material imported beer distribution agreements. From time to time the Company has failed, and may in the future fail, to satisfy certain performance criteria in the Company's distribution agreements. It is possible that the Company's beer distribution agreements may not be renewed or may be terminated prior to expiration.

THE COMPANY'S INDEBTEDNESS COULD HAVE A MATERIAL ADVERSE EFFECT ON ITS FINANCIAL HEALTH.

The Company has incurred substantial indebtedness to finance its acquisitions and may incur substantial additional indebtedness in the future to finance further acquisitions. The Company's ability to satisfy its financial obligations under the Company's indebtedness outstanding from time to time will depend upon the Company's future operating performance, which is subject to prevailing economic conditions, levels of interest rates and financial, business and other factors, many of which are beyond the Company's control. Therefore, there can be no assurance that the Company's cash flow from operations will be sufficient to meet all of its debt service requirements and to fund its capital expenditure requirements.

The Company's current and future debt service obligations and covenants could have important consequences. Such obligations and covenants, include and may include the following:

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- the Company's ability to obtain financing for future working capital needs or acquisitions or other purposes may be limited;
- a significant portion of the Company's cash flow from operations will be dedicated to the payment of principal and interest on its indebtedness, thereby reducing funds available for operations;
- the Company is subject to restrictive covenants that could limit its ability to conduct its business; and
- the Company may be more vulnerable to adverse economic conditions than less leveraged competitors and, thus, may be limited in its ability to withstand competitive pressures.

The restrictive covenants included in the Company's senior credit facility and its indentures include, among others, those restricting additional liens, additional borrowing, the sale of assets, changes of control, the payment of dividends, transactions with affiliates, the making of investments and certain other fundamental changes. The senior credit facility also contains restrictions on acquisitions and certain financial ratio tests including a debt coverage ratio, a senior debt coverage ratio, a fixed charges ratio and an interest coverage ratio. These restrictions could limit the Company's ability to conduct business. A failure to comply with the obligations contained in the senior credit facility or its indentures could result in an event of default under such agreements, which could require the Company to immediately repay the related debt and also debt under other agreements that may contain cross-acceleration or cross-default provisions.

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## ITEM 2. PROPERTIES

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The Company consists of four business operating segments. Through these business segments, the Company currently operates wineries, distilling plants, bottling plants, a brewery, cider and water producing facilities, most of which include warehousing and distribution facilities on the premises. The Company also operates separate distribution centers under the Matthew Clark segment's wholesaling business. The Company believes that all of our facilities are in good condition and working order and have adequate capacity to meet its needs for the foreseeable future. The Company's corporate headquarters are located in offices leased in Fairport, New York.

### CANANDAIGUA WINE

Canandaigua Wine maintains its headquarters in owned and leased offices in Canandaigua, New York. It operates three wineries in New York, located in Canandaigua, Naples and Batavia; six wineries in California, located in Madera, Gonzales, Lodi, Escalon, Fresno and Ukiah; three wineries in Washington, located in Woodinville, Sunnyside and Zillah; and one winery in Caldwell, Idaho. All of the facilities in which these wineries operate are owned, except for the wineries in Batavia, New York; Caldwell, Idaho; and Woodinville, Washington, which are leased. Canandaigua Wine considers its principal wineries to be the Mission Bell winery in Madera, California; the Canandaigua winery in Canandaigua, New York; and the Riverland Vineyards winery in Gonzales, California. The Mission Bell winery crushes grapes, produces, bottles and distributes wine and produces grape juice concentrate. The Canandaigua winery crushes grapes and produces, bottles and distributes wine. The Riverland Vineyards winery crushes grapes and produces, bottles and distributes wine for Canandaigua Wine's account and, on a contractual basis, for third parties.

Canandaigua Wine currently owns or leases approximately 4,200 acres of vineyards, either fully bearing or under development, in California and New York.

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### BARTON

Barton maintains its headquarters in leased offices in Chicago, Illinois. It owns and operates four distilling plants, two in the United States and two in Canada. The two distilling plants in the United States are located in Bardstown, Kentucky; and Albany, Georgia; and the two distilling plants in Canada, which were acquired in connection with the Black Velvet Acquisition, are located in Valleyfield, Quebec; and Lethbridge, Alberta. Barton considers its principal distilling plants to be the facilities located in Bardstown, Kentucky; Valleyfield, Quebec; and Lethbridge, Alberta. The Bardstown facility distills, bottles and warehouses distilled spirits products for Barton's account and, on a contractual basis, for other participants in the industry. The two Canadian facilities distill, bottle and store Canadian whisky for Barton's own account, and distill and/or bottle and store Canadian whisky, vodka, rum, gin and liqueurs for third parties.

In the United States, Barton also operates a brewery and three bottling plants. The brewery is located in Stevens Point, Wisconsin; and the bottling plants are located in Atlanta, Georgia; Owensboro, Kentucky; and Carson, California. All of these facilities are owned by Barton except for the bottling plant in Carson, California, which is operated and leased through an arrangement involving an ongoing management contract. Barton considers the bottling plant located in Owensboro, Kentucky to be one of its principal facilities. The Owensboro facility bottles and warehouses distilled spirits products for Barton's account and is also utilized for contract bottling.

### MATTHEW CLARK

Matthew Clark maintains its headquarters in owned offices in Bristol, England. It currently owns and operates two facilities in England that are located in Bristol and Shepton Mallet and one facility in Scotland, located in Forfar. Matthew Clark considers all three facilities to be its principal facilities. The Bristol facility produces, bottles and packages wine; the Shepton Mallet facility produces, bottles and packages cider; and the Forfar facility produces, bottles and packages water products. Matthew Clark also owns another facility in England, located in Taunton, the operations of which have now been consolidated into its Shepton Mallet facility. Matthew Clark plans to sell the Taunton property.

Matthew Clark operates a National Distribution Centre, located at Severnside, England to distribute its products that are produced at the Bristol and Shepton Mallet facilities. This distribution facility is leased by Matthew Clark. To support its wholesaling business, Matthew Clark operates 11 distribution centers located throughout the United Kingdom, all of which are leased. These 11 distribution centers are used to distribute products produced by third parties, as well as by Matthew Clark. Matthew Clark has been and will continue consolidating the operations of its wholesaling distribution centers.

## FRANCISCAN

Franciscan maintains its headquarters in offices owned in Rutherford, California. Through this segment the Company owns and operates four wineries in the United States and, through a majority owned subsidiary, operates one winery in Chile. All four wineries in the United States are located in the state of California, in Rutherford, Healdsburg, Monterey and Mt. Veeder, and the winery in Chile is located in the Casablanca Valley. Franciscan considers its principal wineries to be those located in Rutherford, California; Healdsburg, California; Monterey, California; and the Casablanca Valley, Chile. The wineries in Rutherford, California; Healdsburg, California; and the Casablanca Valley, Chile crush grapes, vinify, cellar and bottle wine. The winery in Monterey, California crushes, vinifies and cellars wine.

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Franciscan also owns and leases approximately 2,800 plantable acres of vineyards in California and approximately 1,000 plantable acres of vineyards in Chile.

### ITEM 3. LEGAL PROCEEDINGS

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

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

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Not Applicable.

### EXECUTIVE OFFICERS OF THE COMPANY

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

NAME	AGE	OFFICE HELD
- - - -	---	- - - - -
Richard Sands	50	Chairman of the Board, President and Chief Executive Officer
Robert Sands	42	Group President
Peter Aikens	62	President and Chief Executive Officer of Matthew Clark plc
Alexander L. Berk	51	President and Chief Executive Officer of Barton Incorporated
Agustin Francisco Huneeus	35	President of Franciscan Vineyards, Inc.
Jon Moramarco	44	President and Chief Executive Officer of Canandaigua Wine Company, Inc.
Thomas J. Mullin	49	Executive Vice President and General Counsel
George H. Murray	54	Executive Vice President and Chief Human Resources Officer
Thomas S. Summer	47	Executive Vice President and Chief Financial Officer

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

Robert Sands was appointed Group President in April 2000 and has served as a director since January 1990. Mr. Sands also had served as Vice President from June 1990 through October 1993, as Executive Vice President from October 1993 through April 2000, and as General Counsel from June 1986 through May 2000. He is the brother of Richard Sands.

Peter Aikens serves as President and Chief Executive Officer of Matthew Clark plc, a wholly owned subsidiary of the Company. In this capacity, Mr. Aikens is in charge of the Company's Matthew Clark segment, and has been since the Company acquired control of Matthew Clark in December 1998. He has been the Chief Executive Officer of Matthew Clark plc since May 1990 and has been in the brewing and drinks industry for most of his career.

Alexander L. Berk serves as President and Chief Executive Officer of Barton Incorporated, a wholly owned subsidiary of the Company. In this capacity, Mr. Berk is in charge of the Company's

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Barton segment. From 1990 until February 1998, Mr. Berk was President and Chief Operating Officer of Barton and from 1988 to 1990, he was the President and Chief Executive Officer of Schenley Industries. Mr. Berk has been in the beverage alcohol industry for most of his career, serving in various positions.

Agustin Francisco Huneeus serves as President of Franciscan Vineyards, Inc., a wholly owned subsidiary of the Company. In this capacity, Mr. Huneeus is in charge of the Company's Franciscan segment. Since December 1995 and prior to becoming President on May 15, 2000, he served in various positions with Franciscan, the last of which was Senior Vice President, Sales and Marketing. From June 1994 to December 1995, he was an associate in the branded consumer venture group of Hambrecht & Quist.

Jon Moramarco joined Canandaigua Wine Company, Inc., a wholly owned subsidiary of the Company, in November 1999 as its President and Chief Executive Officer. In this capacity, Mr. Moramarco is in charge of the Company's Canandaigua Wine segment. Prior to joining Canandaigua Wine Company, Inc., he served as President and Chief Executive Officer of Allied Domecq Wines, USA since 1992. Mr. Moramarco has more than 15 years of diverse experience in the wine industry, including prior service as Chairman of the American Vintners Association, a national wine trade organization.

Thomas J. Mullin joined the Company as Executive Vice President and General Counsel on May 30, 2000. Prior to joining the Company, Mr. Mullin served as President and Chief Executive Officer of TD Waterhouse Bank, NA since February 2000, of CT USA, F.S.B. since September 1998, and of CT USA, Inc. since March 1997. He also served as Executive Vice President, Business Development and Corporate Strategy of C.T. Financial Services, Inc. from March 1997 through February 2000. From 1985 through 1997, Mr. Mullin served as Vice Chairman and Senior Executive Vice President of First Federal Savings and Loan Association of Rochester, New York and from 1982 through 1985, he was a partner in the law firm of Phillips, Lytle, Hitchcock, Blaine & Huber.

George H. Murray joined the Company in April 1997 as Senior Vice President and Chief Human Resources Officer and in April 2000 was elected Executive Vice President. From August 1994 to April 1997, Mr. Murray served as Vice President - Human Resources and Corporate Communications of ACC Corp., an international long distance reseller. For eight and a half years prior to that, he served in various senior management positions with First Federal Savings and Loan Association of Rochester, New York, including the position of Senior Vice President of Human Resources and Marketing from 1991 to 1994.

Thomas S. Summer joined the Company in April 1997 as Senior Vice President and Chief Financial Officer and in April 2000 was elected Executive Vice President. From November 1991 to April 1997, Mr. Summer served as Vice President, Treasurer of Cardinal Health, Inc., a large national health care services company, where he was responsible for directing financing strategies and treasury matters. Prior to that, from November 1987 to November 1991, Mr. Summer held several positions in corporate finance and international treasury with PepsiCo, Inc.

Executive officers of the Company hold office until the next Annual Meeting of the Board of Directors and until their successors are chosen and qualify.

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## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER

#### MATTERS

On September 19, 2000, when the Company changed its name to Constellation Brands, Inc., the Company's Class A Common Stock (the "Class A Stock") and Class B Common Stock (the "Class B Stock") began trading on the New York Stock Exchange(R) ("NYSE") under the symbols STZ and STZ.B, respectively. From October 12, 1999, to September 18, 2000, the Company's Class A Stock and Class B Stock traded on the NYSE under the symbols CDB and CDB.B, respectively. Prior to October 12, 1999, the Company's Class A Stock and Class B Stock traded on the Nasdaq Stock Market(R) ("NASDAQ") under the symbols CBRNA and CBRNB, respectively. (The Company delisted voluntarily its securities from NASDAQ in order to list its Class A Stock and Class B Stock on the NYSE.)

The following tables set forth for the periods indicated the high and low sales prices of the Class A Stock and the Class B Stock, as adjusted to give retroactive effect to the May 14, 2001, two-for-one stock split. With respect to the first two quarters of Fiscal 2000, the high and low sales prices of the Class A Stock and the Class B Stock reflect trades on the NASDAQ. For the 3rd Quarter of Fiscal 2000, the high and low sales prices of the Class A Stock reflect trades on the NASDAQ and the NYSE, respectively, and the high and low sales prices of the Class B Stock reflect trades on the NASDAQ. For the 4th Quarter of Fiscal 2000 and for all periods of Fiscal 2001, the high and low sales prices of the Class A Stock and Class B Stock reflect trades on the NYSE.

CLASS A STOCK

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Fiscal 2000				
High	\$ 27.63	\$ 30.19	\$ 30.59	\$ 27.34
Low	\$ 22.69	\$ 21.44	\$ 26.50	\$ 23.38
Fiscal 2001				
High	\$ 27.88	\$ 27.78	\$ 29.22	\$ 34.30
Low	\$ 20.19	\$ 21.91	\$ 22.94	\$ 23.50

CLASS B STOCK

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Fiscal 2000				
High	\$ 26.50	\$ 30.00	\$ 30.38	\$ 28.88
Low	\$ 23.75	\$ 22.13	\$ 28.00	\$ 24.50
Fiscal 2001				
High	\$ 27.00	\$ 27.50	\$ 28.06	\$ 33.50
Low	\$ 21.25	\$ 24.13	\$ 24.00	\$ 24.50

At May 15, 2001, the number of holders of record of Class A Stock and Class B Stock of the Company were 961 and 263, respectively.

The Company's policy is to retain all of its earnings to finance the development and expansion of its business, and the Company has not paid any cash dividends since its initial public offering in 1973. In addition, the Company's current senior credit facility, the Company's indenture for its \$130 million 8 3/4% Senior Subordinated Notes due December 2003, its indenture for its \$65 million 8 3/4% Series C Senior Subordinated Notes due December 2003, its indenture for its \$200 million 8 1/2% Senior Subordinated Notes due March 2009, its indenture for its \$200 million 8 5/8% Senior Notes due August 2006, its indenture for its \$200 million 8% Senior Notes due February 2008, its indenture for its (pound)1 million 8 1/2% Series B Senior Notes due November 2009 and its (pound)154 million 8 1/2% Series C Senior Notes due November 2009 restrict the payment of cash dividends. On April 10, 2001, the Company's

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Board of Directors approved a two-for-one split of both the Company's Class A Stock and Class B Stock, which was distributed in the form of a stock dividend on May 14, 2001, to stockholders of record on April 30, 2001. All share and per share amounts have been retroactively restated to give effect to the common stock split.

ITEM 6. SELECTED FINANCIAL DATA

	FOR THE YEAR ENDED FEBRUARY 28, 2001	FOR THE YEAR ENDED FEBRUARY 29, 2000	FOR THE YEARS ENDED FEBRUARY 28,		
			1999	1998	1997
(in thousands, except per share data)					
<S>	<C>	<C>	<C>	<C>	<C>
Gross sales	\$ 3,154,294	\$ 3,088,699	\$ 1,984,801	\$ 1,632,357	\$ 1,534,452
Less-excise taxes	(757,609)	(748,230)	(487,458)	(419,569)	(399,439)
Net sales	2,396,685	2,340,469	1,497,343	1,212,788	1,135,013
Cost of product sold	(1,639,230)	(1,618,009)	(1,049,309)	(869,038)	(812,812)
Gross profit	757,455	722,460	448,034	343,750	322,201
Selling, general and administrative expenses	(486,587)	(481,909)	(299,526)	(231,680)	(208,991)
Nonrecurring charges	-	(5,510)	(2,616)	-	-
Operating income	270,868	235,041	145,892	112,070	113,210
Interest expense, net	(108,631)	(106,082)	(41,462)	(32,189)	(34,050)
Income before taxes and extraordinary item	162,237	128,959	104,430	79,881	79,160
Provision for income taxes	(64,895)	(51,584)	(42,521)	(32,751)	(32,977)
Income before extraordinary item	97,342	77,375	61,909	47,130	46,183
Extraordinary item, net of income taxes	-	-	(11,437)	-	-

Net income	\$ 97,342	\$ 77,375	\$ 50,472	\$ 47,130	\$ 46,183
Earnings per common share:					
Basic:					
Income before extraordinary item	\$ 2.65	\$ 2.14	\$ 1.69	\$ 1.26	1.19
Extraordinary item	-	-	(0.31)	-	-
Earnings per common share - basic	\$ 2.65	\$ 2.14	\$ 1.38	\$ 1.26	\$ 1.19
Diluted:					
Income before extraordinary item	\$ 2.60	\$ 2.09	\$ 1.65	\$ 1.23	\$ 1.18
Extraordinary item	-	-	(0.30)	-	-
Earnings per common share - diluted	\$ 2.60	\$ 2.09	\$ 1.35	\$ 1.23	\$ 1.18
Total assets	\$ 2,512,169	\$ 2,348,791	\$ 1,793,776	\$ 1,090,555	\$ 1,043,281
Long-term debt	\$ 1,307,437	\$ 1,237,135	\$ 831,689	\$ 309,218	\$ 338,884

</TABLE>

For the fiscal year ended February 28, 2001, and for the fiscal year ended February 29, 2000, see Management's Discussion and Analysis of Financial Condition and Results of Operations under Item 7 of this Annual Report on Form 10-K and Notes to Consolidated Financial Statements as of February 28, 2001, under Item 8 of this Annual Report on Form 10-K.

On April 10, 2001, the Board of Directors of the Company approved a two-for-one stock split of both the Company's Class A Common Stock and Class B Common Stock, which was distributed in the

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form of a stock dividend on May 14, 2001, to stockholders of record on April 30, 2001. All share and per share amounts have been retroactively restated to give effect to the common stock split.

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

##### INTRODUCTION

The Company is a leader in the production and marketing of beverage alcohol brands in North America and the United Kingdom, and a leading independent drinks wholesaler in the United Kingdom. As the second largest supplier of wine, the second largest importer of beer and the fourth largest supplier of distilled spirits, the Company is the largest single-source supplier of these products in the United States. In the United Kingdom, the Company is a leading marketer of wine and the second largest producer and marketer of cider.

The Company reports its operating results in five segments: Canandaigua Wine (branded popular premium wine and brandy, and other, primarily grape juice concentrate); Barton (primarily beer and distilled spirits); Matthew Clark (branded wine, cider, and bottled water, and wholesale wine, cider, distilled spirits, beer and soft drinks); Franciscan (primarily branded super-premium and ultra-premium wine); and Corporate Operations and Other (primarily corporate related items).

The following discussion and analysis summarizes the significant factors affecting (i) consolidated results of operations of the Company for the year ended February 28, 2001 ("Fiscal 2001"), compared to the year ended February 29, 2000 ("Fiscal 2000"), and Fiscal 2000 compared to the year ended February 28, 1999 ("Fiscal 1999"), and (ii) financial liquidity and capital resources for Fiscal 2001. This discussion and analysis should be read in conjunction with the Company's consolidated financial statements and notes thereto included herein.

##### RECENT DEVELOPMENTS

###### COMMON STOCK SPLIT

On April 10, 2001, the Board of Directors of the Company approved a two-for-one stock split of both the Company's Class A Common Stock and Class B Common Stock, which was distributed in the form of a stock dividend on May 14, 2001, to stockholders of record on April 30, 2001. All share and per share



amounts have been retroactively restated to give effect to the common stock split.

#### PENDING ACQUISITION OF RAVENSWOOD WINERY

On April 10, 2001, the Company and Ravenswood Winery, Inc. ("Ravenswood") announced that they entered into a merger agreement under which the Company will acquire Ravenswood, a leading premium wine producer based in Sonoma, California. Under the terms of the merger agreement, the Company will pay \$29.50 in cash for each outstanding share of Ravenswood, or approximately \$148 million, and assume net debt, which the Company does not expect to be significant at the time of closing.

Ravenswood produces, markets and sells super-premium and ultra-premium California wines primarily under the Ravenswood brand name. The vast majority of the wines Ravenswood produces and sells are red wines, including the number one super-premium Zinfandel in the United States. The Company intends to manage Ravenswood through its Franciscan segment.

The proposed Ravenswood acquisition is in line with the Company's strategy of further penetrating the faster growing, higher gross profit margin super-premium and ultra-premium wine

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categories. The transaction is subject to satisfaction of customary closing conditions and is expected to close in late June or early July 2001. The Company cannot guarantee, however, that this transaction will be completed upon the agreed upon terms, or at all.

#### ACQUISITION OF THE CORUS ASSETS

On March 26, 2001, in an asset acquisition, the Company acquired certain wine brands, wineries, working capital (primarily inventories), and other related assets from Corus Brands, Inc. (the "Corus Assets"). In this acquisition, the Company acquired several well-known premium wine brands primarily sold in the northwestern United States, including Covey Run, Columbia, Ste. Chapelle and Alice White. In connection with the transaction, the Company also entered into long-term grape supply agreements with affiliates of Corus Brands, Inc. covering more than 1,000 acres of Washington and Idaho vineyards. The acquired operations are being integrated into the Company's Canandaigua Wine segment.

#### ACQUISITION OF THE TURNER ROAD VINTNERS ASSETS

On March 5, 2001, in an asset acquisition, the Company acquired several well-known premium wine brands, including Vendange, Nathanson Creek, Heritage, and Talus, working capital (primarily inventories), two wineries in California, and other related assets from Sebastiani Vineyards, Inc. and Tuolomne River Vintners Group (the "Turner Road Vintners Assets"). The acquired operations are being integrated into the Company's Canandaigua Wine segment. The acquisition of the Turner Road Vintners Assets is significant and the Company expects it to have a material impact on the Company's future results of operations.

#### ACQUISITIONS IN FISCAL 2001, FISCAL 2000 AND FISCAL 1999

##### ACQUISITION OF FORTH WINES

On October 27, 2000, Matthew Clark acquired all of the outstanding stock of Forth Wines, a wine and spirit wholesaler operating primarily in Scotland. The results of operation from the Forth Wines acquisition are reported in the Matthew Clark segment and have been included in the consolidated results of operations of the Company since the date of acquisition.

##### ACQUISITIONS OF FRANCISCAN ESTATES AND SIMI

On June 4, 1999, the Company purchased all of the outstanding capital stock of Franciscan Estates and, in related transactions, purchased vineyards, equipment and other vineyard related assets located in Northern California (collectively the "Franciscan Acquisition"). Also on June 4, 1999, the Company purchased all of the outstanding capital stock of Simi. (The acquisition of the capital stock of Simi is hereafter referred to as the "Simi Acquisition".) The Simi Acquisition included the Simi winery (located in Healdsburg, California), equipment, vineyards, inventory and worldwide ownership of the Simi brand name. The results of operations from the Franciscan and Simi Acquisitions (collectively, "Franciscan") are reported together in the Franciscan segment and have been included in the consolidated results of operation of the Company since the date of acquisition. On February 29, 2000, Simi was merged into Franciscan Estates.

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##### ACQUISITION OF THE BLACK VELVET ASSETS

On April 9, 1999, in an asset acquisition, the Company acquired several

well-known Canadian whisky brands, including Black Velvet, production facilities located in Alberta and Quebec, Canada, case goods and bulk whisky inventories and other related assets from affiliates of Diageo plc (collectively, the "Black Velvet Assets"). In connection with the transaction, the Company also entered into multi-year agreements with affiliates of Diageo plc to provide packaging and distilling services for various brands retained by the Diageo plc affiliates. The results of operations from the Black Velvet Assets are reported in the Barton segment and have been included in the consolidated results of operations of the Company since the date of acquisition.

#### ACQUISITION OF MATTHEW CLARK

On December 1, 1998, the Company acquired control of Matthew Clark plc ("Matthew Clark") and as of February 28, 1999, had acquired all of Matthew Clark's outstanding shares (the "Matthew Clark Acquisition"). Prior to the Matthew Clark Acquisition, the Company was principally a producer and supplier of wine and an importer and producer of beer and distilled spirits in the United States. The Matthew Clark Acquisition established the Company as a leading British producer of cider, wine and bottled water and as a leading beverage alcohol wholesaler in the United Kingdom. The results of operations of Matthew Clark have been included in the consolidated results of operations of the Company since the date of acquisition, December 1, 1998.

#### RESULTS OF OPERATIONS

#### FISCAL 2001 COMPARED TO FISCAL 2000

##### NET SALES

The following table sets forth the net sales (in thousands of dollars) by operating segment of the Company for Fiscal 2001 and Fiscal 2000.

	Fiscal 2001 Compared to Fiscal 2000		
	Net Sales		
	2001	2000	%Increase/ (Decrease)
Canandaigua Wine:			
Branded:			
External customers	\$ 603,948	\$ 623,796	(3.2)%
Intersegment	6,451	5,524	16.8 %
Total Branded	610,399	629,320	(3.0)%
Other:			
External customers	61,480	81,442	(24.5)%
Intersegment	16,562	1,146	1345.2 %
Total Other	78,042	82,588	(5.5)%
Canandaigua Wine net sales	\$ 688,441	\$ 711,908	(3.3)%
Barton:			
Beer	\$ 659,371	\$ 570,380	15.6 %
Spirits	285,743	267,762	6.7 %
Barton net sales	\$ 945,114	\$ 838,142	12.8 %

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	Fiscal 2001 Compared to Fiscal 2000		
	Net Sales		
	2001	2000	%Increase/ (Decrease)
Matthew Clark:			
Branded:			
External customers	\$ 285,717	\$ 313,027	(8.7)%
Intersegment	1,193	75	1490.7 %
Total Branded	286,910	313,102	(8.4)%
Wholesale	404,209	416,644	(3.0)%
Matthew Clark net sales	\$ 691,119	\$ 729,746	(5.3)%
Franciscan:			
External customers	\$ 92,898	\$ 62,046	49.7 %
Intersegment	217	73	197.3 %

Franciscan net sales	\$ 93,115	\$ 62,119	49.9 %
Corporate Operations and Other	\$ 3,319	\$ 5,372	(38.2)%
Intersegment eliminations	\$ (24,423)	\$ (6,818)	258.2 %
Consolidated Net Sales	\$ 2,396,685	\$ 2,340,469	2.4 %

Net sales for Fiscal 2001 increased to \$2,396.7 million from \$2,340.5 million for Fiscal 2000, an increase of \$56.2 million, or 2.4%.

#### Canandaigua Wine

Net sales for Canandaigua Wine for Fiscal 2001 decreased to \$688.4 million from \$711.9 million for Fiscal 2000, a decrease of \$23.5 million, or (3.3)%. The decline resulted primarily from a decrease in table wine sales, a decrease in sparkling wine sales as third quarter 2000 included the impact of sales associated with Millennium activities, and a decrease in grape juice concentrate sales. These decreases were partially offset by increases in sales of Paul Masson Grande Amber and Arbor Mist.

#### Barton

Net sales for Barton for Fiscal 2001 increased to \$945.1 million from \$838.1 million for Fiscal 2000, an increase of \$107.0 million, or 12.8%. This increase resulted primarily from volume growth and selling price increases in the Mexican beer portfolio, selling price increases on tequila products and the inclusion of \$11.3 million of incremental net sales during the first quarter of Fiscal 2001 from the Canadian whisky brands acquired as part of the Black Velvet Assets acquisition, which was completed in April 1999.

#### Matthew Clark

Net sales for Matthew Clark for Fiscal 2001 decreased to \$691.1 million from \$729.7 million for Fiscal 2000, a decrease of \$38.6 million, or (5.3)%. This decrease resulted primarily from an adverse foreign currency impact of \$58.8 million. On a local currency basis, net sales increased 2.8% primarily due to an increase in wholesale sales, including sales from the recent Forth Wines acquisition, an increase in branded table wine sales, and an increase in packaged cider sales. These increases were partially offset by decreases in private label cider and draft cider sales.

#### Franciscan

Net sales for Franciscan for Fiscal 2001 increased to \$93.1 million from \$62.1 million for Fiscal 2000, an increase of \$31.0 million, or 49.9%. As the acquisition of Franciscan was completed in June

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1999, this increase resulted primarily from the inclusion of \$21.9 million of net sales from the first quarter of Fiscal 2001 and from selling price increases instituted during the second quarter of Fiscal 2001.

#### GROSS PROFIT

The Company's gross profit increased to \$757.5 million for Fiscal 2001 from \$722.5 million for Fiscal 2000, an increase of \$35.0 million, or 4.8%. The dollar increase in gross profit was primarily related to volume growth and selling price increases in the Company's Mexican beer portfolio, sales attributable to the acquisitions of Franciscan (completed in June 1999) and the Black Velvet Assets (completed in April 1999), and increases in Franciscan's selling prices. These increases were partially offset by an adverse foreign currency impact. As a percent of net sales, gross profit increased to 31.6% for Fiscal 2001 from 30.9% for Fiscal 2000, resulting primarily from sales of higher-margin distilled spirits and super-premium and ultra-premium wine acquired in the acquisitions of the Black Velvet Assets and Franciscan, respectively, and from improved margins resulting from selling price increases in the Company's imported beer business and the Franciscan fine wine portfolio, as well as cost improvements in Matthew Clark's cider and wholesale businesses.

#### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased to \$486.6 million for Fiscal 2001 from \$481.9 million for Fiscal 2000, an increase of \$4.7 million, or 1.0%. The dollar increase in selling, general and administrative expenses resulted primarily from an increase in selling expenses in all operating segments, the inclusion of the Franciscan business and expenses

related to the brands acquired in the Black Velvet Assets acquisition for a full year in Fiscal 2001, and an increase in expenses in Corporate Operations. These increases were partially offset by a decrease in advertising and promotion expenses, primarily in Canandaigua Wine, and a favorable foreign currency impact. Selling, general and administrative expenses as a percent of net sales decreased to 20.3% for Fiscal 2001 as compared to 20.6% for Fiscal 2000 as the percent increase in net sales for Fiscal 2001 was greater than the percent increase in selling, general and administrative expenses for Fiscal 2001.

#### NONRECURRING CHARGES

The Company incurred nonrecurring charges of \$5.5 million in Fiscal 2000 related to the closure of a cider production facility within the Matthew Clark operating segment in the United Kingdom (\$2.9 million) and to a management reorganization within the Canandaigua Wine operating segment (\$2.6 million). No such charges were incurred in Fiscal 2001.

#### OPERATING INCOME

The following table sets forth the operating income/(loss) (in thousands of dollars) by operating segment of the Company for Fiscal 2001 and Fiscal 2000.

	Fiscal 2001 Compared to Fiscal 2000		
	Operating Income/(Loss)		
	2001	2000	% Increase
Canandaigua Wine	\$ 50,789	\$ 46,778	8.6%
Barton	167,680	142,931	17.3%
Matthew Clark	48,961	48,473	1.0%
Franciscan	24,495	12,708	92.8%
Corporate Operations and Other	(21,057)	(15,849)	32.9%
Consolidated Operating Income	\$ 270,868	\$ 235,041	15.2%

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As a result of the above factors, operating income increased to \$270.9 million for Fiscal 2001 from \$235.0 million for Fiscal 2000, an increase of \$35.8 million, or 15.2%. Exclusive of the aforementioned \$2.6 million in nonrecurring charges, operating income for the Canandaigua Wine operating segment increased 2.9% in Fiscal 2001 from \$49.3 million in Fiscal 2000. Operating income for the Matthew Clark operating segment, excluding the aforementioned nonrecurring charges of \$2.9 million, decreased 4.8% in Fiscal 2001 from \$51.4 million in Fiscal 2000.

#### INTEREST EXPENSE, NET

Net interest expense increased to \$108.6 million for Fiscal 2001 from \$106.1 million for Fiscal 2000, an increase of \$2.5 million, or 2.4%. The increase resulted primarily from an increase in the average interest rate which was partially offset by a decrease in average borrowings.

#### NET INCOME

As a result of the above factors, net income increased to \$97.3 million for Fiscal 2001 from \$77.4 million for Fiscal 2000, an increase of \$20.0 million, or 25.8%.

For financial analysis purposes only, the Company's earnings before interest, taxes, depreciation and amortization ("EBITDA") for Fiscal 2001 were \$341.3 million, an increase of \$41.5 million over EBITDA of \$299.8 million for Fiscal 2000. EBITDA should not be construed as an alternative to operating income or net cash flow from operating activities and should not be construed as an indication of operating performance or as a measure of liquidity.

#### FISCAL 2000 COMPARED TO FISCAL 1999

##### NET SALES

The following table sets forth the net sales (in thousands of dollars) by operating segment of the Company for Fiscal 2000 and Fiscal 1999.

	Fiscal 2000 Compared to Fiscal 1999		
	Net Sales		
	2000	1999	%Increase
Canandaigua Wine:			
Branded:			
External customers	\$ 623,796	\$ 598,782	4.2%
Intersegment	5,524	-	N/A

Total Branded	629,320	598,782	5.1%
Other:			
External customers	81,442	70,711	15.2%
Intersegment	1,146	-	N/A
Total Other	82,588	70,711	16.8%
Canandaigua Wine net sales	\$ 711,908	\$ 669,493	6.3%
Barton:			
Beer	\$ 570,380	\$ 478,611	19.2%
Spirits	267,762	185,938	44.0%
Barton net sales	\$ 838,142	\$ 664,549	26.1%

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#### Fiscal 2000 Compared to Fiscal 1999

	Net Sales		
	2000	1999	%Increase
Matthew Clark:			
Branded:			
External customers	\$ 313,027	\$ 64,879	382.5%
Intersegment	75	-	N/A
Total Branded	313,102	64,879	382.6%
Wholesale	416,644	93,881	343.8%
Matthew Clark net sales	\$ 729,746	\$ 158,760	359.7%
Franciscan:			
External customers	\$ 62,046	\$ -	N/A
Intersegment	73	-	N/A
Franciscan net sales	\$ 62,119	\$ -	N/A
Corporate Operations and Other	\$ 5,372	\$ 4,541	18.3%
Intersegment eliminations	\$ (6,818)	\$ -	N/A
Consolidated Net Sales	\$ 2,340,469	\$ 1,497,343	56.3%

Net sales for Fiscal 2000 increased to \$2,340.5 million from \$1,497.3 million for Fiscal 1999, an increase of \$843.1 million, or 56.3%.

#### Canandaigua Wine

Net sales for Canandaigua Wine for Fiscal 2000 increased to \$711.9 million from \$669.5 million for Fiscal 1999, an increase of \$42.4 million, or 6.3%. This increase resulted primarily from (i) an increase in sales of Arbor Mist, which was introduced in the second quarter of Fiscal 1999, (ii) an increase in the Company's bulk wine sales, (iii) an increase in sparkling wine sales as a result of Millennium sales, and (iv) an increase in Almaden box wine sales. These increases were partially offset by declines in certain other wine brands.

#### Barton

Net sales for Barton for Fiscal 2000 increased to \$838.1 million from \$664.5 million for Fiscal 1999, an increase of \$173.6 million, or 26.1%. This increase resulted primarily from volume growth and selling price increases in the Mexican beer portfolio as well as from \$81.3 million of sales of products and services acquired in the acquisition of the Black Velvet Assets, which was completed in April 1999.

#### Matthew Clark

Net sales for Matthew Clark for Fiscal 2000 increased to \$729.7 million from \$158.8 million for Fiscal 1999, an increase of \$571.0 million, or 359.7%. The Company acquired control of Matthew Clark during the fourth quarter of Fiscal 1999.

#### Franciscan

Net sales for Franciscan for Fiscal 2000 since the date of acquisition,

June 4, 1999, were \$62.1 million.

#### GROSS PROFIT

The Company's gross profit increased to \$722.5 million for Fiscal 2000 from \$448.0 million for Fiscal 1999, an increase of \$274.4 million, or 61.3%. The dollar increase in gross profit was primarily related to sales attributable to the acquisitions of Matthew Clark, the Black Velvet Assets and Franciscan,

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all completed after the third quarter of Fiscal 1999, as well as increased Barton beer and Canandaigua Wine branded wine sales. As a percent of net sales, gross profit increased to 30.9% for Fiscal 2000 from 29.9% for Fiscal 1999. The increase in the gross profit margin resulted primarily from the sales of higher-margin distilled spirits and super-premium and ultra-premium wine acquired in the acquisitions of the Black Velvet Assets and Franciscan, respectively.

#### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased to \$481.9 million for Fiscal 2000 from \$299.5 million for Fiscal 1999, an increase of \$182.4 million, or 60.9%. The dollar increase in selling, general and administrative expenses resulted primarily from the addition of the Matthew Clark and Franciscan businesses and expenses related to the brands acquired in the Black Velvet Assets acquisition. The Company also increased its marketing and promotional costs to generate additional sales volume, particularly of certain Canandaigua Wine brands and Barton beer brands. Selling, general and administrative expenses as a percent of net sales increased to 20.6% for Fiscal 2000 as compared to 20.0% for Fiscal 1999. The increase in percent of net sales resulted primarily from (i) Canandaigua Wine's investment in brand building and efforts to increase market share and (ii) the acquisitions of Matthew Clark and Franciscan, as Matthew Clark's and Franciscan's selling, general and administrative expenses as a percent of net sales are typically at the high end of the range of the Company's operating segments' percentages.

#### NONRECURRING CHARGES

The Company incurred nonrecurring charges of \$5.5 million in Fiscal 2000 related to the closure of a cider production facility within the Matthew Clark operating segment in the United Kingdom and to a management reorganization within the Canandaigua Wine operating segment. In Fiscal 1999, nonrecurring charges of \$2.6 million were incurred related to the closure of the aforementioned cider production facility in the United Kingdom.

#### OPERATING INCOME

The following table sets forth the operating income/(loss) (in thousands of dollars) by operating segment of the Company for Fiscal 2000 and Fiscal 1999.

	Fiscal 2000 Compared to Fiscal 1999		
	Operating Income/(Loss)		
	2000	1999	%Increase
Canandaigua Wine	\$ 46,778	\$ 46,283	1.1%
Barton	142,931	102,624	39.3%
Matthew Clark	48,473	8,998	438.7%
Franciscan	12,708	-	N/A
Corporate Operations and Other	(15,849)	(12,013)	31.9%
Consolidated Operating Income	\$ 235,041	\$ 145,892	61.1%

As a result of the above factors, operating income increased to \$235.0 million for Fiscal 2000 from \$145.9 million for Fiscal 1999, an increase of \$89.1 million, or 61.1%. Operating income for the Canandaigua Wine operating segment was up \$0.5 million, or 1.1%, due to the nonrecurring charges of \$2.6 million related to the segment's management reorganization, as well as additional marketing expenses associated with new product introductions. Exclusive of the nonrecurring charges, operating income increased by 6.6% to \$49.3 million in Fiscal 2000. Operating income for the Matthew Clark operating segment, excluding nonrecurring charges of \$2.9 million, was \$51.4 million.

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#### INTEREST EXPENSE, NET

Net interest expense increased to \$106.1 million for Fiscal 2000 from \$41.5 million for Fiscal 1999, an increase of \$64.6 million, or 155.9%. The increase resulted primarily from additional interest expense associated with the borrowings related to the acquisitions of Matthew Clark, the Black Velvet Assets and Franciscan.

## NET INCOME

As a result of the above factors, net income increased to \$77.4 million for Fiscal 2000 from \$50.5 million for Fiscal 1999, an increase of \$26.9 million, or 53.3%.

For financial analysis purposes only, the Company's earnings before interest, taxes, depreciation and amortization ("EBITDA") for Fiscal 2000 were \$299.8 million, an increase of \$115.3 million over EBITDA of \$184.5 million for Fiscal 1999. EBITDA should not be construed as an alternative to operating income or net cash flow from operating activities and should not be construed as an indication of operating performance or as a measure of liquidity.

## FINANCIAL LIQUIDITY AND CAPITAL RESOURCES

### GENERAL

The Company's principal use of cash in its operating activities is for purchasing and carrying inventories. The Company's primary source of liquidity has historically been cash flow from operations, except during the annual fall grape harvests when the Company has relied on short-term borrowings. The annual grape crush normally begins in August and runs through October. The Company generally begins purchasing grapes in August with payments for such grapes beginning to come due in September. The Company's short-term borrowings to support such purchases generally reach their highest levels in November or December. Historically, the Company has used cash flow from operating activities to repay its short-term borrowings. The Company will continue to use its short-term borrowings to support its working capital requirements. The Company believes that cash provided by operating activities and its financing activities, primarily short-term borrowings, will provide adequate resources to satisfy its working capital, liquidity and anticipated capital expenditure requirements for both its short-term and long-term capital needs.

### FISCAL 2001 CASH FLOWS

#### OPERATING ACTIVITIES

Net cash provided by operating activities for Fiscal 2001 was \$103.8 million, which resulted from \$177.5 million in net income adjusted for noncash items, less \$73.8 million representing the net change in the Company's operating assets and liabilities. The net change in operating assets and liabilities resulted primarily from increases in inventories and accounts receivable, and a decrease in accounts payable, partially offset by an increase in accrued excise taxes.

#### INVESTING ACTIVITIES AND FINANCING ACTIVITIES

Net cash used in investing activities for Fiscal 2001 was \$70.7 million, which resulted primarily from capital expenditures of \$68.2 million, including \$16.8 million for vineyards.

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Net cash provided by financing activities for Fiscal 2001 was \$83.4 million, which resulted primarily from proceeds of \$319.4 million from the issuance of long-term debt, including \$200.0 million incurred in connection with the acquisition of the Turner Road Vintners' Assets and (pound)80.0 million (\$119.4 million upon issuance, net of \$0.6 million unamortized discount) of 8 1/2% Sterling Series C Senior Notes used to repay a portion of the Company's British pound sterling borrowings under its senior credit facility. This amount was partially offset by principal payments of long-term debt of \$221.9 million, which included \$27.5 million of scheduled and required principal payments and \$75.0 million of principal prepayments.

During June 1998, the Company's Board of Directors authorized the repurchase of up to \$100.0 million of its Class A Common Stock and Class B Common Stock. The repurchase of shares of common stock will be accomplished, from time to time, in management's discretion and depending upon market conditions, through open market or privately negotiated transactions. The Company may finance such repurchases through cash generated from operations or through the senior credit facility. The repurchased shares will become treasury shares. As of May 29, 2001, the Company had purchased 2,037,672 shares of Class A Common Stock at an aggregate cost of \$44.9 million, or at an average cost of \$22.02 per share.

### DEBT

Total debt outstanding as of February 28, 2001, amounted to \$1,365.8 million, an increase of \$47.9 million from February 29, 2000. The ratio of total debt to total capitalization decreased to 68.9% as of February 28, 2001, from 71.7% as of February 29, 2000.

## SENIOR CREDIT FACILITY

As of February 28, 2001, under the 2000 Credit Agreement (as defined below), the Company had outstanding term loans of \$337.6 million bearing a weighted average interest rate of 8.2%, no outstanding revolving loans, undrawn letters of credit of \$12.3 million, and \$287.7 million in revolving loans available to be drawn.

During June 1999, the Company financed the purchase price for the Franciscan Acquisition primarily through additional term loan borrowings under its previous senior credit facility. The Company financed the purchase price for the Simi Acquisition with revolving loan borrowings under the same senior credit facility. During August 1999, as discussed below, a portion of the Company's borrowings under that senior credit facility were repaid with the net proceeds of its Senior Notes (as defined below) offering.

On October 6, 1999, the Company, certain of its principal operating subsidiaries, and a syndicate of banks (the "Syndicate Banks"), for which The Chase Manhattan Bank acts as administrative agent, entered into a senior credit facility (as subsequently amended, the "2000 Credit Agreement"). The 2000 Credit Agreement includes both U.S. dollar and British pound sterling commitments of the Syndicate Banks of up to, in the aggregate, the equivalent of \$1.0 billion (subject to increase as therein provided to \$1.2 billion). Proceeds of the 2000 Credit Agreement were used to repay all outstanding principal and accrued interest on all loans under the Company's prior senior credit facility, and are available to fund permitted acquisitions and ongoing working capital needs of the Company and its subsidiaries.

The 2000 Credit Agreement provides for a \$380.0 million Tranche I Term Loan facility due in December 2004, a \$320.0 million Tranche II Term Loan facility available for borrowing in British pound sterling due in December 2004, and a \$300.0 million Revolving Credit facility (including letters of credit up to a maximum of \$20.0 million) which expires in December 2004. The Tranche I Term Loan facility (\$380.0 million) and the Tranche II Term Loan facility ((pound)193.4 million, or \$320.0 million) were fully drawn at closing. During Fiscal 2001, the Company used cash from operating activities to prepay a

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portion of the \$380.0 million Tranche I Term Loan facility. After this prepayment, the required quarterly repayments of the Tranche I Term Loan facility were revised to \$15.6 million starting in June 2001 and increasing thereafter annually with final payments of \$20.6 million in each quarter in 2004. On November 17, 1999, proceeds from the Sterling Senior Notes (as defined below) were used to repay a portion of the \$320.0 million Tranche II Term Loan facility ((pound)73.0 million, or \$118.3 million). On May 15, 2000, proceeds from the Sterling Series C Senior Notes (as defined below) were used to repay an additional portion of the \$320.0 million Tranche II Term Loan facility ((pound)78.8 million, or \$118.2 million). After these repayments, the required quarterly repayments of the Tranche II Term Loan facility were revised to (pound)0.4 million (\$0.6 million) for each quarter in 2001 and 2002, (pound)0.5 million (\$0.7 million) for each quarter in 2003, and (pound)8.5 million (\$12.3 million) for each quarter in 2004 (the foregoing U.S. dollar equivalents are as of February 28, 2001). There are certain mandatory term loan prepayments, including those based on sale of assets and issuance of debt and equity, in each case subject to customary baskets, exceptions and thresholds.

The rate of interest payable, at the Company's option, is a function of the London interbank offering rate ("LIBOR") plus a margin, federal funds rate plus a margin, or the prime rate plus a margin. The margin is adjustable based upon the Company's Debt Ratio (as defined in the 2000 Credit Agreement) and, with respect to LIBOR borrowings, ranges between 0.75% and 1.25% for Revolving Credit loans and 1.00% and 1.75% for Term Loans. As of February 28, 2001, the margin was 1.125% for Revolving Credit loans and 1.625% for Term Loans. In addition to interest, the Company pays a facility fee on the Revolving Credit commitments at 0.50% per annum as of February 28, 2001. This fee is based upon the Company's quarterly Debt Ratio and can range from 0.25% to 0.50%.

Certain of the Company's principal operating subsidiaries have guaranteed the Company's obligations under the 2000 Credit Agreement. The 2000 Credit Agreement is secured by (i) first priority pledges of 100% of the capital stock of Canandaigua Limited and all of the Company's domestic operating subsidiaries and (ii) first priority pledges of 65% of the capital stock of Matthew Clark and certain other foreign subsidiaries.

The Company and its subsidiaries are subject to customary lending covenants including those restricting additional liens, incurring additional indebtedness, the sale of assets, the payment of dividends, transactions with affiliates and the making of certain investments, in each case subject to customary baskets, exceptions and thresholds. The primary financial covenants require the maintenance of a debt coverage ratio, a senior debt coverage ratio, a fixed charges ratio and an interest coverage ratio. Among the most restrictive covenants contained in the 2000 Credit Agreement is the debt coverage ratio.

On February 13, 2001, the 2000 Credit Agreement was amended to, among other



things, permit the Company to finance the acquisition of the Turner Road Vintners Assets with revolving loan borrowings, permit the refinancing of the Original Notes (as defined below) and Series C Notes (as defined below) with senior notes, and adjust the senior debt coverage ratio covenant.

#### SENIOR NOTES

On August 4, 1999, the Company issued \$200.0 million aggregate principal amount of 8 5/8% Senior Notes due August 2006 (the "August 1999 Senior Notes"). The net proceeds of the offering (\$196.0 million) were used to repay a portion of the Company's borrowings under its senior credit facility. Interest on the August 1999 Senior Notes is payable semiannually on February 1 and August 1 of each year, beginning February 1, 2000. The August 1999 Senior Notes are redeemable at the option of the Company, in whole or in part, at any time. The August 1999 Senior Notes are unsecured senior obligations and rank equally in right of payment to all existing and future unsecured senior indebtedness of the Company. The August 1999 Senior Notes are guaranteed, on a senior basis, by certain of the Company's significant operating subsidiaries.

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On November 17, 1999, the Company issued (pound)75.0 million (\$121.7 million upon issuance) aggregate principal amount of 8 1/2% Senior Notes due November 2009 (the "Sterling Senior Notes"). The net proceeds of the offering ((pound)73.0 million, or \$118.3 million) were used to repay a portion of the Company's British pound sterling borrowings under its senior credit facility. Interest on the Sterling Senior Notes is payable semiannually on May 15 and November 15 of each year, beginning on May 15, 2000. The Sterling Senior Notes are redeemable at the option of the Company, in whole or in part, at any time. The Sterling Senior Notes are unsecured senior obligations and rank equally in right of payment to all existing and future unsecured senior indebtedness of the Company. The Sterling Senior Notes are guaranteed, on a senior basis, by certain of the Company's significant operating subsidiaries. In March 2000, the Company exchanged (pound)75.0 million aggregate principal amount of 8 1/2% Series B Senior Notes due in November 2009 (the "Sterling Series B Senior Notes") for all of the Sterling Senior Notes. The terms of the Sterling Series B Senior Notes are identical in all material respects to the Sterling Senior Notes. In October 2000, the Company exchanged (pound)74.0 million aggregate principal amount of Sterling Series C Senior Notes (as defined below) for (pound)74.0 million of the Sterling Series B Notes. The terms of the Sterling Series C Senior Notes are identical in all material respects to the Sterling Series B Senior Notes. As of February 28, 2001, the Company had outstanding (pound)1.0 million (\$1.4 million) aggregate principal amount of Sterling Series B Senior Notes.

On May 15, 2000, the Company issued (pound)80.0 million (\$120.0 million upon issuance) aggregate principal amount of 8 1/2% Series C Senior Notes due November 2009 at an issuance price of (pound)79.6 million (\$119.4 million upon issuance, net of \$0.6 million unamortized discount, with an effective interest rate of 8.6%) (the "Sterling Series C Senior Notes"). The net proceeds of the offering ((pound)78.8 million, or \$118.2 million) were used to repay a portion of the Company's British pound sterling borrowings under its senior credit facility. Interest on the Sterling Series C Senior Notes is payable semiannually on May 15 and November 15 of each year, beginning on November 15, 2000. The Sterling Series C Senior Notes are redeemable at the option of the Company, in whole or in part, at any time. The Sterling Series C Senior Notes are unsecured senior obligations and rank equally in right of payment to all existing and future unsecured senior indebtedness of the Company. The Sterling Series C Senior Notes are guaranteed, on a senior basis, by certain of the Company's significant operating subsidiaries. As of February 28, 2001, the Company had outstanding (pound)154.0 million (\$222.1 million, net of \$0.5 million unamortized discount) aggregate principal amount of Sterling Series C Senior Notes.

On February 21, 2001, the Company issued \$200.0 million aggregate principal amount of 8% Senior Notes due February 2008 (the "February 2001 Senior Notes"). The net proceeds of the offering (\$197.0 million) were used to partially fund the acquisition of the Turner Road Vintners Assets. Interest on the February 2001 Senior Notes is payable semiannually on February 15 and August 15 of each year, beginning August 15, 2001. The February 2001 Senior Notes are redeemable at the option of the Company, in whole or in part, at any time. The February 2001 Senior Notes are unsecured senior obligations and rank equally in right of payment to all existing and future unsecured senior indebtedness of the Company. The February 2001 Senior Notes are guaranteed, on a senior basis, by certain of the Company's significant operating subsidiaries.

#### SENIOR SUBORDINATED NOTES

As of February 28, 2001, the Company had outstanding \$195.0 million aggregate principal amount of 8 3/4% Senior Subordinated Notes due December 2003, being the \$130.0 million aggregate principal amount of 8 3/4% Senior Subordinated Notes due December 2003 issued in December 1993 (the "Original Notes") and the \$65.0 million aggregate principal amount of 8 3/4% Series C Senior Subordinated Notes due December 2003 issued in February 1997 (the "Series C Notes"). The Original Notes and the Series C Notes are currently redeemable, in whole or in part, at the option of the Company.

A brief description of the Original Notes and the Series C Notes is contained in Note 6 to the Company's consolidated financial statements located in Item 8 of this Annual Report on Form 10-K.

On March 4, 1999, the Company issued \$200.0 million aggregate principal amount of 8 1/2% Senior Subordinated Notes due March 2009 (the "Senior Subordinated Notes"). The net proceeds of the offering (\$195.0 million) were used to fund the acquisition of the Black Velvet Assets and to pay the fees and expenses related thereto with the remainder of the net proceeds used for general corporate purposes. Interest on the Senior Subordinated Notes is payable semiannually on March 1 and September 1 of each year, beginning September 1, 1999. The Senior Subordinated Notes are redeemable at the option of the Company, in whole or in part, at any time on or after March 1, 2004. The Company may also redeem up to \$70.0 million of the Senior Subordinated Notes using the proceeds of certain equity offerings completed before March 1, 2002. The Senior Subordinated Notes are unsecured and subordinated to the prior payment in full of all senior indebtedness of the Company, which includes the senior credit facility. The Senior Subordinated Notes are guaranteed, on a senior subordinated basis, by certain of the Company's significant operating subsidiaries.

#### EQUITY OFFERING

During March, 2001, the Company completed a public offering of 4,370,000 shares of its Class A Common Stock resulting in net proceeds to the Company, after deducting underwriting discounts and expenses, of \$139.4 million. The net proceeds were used to repay revolving loan borrowings under the senior credit facility of which a portion was incurred to partially finance the acquisition of the Turner Road Vintners Assets.

#### CAPITAL EXPENDITURES

During Fiscal 2001, the Company incurred \$68.2 million for capital expenditures, including \$16.8 million related to vineyards. The Company plans to spend between \$65.0 million and \$70.0 million for capital expenditures, exclusive of vineyards, in fiscal 2002. In addition, the Company continues to consider the purchase, lease and development of vineyards and may incur additional expenditures for vineyards if opportunities become available. See "Business - Sources and Availability of Raw Materials" under Item 1 of this Annual Report on Form 10-K. Management reviews the capital expenditure program periodically and modifies it as required to meet current business needs.

#### COMMITMENTS

The Company has agreements with suppliers to purchase various spirits of which certain agreements are denominated in British pound sterling and Canadian dollars. The maximum future obligation under these agreements, based upon exchange rates at February 28, 2001, aggregate \$22.6 million for contracts expiring through December 2005.

At February 28, 2001, the Company had open currency forward contracts to purchase various foreign currencies of \$7.3 million which mature within twelve months. The Company's use of such contracts is limited to the management of currency rate risks related to purchases denominated in a foreign currency. The Company's strategy is to enter only into currency exchange contracts that are matched to specific purchases and not to enter into any speculative contracts.

#### EFFECTS OF INFLATION AND CHANGING PRICES

The Company's results of operations and financial condition have not been significantly affected by inflation and changing prices, including rising energy and tequila costs. The Company has been able, subject to normal competitive conditions, to pass along rising costs through increased selling prices.

There can be no assurances, however, that the Company will continue to be able to pass along rising costs through increased selling prices.

#### ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. SFAS No. 133 requires that every derivative be recorded as either an asset or liability in the balance sheet and measured at its fair value. SFAS No. 133 also requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company formally document,

designate and assess the effectiveness of transactions that receive hedge accounting.

In June 1999, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 137 ("SFAS No. 137"), "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133." SFAS No. 137 delays the effective date of SFAS No. 133 for one year. With the issuance of SFAS No. 137, the Company is required to adopt SFAS No. 133 on a prospective basis for interim periods and fiscal years beginning March 1, 2001.

In June 2000, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 138 ("SFAS No. 138"), "Accounting for Certain Derivative Instruments and Certain Hedging Activities--an amendment of FASB Statement No. 133." SFAS No. 138 amends the accounting and reporting standards of SFAS No. 133 for certain derivative instruments and certain hedging activities. The Company is required to adopt SFAS No. 138 concurrently with SFAS No. 133. The Company believes the effect of the adoption of these statements on its financial statements will not be material based on the Company's current risk management strategies.

In May 2000, the Emerging Issues Task Force ("EITF") issued EITF Issue No. 00-14 ("EITF No. 00-14"), "Accounting for Certain Sales Incentives," which was subsequently amended in April 2001. EITF No. 00-14 addresses the recognition, measurement and income statement classification of certain sales incentives. EITF No. 00-14 requires that sales incentives, including coupons, rebate offers, and free product offers, given concurrently with a single exchange transaction be recognized when incurred and reported as a reduction of revenue. The Company currently reports these costs in selling, general and administrative expenses. The Company is required to adopt EITF 00-14 in its financial statements beginning March 1, 2002. Upon adoption of EITF 00-14, financial statements for prior periods presented for comparative purposes are to be reclassified to comply with the requirements of EITF 00-14. The Company believes the impact of EITF 00-14 on its financial statements will result in a material reclassification that will decrease previously reported net sales and decrease previously reported selling, general and administrative expenses, but will have no effect on operating income or net income. The Company has not yet determined the amount of the reclassification.

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#### EURO CONVERSION ISSUES

Effective January 1, 1999, eleven of the fifteen member countries of the European Union (the "Participating Countries") established fixed conversion rates between their existing sovereign currencies and the euro. For three years after the introduction of the euro, the Participating Countries can perform financial transactions in either the euro or their original local currencies. This will result in a fixed exchange rate among the Participating Countries, whereas the euro (and the Participating Countries' currency in tandem) will continue to float freely against the U.S. dollar and other currencies of the non-participating countries. The Company does not believe that the effects of the conversion will have a material adverse effect on the Company's business and operations.

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk associated with changes in interest rates and foreign currency exchange rates. To manage the volatility relating to these risks, the Company periodically enters into derivative transactions including foreign currency exchange contracts and interest rate swap agreements. The Company has limited involvement with derivative financial instruments and does not use them for trading purposes. The Company uses derivative instruments solely to reduce the financial impact of these risks.

The fair value of long-term debt is subject to interest rate risk. Generally, the fair value of long-term debt will increase as interest rates fall and decrease as interest rates rise. The estimated fair value of the Company's total long-term debt, including current maturities, was \$1,380.1 million at February 28, 2001. A hypothetical 1% increase from prevailing interest rates at February 28, 2001, would result in a decrease in fair value of fixed interest rate long-term debt by \$49.9 million. Also, a hypothetical 1% increase from prevailing interest rates at February 28, 2001, would result in an approximate increase in cash required for interest on variable interest rate debt during the next five fiscal years as follows:

2002	\$3.1 million
2003	\$2.5 million
2004	\$1.7 million
2005	\$0.7 million
2006	\$ -

The Company periodically enters into interest rate swap agreements to

reduce its exposure to interest rate changes relative to its long-term debt. At February 28, 2001, the Company had no interest rate swap agreements outstanding.

The Company has exposure to foreign currency risk as a result of having international subsidiaries in the United Kingdom and Canada. For the Company's operations in the United Kingdom, the Company uses local currency borrowings to hedge its earnings and cash flow exposure to adverse changes in foreign currency exchange rates. At February 28, 2001, management believes that a hypothetical 10% adverse change in foreign currency exchange rates would not result in a material adverse impact on either earnings or cash flow. The Company also has exposure to foreign currency risk as a result of contracts to purchase inventory items that are denominated in various foreign currencies. In order to reduce the risk of foreign currency exchange rate fluctuations resulting from these contracts, the Company periodically enters into foreign exchange hedging agreements. At February 28, 2001, the potential loss on outstanding foreign exchange hedging agreements from a hypothetical 10% adverse change in foreign currency exchange rates would not be material.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY SCHEDULES

FEBRUARY 28, 2001

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

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Consolidated Statements of Cash Flows for the years ended February 28, 2001, February 29, 2000, and February 28, 1999.....	39
Notes to Consolidated Financial Statements.....	40
Selected Quarterly Financial Information (unaudited).....	68

</TABLE>

Schedules I through V are not submitted because they are not applicable or not required under the rules of Regulation S-X.

Individual financial statements of the Registrant have been omitted because the Registrant is primarily an operating company and no subsidiary included in the consolidated financial statements has minority equity interest and/or noncurrent indebtedness, not guaranteed by the Registrant, in excess of 5% of total consolidated assets.

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[LOGO] ARTHUR ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Constellation Brands, Inc.:

We have audited the accompanying consolidated balance sheets of Constellation Brands, Inc. (a Delaware corporation) and subsidiaries as of February 28, 2001 and February 29, 2000, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended February 28, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Constellation Brands, Inc. and subsidiaries as of February 28, 2001 and February 29, 2000, and the results of their operations and their cash flows for each of the three years in the period ended February 28, 2001 in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Rochester, New York  
April 10, 2001

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

	February 28, 2001	February 29, 2000
	-----	-----
ASSETS		
-----		
CURRENT ASSETS:		
Cash and cash investments	\$ 145,672	\$ 34,308
Accounts receivable, net	314,262	291,108
Inventories, net	670,018	615,700
Prepaid expenses and other current assets	61,037	54,881
	-----	-----
Total current assets	1,190,989	995,997
PROPERTY, PLANT AND EQUIPMENT, net	548,614	542,971
OTHER ASSETS	772,566	809,823
	-----	-----
Total assets	\$ 2,512,169	\$ 2,348,791
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
-----		
CURRENT LIABILITIES:		
Notes payable	\$ 4,184	\$ 28,134
Current maturities of long-term debt	54,176	52,653
Accounts payable	114,793	122,213
Accrued excise taxes	55,954	30,446
Other accrued expenses and liabilities	198,053	204,771
	-----	-----
Total current liabilities	427,160	438,217
	-----	-----
LONG-TERM DEBT, less current maturities	1,307,437	1,237,135
	-----	-----
DEFERRED INCOME TAXES	131,974	116,447
	-----	-----
OTHER LIABILITIES	29,330	36,152
	-----	-----
COMMITMENTS AND CONTINGENCIES (See Note 12)		
STOCKHOLDERS' EQUITY:		
Preferred Stock, \$.01 par value-		
Authorized, 1,000,000 shares;		
Issued, none at February 28, 2001,	-	-
and February 29, 2000		
Class A Common Stock, \$.01 par value-		
Authorized, 120,000,000 shares;		
Issued, 37,438,968 shares at		
February 28, 2001, and 36,413,324 shares		
at February 29, 2000	374	364
Class B Convertible Common Stock,		
\$.01 par value-		
Authorized, 20,000,000 shares;		
Issued, 7,402,594 shares at		
February 28, 2001, and 7,491,120 shares		
at February 29, 2000	74	75
Additional paid-in capital	267,655	247,730
Retained earnings	455,798	358,456
Accumulated other comprehensive loss-		

Cumulative translation adjustment	(26,004)	(4,149)
	-----	-----
	697,897	602,476
	-----	-----
Less-Treasury stock-		
Class A Common Stock, 6,200,600 shares at		
February 28, 2001, and 6,274,488 shares at		
February 29, 2000, at cost	(79,271)	(79,429)
Class B Convertible Common Stock, 1,251,450		
shares at February 28, 2001, and		
February 29, 2000, at cost	(2,207)	(2,207)
	-----	-----
	(81,478)	(81,636)
	-----	-----
Less-Unearned compensation-		
restricted stock awards	(151)	-
	-----	-----
Total stockholders' equity	616,268	520,840
	-----	-----
Total liabilities and stockholders' equity	\$ 2,512,169	\$ 2,348,791
	=====	=====

The accompanying notes to consolidated financial statements  
are an integral part of these balance sheets.

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<TABLE>

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

<CAPTION>

	For the Years Ended		
	February 28, 2001	February 29, 2000	February 28, 1999
	-----	-----	-----
<S>	<C>	<C>	<C>
GROSS SALES	\$ 3,154,294	\$ 3,088,699	\$ 1,984,801
Less - Excise taxes	(757,609)	(748,230)	(487,458)
	-----	-----	-----
Net sales	2,396,685	2,340,469	1,497,343
COST OF PRODUCT SOLD	(1,639,230)	(1,618,009)	(1,049,309)
	-----	-----	-----
Gross profit	757,455	722,460	448,034
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(486,587)	(481,909)	(299,526)
NONRECURRING CHARGES	-	(5,510)	(2,616)
	-----	-----	-----
Operating income	270,868	235,041	145,892
INTEREST EXPENSE, net	(108,631)	(106,082)	(41,462)
	-----	-----	-----
Income before income taxes and extraordinary item	162,237	128,959	104,430
PROVISION FOR INCOME TAXES	(64,895)	(51,584)	(42,521)
	-----	-----	-----
Income before extraordinary item	97,342	77,375	61,909
EXTRAORDINARY ITEM, net of income taxes	-	-	(11,437)
	-----	-----	-----
NET INCOME	\$ 97,342	\$ 77,375	\$ 50,472
	=====	=====	=====

SHARE DATA:

Earnings per common share:

Basic:

Income before extraordinary item	\$ 2.65	\$ 2.14	\$ 1.69
Extraordinary item, net of income taxes	-	-	(0.31)
	-----	-----	-----
Earnings per common share - basic	\$ 2.65	\$ 2.14	\$ 1.38
	=====	=====	=====

Diluted:

Income before extraordinary item	\$ 2.60	\$ 2.09	\$ 1.65
Extraordinary item, net of income taxes	-	-	(0.30)
	-----	-----	-----
Earnings per common share - diluted	\$ 2.60	\$ 2.09	\$ 1.35
	=====	=====	=====

Weighted average common shares outstanding:

Basic	36,723	36,108	36,587
Diluted	37,375	36,998	37,507

<FN>

The accompanying notes to consolidated financial statements are an integral part of these statements.

</FN>

</TABLE>

<TABLE>

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

<CAPTION>

		Common Stock		Additional	Retained	Accumulated		
		-----		Paid-in	Earnings	Other	Treasury	
Unearned		Class A	Class B	Capital		Comprehensive	Stock	
Compensation	Total	-----	-----	-----	-----	Loss	-----	-----
<S>		<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>								
BALANCE, February 28, 1998		\$ 352	\$ 79	\$ 231,472	\$ 230,609	\$ -	\$ (37,085)	\$
- \$ 425,427								
Comprehensive income:								
Net income for Fiscal 1999		-	-	-	50,472	-	-	
- 50,472								
Cumulative translation adjustment		-	-	-	-	(4,173)	-	
- (4,173)								
-----								
Comprehensive income								
46,299								
Conversion of 214,020 Class B								
Convertible Common shares to								
Class A Common shares		2	(2)	-	-	-	-	
-								
Exercise of 407,130 Class A								
stock options		4	-	4,083	-	-	-	
- 4,087								
Employee stock purchases of								
99,700 treasury shares		-	-	1,643	-	-	197	
- 1,840								
Repurchases of 2,037,672 Class A								
Common shares		-	-	-	-	-	(44,878)	
- (44,878)								
Acceleration of 2,500 Class A								
stock options		-	-	43	-	-	-	
- 43								
Tax benefit on Class A stock								
options exercised		-	-	2,320	-	-	-	
- 2,320								
Tax benefit on disposition of								
employee stock purchases		-	-	134	-	-	-	
- 134								
-----								
BALANCE, February 28, 1999		358	77	239,695	281,081	(4,173)	(81,766)	
- 435,272								
Comprehensive income:								
Net income for Fiscal 2000		-	-	-	77,375	-	-	
- 77,375								
Cumulative translation adjustment		-	-	-	-	24	-	
- 24								
-----								
Comprehensive income								
77,399								
Conversion of 207,226 Class B								
Convertible Common shares to								
Class A Common shares		2	(2)	-	-	-	-	
-								
Exercise of 375,380 Class A								
stock options		4	-	3,359	-	-	-	
- 3,363								
Employee stock purchases of 62,124								
treasury shares		-	-	1,298	-	-	130	
- 1,428								
Acceleration of 189,450 Class A								
stock options		-	-	835	-	-	-	
- 835								
Tax benefit on Class A stock								
options exercised		-	-	2,634	-	-	-	
- 2,634								
Tax benefit on disposition of								
employee stock purchases		-	-	43	-	-	-	
- 43								
Other		-	-	(134)	-	-	-	
- (134)								

BALANCE, February 29, 2000	364	75	247,730	358,456	(4,149)	(81,636)
- 520,840						
Comprehensive income:						
Net income for Fiscal 2001	-	-	-	97,342	-	-
- 97,342						
Cumulative translation adjustment	-	-	-	-	(21,855)	-
- (21,855)						

Comprehensive income						
75,487						
Conversion of 88,526 Class B						
Convertible Common shares to						
Class A Common shares	1	(1)	-	-	-	-
- -						
Exercise of 929,568 Class A						
stock options	9	-	13,821	-	-	-
- 13,830						
Employee stock purchases of 73,888						
treasury shares	-	-	1,389	-	-	158
- 1,547						
Acceleration of 31,750 Class A						
stock options	-	-	179	-	-	-
- 179						
Issuance of 7,550 restricted						
Class A Common shares	-	-	201	-	-	-
(201) -						
Amortization of unearned restricted						
stock compensation	-	-	-	-	-	-
50 50						
Tax benefit on Class A stock						
options exercised	-	-	4,256	-	-	-
- 4,256						
Tax benefit on disposition of						
employee stock purchases	-	-	28	-	-	-
- 28						
Other	-	-	51	-	-	-
- 51						

BALANCE, February 28, 2001	\$ 374	\$ 74	\$ 267,655	\$ 455,798	\$ (26,004)	\$ (81,478)
(151) \$ 616,268						

<FN> The accompanying notes to consolidated financial statements are an integral part of these statements.

</FN>

</TABLE>

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<TABLE>

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

<CAPTION>

	For the Years Ended		
	February 28, 2001	February 29, 2000	February 28, 1999
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 97,342	\$ 77,375	\$ 50,472
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property, plant and equipment	44,613	40,892	27,282
Extraordinary item, net of income taxes	-	-	11,437
Amortization of intangible assets	25,770	23,831	11,308
Deferred tax provision (benefit)	6,677	(1,500)	10,053
Loss (gain) on sale of assets	2,356	(2,003)	1,193
Amortization of discount on long-term debt	503	427	388
Stock-based compensation expense	280	856	144
Change in operating assets and liabilities, net of effects from purchases of businesses:			
Accounts receivable, net	(27,375)	(10,812)	44,081
Inventories, net	(57,126)	1,926	1,190
Prepaid expenses and other current assets	(6,443)	4,663	(14,115)
Accounts payable	(11,354)	(17,070)	(17,560)
Accrued excise taxes	26,519	(18,719)	17,124



Other accrued expenses and liabilities	4,333	44,184	(31,807)
Other assets and liabilities, net	(2,320)	4,005	(3,945)
	-----	-----	-----
Total adjustments	6,433	70,680	56,773
	-----	-----	-----
Net cash provided by operating activities	103,775	148,055	107,245
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(68,217)	(57,747)	(49,857)
Purchases of businesses, net of cash acquired	(4,459)	(452,910)	(332,216)
Proceeds from sale of assets	2,009	14,977	431
Purchase of joint venture minority interest	-	-	(716)
	-----	-----	-----
Net cash used in investing activities	(70,667)	(495,680)	(382,358)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt	319,400	1,486,240	635,090
Exercise of employee stock options	13,806	3,358	4,083
Proceeds from employee stock purchases	1,547	1,428	1,840
Principal payments of long-term debt	(221,908)	(1,059,952)	(264,101)
Net repayments of notes payable	(23,615)	(60,629)	(13,907)
Payment of issuance costs of long-term debt	(5,794)	(14,888)	(17,109)
Purchases of treasury stock	-	-	(44,878)
	-----	-----	-----
Net cash provided by financing activities	83,436	355,557	301,018
	-----	-----	-----
Effect of exchange rate changes on cash and cash investments	(5,180)	(1,269)	508
	-----	-----	-----
NET INCREASE IN CASH AND CASH INVESTMENTS	111,364	6,663	26,413
CASH AND CASH INVESTMENTS, beginning of year	34,308	27,645	1,232
	-----	-----	-----
CASH AND CASH INVESTMENTS, end of year	\$ 145,672	\$ 34,308	\$ 27,645
	=====	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	\$ 105,644	\$ 95,004	\$ 35,869
	=====	=====	=====
Income taxes	\$ 54,427	\$ 35,478	\$ 40,714
	=====	=====	=====
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Fair value of assets acquired, including cash acquired	\$ 15,115	\$ 562,204	\$ 740,880
Liabilities assumed	(10,656)	(106,805)	(382,759)
	-----	-----	-----
Cash paid	4,459	455,399	358,121
Less - cash acquired	-	(2,489)	(25,905)
	-----	-----	-----
Net cash paid for purchases of businesses	\$ 4,459	\$ 452,910	\$ 332,216
	=====	=====	=====

<FN>

The accompanying notes to consolidated financial statements are an integral part of these statements.

</FN>

</TABLE>

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CONSTELLATION BRANDS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FEBRUARY 28, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF BUSINESS -

Constellation Brands, Inc. (formerly Canandaigua Brands, Inc.) and its subsidiaries (the "Company") operate primarily in the beverage alcohol industry. The Company is a leader in the production and marketing of beverage alcohol brands in North America and the United Kingdom, and a leading independent drinks wholesaler in the United Kingdom. The Company is the largest single-source supplier of wine, imported beer and distilled spirits in the United States. In the United Kingdom, the Company is a leading producer and marketer of wine and cider. The Company's products are distributed by more than 1,000 wholesale distributors in North America. In the United Kingdom, the Company distributes its branded products and those of other companies to more than 16,500 customers.

PRINCIPLES OF CONSOLIDATION -

The consolidated financial statements of the Company include the accounts of Constellation Brands, Inc. and all of its subsidiaries. All intercompany accounts and transactions have been eliminated.

MANAGEMENT'S USE OF ESTIMATES AND JUDGMENT -

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

#### FOREIGN CURRENCY TRANSLATION -

The "functional currency" for translating the accounts of the Company's operations outside the U.S. is the local currency. The translation from the applicable foreign currencies to U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average exchange rate during the period. The resulting translation adjustments are recorded as a component of accumulated other comprehensive income. Gains or losses resulting from foreign currency transactions are included in selling, general and administrative expenses.

#### CASH INVESTMENTS -

Cash investments consist of highly liquid investments with an original maturity when purchased of three months or less and are stated at cost, which approximates market value. At February 28, 2001, cash investments consist of investments in commercial paper of \$141.0 million, which were classified as held-to-maturity. The amounts at February 29, 2000, were not significant.

#### FAIR VALUE OF FINANCIAL INSTRUMENTS -

To meet the reporting requirements of Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," the Company calculates the fair value of financial instruments using quoted market prices whenever available. When quoted market prices are not available, the Company uses standard pricing models for various types of financial instruments (such as forwards, options, swaps, etc.) which take into account the present value of estimated future cash flows. The methods and assumptions used to estimate the fair value of financial instruments are summarized as follows:

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ACCOUNTS RECEIVABLE: The carrying amount approximates fair value due to the short maturity of these instruments, the creditworthiness of the customers and the large number of customers constituting the accounts receivable balance.

NOTES PAYABLE: These instruments are variable interest rate bearing notes for which the carrying value approximates the fair value.

LONG-TERM DEBT: The carrying value of the debt facilities with short-term variable interest rates approximates the fair value. The fair value of the fixed rate debt was estimated by discounting cash flows using interest rates currently available for debt with similar terms and maturities.

FOREIGN EXCHANGE HEDGING AGREEMENTS: The fair value of currency forward contracts is estimated based on quoted market prices.

LETTERS OF CREDIT: At February 28, 2001, and February 29, 2000, the Company had letters of credit outstanding totaling \$12.3 million and \$10.8 million, respectively, which guarantee payment for certain obligations. The Company recognizes expense on these obligations as incurred and no material losses are anticipated.

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

<TABLE>

<CAPTION>

	February 28, 2001			February 29, 2000		
	Notional Amount	Carrying Amount	Fair Value	Notional Amount	Carrying Amount	Fair Value
(in thousands)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Liabilities:						
-						
Notes payable	\$ -	\$ 4,184	\$ 4,184	\$ -	\$ 28,134	\$ 28,134
Long-term debt, including current portion	\$ -	\$ 1,361,613	\$ 1,380,050	\$ -	\$ 1,289,788	\$ 1,254,090
Derivative Instruments:						
-						
Foreign exchange hedging agreements:						
Currency forward contracts	\$ 7,250	\$ -	\$ 353	\$ 6,895	\$ -	\$ (125)

</TABLE>

#### INTEREST RATE FUTURES AND CURRENCY FORWARD CONTRACTS -

From time to time, the Company enters into interest rate futures and a variety of currency forward contracts in the management of interest rate risk and foreign currency transaction exposure. The Company has limited involvement with derivative instruments and does not use them for trading purposes. The

Company uses derivatives solely to reduce the financial impact of the related risks. Unrealized gains and losses on interest rate futures are deferred and recognized as a component of interest expense over the borrowing period. Unrealized gains and losses on currency forward contracts are deferred and recognized as a component of the related transactions in the accompanying financial statements. Discounts or premiums on currency forward contracts are recognized over the life of the contract. Cash flows from derivative instruments are classified in the same category as the item being hedged. The Company's open currency forward contracts at February 28, 2001, hedge purchase commitments denominated in foreign currencies and mature within twelve months.

#### INVENTORIES -

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

	February 28, 2001	February 29, 2000
	-----	-----
(in thousands)		
Raw materials and supplies	\$ 28,007	\$ 29,417
In-process inventories	450,650	419,558
Finished case goods	191,361	166,725
	-----	-----
	\$ 670,018	\$ 615,700
	=====	=====

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

#### PROPERTY, PLANT AND EQUIPMENT -

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

#### DEPRECIATION -

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

	Depreciable Life in Years
	-----
Buildings and improvements	10 to 33 1/3
Machinery and equipment	3 to 15
Motor vehicles	3 to 7

Amortization of assets capitalized under capital leases is included with depreciation expense. Amortization is calculated using the straight-line method over the shorter of the estimated useful life of the asset or the lease term.

#### OTHER ASSETS -

Other assets, which consist of goodwill, distribution rights, trademarks, agency license agreements, deferred financing costs, prepaid pension benefits and other amounts, are stated at cost, net of accumulated amortization. Amortization is calculated on a straight-line or effective interest basis over the following estimated useful lives:

	Useful Life in Years
	-----
Goodwill	40
Distribution rights	40
Trademarks	40
Agency license agreements	16 to 40
Deferred financing costs	5 to 10

At February 28, 2001, the weighted average useful life of these assets is 36.3 years.

#### LONG-LIVED ASSETS AND INTANGIBLES -

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," the Company reviews its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be

recoverable on an undiscounted cash flow basis. The statement also requires that, when an impairment has occurred, long-lived assets and certain identifiable intangibles to be disposed of be reported at the lower of carrying amount or fair value less cost to sell. The Company did not record any asset impairment in Fiscal 2001.

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#### ADVERTISING AND PROMOTION COSTS -

The Company generally expenses advertising and promotion costs as incurred, shown or distributed. Prepaid advertising costs at February 28, 2001, and February 29, 2000, were not material. Advertising and promotion expense for the years ended February 28, 2001, February 29, 2000, and February 28, 1999, were \$264.4 million, \$279.6 million, and \$173.1 million, respectively.

#### INCOME TAXES -

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

#### ENVIRONMENTAL -

Environmental expenditures that relate to current operations are expensed as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the completion of a feasibility study or the Company's commitment to a formal plan of action. Liabilities for environmental costs were not material at February 28, 2001, and February 29, 2000.

#### COMPREHENSIVE INCOME -

During fiscal 1999, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"). This statement establishes rules for the reporting of comprehensive income and its components. Comprehensive income consists of net income and foreign currency translation adjustments and is presented in the Consolidated Statements of Changes in Stockholders' Equity. The adoption of SFAS No. 130 had no impact on total stockholders' equity.

#### EARNINGS PER COMMON SHARE -

Basic earnings per common share excludes the effect of common stock equivalents and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period for Class A Common Stock and Class B Convertible Common Stock. Diluted earnings per common share reflects the potential dilution that could result if securities or other contracts to issue common stock were exercised or converted into common stock. Diluted earnings per common share assumes the exercise of stock options using the treasury stock method and assumes the conversion of convertible securities, if any, using the "if converted" method.

#### COMMON STOCK SPLIT -

On April 10, 2001, the Board of Directors of the Company approved a two-for-one stock split of both the Company's Class A Common Stock and Class B Convertible Common Stock, which will be distributed in the form of a stock dividend on May 14, 2001, to stockholders of record on April 30, 2001. All share and per share amounts have been retroactively restated to give effect to the common stock split.

#### OTHER -

Certain Fiscal 2000 balances have been reclassified to conform to current year presentation.

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## 2. ACQUISITIONS:

#### MATTHEW CLARK ACQUISITION -

On December 1, 1998, the Company acquired control of Matthew Clark plc ("Matthew Clark") and as of February 28, 1999, had acquired all of Matthew Clark's outstanding shares (the "Matthew Clark Acquisition"). The total purchase price, including assumption of indebtedness, for the acquisition of Matthew Clark shares was \$484.8 million, net of cash acquired. Matthew Clark is a leading producer and distributor of its own brands of cider, wine and bottled water and a leading independent drinks wholesaler in the United Kingdom.

The purchase price for the Matthew Clark shares was funded with proceeds from loans under the Company's prior senior credit facility. The Matthew Clark Acquisition was accounted for using the purchase method; accordingly, the Matthew Clark assets were recorded at fair market value at the date of acquisition, December 1, 1998. The excess of the purchase price over the estimated fair market value of the net assets acquired (goodwill), (pound)108.5 million (\$179.5 million as of December 1, 1998), is being amortized on a straight-line basis over 40 years. The results of operations of the Matthew

Clark Acquisition have been included in the Consolidated Statements of Income since the date of acquisition.

The Company incurred an extraordinary loss of \$19.3 million (\$11.4 million after taxes) in the fourth quarter of 1999 resulting from fees related to the replacement of the existing bank credit agreement, including extinguishment of the Term Loan, in conjunction with the Matthew Clark Acquisition.

#### BLACK VELVET ASSETS ACQUISITION -

On April 9, 1999, in an asset acquisition, the Company acquired several well-known Canadian whisky brands, including Black Velvet, production facilities located in Alberta and Quebec, Canada, case goods and bulk whisky inventories and other related assets from affiliates of Diageo plc (the "Black Velvet Assets"). In connection with the transaction, the Company also entered into multi-year agreements with affiliates of Diageo plc to provide packaging and distilling services for various brands retained by the Diageo plc affiliates. The purchase price was \$183.6 million and was financed by the proceeds from the sale of the Senior Subordinated Notes (as defined in Note 6).

The Black Velvet Assets acquisition was accounted for using the purchase method; accordingly, the acquired assets were recorded at fair market value at the date of acquisition. The excess of the purchase price over the estimated fair market value of the net assets acquired (goodwill), \$36.0 million, is being amortized on a straight-line basis over 40 years. The results of operations of the Black Velvet Assets acquisition have been included in the Consolidated Statements of Income since the date of acquisition.

#### FRANCISCAN AND SIMI ACQUISITIONS -

On June 4, 1999, the Company purchased all of the outstanding capital stock of Franciscan Vineyards, Inc. ("Franciscan Estates") and, in related transactions, purchased vineyards, equipment and other vineyard related assets located in Northern California (collectively, the "Franciscan Acquisition"). The purchase price was \$212.4 million in cash plus assumed debt, net of cash acquired, of \$30.8 million. The purchase price was financed primarily by additional term loan borrowings under the senior credit facility. Also, on June 4, 1999, the Company acquired all of the outstanding capital stock of Simi Winery, Inc. ("Simi") (the "Simi Acquisition"). The cash purchase price was \$57.5 million and was financed by revolving loan borrowings under the senior credit facility. The purchases were accounted for using the purchase method; accordingly, the acquired assets were recorded at fair market value at the date of acquisition. The excess of the purchase price over the estimated fair market value of the net assets acquired (goodwill) for the Franciscan Acquisition and the Simi Acquisition, \$94.5 million and \$5.8 million, respectively, is being amortized on a straight-line basis over 40 years. The Franciscan Estates

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and Simi operations are managed together as a separate business segment of the Company ("Franciscan"). The results of operations of Franciscan have been included in the Consolidated Statements of Income since the date of acquisition.

#### FORTH WINES ACQUISITION -

On October 27, 2000, the Company purchased all of the issued Ordinary Shares and Preference Shares of Forth Wines Limited ("Forth Wines"). The purchase price was \$4.5 million and was financed through cash from operating activities. The purchase was accounted for using the purchase method; accordingly, the acquired assets were recorded at fair market value at the date of acquisition. The excess of the purchase price over the estimated fair market value of the net assets acquired (goodwill), \$2.2 million, is being amortized on a straight-line basis over 40 years. The results of operations of Forth Wines have been included in the Consolidated Statements of Income since the date of acquisition.

The following table sets forth unaudited pro forma results of operations of the Company for the fiscal years ended February 28, 2001, and February 29, 2000. The unaudited pro forma results of operations for the fiscal years ended February 28, 2001, and February 29, 2000, do not give pro forma effect to the acquisition of Forth Wines as if it occurred on March 1, 1999, as it is not significant. The unaudited pro forma results of operations give effect to the acquisitions of the Black Velvet Assets and Franciscan as if they occurred on March 1, 1999. The unaudited pro forma results of operations are presented after giving effect to certain adjustments for depreciation, amortization of goodwill, interest expense on the acquisition financing and related income tax effects. The unaudited pro forma results of operations for Fiscal 2000 (shown in the table below), reflect total nonrecurring charges of \$12.4 million (\$0.20 per share on a diluted basis) related to transaction costs, primarily for exercise of stock options, which were incurred by Franciscan Estates prior to the acquisition.

The unaudited pro forma results of operations are based upon currently available information and upon certain assumptions that the Company believes are reasonable under the circumstances. The unaudited pro forma results of operations do not purport to present what the Company's results of operations would actually have been if the aforementioned transactions had in fact occurred on such date or at the beginning of the period indicated, nor do they project

the Company's financial position or results of operations at any future date or for any future period.

	February 28, 2001	February 29, 2000
	-----	-----
(in thousands, except per share data)		
Net sales	\$ 2,396,685	\$ 2,367,833
Income before income taxes	\$ 162,237	\$ 113,779
Net income	\$ 97,342	\$ 68,267
Earnings per common share:		
Basic	\$ 2.65	\$ 1.89
	=====	=====
Diluted	\$ 2.60	\$ 1.85
	=====	=====
Weighted average common shares outstanding:		
Basic	36,723	36,108
Diluted	37,375	36,998

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### 3. PROPERTY, PLANT AND EQUIPMENT:

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

	February 28, 2001	February 29, 2000
	-----	-----
(in thousands)		
Land	\$ 82,976	\$ 62,871
Vineyards	47,227	37,756
Buildings and improvements	140,349	131,588
Machinery and equipment	455,197	440,008
Motor vehicles	9,190	7,241
Construction in progress	18,347	27,874
	-----	-----
	753,286	707,338
Less - Accumulated depreciation	(204,672)	(164,367)
	-----	-----
	\$ 548,614	\$ 542,971
	=====	=====

### 4. OTHER ASSETS:

The major components of other assets are as follows:

	February 28, 2001	February 29, 2000
	-----	-----
(in thousands)		
Goodwill	\$ 447,813	\$ 463,577
Trademarks	247,139	253,148
Distribution rights and agency license agreements	87,052	87,052
Other	73,935	64,504
	-----	-----
	855,939	868,281
Less - Accumulated amortization	(83,373)	(58,458)
	-----	-----
	\$ 772,566	\$ 809,823
	=====	=====

### 5. OTHER ACCRUED EXPENSES AND LIABILITIES:

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

	February 28, 2001	February 29, 2000
	-----	-----
(in thousands)		
Accrued advertising and promotions	\$ 44,501	\$ 37,083
Accrued interest	28,542	24,757
Accrued salaries and commissions	24,589	23,850
Accrued income taxes payable	21,122	24,093
Other	79,299	94,988
	-----	-----
	\$ 198,053	\$ 204,771
	=====	=====

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### 6. BORROWINGS:

Borrowings consist of the following:

<TABLE>  
<CAPTION>

	February 28, 2001			February 29, 2000
	Current	Long-term	Total	Total
(in thousands)				
<S>	<C>	<C>	<C>	<C>
Notes Payable:				
-----				
Senior Credit Facility -				
Revolving Credit Loans	\$ -	\$ -	\$ -	\$ 26,800
Other	4,184	-	4,184	1,334
	-----	-----	-----	-----
	\$ 4,184	\$ -	\$ 4,184	\$ 28,134
	=====	=====	=====	=====
Long-term Debt:				
-----				
Senior Credit Facility - Term Loans	\$ 49,218	\$ 288,377	\$ 337,595	\$ 570,050
Senior Notes	-	623,507	623,507	318,433
Senior Subordinated Notes	-	393,418	393,418	392,947
Other Long-term Debt	4,958	2,135	7,093	8,358
	-----	-----	-----	-----
	\$ 54,176	\$ 1,307,437	\$ 1,361,613	\$ 1,289,788
	=====	=====	=====	=====

</TABLE>

#### SENIOR CREDIT FACILITY -

On October 6, 1999, the Company, certain of its principal operating subsidiaries and a syndicate of banks (the "Syndicate Banks"), for which The Chase Manhattan Bank acts as administrative agent, entered into a senior credit facility (as subsequently amended, the "2000 Credit Agreement"). The 2000 Credit Agreement includes both U.S. dollar and British pound sterling commitments of the Syndicate Banks of up to, in the aggregate, the equivalent of \$1.0 billion (subject to increase as therein provided to \$1.2 billion). Proceeds of the 2000 Credit Agreement were used to repay all outstanding principal and accrued interest on all loans under the Company's prior senior credit facility, and are available to fund permitted acquisitions and ongoing working capital needs of the Company and its subsidiaries.

The 2000 Credit Agreement provides for a \$380.0 million Tranche I Term Loan facility due in December 2004, a \$320.0 million Tranche II Term Loan facility available for borrowing in British pound sterling due in December 2004, and a \$300.0 million Revolving Credit facility (including letters of credit up to a maximum of \$20.0 million) which expires in December 2004. The Tranche I Term Loan facility (\$380.0 million) and the Tranche II Term Loan facility ((pound)193.4 million, or \$320.0 million) were fully drawn at closing. During Fiscal 2001, the Company used proceeds from operating activities to prepay a portion of the \$380.0 million Tranche I Term Loan facility. After this prepayment, the required quarterly repayments of the Tranche I Term Loan facility were revised to \$15.6 million starting in June 2001 and increasing thereafter annually with final payments of \$20.6 million in each quarter in 2004. On November 17, 1999, proceeds from the Sterling Senior Notes (as defined below) were used to repay a portion of the \$320.0 million Tranche II Term Loan facility ((pound)73.0 million, or \$118.3 million). On May 15, 2000, proceeds from the Sterling Series C Senior Notes (as defined below) were used to repay an additional portion of the \$320.0 million Tranche II Term Loan facility ((pound)78.8 million, or \$118.2 million). After these repayments, the required quarterly repayments of the Tranche II Term Loan facility were revised to (pound)0.4 million (\$0.6 million) for each quarter in 2001 and 2002, (pound)0.5 million (\$0.7 million) for each quarter in 2003, and (pound)8.5 million (\$12.3 million) for each quarter in 2004 (the foregoing U.S. dollar equivalents are as of February 28, 2001). There are certain mandatory term loan prepayments, including those based on sale of assets and issuance of debt and equity, in each case subject to customary baskets, exceptions and thresholds.

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The rate of interest payable, at the Company's option, is a function of the London interbank offering rate ("LIBOR") plus a margin, federal funds rate plus a margin, or the prime rate plus a margin. The margin is adjustable based upon the Company's Debt Ratio (as defined in the 2000 Credit Agreement) and, with respect to LIBOR borrowings, ranges between 0.75% and 1.25% for Revolving Credit loans and 1.00% and 1.75% for Term Loans. As of February 28, 2001, the margin was 1.125% for Revolving Credit loans and 1.625% for Term Loans. In addition to interest, the Company pays a facility fee on the Revolving Credit commitments at 0.50% per annum as of February 28, 2001. This fee is based upon the Company's quarterly Debt Ratio and can range from 0.25% to 0.50%.

Certain of the Company's principal operating subsidiaries have guaranteed

the Company's obligations under the 2000 Credit Agreement. The 2000 Credit Agreement is secured by (i) first priority pledges of 100% of the capital stock of Canandaigua Limited and all of the Company's domestic operating subsidiaries and (ii) first priority pledges of 65% of the capital stock of Matthew Clark and certain other foreign subsidiaries.

The Company and its subsidiaries are subject to customary lending covenants including those restricting additional liens, incurring additional indebtedness, the sale of assets, the payment of dividends, transactions with affiliates and the making of certain investments, in each case subject to customary baskets, exceptions and thresholds. The primary financial covenants require the maintenance of a debt coverage ratio, a senior debt coverage ratio, a fixed charges ratio and an interest coverage ratio. Among the most restrictive covenants contained in the 2000 Credit Agreement is the debt coverage ratio.

On February 13, 2001, the 2000 Credit Agreement was amended to, among other things, permit the Company to finance the acquisition of the Turner Road Vintners Assets with revolving loan borrowings, permit the refinancing of the Original Notes (as defined below) and Series C Notes (as defined below) with senior notes, and adjust the senior debt coverage ratio covenant.

As of February 28, 2001, under the 2000 Credit Agreement, the Company had outstanding term loans of \$337.6 million bearing a weighted average interest rate of 8.2% and no outstanding revolving loans. Amounts available to be drawn down under the Revolving Credit Loans were \$287.7 million and \$262.5 million at February 28, 2001, and February 29, 2000, respectively. The Company had average outstanding Revolving Credit Loans of \$47.6 million, \$73.0 million, and \$75.5 million for the years ended February 28, 2001, February 29, 2000, and February 28, 1999, respectively. The average interest rate on the Revolving Credit Loans was 7.8%, 7.4%, and 6.2% for Fiscal 2001, Fiscal 2000, and Fiscal 1999, respectively.

#### SENIOR NOTES -

On August 4, 1999, the Company issued \$200.0 million aggregate principal amount of 8 5/8% Senior Notes due August 2006 (the "August 1999 Senior Notes"). The net proceeds of the offering (\$196.0 million) were used to repay a portion of the Company's borrowings under its senior credit facility. Interest on the August 1999 Senior Notes is payable semiannually on February 1 and August 1 of each year, beginning February 1, 2000. The August 1999 Senior Notes are redeemable at the option of the Company, in whole or in part, at any time. The August 1999 Senior Notes are unsecured senior obligations and rank equally in right of payment to all existing and future unsecured senior indebtedness of the Company. The August 1999 Senior Notes are guaranteed, on a senior basis, by certain of the Company's significant operating subsidiaries.

On November 17, 1999, the Company issued (pound)75.0 million (\$121.7 million upon issuance) aggregate principal amount of 8 1/2% Senior Notes due November 2009 (the "Sterling Senior Notes"). The net proceeds of the offering ((pound)73.0 million, or \$118.3 million) were used to repay a portion of the Company's British pound sterling borrowings under its senior credit facility. Interest on the Sterling Senior Notes is payable semiannually on May 15 and November 15 of each year, beginning on May 15,

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2000. The Sterling Senior Notes are redeemable at the option of the Company, in whole or in part, at any time. The Sterling Senior Notes are unsecured senior obligations and rank equally in right of payment to all existing and future unsecured senior indebtedness of the Company. The Sterling Senior Notes are guaranteed, on a senior basis, by certain of the Company's significant operating subsidiaries. In March 2000, the Company exchanged (pound)75.0 million aggregate principal amount of 8 1/2% Series B Senior Notes due in November 2009 (the "Sterling Series B Senior Notes") for all of the Sterling Senior Notes. The terms of the Sterling Series B Senior Notes are identical in all material respects to the Sterling Senior Notes. In October 2000, the Company exchanged (pound)74.0 million aggregate principal amount of Sterling Series C Senior Notes (as defined below) for (pound)74.0 million of the Sterling Series B Notes. The terms of the Sterling Series C Senior Notes are identical in all material respects to the Sterling Series B Senior Notes. As of February 28, 2001, the Company had outstanding (pound)1.0 million (\$1.4 million) aggregate principal amount of Sterling Series B Senior Notes.

On May 15, 2000, the Company issued (pound)80.0 million (\$120.0 million upon issuance) aggregate principal amount of 8 1/2% Series C Senior Notes due November 2009 at an issuance price of (pound)79.6 million (\$119.4 million upon issuance, net of \$0.6 million unamortized discount, with an effective interest rate of 8.6%) (the "Sterling Series C Senior Notes"). The net proceeds of the offering ((pound)78.8 million, or \$118.2 million) were used to repay a portion of the Company's British pound sterling borrowings under its senior credit facility. Interest on the Sterling Series C Senior Notes is payable semiannually on May 15 and November 15 of each year, beginning on November 15, 2000. The Sterling Series C Senior Notes are redeemable at the option of the Company, in whole or in part, at any time. The Sterling Series C Senior Notes are unsecured senior obligations and rank equally in right of payment to all existing and future unsecured senior indebtedness of the Company. The Sterling Series C



Senior Notes are guaranteed, on a senior basis, by certain of the Company's significant operating subsidiaries. As of February 28, 2001, the Company had outstanding (pound) 154.0 million (\$222.1 million, net of \$0.5 million unamortized discount) aggregate principal amount of Sterling Series C Senior Notes.

On February 21, 2001, the Company issued \$200.0 million aggregate principal amount of 8% Senior Notes due February 2008 (the "February 2001 Senior Notes"). The net proceeds of the offering (\$197.0 million) were used to partially fund the acquisition of the Turner Road Vintners Assets (see Note 18 - Subsequent Events). Interest on the February 2001 Senior Notes is payable semiannually on February 15 and August 15 of each year, beginning August 15, 2001. The February 2001 Senior Notes are redeemable at the option of the Company, in whole or in part, at any time. The February 2001 Senior Notes are unsecured senior obligations and rank equally in right of payment to all existing and future unsecured senior indebtedness of the Company. The February 2001 Senior Notes are guaranteed, on a senior basis, by certain of the Company's significant operating subsidiaries.

#### SENIOR SUBORDINATED NOTES -

On December 27, 1993, the Company issued \$130.0 million aggregate principal amount of 8 3/4% Senior Subordinated Notes due in December 2003 (the "Original Notes"). Interest on the Original Notes is payable semiannually on June 15 and December 15 of each year. The Original Notes are unsecured and subordinated to the prior payment in full of all senior indebtedness of the Company, which includes the senior credit facility. The Original Notes are guaranteed, on a senior subordinated basis, by certain of the Company's significant operating subsidiaries.

On October 29, 1996, the Company issued \$65.0 million aggregate principal amount of 8 3/4% Series B Senior Subordinated Notes (\$63.4 million, net of \$1.6 million unamortized discount, with an effective interest rate of 9.8% as of February 28, 2001) due in December 2003 (the "Series B Notes"). In February 1997, the Company exchanged \$65.0 million aggregate principal amount of 8 3/4% Series C Senior Subordinated Notes due in December 2003 (the "Series C Notes") for the Series B Notes. The terms of the Series C Notes are substantially identical in all material respects to the Original Notes.

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On March 4, 1999, the Company issued \$200.0 million aggregate principal amount of 8 1/2% Senior Subordinated Notes due March 2009 ("Senior Subordinated Notes"). The net proceeds of the offering (\$195.0 million) were used to fund the acquisition of the Black Velvet Assets and to pay the fees and expenses related thereto with the remainder of the net proceeds used for general corporate purposes. Interest on the Senior Subordinated Notes is payable semiannually on March 1 and September 1 of each year, beginning September 1, 1999. The Senior Subordinated Notes are redeemable at the option of the Company, in whole or in part, at any time on or after March 1, 2004. The Company may also redeem up to \$70.0 million of the Senior Subordinated Notes using the proceeds of certain equity offerings completed before March 1, 2002. The Senior Subordinated Notes are unsecured and subordinated to the prior payment in full of all senior indebtedness of the Company, which includes the senior credit facility. The Senior Subordinated Notes are guaranteed, on a senior subordinated basis, by certain of the Company's significant operating subsidiaries.

#### TRUST INDENTURES -

The Company's various Trust Indentures relating to the senior notes and senior subordinated notes contain certain covenants, including, but not limited to: (i) limitation on indebtedness; (ii) limitation on restricted payments; (iii) limitation on transactions with affiliates; (iv) limitation on senior subordinated indebtedness; (v) limitation on liens; (vi) limitation on sale of assets; (vii) limitation on issuance of guarantees of and pledges for indebtedness; (viii) restriction on transfer of assets; (ix) limitation on subsidiary capital stock; (x) limitation on the creation of any restriction on the ability of the Company's subsidiaries to make distributions and other payments; and (xi) restrictions on mergers, consolidations and the transfer of all or substantially all of the assets of the Company to another person. The limitation on indebtedness covenant is governed by a rolling four quarter fixed charge ratio requiring a specified minimum.

#### DEBT PAYMENTS -

Principal payments required under long-term debt obligations (excluding unamortized discount) during the next five fiscal years and thereafter are as follows:

(in thousands)	
2002	\$ 58,360
2003	75,183
2004	278,429
2005	131,392
2006	99
Thereafter	824,462
	-----
	\$ 1,367,925

=====

## 7. INCOME TAXES:

The Company provides for income taxes under the provisions of SFAS No. 109 "Accounting for Income Taxes". SFAS No. 109 requires an asset and liability based approach to accounting for income taxes.

Deferred income taxes reflect the temporary difference between assets and liabilities recognized for financial reporting and such amounts recognized for tax purposes.

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The income tax provision consisted of the following:

	For the Years Ended		
	February 28, 2001	February 29, 2000	February 28, 1999
(in thousands)			
Current:			
Federal	\$ 39,082	\$ 38,588	\$ 23,827
State	7,934	6,091	8,539
Foreign	11,202	8,405	102
Total current	58,218	53,084	32,468
Deferred:			
Federal	(2,017)	(10,804)	5,732
State	402	2,874	2,195
Foreign	8,292	6,430	2,126
Total deferred	6,677	(1,500)	10,053
Income tax provision	\$ 64,895	\$ 51,584	\$ 42,521
	=====	=====	=====

The foreign provision for income taxes is based on foreign pretax earnings. Earnings of foreign subsidiaries would be subject to U.S. income taxation on repatriation to the U.S. The Company's consolidated financial statements fully provide for any related tax liability on amounts that may be repatriated.

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

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

	February 28, 2001	February 29, 2000
(in thousands)		
Depreciation and amortization	\$ (140,864)	\$ (127,436)
Effect of change in accounting method	(7,928)	(11,200)
Inventory reserves	(5,791)	(4,542)
Insurance accruals	4,964	3,868
Restructuring	4,292	6,824
Other accruals	13,995	11,136
	\$ (131,332)	\$ (121,350)
	=====	=====

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

<TABLE>  
<CAPTION>

	For the Years Ended					
	February 28, 2001	February 29, 2000	February 28, 1999			
				% of	% of	% of
	Amount	Amount	Amount	Pretax	Pretax	Pretax
				Income	Income	Income
(in thousands)						

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Income tax provision at statutory rate	\$ 56,783	35.0	\$ 45,136	35.0	\$ 36,551	35.0
State and local income taxes, net of federal income tax benefit	5,022	3.1	3,077	2.4	6,977	6.7
Earnings of subsidiaries taxed at other than U.S. statutory rate	616	0.4	1,294	1.0	227	0.2
Miscellaneous items, net	2,474	1.5	2,077	1.6	(1,234)	(1.2)
	-----	-----	-----	-----	-----	-----
	\$ 64,895	40.0	\$ 51,584	40.0	\$ 42,521	40.7
	=====	=====	=====	=====	=====	=====

</TABLE>

At February 28, 2001, the Company has U.S. Federal net operating loss carryforwards (NOL) of \$0.9 million to offset future taxable income that, if not otherwise utilized, will expire during fiscal 2011.

#### 8. PROFIT SHARING AND RETIREMENT SAVINGS PLANS:

The Company's retirement and profit sharing plan, the Constellation Brands, Inc. 401(k) and Profit Sharing Plan (the "Plan"), covers substantially all employees, excluding those employees covered by collective bargaining agreements and Matthew Clark employees. The 401(k) portion of the Plan permits eligible employees to defer a portion of their compensation (as defined in the Plan) on a pretax basis. Participants may defer up to 12% of their compensation for the year, subject to limitations of the Plan. The Company makes a matching contribution of 50% of the first 6% of compensation a participant defers. The amount of the Company's contribution under the profit sharing portion of the Plan is in such discretionary amount as the Board of Directors may annually determine, subject to limitations of the Plan. Company contributions were \$8.2 million, \$7.3 million, and \$6.8 million, for the years ended February 28, 2001, February 29, 2000, and February 28, 1999, respectively.

The Company's subsidiary, Matthew Clark, has a defined benefit pension plan, which covers substantially all of its employees, and its assets are held by a Trustee who administers funds separately from the Company's finances. As part of the acquisition of the Black Velvet Assets, the Company's subsidiary, Barton, acquired defined benefit pension plans, which cover certain Canadian employees.

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Net periodic benefit cost included the following components:

<TABLE>

<CAPTION>

	For the Year Ended February 28, 2001			For the Year Ended February 29, 2000	For the Year Ended February 28, 1999
	Matthew Clark	Barton	Total	Total	Total
	-----	-----	-----	-----	-----
(in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>
Service cost	\$ 4,077	\$ 303	\$ 4,380	\$ 4,635	\$ 1,335
Interest cost	10,269	985	11,254	11,205	2,671
Expected return on plan assets	(15,034)	(1,130)	(16,164)	(16,340)	(3,848)
Amortization of prior service cost	-	(95)	(95)	-	-
	-----	-----	-----	-----	-----
Net periodic benefit (income) cost	\$ (688)	\$ 63	\$ (625)	\$ (500)	\$ 158
	=====	=====	=====	=====	=====

</TABLE>

The following table summarizes the funded status of the Company's defined benefit pension plans and the related amounts that are primarily included in other assets in the Consolidated Balance Sheets.

<TABLE>

<CAPTION>

	February 28, 2001			February 2000
	Matthew Clark	Barton	Total	Total
	-----	-----	-----	-----
(in thousands)				
<S>	<C>	<C>	<C>	<C>
Change in benefit obligation:				
Benefit obligation as of March 1	\$ 184,516	\$ 14,281	\$ 198,797	\$ 163,680
Acquisition	-	-	-	-
15,348				

Service cost	4,077	303	4,380	
4,635				
Interest cost	10,269	985	11,254	
11,205				
Plan participants' contributions	1,436	-	1,436	1,507
Actuarial (gain)/loss	(467)	308	(159)	
10,128				
Benefits paid	(4,666)	(847)	(5,513)	
(5,344)				
Foreign currency exchange rate changes	(15,851)	(828)	(16,679)	
(2,362)				
--	-----	-----	-----	-----
Benefit obligation as of last day of February	\$ 179,314	\$ 14,202	\$ 193,516	\$ 198,797
	=====	=====	=====	=====
Change in plan assets:				
Fair value of plan assets as of March 1	\$ 208,879	\$ 13,950	\$ 222,829	\$ 194,606
Acquisition	-	-	-	
12,318				
Actual return on plan assets	6,161	765	6,926	21,851
Plan participants' contributions	1,436	-	1,436	1,507
Employer contribution	-	573	573	
670				
Benefits paid	(4,666)	(847)	(5,513)	
(5,370)				
Foreign currency exchange rate changes	(17,739)	(801)	(18,540)	
(2,753)				
--	-----	-----	-----	-----
Fair value of plan assets as of last day of February	\$ 194,071	\$ 13,640	\$ 207,711	\$ 222,829
	=====	=====	=====	=====
Funded status of the plan as of last day of February:				
Funded status	\$ 14,757	\$ (562)	\$ 14,195	\$
24,032				
Unrecognized actuarial loss/(gain)	10,912	(1,489)	9,423	576
	-----	-----	-----	-----
--				
Prepaid (accrued) benefit cost	\$ 25,669	\$ (2,051)	\$ 23,618	\$ 24,608
	=====	=====	=====	=====

</TABLE>

The following table sets forth the principal assumptions used in developing the benefit obligation and the net periodic pension expense:

<TABLE>  
<CAPTION>

	February 28, 2001		February 29, 2000	
	Matthew Clark	Barton	Matthew Clark	Barton
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Rate of return on plan assets	7.75%	8.50%	8.00%	8.50%
Discount rate	6.00%	7.25%	6.00%	7.25%
Rate of compensation increase	4.00%	-	4.00%	-

</TABLE>

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#### 9. POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS:

In connection with the acquisition of the Black Velvet Assets, the Company's subsidiary, Barton, currently sponsors multiple non-pension postretirement and postemployment benefit plans for certain of its Canadian employees.

The status of the plans is as follows:

	February 28, 2001	February 29, 2000
	-----	-----
(in thousands)		
Change in benefit obligation:		
Benefit obligation as of March 1	\$ 647	\$ -
Acquisition	-	698
Service cost	15	14
Interest cost	51	32
Benefits paid	(25)	(10)
Actuarial loss/(gain)	325	(110)
Foreign currency exchange rate changes	(47)	23
	-----	-----
Benefit obligation as of the last day of February	\$ 966	\$ 647

Funded status as of the last day of February:

Funded status	\$ (966)	\$ (647)
Unrecognized net loss/(gain)	211	(111)
	-----	-----
Accrued benefit liability	\$ (755)	\$ (758)
	=====	=====

Assumptions as of the last day of February:

Discount rate	7.00%	7.25%
Increase in compensation levels	4.00%	4.00%

Components of net periodic benefit cost for the twelve months ended the last day of February:

Service cost	\$ 15	\$ 14
Interest cost	50	32
	-----	-----
Net periodic benefit cost	\$ 65	\$ 46
	=====	=====

At February 28, 2001, a 10% annual rate of increase in the per capita cost of covered health benefits was assumed for the first year. The rate was assumed to decrease gradually to 4.8% over seven years and to remain at this level thereafter. Assumed healthcare trend rates could have a significant effect on the amount reported for health care plans. A 1% change in assumed health care cost trend rate would have the following effects:

	1% Increase -----	1% Decrease -----
(in thousands)		
Effect on total service and interest cost components	\$ 6	\$ (5)
Effect on postretirement benefit obligation	\$ 84	\$ (75)

#### 10. STOCKHOLDERS' EQUITY:

##### COMMON STOCK -

The Company has two classes of common stock: Class A Common Stock and Class B Convertible Common Stock. Class B Convertible Common Stock shares are convertible into shares of Class A Common Stock on a one-to-one basis at any time at the option of the holder. Holders of Class B Convertible Common Stock are entitled to ten votes per share. Holders of Class A Common Stock are entitled to one vote per share and a cash dividend premium. If the Company pays a cash dividend on

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Class B Convertible Common Stock, each share of Class A Common Stock will receive an amount at least ten percent greater than the amount of the cash dividend per share paid on Class B Convertible Common Stock. In addition, the Board of Directors may declare and pay a dividend on Class A Common Stock without paying any dividend on Class B Convertible Common Stock.

At February 28, 2001, there were 31,238,368 shares of Class A Common Stock and 6,151,144 shares of Class B Convertible Common Stock outstanding, net of treasury stock.

##### STOCK REPURCHASE AUTHORIZATION -

In June 1998, the Company's Board of Directors authorized the repurchase of up to \$100.0 million of its Class A Common Stock and Class B Convertible Common Stock. The Company may finance such purchases, which will become treasury shares, through cash generated from operations or through the senior credit facility. During Fiscal 1999, the Company repurchased 2,037,672 shares of Class A Common Stock for \$44.9 million. No repurchases were made during Fiscal 2000 and Fiscal 2001.

##### LONG-TERM STOCK INCENTIVE PLAN -

Under the Company's Long-Term Stock Incentive Plan, nonqualified stock options, stock appreciation rights, restricted stock and other stock-based awards may be granted to employees, officers and directors of the Company. At the Company's Annual Meeting of Stockholders held on July 20, 1999, stockholders approved the amendment to the Company's Long-Term Stock Incentive Plan to increase the aggregate number of shares of the Class A Common Stock available for awards under the plan from 8,000,000 shares to 14,000,000 shares. The exercise price, vesting period and term of nonqualified stock options granted are established by the committee administering the plan (the "Committee"). Grants of stock appreciation rights, restricted stock and other stock-based awards may contain such vesting, terms, conditions and other requirements as the Committee may establish. During Fiscal 2001 and Fiscal 2000, no stock appreciation rights were granted. During Fiscal 2001, 7,550 shares of restricted Class A Common Stock were granted at a weighted average grant date fair value of \$26.63 per share. During Fiscal 2000, no restricted stock was granted.

##### INCENTIVE STOCK OPTION PLAN -

Under the Company's Incentive Stock Option Plan, incentive stock options may be granted to employees, including officers, of the Company. Grants, in the aggregate, may not exceed 2,000,000 shares of the Company's Class A Common Stock. The exercise price of any incentive stock option may not be less than the fair market value of the Company's Class A Common Stock on the date of grant. The vesting period and term of incentive stock options granted are established by the Committee. The maximum term of incentive stock options is ten years.

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A summary of stock option activity under the Company's long-term stock incentive plan and the incentive stock option plan is as follows:

	Shares Under Option	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
Balance, February 28, 1998	3,693,630	\$ 12.62	721,260	\$ 12.73
Options granted	1,456,400	\$ 25.29		
Options exercised	(407,130)	\$ 10.04		
Options forfeited/canceled	(233,390)	\$ 18.57		
Balance, February 28, 1999	4,509,510	\$ 16.63	984,570	\$ 12.28
Options granted	1,639,600	\$ 25.21		
Options exercised	(375,380)	\$ 8.96		
Options forfeited/canceled	(297,230)	\$ 22.48		
Balance, February 29, 2000	5,476,500	\$ 19.41	1,474,910	\$ 13.52
Options granted	1,930,200	\$ 26.03		
Options exercised	(929,568)	\$ 14.88		
Options forfeited/canceled	(322,730)	\$ 23.82		
Balance, February 28, 2001	6,154,402	\$ 21.94	2,408,442	\$ 17.02

The following table summarizes information about stock options outstanding at February 28, 2001:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 5.75 - \$12.82	764,920	4.6 years	\$ 8.54	662,500	\$ 8.52
\$13.38 - \$15.63	625,440	5.5 years	\$ 14.18	572,200	\$ 14.24
\$17.69 - \$25.00	1,498,552	7.5 years	\$ 22.78	758,502	\$ 21.55
\$25.50 - \$29.78	3,265,490	8.5 years	\$ 26.17	415,240	\$ 26.10
	6,154,402	7.5 years	\$ 21.94	2,408,442	\$ 17.02

The weighted average fair value of options granted during Fiscal 2001, Fiscal 2000, and Fiscal 1999 was \$10.91, \$13.14, and \$13.11, respectively. The fair value of options is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: risk-free interest rate of 6.2% for Fiscal 2001, 5.7% for Fiscal 2000, and 5.3% for Fiscal 1999; volatility of 38.8% for Fiscal 2001, 40.0% for Fiscal 2000, and 40.6% for Fiscal 1999; and expected option life of 4.7 years for Fiscal 2001, and 7.0 years for Fiscal 2000 and Fiscal 1999. The dividend yield was 0% for Fiscal 2001, Fiscal 2000, and Fiscal 1999. Forfeitures are recognized as they occur.

#### EMPLOYEE STOCK PURCHASE PLAN -

The Company has a stock purchase plan under which 2,250,000 shares of Class A Common Stock can be issued. Under the terms of the plan, eligible employees may purchase shares of the Company's Class A Common Stock through payroll deductions. The purchase price is the lower of 85% of the fair market value of the stock on the first or last day of the purchase period. During Fiscal 2001, Fiscal 2000, and Fiscal 1999, employees purchased 73,888 shares, 62,124 shares, and 99,700 shares, respectively.

The weighted average fair value of purchase rights granted during Fiscal 2001, Fiscal 2000, and Fiscal 1999 was \$7.55, \$6.09, and \$6.18, respectively. The fair value of purchase rights is estimated on

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the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: risk-free interest rate of 5.7% for Fiscal 2001, 5.4% for Fiscal 2000, and 4.7% for Fiscal 1999; volatility of 36.8% for Fiscal 2001, 33.6% for Fiscal 2000, and 33.5% for Fiscal 1999; expected purchase right life of 0.5 years for Fiscal 2001, Fiscal 2000, and Fiscal 1999.

The dividend yield was 0% for Fiscal 2001, Fiscal 2000, and Fiscal 1999.

PRO FORMA DISCLOSURE -

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its plans. The Company adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," ("SFAS No. 123"). Accordingly, no incremental compensation expense has been recognized for its stock-based compensation plans. Had the Company recognized the compensation cost based upon the fair value at the date of grant for awards under its plans consistent with the methodology prescribed by SFAS No. 123, net income and earnings per common share would have been reduced to the pro forma amounts as follows:

<TABLE>

<CAPTION>

	For the Years Ended					
	February 28, 2001		February 29, 2000		February 28, 1999	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
(in thousands, except per share data)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net income	\$ 97,342	\$ 86,784	\$ 77,375	\$ 71,474	\$ 50,472	\$ 46,942
Earnings per common share:						
Basic	\$ 2.65	\$ 2.36	\$ 2.14	\$ 1.98	\$ 1.38	\$ 1.28
Diluted	\$ 2.60	\$ 2.32	\$ 2.09	\$ 1.93	\$ 1.35	\$ 1.25

</TABLE>

The pro forma effect on net income may not be representative of that to be expected in future years.

11. EARNINGS PER COMMON SHARE:

The following table presents earnings per common share as follows:

<TABLE>

<CAPTION>

	For the Years Ended		
	February 28, 2001	February 29, 2000	February 28, 1999
(in thousands, except per share data)			
<S>	<C>	<C>	<C>
Income before extraordinary item	\$ 97,342	\$ 77,375	\$ 61,909
Extraordinary item, net of income taxes	-	-	(11,437)
Income applicable to common shares	\$ 97,342	\$ 77,375	\$ 50,472
Weighted average common shares outstanding - basic	36,723	36,108	36,587
Stock options	652	890	920
Weighted average common shares outstanding - diluted	37,375	36,998	37,507
Earnings per common share:			
Basic:			
Income before extraordinary item	\$ 2.65	\$ 2.14	\$ 1.69
Extraordinary item, net of income taxes	-	-	(0.31)
Earnings per common share - basic	\$ 2.65	\$ 2.14	\$ 1.38
Diluted:			
Income before extraordinary item	\$ 2.60	\$ 2.09	\$ 1.65
Extraordinary item, net of income taxes	-	-	(0.30)
Earnings per common share - diluted	\$ 2.60	\$ 2.09	\$ 1.35

</TABLE>

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12. COMMITMENTS AND CONTINGENCIES:

OPERATING LEASES -

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

(in thousands)	
2002	\$ 18,717
2003	17,787

2004	16,939
2005	15,430
2006	13,459
Thereafter	96,362
	-----
	\$ 178,694
	=====

Rental expense was \$19.6 million, \$17.4 million, and \$8.2 million for Fiscal 2001, Fiscal 2000, and Fiscal 1999, respectively.

#### PURCHASE COMMITMENTS AND CONTINGENCIES -

The Company has agreements with suppliers to purchase various spirits of which certain agreements are denominated in British pound sterling and Canadian dollars. The maximum future obligation under these agreements, based upon exchange rates at February 28, 2001, aggregate \$22.6 million for contracts expiring through December 2005.

All of the Company's imported beer products are marketed and sold pursuant to exclusive distribution agreements from the suppliers of these products. The Company's agreement to distribute Corona Extra and its other Mexican beer brands exclusively throughout 25 primarily western U.S. states expires in December 2006, with automatic five year renewals thereafter, subject to compliance with certain performance criteria and other terms under the agreement. The remaining agreements expire through December 2007. Prior to their expiration, these agreements may be terminated if the Company fails to meet certain performance criteria. At February 28, 2001, the Company believes it is in compliance with all of its material distribution agreements and, given the Company's long-term relationships with its suppliers, the Company does not believe that these agreements will be terminated.

In connection with previous acquisitions, the Company assumed grape purchase contracts with certain growers and suppliers. In addition, the Company has entered into other grape purchase contracts with various growers and suppliers in the normal course of business. Under the grape purchase contracts, the Company is committed to purchase all grape production yielded from a specified number of acres for a period of time ranging up to seventeen years. The actual tonnage and price of grapes that must be purchased by the Company will vary each year depending on certain factors, including weather, time of harvest, overall market conditions and the agricultural practices and location of the growers and suppliers under contract. The Company purchased \$135.0 million of grapes under these contracts during Fiscal 2001. Based on current production yields and published grape prices, the Company estimates that the aggregate purchases under these contracts over the remaining term of the contracts will be \$647.6 million.

The Company's aggregate obligations under bulk wine purchase contracts will be \$8.1 million over the remaining term of the contracts which expire through fiscal 2003.

#### EMPLOYMENT CONTRACTS -

The Company has employment contracts with certain of its executive officers and certain other management personnel with automatic one year renewals unless terminated by either party. These agreements provide for minimum salaries, as adjusted for annual increases, and may include incentive bonuses based upon attainment of specified management goals. In addition, these agreements provide for

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severance payments in the event of specified termination of employment. The aggregate commitment for future compensation and severance, excluding incentive bonuses, was \$4.0 million as of February 28, 2001, of which \$2.0 million is accrued in other liabilities as of February 28, 2001.

#### EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS -

Approximately 30% of the Company's full-time employees are covered by collective bargaining agreements at February 28, 2001. Agreements expiring within one year cover approximately 12% of the Company's full-time employees.

#### LEGAL MATTERS -

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

#### 13. SIGNIFICANT CUSTOMERS AND CONCENTRATION OF CREDIT RISK:

Gross sales to the five largest customers of the Company represented 17.6%, 17.1%, and 25.2% of the Company's gross sales for the fiscal years ended February 28, 2001, February 29, 2000, and February 28, 1999, respectively. Gross sales to the Company's largest customer, Southern Wine and Spirits, represented 8.2%, 8.0%, and 10.9% of the Company's gross sales for the fiscal years ended February 28, 2001, February 29, 2000, and February 28, 1999, respectively.



Accounts receivable from the Company's largest customer represented 9.8%, 8.6%, and 8.5% of the Company's total accounts receivable as of February 28, 2001, February 29, 2000, and February 28, 1999, respectively. Gross sales to the Company's five largest customers are expected to continue to represent a significant portion of the Company's revenues. The Company's arrangements with certain of its customers may, generally, be terminated by either party with prior notice. The Company performs ongoing credit evaluations of its customers' financial position, and management of the Company is of the opinion that any risk of significant loss is reduced due to the diversity of customers and geographic sales area.

#### 14. CONDENSED CONSOLIDATING FINANCIAL INFORMATION:

The following information sets forth the condensed consolidating balance sheets of the Company as of February 28, 2001, and February 29, 2000, and the condensed consolidating statements of operations and cash flows for each of the three years in the period ended February 28, 2001, for the Company, the parent company, the combined subsidiaries of the Company which guarantee the Company's senior notes and senior subordinated notes ("Subsidiary Guarantors") and the combined subsidiaries of the Company which are not Subsidiary Guarantors, primarily Matthew Clark ("Subsidiary Nonguarantors"). The Subsidiary Guarantors are wholly owned and the guarantees are full, unconditional, joint and several obligations of each of the Subsidiary Guarantors. Separate financial statements for the Subsidiary Guarantors of the Company are not presented because the Company has determined that such financial statements would not be material to investors. The Subsidiary Guarantors comprise all of the direct and indirect subsidiaries of the Company, other than Matthew Clark, the Company's Canadian subsidiary, and certain other subsidiaries which individually, and in the aggregate, are inconsequential. The accounting policies of the subsidiaries are the same as those described in Note 1 - Summary of Significant Accounting Policies. There are no restrictions on the ability of the Subsidiary Guarantors to transfer funds to the Company in the form of cash dividends, loans or advances.

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	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	
Consolidated	-----	-----	-----	-----	-----
(in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>
Condensed Consolidating Balance Sheet					
-----					
at February 28, 2001					
-----					
Current assets:					
Cash and cash investments	\$ 142,104	\$ 3,239	\$ 329	\$ -	\$
145,672					
Accounts receivable, net	80,299	116,784	117,179	-	
314,262					
Inventories, net	31,845	515,274	122,965	(66)	
670,018					
Prepaid expenses and other					
current assets	6,551	33,565	20,921	-	
61,037					
Intercompany receivable (payable)	(61,783)	54,169	7,614	-	
-					
-----	-----	-----	-----	-----	-----
Total current assets	199,016	723,031	269,008	(66)	
1,190,989					
Property, plant and equipment, net	30,554	320,143	197,917	-	
548,614					
Investments in subsidiaries	1,835,088	525,442	-	(2,360,530)	
-					
Other assets	87,764	434,782	250,020	-	
772,566					
-----	-----	-----	-----	-----	-----
Total assets	\$ 2,152,422	\$ 2,003,398	\$ 716,945	\$ (2,360,596)	\$
2,512,169					
=====	=====	=====	=====	=====	
Current liabilities:					
Notes payable	\$ -	\$ -	\$ 4,184	\$ -	\$
4,184					
Current maturities of long-term debt	49,218	70	4,888	-	
54,176					
Accounts payable and other liabilities	111,388	58,448	143,010	-	
312,846					
Accrued excise taxes	9,411	35,474	11,069	-	

55,954					
-----	-----	-----	-----	-----	-----
Total current liabilities	170,017	93,992	163,151	-	
427,160					
Long-term debt, less current maturities	1,305,302	758	1,377	-	
1,307,437					
Deferred income taxes	33,232	71,619	27,123	-	
131,974					
Other liabilities	437	2,953	25,940	-	
29,330					
Stockholders' equity:					
Class A and class B common stock	448	6,434	64,867	(71,301)	
448					
Additional paid-in capital	267,655	742,343	436,466	(1,178,809)	
267,655					
Retained earnings	455,864	1,086,311	24,109	(1,110,486)	
455,798					
Accumulated other comprehensive income (loss)	1,096	(1,012)	(26,088)	-	
(26,004)					
Treasury stock and other	(81,629)	-	-	-	
(81,629)					
-----	-----	-----	-----	-----	-----
Total stockholders' equity	643,434	1,834,076	499,354	(2,360,596)	
616,268					
-----	-----	-----	-----	-----	-----
Total liabilities and stockholders' equity	\$ 2,152,422	\$ 2,003,398	\$ 716,945	\$ (2,360,596)	\$
2,512,169					
=====	=====	=====	=====	=====	

Condensed Consolidating Balance Sheet  
 - -----  
 at February 29, 2000  
 - -----

Current assets:					
Cash and cash investments	\$ -	\$ 231	\$ 34,077	\$ -	\$
34,308					
Accounts receivable, net	81,076	95,350	114,682	-	
291,108					
Inventories, net	29,870	467,152	118,766	(88)	
615,700					
Prepaid expenses and other current assets	6,175	38,269	10,437	-	
54,881					
Intercompany receivable (payable)	30,174	(3,273)	(26,901)	-	
-					
-----	-----	-----	-----	-----	-----
Total current assets	147,295	597,729	251,061	(88)	
995,997					
Property, plant and equipment, net	30,397	298,513	214,061	-	
542,971					
Investments in subsidiaries	1,714,150	529,267	-	(2,243,417)	
-					
Other assets	86,652	447,945	275,226	-	
809,823					
-----	-----	-----	-----	-----	-----
Total assets	\$ 1,978,494	\$ 1,873,454	\$ 740,348	\$ (2,243,505)	\$
2,348,791					
=====	=====	=====	=====	=====	

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<CAPTION>

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	
Consolidated	-----	-----	-----	-----	-----
-----					
(in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>
Current liabilities:					
Notes payable	\$ 26,800	\$ -	\$ 1,334	\$ -	\$
28,134					
Current maturities of long-term debt	51,801	-	852	-	
52,653					
Accounts payable and other liabilities	110,018	74,154	142,812	-	
326,984					
Accrued excise taxes	4,712	14,737	10,997	-	
30,446					

-----	-----	-----	-----	-----	-----
Total current liabilities	193,331	88,891	155,995	-	
438,217					
Long-term debt, less current maturities	1,229,629	446	7,060	-	
1,237,135					
Deferred income taxes	28,697	65,350	22,400	-	
116,447					
Other liabilities	511	2,917	32,724	-	
36,152					
Stockholders' equity:					
Class A and class B common stock	439	6,434	64,867	(71,301)	
439					
Additional paid-in capital	247,730	742,343	436,466	(1,178,809)	
247,730					
Retained earnings	358,544	965,373	27,934	(993,395)	
358,456					
Accumulated other comprehensive income (loss)	1,249	1,700	(7,098)	-	
(4,149)					
Treasury stock and other	(81,636)	-	-	-	
(81,636)					
-----	-----	-----	-----	-----	-----
Total stockholders' equity	526,326	1,715,850	522,169	(2,243,505)	
520,840					
-----	-----	-----	-----	-----	-----
Total liabilities and stockholders' equity	\$ 1,978,494	\$ 1,873,454	\$ 740,348	\$ (2,243,505)	\$
2,348,791					
=====	=====	=====	=====	=====	

Condensed Consolidating Statement of Income  
-----  
for the Year Ended February 28, 2001  
-----

Gross sales	\$ 741,668	\$ 1,759,368	\$ 979,509	\$ (326,251)	\$
3,154,294					
Less - excise taxes	(131,997)	(396,773)	(228,839)	-	
(757,609)					
-----	-----	-----	-----	-----	-----
Net sales	609,671	1,362,595	750,670	(326,251)	
2,396,685					
Cost of product sold	(474,913)	(955,893)	(534,697)	326,273	
(1,639,230)					
-----	-----	-----	-----	-----	-----
Gross profit	134,758	406,702	215,973	22	
757,455					
Selling, general and administrative expenses	(140,757)	(150,241)	(195,589)	-	
(486,587)					
-----	-----	-----	-----	-----	-----
Operating income	(5,999)	256,461	20,384	22	
270,868					
Interest expense, net	(27,840)	(76,076)	(4,715)	-	
(108,631)					
Equity earnings in subsidiary	120,937	(3,825)	-	(117,112)	
-					
-----	-----	-----	-----	-----	-----
Income before income taxes	87,098	176,560	15,669	(117,090)	
162,237					
Provision for income taxes	10,222	(55,623)	(19,494)	-	
(64,895)					
-----	-----	-----	-----	-----	-----
Net income	\$ 97,320	\$ 120,937	\$ (3,825)	\$ (117,090)	\$
97,342					
=====	=====	=====	=====	=====	

Condensed Consolidating Statement of Income  
-----  
for the Year Ended February 29, 2000  
-----

Gross sales	\$ 742,375	\$ 1,692,070	\$ 1,010,526	\$ (356,272)	\$
3,088,699					
Less - excise taxes	(135,196)	(372,450)	(240,584)	-	
(748,230)					
-----	-----	-----	-----	-----	-----

-----					
Net sales	607,179	1,319,620	769,942	(356,272)	
2,340,469					
Cost of product sold	(444,993)	(983,026)	(546,174)	356,184	
(1,618,009)					
-----	-----	-----	-----	-----	-----
Gross profit	162,186	336,594	223,768	(88)	
722,460					
Selling, general and administrative					
expenses	(150,732)	(160,749)	(170,428)	-	
(481,909)					
Nonrecurring charges	-	(2,565)	(2,945)	-	
(5,510)					
-----	-----	-----	-----	-----	-----
Operating income	11,454	173,280	50,395	(88)	
235,041					
Interest expense, net	(18,701)	(82,265)	(5,116)	-	
(106,082)					
Equity earnings in subsidiary	81,776	22,974	-	(104,750)	
-					
-----	-----	-----	-----	-----	-----
Income before income taxes	74,529	113,989	45,279	(104,838)	
128,959					
Provision for income taxes	2,934	(32,213)	(22,305)	-	
(51,584)					
-----	-----	-----	-----	-----	-----
Net income	\$ 77,463	\$ 81,776	\$ 22,974	\$ (104,838)	\$
77,375					
=====	=====	=====	=====	=====	

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<CAPTION>

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	
Consolidated	-----	-----	-----	-----	-----
-----					
(in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>
Condensed Consolidating Statement of Income					
-----					
for the Year Ended February 28, 1999					
-----					
Gross sales	\$ 695,533	\$ 1,439,543	\$ 206,879	\$ (357,154)	\$
1,984,801					
Less - excise taxes	(126,770)	(312,569)	(48,119)	-	
(487,458)					
-----	-----	-----	-----	-----	-----
Net sales	568,763	1,126,974	158,760	(357,154)	
1,497,343					
Cost of product sold	(410,968)	(878,757)	(116,738)	357,154	
(1,049,309)					
-----	-----	-----	-----	-----	-----
Gross profit	157,795	248,217	42,022	-	
448,034					
Selling, general and administrative					
expenses	(155,730)	(113,387)	(30,409)	-	
(299,526)					
Nonrecurring charges	-	-	(2,616)	-	
(2,616)					
-----	-----	-----	-----	-----	-----
Operating income	2,065	134,830	8,997	-	
145,892					
Interest expense, net	834	(40,487)	(1,809)	-	
(41,462)					
Equity earnings in subsidiary	60,896	4,960	-	(65,856)	
-					
-----	-----	-----	-----	-----	-----
Income before income taxes and					
extraordinary item	63,795	99,303	7,188	(65,856)	
104,430					
Provision for income taxes	(1,886)	(38,407)	(2,228)	-	
(42,521)					
-----	-----	-----	-----	-----	-----
Income before extraordinary item	61,909	60,896	4,960	(65,856)	

61,909					
Extraordinary item, net of income taxes (11,437)	(11,437)	-	-	-	
-----	-----	-----	-----	-----	-----
Net income 50,472	\$ 50,472	\$ 60,896	\$ 4,960	\$ (65,856)	\$
=====	=====	=====	=====	=====	
-----					
Condensed Consolidated Statement of Cash					
Flows for the Year Ended February 28, 2001					
-----					
Net cash provided by (used in)					
operating activities	\$ 92,765	\$ 20,479	\$ (9,469)	\$ -	\$
103,775					
Cash flows from investing activities:					
Purchases of property, plant and equipment	(5,609)	(42,771)	(19,837)	-	
(68,217)					
Purchases of businesses, net of cash acquired	-	-	(4,459)	-	
(4,459)					
Other	120	930	959	-	
2,009					
-----	-----	-----	-----	-----	-----
Net cash used in investing activities	(5,489)	(41,841)	(23,337)	-	
(70,667)					
-----	-----	-----	-----	-----	-----
Cash flows from financing activities:					
Proceeds from issuance of long-term debt	319,400	-	-	-	
319,400					
Exercise of employee stock options	13,806	-	-	-	
13,806					
Proceeds from employee stock purchases	1,547	-	-	-	
1,547					
Principal payments of long-term debt	(220,888)	639	(1,659)	-	
(221,908)					
Net repayments of notes payable	(26,800)	(704)	3,889	-	
(23,615)					
Payment of issuance costs of long-term debt	(5,794)	-	-	-	
(5,794)					
-----	-----	-----	-----	-----	-----
Net cash provided by (used in)					
financing activities	81,271	(65)	2,230	-	
83,436					
-----	-----	-----	-----	-----	-----
Effect of exchange rate changes on cash and cash investments	(26,443)	24,435	(3,172)	-	
(5,180)					
-----	-----	-----	-----	-----	-----
Net increase (decrease) in cash and cash investments	142,104	3,008	(33,748)	-	
111,364					
Cash and cash investments, beginning of year	-	231	34,077	-	
34,308					
-----	-----	-----	-----	-----	-----
Cash and cash investments, end of year	\$ 142,104	\$ 3,239	\$ 329	\$ -	\$
145,672	=====	=====	=====	=====	
=====					

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<CAPTION>

	Parent	Subsidiary	Subsidiary	
	Company	Guarantors	Nonguarantors	Eliminations
Consolidated				
-----	-----	-----	-----	-----

-----  
(in thousands)

<S>	<C>	<C>	<C>	<C>	<C>
Condensed Consolidated Statement of Cash Flows for the Year Ended February 29, 2000					
Net cash (used in) provided by operating activities 148,055	\$ (137,490)	\$ 245,989	\$ 39,556	\$ -	\$
Cash flows from investing activities:					
Purchases of property, plant and equipment (57,747)	(5,163)	(42,220)	(10,364)	-	
Purchases of businesses, net of cash acquired (452,910)	-	(453,117)	207	-	
Intercompany equity contributions -	(269,899)	269,899	-	-	
Other 14,977	13,000	(2,198)	4,175	-	
Net cash used in investing activities (495,680)	(262,062)	(227,636)	(5,982)	-	
Cash flows from financing activities:					
Proceeds from issuance of long-term debt 1,486,240	1,486,240	-	-	-	
Exercise of employee stock options 3,358	3,358	-	-	-	
Proceeds from employee stock purchases 1,428	1,428	-	-	-	
Principal payments of long-term debt (1,059,952)	(1,017,850)	(25,550)	(16,552)	-	
Net repayments of notes payable (60,629)	(56,675)	400	(4,354)	-	
Payment of issuance costs of long-term debt (14,888)	(14,888)	-	-	-	
Net cash provided by (used in) financing activities 355,557	401,613	(25,150)	(20,906)	-	
Effect of exchange rate changes on cash and cash investments (1,269)	(5,820)	5,850	(1,299)	-	
Net (decrease) increase in cash and cash investments 6,663	(3,759)	(947)	11,369	-	
Cash and cash investments, beginning of year 27,645	3,759	1,178	22,708	-	
Cash and cash investments, end of year 34,308	\$ -	\$ 231	\$ 34,077	\$ -	\$

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<CAPTION>	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	
Consolidated					
(in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>
Condensed Consolidated Statement of Cash Flows for the Year Ended February 28, 1999					
Net cash (used in) provided by operating activities	\$ (254,656)	\$ 315,343	\$ 46,558	\$ -	\$

107,245					
Cash flows from investing activities:					
Purchases of property, plant and equipment (49,857)	(15,615)	(23,798)	(10,444)	-	
Purchases of businesses, net of cash acquired (332,216)	-	(358,121)	25,905	-	
Intercompany equity contributions	(158,016)	67,655	90,361	-	
Other (285)	-	(475)	190	-	
	-----	-----	-----	-----	-----
Net cash (used in) provided by investing activities (382,358)	(173,631)	(314,739)	106,012	-	
	-----	-----	-----	-----	-----
Cash flows from financing activities:					
Proceeds from issuance of long-term debt 635,090	625,630	9,460	-	-	
Exercise of employee stock options 4,083	4,083	-	-	-	
Proceeds from employee stock purchases 1,840	1,840	-	-	-	
Principal payments of long-term debt (264,101)	(140,118)	-	(123,983)	-	
Net repayments of notes payable (13,907)	(8,824)	-	(5,083)	-	
Payment of issuance costs of long-term debt (17,109)	(7,201)	(9,908)	-	-	
Purchases of treasury stock (44,878)	(44,878)	-	-	-	
	-----	-----	-----	-----	-----
Net cash provided by (used in) financing activities 301,018	430,532	(448)	(129,066)	-	
	-----	-----	-----	-----	-----
Effect of exchange rate changes on cash and cash investments 508	1,128	176	(796)	-	
	-----	-----	-----	-----	-----
Net increase in cash and cash investments 26,413	3,373	332	22,708	-	
Cash and cash investments, beginning of year 1,232	386	846	-	-	
	-----	-----	-----	-----	-----
Cash and cash investments, end of year 27,645	\$ 3,759	\$ 1,178	\$ 22,708	\$ -	\$
	=====	=====	=====	=====	=====

#### 15. BUSINESS SEGMENT INFORMATION:

The Company reports its operating results in five segments: Canandaigua Wine (branded popular premium wine and brandy, and other, primarily grape juice concentrate); Barton (primarily beer and spirits); Matthew Clark (branded wine, cider and bottled water, and wholesale wine, cider, spirits, beer and soft drinks); Franciscan (primarily branded super-premium and ultra-premium wine) and Corporate Operations and Other (primarily corporate related items). Segment selection was based upon internal organizational structure, the way in which these operations are managed and their performance evaluated by management and the Company's Board of Directors, the availability of separate financial results, and materiality considerations. The accounting policies of the segments are the same as those described in Note 1 - Summary of Significant Accounting Policies. The Company evaluates performance based on operating profits of the respective business units.

Segment information is as follows:

	For the Years Ended		
	February 28, 2001	February 29, 2000	February 28, 1999
<hr/>			
(in thousands)			
Canandaigua Wine:			
- -----			
Net sales:			
Branded:			
External customers	\$ 603,948	\$ 623,796	\$ 598,782
Intersegment	6,451	5,524	-
	<hr/>	<hr/>	<hr/>
Total Branded	610,399	629,320	598,782
	<hr/>	<hr/>	<hr/>
Other:			
External customers	61,480	81,442	70,711
Intersegment	16,562	1,146	-
	<hr/>	<hr/>	<hr/>
Total Other	78,042	82,588	70,711
	<hr/>	<hr/>	<hr/>
Net sales	\$ 688,441	\$ 711,908	\$ 669,493
Operating income	\$ 50,789	\$ 46,778	\$ 46,283
Long-lived assets	\$ 189,393	\$ 192,828	\$ 191,762
Total assets	\$ 644,697	\$ 639,687	\$ 650,578
Capital expenditures	\$ 17,940	\$ 20,213	\$ 25,275
Depreciation and amortization	\$ 22,952	\$ 20,828	\$ 20,838
Barton:			
- -----			
Net sales:			
Beer	\$ 659,371	\$ 570,380	\$ 478,611
Spirits	285,743	267,762	185,938
	<hr/>	<hr/>	<hr/>
Net sales	\$ 945,114	\$ 838,142	\$ 664,549
Operating income	\$ 167,680	\$ 142,931	\$ 102,624
Long-lived assets	\$ 76,777	\$ 78,876	\$ 50,221
Total assets	\$ 724,511	\$ 684,228	\$ 478,580
Capital expenditures	\$ 6,589	\$ 7,218	\$ 3,269
Depreciation and amortization	\$ 16,069	\$ 14,452	\$ 10,765
Matthew Clark:			
- -----			
Net sales:			
Branded:			
External customers	\$ 285,717	\$ 313,027	\$ 64,879
Intersegment	1,193	75	-
	<hr/>	<hr/>	<hr/>
Total Branded	286,910	313,102	64,879
Wholesale	404,209	416,644	93,881
	<hr/>	<hr/>	<hr/>
Net sales	\$ 691,119	\$ 729,746	\$ 158,760
Operating income	\$ 48,961	\$ 48,473	\$ 8,998
Long-lived assets	\$ 145,794	\$ 158,119	\$ 169,693
Total assets	\$ 583,203	\$ 636,807	\$ 631,313
Capital expenditures	\$ 15,562	\$ 17,949	\$ 10,444
Depreciation and amortization	\$ 17,322	\$ 20,238	\$ 4,836
Franciscan:			
- -----			
Net sales:			
External customers	\$ 92,898	\$ 62,046	\$ -
Intersegment	217	73	-
	<hr/>	<hr/>	<hr/>
Net sales	\$ 93,115	\$ 62,119	\$ -
Operating income	\$ 24,495	\$ 12,708	\$ -
Long-lived assets	\$ 130,375	\$ 106,956	\$ -
Total assets	\$ 394,740	\$ 357,999	\$ -
Capital expenditures	\$ 27,780	\$ 10,741	\$ -
Depreciation and amortization	\$ 10,296	\$ 6,028	\$ -

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	For the Years Ended		
	February 28, 2001	February 29, 2000	February 28, 1999
<hr/>			
(in thousands)			
Corporate Operations and Other:			
- -----			
Net sales	\$ 3,319	\$ 5,372	\$ 4,541



Operating loss	\$	(21,057)	\$	(15,849)	\$	(12,013)
Long-lived assets	\$	6,275	\$	6,192	\$	17,127
Total assets	\$	165,018	\$	30,070	\$	33,305
Capital expenditures	\$	346	\$	1,626	\$	10,869
Depreciation and amortization	\$	3,744	\$	3,177	\$	2,151

Intersegment eliminations:

- -----						
Net sales	\$	(24,423)	\$	(6,818)	\$	-

Consolidated:

- -----						
Net sales	\$	2,396,685	\$	2,340,469	\$	1,497,343
Operating income	\$	270,868	\$	235,041	\$	145,892
Long-lived assets	\$	548,614	\$	542,971	\$	428,803
Total assets	\$	2,512,169	\$	2,348,791	\$	1,793,776
Capital expenditures	\$	68,217	\$	57,747	\$	49,857
Depreciation and amortization	\$	70,383	\$	64,723	\$	38,590

The Company's areas of operations are principally in the United States. Operations outside the United States consist of Matthew Clark's operations, which are primarily in the United Kingdom. No other single foreign country or geographic area is significant to the consolidated operations.

16. NONRECURRING CHARGES:

During Fiscal 2000, the Company incurred nonrecurring charges of \$5.5 million related to the closure of a cider production facility within the Matthew Clark operating segment in the United Kingdom (\$2.9 million) and to a management reorganization within the Canandaigua Wine operating segment (\$2.6 million). During Fiscal 1999, the Company incurred nonrecurring charges of \$2.6 million also related to the closure of the aforementioned Matthew Clark cider production facility.

17. ACCOUNTING PRONOUNCEMENTS:

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. SFAS No. 133 requires that every derivative be recorded as either an asset or liability in the balance sheet and measured at its fair value. SFAS No. 133 also requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

In June 1999, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 137 ("SFAS No. 137"), "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133." SFAS No. 137 delays the effective date of SFAS No. 133 for one year. With the issuance of SFAS No. 137, the Company is required to adopt SFAS No. 133 on a prospective basis for interim periods and fiscal years beginning March 1, 2001.

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In June 2000, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 138 ("SFAS No. 138"), "Accounting for Certain Derivative Instruments and Certain Hedging Activities--an amendment of FASB Statement No. 133." SFAS No. 138 amends the accounting and reporting standards of SFAS No. 133 for certain derivative instruments and certain hedging activities. The Company is required to adopt SFAS No. 138 concurrently with SFAS No. 133. The Company believes the effect of the adoption of these statements on its financial statements will not be material based on the Company's current risk management strategies.

In May 2000, the Emerging Issues Task Force ("EITF") issued EITF Issue No. 00-14 ("EITF No. 00-14"), "Accounting for Certain Sales Incentives," which was subsequently amended in April 2001. EITF No. 00-14 addresses the recognition, measurement and income statement classification of certain sales incentives. EITF No. 00-14 requires that sales incentives, including coupons, rebate offers, and free product offers, given concurrently with a single exchange transaction be recognized when incurred and reported as a reduction of revenue. The Company currently reports these costs in selling, general and administrative expenses. The Company is required to adopt EITF 00-14 in its financial statements beginning March 1, 2002. Upon adoption of EITF 00-14, financial statements for prior periods presented for comparative purposes are to be reclassified to comply with the requirements of EITF 00-14. The Company believes the impact of EITF 00-14 on its financial statements will result in a material

reclassification that will decrease previously reported net sales and decrease previously reported selling, general and administrative expenses, but will have no effect on operating income or net income. The Company has not yet determined the amount of the reclassification.

#### 18. SUBSEQUENT EVENTS:

##### ACQUISITIONS -

On March 5, 2001, in an asset acquisition, the Company acquired several well-known premium wine brands, including Vendange, Nathanson Creek, Heritage, and Talus, working capital (primarily inventories), two wineries in California, and other related assets from Sebastiani Vineyards, Inc. and Tuolomne River Vintners Group (the "Turner Road Vintners Assets"). The purchase price of the Turner Road Vintners Assets, including assumption of indebtedness, was \$289.7 million. The acquisition was financed by the proceeds from the sale of the February 2001 Senior Notes and revolving loan borrowings under the senior credit facility.

On March 26, 2001, in an asset acquisition, the Company acquired certain wine brands, wineries, working capital (primarily inventories), and other related assets from Corus Brands, Inc. (the "Corus Assets"). In this acquisition, the Company acquired several well-known premium wine brands primarily sold in the northwestern United States, including Covey Run, Columbia, Ste. Chapelle and Alice White. The purchase price of the Corus assets, including assumption of indebtedness, was \$52.0 million plus an earn-out over six years based on the performance of the brands. In connection with the transaction, the Company also entered into long-term grape supply agreements with affiliates of Corus Brands, Inc. covering more than 1,000 acres of Washington and Idaho vineyards. The acquisition was financed with revolving loan borrowings under the senior credit facility.

On April 10, 2001, the Company and Ravenswood Winery, Inc. ("Ravenswood") announced that they entered into a merger agreement under which the Company will acquire Ravenswood, a leading premium wine producer based in Sonoma, California. Under the terms of the merger agreement, the Company will pay \$29.50 in cash for each outstanding share of Ravenswood, or approximately \$148 million, and assume net debt, which the Company does not expect to be significant at the time of closing. The transaction is subject to satisfaction of customary closing conditions and is expected to close in late June or early July 2001. The Company cannot guarantee, however, that this transaction will be completed

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upon the agreed upon terms, or at all. The acquisition is expected to be financed with borrowings under the senior credit facility.

##### EQUITY OFFERING -

During March, 2001, the Company completed a public offering of 4,370,000 shares of its Class A Common Stock resulting in net proceeds to the Company, after deducting underwriting discounts and expenses, of \$139.4 million. The net proceeds were used to repay revolving loan borrowings under the senior credit facility of which a portion was incurred to partially finance the acquisition of the Turner Road Vintners Assets.

#### 19. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

A summary of selected quarterly financial information is as follows:

<TABLE>

<CAPTION>

Fiscal 2001	QUARTER ENDED				
	May 31, 2000	August 31, 2000	November 30, 2000	February 28, 2001	Full Year
(in thousands, except per share data)					
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	\$ 585,580	\$ 637,490	\$ 629,577	\$ 544,038	\$ 2,396,685
Gross profit	\$ 183,873	\$ 200,639	\$ 208,053	\$ 164,890	\$ 757,455
Net income	\$ 17,902	\$ 26,110	\$ 34,953	\$ 18,377	\$ 97,342
Earnings per common share: (1)					
Basic	\$ 0.49	\$ 0.71	\$ 0.95	\$ 0.50	\$ 2.65
Diluted	\$ 0.48	\$ 0.70	\$ 0.93	\$ 0.48	\$ 2.60

<CAPTION>

Fiscal 2000	QUARTER ENDED				
	May 31, 1999	August 31, 1999	November 30, 1999	February 29, 2000	Full Year
(in thousands, except per share data)					
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	\$ 530,169	\$ 621,580	\$ 652,969	\$ 535,751	\$ 2,340,469
Gross profit	\$ 156,123	\$ 189,128	\$ 209,687	\$ 167,522	\$ 722,460
Net income	\$ 10,846	\$ 21,101	\$ 29,900	\$ 15,528	\$ 77,375

Earnings per common share: (1)

Basic	\$	0.30	\$	0.59	\$	0.83	\$	0.43	\$	2.14
Diluted	\$	0.29	\$	0.57	\$	0.80	\$	0.42	\$	2.09

<FN>

(1) The sum of the quarterly earnings per common share in Fiscal 2001 and Fiscal 2000 may not equal the total computed for the respective years as the earnings per common share are computed independently for each of the quarters presented and for the full year.

</FN>

</TABLE>

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND

-----  
FINANCIAL DISCLOSURE  
-----

Not Applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

-----  
The information required by this Item (except for the information regarding executive officers required by Item 401 of Regulation S-K which is included in Part I hereof in accordance with General Instruction G(3)) is incorporated herein by reference to the Company's proxy statement to be issued in connection with the Annual Meeting of Stockholders of the Company to be held on July 17, 2001, under those sections of the proxy statement titled "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance", which proxy statement will be filed within 120 days after the end of the Company's fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

-----  
The information required by this Item is incorporated herein by reference to the Company's proxy statement to be issued in connection with the Annual Meeting of Stockholders of the Company to be held on July 17, 2001, under that section of the proxy statement titled "Executive Compensation" and that caption titled "Director Compensation" under "Election of Directors", which proxy statement will be filed within 120 days after the end of the Company's fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

-----  
The information required by this Item is incorporated herein by reference to the Company's proxy statement to be issued in connection with the Annual Meeting of Stockholders of the Company to be held on July 17, 2001, under those sections of the proxy statement titled "Beneficial Ownership" and "Stock Ownership of Management", which proxy statement will be filed within 120 days after the end of the Company's fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

-----  
The information required by this Item is incorporated herein by reference to the Company's proxy statement to be issued in connection with the Annual Meeting of Stockholders of the Company to be held on July 17, 2001, under that section of the proxy statement titled "Executive Compensation", which proxy statement will be filed within 120 days after the end of the Company's fiscal year.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

-----  
(a) 1. Financial Statements

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

Report of Independent Public Accountants

Consolidated Balance Sheets - February 28, 2001, and February 29,

2000

Consolidated Statements of Income for the years ended February 28, 2001, February 29, 2000, and February 28, 1999

Consolidated Statements of Changes in Stockholders' Equity for the years ended February 28, 2001, February 29, 2000, and February 28, 1999

Consolidated Statements of Cash Flows for the years ended February 28, 2001, February 29, 2000, and February 28, 1999

Notes to Consolidated Financial Statements

2. Financial Statement Schedules

The following consolidated financial information is submitted herewith:

Selected Quarterly Financial Information (unaudited)

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

Individual financial statements of the Registrant have been omitted because the Registrant is primarily an operating company and no subsidiary included in the consolidated financial statements has minority equity interests and/or noncurrent indebtedness, not guaranteed by the Registrant, in excess of 5% of total consolidated assets.

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

For the exhibits that are filed herewith or incorporated herein by reference, see the Index to Exhibits located on Page 95 of this Report.

(b) Reports on Form 8-K

The following Reports on Form 8-K were filed by the Company with the Securities and Exchange Commission during the fourth quarter of the fiscal year ended February 28, 2001:

- (i) Form 8-K dated January 4, 2001. This Form 8-K reported information under Item 5 (Other Events) and included (i) the Company's Condensed Consolidated Balance Sheets as of November 30, 2000 (unaudited) and February 29, 2000 (audited); (ii) the Company's Condensed Consolidated Statements of Income for the three months ended November 30, 2000 (unaudited) and November 30, 1999 (unaudited); and (iii) the

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Company's Condensed Consolidated Statements of Income for the nine months ended November 30, 2000 (unaudited) and November 30, 1999 (unaudited).

- (ii) Form 8-K dated February 1, 2001. This Form 8-K reported information under Item 5 (Other Events).
- (iii) Form 8-K dated February 12, 2001. This Form 8-K reported information under Item 5 (Other Events).
- (iv) Form 8-K dated February 14, 2001. This Form 8-K reported information under Item 5 (Other Events).
- (v) Form 8-K dated February 21, 2001. This Form 8-K reported information under Item 5 (Other Events).

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001

CONSTELLATION BRANDS, INC.

By: /s/ Richard Sands

-----  
Richard Sands, Chairman of the  
Board, President and Chief  
Executive Officer

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

/s/ Richard Sands

-----  
Richard Sands, Chairman of the  
Board, President, and Chief  
Executive Officer (Principal  
Executive Officer)  
Dated: May 29, 2001

/s/ Thomas S. Summer

-----  
Thomas S. Summer, Executive Vice  
President and Chief Financial  
Officer (Principal Financial  
Officer and Principal Accounting  
Officer)  
Dated: May 29, 2001

/s/ Robert Sands

-----  
Robert Sands, Director  
Dated: May 29, 2001

/s/ George Bresler

-----  
George Bresler, Director  
Dated: May 29, 2001

/s/ James A. Locke

-----  
James A. Locke, III, Director  
Dated: May 29, 2001

/s/ Thomas C. McDermott

-----  
Thomas C. McDermott, Director  
Dated: May 29, 2001

/s/ Paul L. Smith

-----  
Paul L. Smith, Director  
Dated: May 29, 2001

/s/ Jeananne K. Hauswald

-----  
Jeananne K. Hauswald, Director  
Dated: May 29, 2001

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#### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001

Batavia Wine Cellars, Inc.

By: /s/ Ned Cooper

-----  
Ned Cooper, President

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

Dated: May 29, 2001

/s/ Ned Cooper

-----  
Ned Cooper, President  
(Principal Executive Officer)

Dated: May 29, 2001

/s/ Thomas S. Summer

-----  
Thomas S. Summer, Treasurer  
(Principal Financial Officer and  
Principal Accounting Officer)

Dated: May 29, 2001

/s/ Richard Sands

-----  
Richard Sands, Director

Dated: May 29, 2001

/s/ Robert Sands

-----  
Robert Sands, Director

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001

Canandaigua Wine Company, Inc.

By: /s/ Jon Moramarco

-----  
Jon Moramarco, President and Chief  
Executive Officer

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

Dated: May 29, 2001

/s/ Jon Moramarco

-----  
Jon Moramarco, President and Chief  
Executive Officer (Principal  
Executive Officer)

Dated: May 29, 2001

/s/ Thomas S. Summer

-----  
Thomas S. Summer, Treasurer  
(Principal Financial Officer and  
Principal Accounting Officer)

Dated: May 29, 2001

/s/ Richard Sands

-----  
Richard Sands, Director

Dated: May 29, 2001

/s/ Robert Sands

-----  
Robert Sands, Director

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001

Canandaigua Europe Limited

By: /s/ Douglas Kahle

-----  
Douglas Kahle, President

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

Dated: May 29, 2001

/s/ Douglas Kahle

-----  
Douglas Kahle, President  
(Principal Executive Officer)

Dated: May 29, 2001

/s/ Thomas S. Summer

-----  
Thomas S. Summer, Treasurer  
(Principal Financial Officer and  
Principal Accounting Officer)

Dated: May 29, 2001

/s/ Richard Sands

-----  
Richard Sands, Director

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001

Canandaigua Limited

By: /s/ Robert Sands

-----  
Robert Sands, Chief Executive  
Officer

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

Dated: May 29, 2001

/s/ Robert Sands

-----  
Robert Sands, Chief Executive  
Officer and Director (Principal  
Executive Officer)

Dated: May 29, 2001

/s/ Thomas S. Summer

-----  
Thomas S. Summer, Finance Director  
(Principal Financial Officer and  
Principal Accounting Officer)

Dated: May 29, 2001

/s/ Peter Aikens

-----  
Peter Aikens, Director

Dated: May 29, 2001

/s/ Anne Colquhoun

-----  
Anne Colquhoun, Director

Dated: May 29, 2001

/s/ Nigel Hodges

-----  
Nigel Hodges, Director

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001

Polyphenolics, Inc.

By: /s/ Anil Shrikhande

-----  
Anil Shrikhande, President

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

Dated: May 29, 2001

/s/ Anil Shrikhande

-----  
Anil Shrikhande, President  
(Principal Executive Officer)

Dated: May 29, 2001

/s/ Thomas S. Summer

-----  
Thomas S. Summer, Vice President,  
Treasurer and Director (Principal  
Financial Officer and Principal  
Accounting Officer)

Dated: May 29, 2001

/s/ Ronald C. Fondiller  
-----

Ronald C. Fondiller, Director

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001

Roberts Trading Corp.

By: /s/ Thomas S. Summer  
-----

Thomas S. Summer, President and  
Treasurer

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

Dated: May 29, 2001

/s/ Thomas S. Summer  
-----

Thomas S. Summer, President and  
Treasurer (Principal Executive  
Officer, Principal Financial  
Officer and Principal Accounting  
Officer)

Dated: May 29, 2001

/s/ Richard Sands  
-----

Richard Sands, Director

Dated: May 29, 2001

/s/ Robert Sands  
-----

Robert Sands, Director

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001

Canandaigua B.V.

By: /s/ G.A.L.R. Diepenhorst  
-----

G.A.L.R. Diepenhorst, Managing  
Director

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

Dated: May 29, 2001

/s/ G.A.L.R. Diepenhorst  
-----

G.A.L.R. Diepenhorst, Managing  
Director (Principal Executive  
Officer)

Dated: May 29, 2001

/s/ Thomas S. Summer  
-----

Thomas S. Summer, Chief Financial  
Officer (Principal Financial  
Officer and Principal Accounting  
Officer)



Dated: May 29, 2001

/s/ E.F. Switters

-----  
E.F. Switters, Managing Director

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001

Franciscan Vineyards, Inc.

By: /s/ Agustin Francisco Huneus

-----  
Agustin Francisco Huneus,  
President

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

Dated: May 29, 2001

/s/ Agustin Francisco Huneus

-----  
Agustin Francisco Huneus,  
President (Principal Executive  
Officer)

Dated: May 29, 2001

/s/ Thomas S. Summer

-----  
Thomas S. Summer, Vice President  
and Treasurer (Principal Financial  
Officer and Principal Accounting  
Officer)

Dated: May 29, 2001

/s/ Richard Sands

-----  
Richard Sands, Director

Dated: May 29, 2001

/s/ Robert Sands

-----  
Robert Sands, Director

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001

Allberry, Inc.

By: /s/ Agustin Francisco Huneus

-----  
Agustin Francisco Huneus,  
President

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

Dated: May 29, 2001

/s/ Agustin Francisco Huneus

-----  
Agustin Francisco Huneus,  
President (Principal Executive  
Officer)

Dated: May 29, 2001

/s/ Thomas S. Summer

-----  
Thomas S. Summer, Vice President  
and Treasurer (Principal Financial

Officer and Principal Accounting  
Officer)

Dated: May 29, 2001

/s/ Richard Sands  
-----

Richard Sands, Director

Dated: May 29, 2001

/s/ Robert Sands  
-----

Robert Sands, Director

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#### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001

Cloud Peak Corporation

By: /s/ Agustin Francisco Huneeus  
-----

Agustin Francisco Huneeus,  
President

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

Dated: May 29, 2001

/s/ Agustin Francisco Huneeus  
-----

Agustin Francisco Huneeus,  
President (Principal Executive  
Officer)

Dated: May 29, 2001

/s/ Thomas S. Summer  
-----

Thomas S. Summer, Vice President  
and Treasurer (Principal Financial  
Officer and Principal Accounting  
Officer)

Dated: May 29, 2001

/s/ Richard Sands  
-----

Richard Sands, Director

Dated: May 29, 2001

/s/ Robert Sands  
-----

Robert Sands, Director

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#### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001

M.J. Lewis Corp.

By: /s/ Agustin Francisco Huneeus  
-----

Agustin Francisco Huneeus,  
President

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

Dated: May 29, 2001

/s/ Agustin Francisco Huneeus  
-----

Agustin Francisco Huneeus,  
President (Principal Executive  
Officer)

Dated: May 29, 2001

/s/ Thomas S. Summer  
-----  
Thomas S. Summer, Vice President  
and Treasurer (Principal Financial  
Officer and Principal Accounting  
Officer)

Dated: May 29, 2001

/s/ Richard Sands  
-----  
Richard Sands, Director

Dated: May 29, 2001

/s/ Robert Sands  
-----  
Robert Sands, Director

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001

Mt. Veeder Corporation

By: /s/ Agustin Francisco Huneeus  
-----  
Agustin Francisco Huneeus,  
President

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

Dated: May 29, 2001

/s/ Agustin Francisco Huneeus  
-----  
Agustin Francisco Huneeus,  
President (Principal Executive  
Officer)

Dated: May 29, 2001

/s/ Thomas S. Summer  
-----  
Thomas S. Summer, Vice President  
and Treasurer (Principal Financial  
Officer and Principal Accounting  
Officer)

Dated: May 29, 2001

/s/ Richard Sands  
-----  
Richard Sands, Director

Dated: May 29, 2001

/s/ Robert Sands  
-----  
Robert Sands, Director

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001

Barton Incorporated

By: /s/ Alexander L. Berk  
-----  
Alexander L. Berk, President and

Chief Executive Officer

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

Dated: May 29, 2001 /s/ Alexander L. Berk  
-----  
Alexander L. Berk, President,  
Chief Executive Officer and  
Director (Principal Executive  
Officer)

Dated: May 29, 2001 /s/ Thomas S. Summer  
-----  
Thomas S. Summer, Vice President  
(Principal Financial Officer and  
Principal Accounting Officer)

Dated: May 29, 2001 /s/ Troy J. Christensen  
-----  
Troy J. Christensen, Director

Dated: May 29, 2001 /s/ Edward L. Golden  
-----  
Edward L. Golden, Director

Dated: May 29, 2001 /s/ William F. Hackett  
-----  
William F. Hackett, Director

Dated: May 29, 2001 /s/ Elizabeth Kutyla  
-----  
Elizabeth Kutyla, Director

Dated: May 29, 2001 /s/ Richard Sands  
-----  
Richard Sands, Director

Dated: May 29, 2001 /s/ Robert Sands  
-----  
Robert Sands, Director

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001 Barton Brands, Ltd.

By: /s/ Edward L. Golden  
-----  
Edward L. Golden, President

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

Dated: May 29, 2001 /s/ Edward L. Golden  
-----  
Edward L. Golden, President and  
Director (Principal Executive  
Officer)

Dated: May 29, 2001 /s/ Thomas S. Summer  
-----  
Thomas S. Summer, Vice President  
(Principal Financial Officer and  
Principal Accounting Officer)

Dated: May 29, 2001 /s/ Alexander L. Berk  
-----  
Alexander L. Berk, Director

Dated: May 29, 2001 /s/ Troy J. Christensen  
-----  
Troy J. Christensen, Director

Dated: May 29, 2001 /s/ Elizabeth Kutyla  
-----  
Elizabeth Kutyla, Director

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# SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001 Barton Beers, Ltd.

By: /s/ Richard Sands  
-----  
Richard Sands, Chief Executive Officer

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

Dated: May 29, 2001 /s/ Richard Sands  
-----  
Richard Sands, Chief Executive Officer and Director (Principal Executive Officer)

Dated: May 29, 2001 /s/ Thomas S. Summer  
-----  
Thomas S. Summer, Vice President (Principal Financial Officer and Principal Accounting Officer)

Dated: May 29, 2001 /s/ Alexander L. Berk  
-----  
Alexander L. Berk, Director

Dated: May 29, 2001 /s/ Troy J. Christensen  
-----  
Troy J. Christensen, Director

Dated: May 29, 2001 /s/ William F. Hackett  
-----  
William F. Hackett, Director

Dated: May 29, 2001 /s/ Elizabeth Kutyla  
-----  
Elizabeth Kutyla, Director

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# SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001 Barton Brands of California, Inc.

By: /s/ Alexander L. Berk  
-----  
Alexander L. Berk, President

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

Dated: May 29, 2001 /s/ Alexander L. Berk  
-----  
Alexander L. Berk, President and  
Director (Principal Executive  
Officer)

Dated: May 29, 2001 /s/ Thomas S. Summer  
-----  
Thomas S. Summer, Vice President  
(Principal Financial Officer and  
Principal Accounting Officer)

Dated: May 29, 2001 /s/ Troy J. Christensen  
-----  
Troy J. Christensen, Director

Dated: May 29, 2001 /s/ Edward L. Golden  
-----  
Edward L. Golden, Director

Dated: May 29, 2001 /s/ Elizabeth Kutyla  
-----  
Elizabeth Kutyla, Director

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#### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001 Barton Brands of Georgia, Inc.

By: /s/ Alexander L. Berk  
-----  
Alexander L. Berk, President

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

Dated: May 29, 2001 /s/ Alexander L. Berk  
-----  
Alexander L. Berk, President and  
Director (Principal Executive  
Officer)

Dated: May 29, 2001 /s/ Thomas S. Summer  
-----  
Thomas S. Summer, Vice President  
(Principal Financial Officer and  
Principal Accounting Officer)

Dated: May 29, 2001 /s/ Troy J. Christensen  
-----  
Troy J. Christensen, Director

Dated: May 29, 2001 /s/ Edward L. Golden  
-----  
Edward L. Golden, Director

Dated: May 29, 2001 /s/ Elizabeth Kutyla  
-----  
Elizabeth Kutyla, Director

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#### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001

Barton Canada, Ltd.

By: /s/ Alexander L. Berk

-----  
Alexander L. Berk, President

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

Dated: May 29, 2001

/s/ Alexander L. Berk

-----  
Alexander L. Berk, President and  
Director (Principal Executive  
Officer)

Dated: May 29, 2001

/s/ Thomas S. Summer

-----  
Thomas S. Summer, Vice President  
(Principal Financial Officer and  
Principal Accounting Officer)

Dated: May 29, 2001

/s/ Troy J. Christensen

-----  
Troy J. Christensen, Director

Dated: May 29, 2001

/s/ Edward L. Golden

-----  
Edward L. Golden, Director

Dated: May 29, 2001

/s/ Elizabeth Kutyla

-----  
Elizabeth Kutyla, Director

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#### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001

Barton Distillers Import Corp.

By: /s/ Alexander L. Berk

-----  
Alexander L. Berk, President

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

Dated: May 29, 2001

/s/ Alexander L. Berk

-----  
Alexander L. Berk, President and  
Director (Principal Executive  
Officer)

Dated: May 29, 2001

/s/ Thomas S. Summer

-----  
Thomas S. Summer, Vice President  
(Principal Financial Officer and  
Principal Accounting Officer)

Dated: May 29, 2001

/s/ Troy J. Christensen

-----  
Troy J. Christensen, Director

Dated: May 29, 2001 /s/ Edward L. Golden  
-----  
Edward L. Golden, Director

Dated: May 29, 2001 /s/ Elizabeth Kutyla  
-----  
Elizabeth Kutyla, Director

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001 Barton Financial Corporation

By: /s/ Troy J. Christensen  
-----  
Troy J. Christensen, President

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

Dated: May 29, 2001 /s/ Troy J. Christensen  
-----  
Troy J. Christensen, President,  
Secretary and Director (Principal  
Executive Officer)

Dated: May 29, 2001 /s/ Thomas S. Summer  
-----  
Thomas S. Summer, Vice President  
(Principal Financial Officer and  
Principal Accounting Officer)

Dated: May 29, 2001 /s/ Michael A. Napientek  
-----  
Michael A. Napientek, Director

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001 Stevens Point Beverage Co.

By: /s/ James P. Ryan  
-----  
James P. Ryan, President and Chief  
Executive Officer

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

Dated: May 29, 2001 /s/ James P. Ryan  
-----  
James P. Ryan, President, Chief  
Executive Officer and Director  
(Principal Executive Officer)

Dated: May 29, 2001 /s/ Thomas S. Summer  
-----  
Thomas S. Summer, Vice President  
(Principal Financial Officer and  
Principal Accounting Officer)

Dated: May 29, 2001 /s/ Alexander L. Berk  
-----



Alexander L. Berk, Director

Dated: May 29, 2001

/s/ Troy J. Christensen

-----  
Troy J. Christensen, Director

Dated: May 29, 2001

/s/ William F. Hackett

-----  
William F. Hackett, Director

Dated: May 29, 2001

/s/ Elizabeth Kutyla

-----  
Elizabeth Kutyla, Director

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#### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2001

Monarch Import Company

By: /s/ James P. Ryan

-----  
James P. Ryan, Chief Executive  
Officer

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

Dated: May 29, 2001

/s/ James P. Ryan

-----  
James P. Ryan, Chief Executive  
Officer (Principal Executive  
Officer)

Dated: May 29, 2001

/s/ Thomas S. Summer

-----  
Thomas S. Summer, Vice President  
(Principal Financial Officer and  
Principal Accounting Officer)

Dated: May 29, 2001

/s/ Alexander L. Berk

-----  
Alexander L. Berk, Director

Dated: May 29, 2001

/s/ Troy J. Christensen

-----  
Troy J. Christensen, Director

Dated: May 29, 2001

/s/ William F. Hackett

-----  
William F. Hackett, Director

Dated: May 29, 2001

/s/ Elizabeth Kutyla

-----  
Elizabeth Kutyla, Director

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#### INDEX TO EXHIBITS

Exhibit No.

- -----

- 2.1 Recommended Cash Offer, by Schroders on behalf of Canandaigua Limited, a wholly-owned subsidiary of the Company, to acquire Matthew Clark plc (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated December 1, 1998 and incorporated herein by reference).

- 2.2 Asset Purchase Agreement dated as of February 21, 1999 by and among Diageo Inc., UDV Canada Inc., United Distillers Canada Inc. and the Company (filed as Exhibit 2 to the Company's Current Report on Form 8-K dated April 9, 1999 and incorporated herein by reference).
- 2.3 Stock Purchase Agreement, dated April 21, 1999, between Franciscan Vineyards, Inc., Agustin Huneus, Agustin Francisco Huneus, Jean-Michel Valette, Heidrun Eckes-Chantre Und Kinder Beteiligungsverwaltung II, GbR, Peter Eugen Eckes Und Kinder Beteiligungsverwaltung II, GbR, Harald Eckes-Chantre, Christina Eckes-Chantre, Petra Eckes-Chantre and Canandaigua Brands, Inc. (now known as Constellation Brands, Inc.) (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated June 4, 1999 and incorporated herein by reference).
- 2.4 Stock Purchase Agreement by and between Canandaigua Wine Company, Inc. (a wholly-owned subsidiary of the Company) and Moet Hennessy, Inc. dated April 1, 1999 (filed as exhibit 2.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 1999 and incorporated herein by reference).
- 2.5 Purchase Agreement dated as of January 30, 2001, by and among Sebastiani Vineyards, Inc., Tuolomne River Vintners Group and Canandaigua Wine Company, Inc. (a wholly-owned subsidiary of the Company) (including a list briefly identifying the contents of all omitted schedules thereto) (filed herewith). The Company will furnish supplementally to the Commission, upon request, a copy of any omitted schedule.
- 3.1 Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2000 and incorporated herein by reference).
- 3.2 By-Laws of the Company (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2000 and incorporated herein by reference).
- 4.1 Indenture, with respect to 8 3/4% Senior Subordinated Notes due 2003, dated as of December 27, 1993, among the Company, its Subsidiaries and The Chase Manhattan Bank (as successor to Chemical Bank) (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 1993 and incorporated herein by reference).
- 4.2 First Supplemental Indenture, dated as of August 3, 1994, among the Company, Canandaigua West, Inc. (a subsidiary of the Company now known as Canandaigua Wine Company, Inc.) and The Chase Manhattan Bank (as successor to Chemical Bank) (filed as Exhibit 4.5 to the Company's Registration Statement on Form S-8 (Registration No. 33-56557) and incorporated herein by reference).
- 4.3 Second Supplemental Indenture, dated August 25, 1995, among the Company, V Acquisition Corp. (a subsidiary of the Company now known as The Viking Distillery, Inc.) and The Chase Manhattan Bank (as successor to Chemical Bank) (filed as Exhibit 4.5 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1995 and incorporated herein by reference).
- 4.4 Third Supplemental Indenture, dated as of December 19, 1997, among the Company, Canandaigua Europe Limited, Roberts Trading Corp. and The Chase Manhattan Bank (filed as Exhibit 4.4 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1998 and incorporated herein by reference).
- 4.5 Fourth Supplemental Indenture, dated as of October 2, 1998, among the Company, Polyphenolics, Inc. and The Chase Manhattan Bank (filed as Exhibit 4.5 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 1998 and incorporated herein by reference).
- 4.6 Fifth Supplemental Indenture, dated as of December 11, 1998, among the Company, Canandaigua B.V., Canandaigua Limited and The Chase Manhattan Bank (filed as Exhibit 4.6 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1999 and incorporated herein by reference).
- 4.7 Sixth Supplemental Indenture, dated as of July 28, 1999, among the Company, Barton Canada, Ltd., Simi Winery, Inc., Franciscan Vineyards, Inc., Allberry, Inc., M.J. Lewis Corp., Cloud Peak

Corporation, Mt. Veeder Corporation, SCV-EPI Vineyards, Inc., and The Chase Manhattan Bank, as Trustee (filed as Exhibit 4.7 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1999 and incorporated herein by reference).

- 4.8 Indenture with respect to the 8 3/4% Series C Senior Subordinated Notes due 2003, dated as of October 29, 1996, among the Company, its Subsidiaries and Harris Trust and Savings Bank (filed as Exhibit 4.2 to the Company's Registration Statement on Form S-4 (Registration No. 333-17673) and incorporated herein by reference).
- 4.9 First Supplemental Indenture, dated as of December 19, 1997, among the Company, Canandaigua Europe Limited, Roberts Trading Corp. and Harris Trust and Savings Bank (filed as Exhibit 4.6 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1998 and incorporated herein by reference).
- 4.10 Second Supplemental Indenture, dated as of October 2, 1998, among the Company, Polyphenolics, Inc. and Harris Trust and Savings Bank (filed as Exhibit 4.8 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 1998 and incorporated herein by reference).
- 4.11 Third Supplemental Indenture, dated as of December 11, 1998, among the Company, Canandaigua B.V., Canandaigua Limited and Harris Trust and Savings Bank (filed as Exhibit 4.10 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1999 and incorporated herein by reference).
- 4.12 Fourth Supplemental Indenture, dated as of July 28, 1999, among the Company, Barton Canada, Ltd., Simi Winery, Inc., Franciscan Vineyards, Inc., Allberry, Inc., M.J. Lewis Corp., Cloud Peak Corporation, Mt. Veeder Corporation, SCV-EPI Vineyards, Inc., and Harris Trust

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and Savings Bank, as Trustee (filed as Exhibit 4.12 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1999 and incorporated herein by reference).

- 4.13 Indenture, dated as of February 25, 1999, among the Company, as issuer, certain principal subsidiaries, as Guarantors, and Harris Trust and Savings Bank, as Trustee (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K dated February 25, 1999 and incorporated herein by reference).
- 4.14 Supplemental Indenture No. 1, with respect to 8 1/2% Senior Subordinated Notes due 2009, dated as of February 25, 1999, by and among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and Harris Trust and Savings Bank, as Trustee (filed as Exhibit 99.2 to the Company's Current Report on Form 8-K dated February 25, 1999 and incorporated herein by reference).
- 4.15 Supplemental Indenture No. 2, with respect to 8 5/8% Senior Notes due 2006, dated as of August 4, 1999, by and among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and Harris Trust and Savings Bank, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 28, 1999 and incorporated herein by reference).
- 4.16 Supplemental Indenture No. 3, dated as of August 6, 1999, by and among the Company, Canandaigua B.V., Barton Canada, Ltd., Simi Winery, Inc., Franciscan Vineyards, Inc., Allberry, Inc., M.J. Lewis Corp., Cloud Peak Corporation, Mt. Veeder Corporation, SCV-EPI Vineyards, Inc., and Harris Trust and Savings Bank, as Trustee (filed as Exhibit 4.20 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1999 and incorporated herein by reference).
- 4.17 Supplemental Indenture No. 4, with respect to 8 1/2% Senior Notes due 2009, dated as of May 15, 2000, by and among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and Harris Trust and Savings Bank, as Trustee (filed as Exhibit 4.17 to the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2000 and incorporated herein by reference).
- 4.18 Supplemental Indenture No. 5, dated as of September 14, 2000, by and among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and The Bank of New York, as Trustee (filed as Exhibit 4.1 to the Company's Quarterly Report

on Form 10-Q for the fiscal quarter ended August 31, 2000 and incorporated herein by reference).

4.19 Credit Agreement, dated as of October 6, 1999, between the Company, certain principal subsidiaries, and certain banks for which The Chase Manhattan Bank acts as Administrative Agent, The Bank of Nova Scotia acts as Syndication Agent, and Credit Suisse First Boston and Citicorp USA, Inc. acts as Co-Documentation Agents (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 1999 and incorporated herein by reference).

4.20 Amendment No. 1 to Credit Agreement, dated as of February 13, 2001, between the Company, certain principal subsidiaries, and The Chase Manhattan Bank, as administrative agent for certain banks (filed herewith).

4.21 Indenture, with respect to 8 1/2% Senior Notes due 2009, dated as of November 17, 1999, among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and Harris Trust and Savings Bank, as Trustee (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-4 (Registration No. 333-94369) and incorporated herein by reference).

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4.22 Indenture, with respect to 8% Senior Notes due 2008, dated as of February 21, 2001, by and among the Company, as Issuer, certain principal subsidiaries, as Guarantors and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Registration Statement filed on Form S-4 (Registration No. 333-60720) and incorporated herein by reference).

4.23 Registration Rights Agreement, dated as of February 21, 2001, by and among the Company, certain subsidiaries and the Initial Purchasers named therein (filed as Exhibit 4.2 to the Company's Registration Statement filed on Form S-4 (Registration No. 333-60720) and incorporated herein by reference).

10.1 Barton Incorporated Management Incentive Plan (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993 and incorporated herein by reference).

10.2 Marvin Sands Split Dollar Insurance Agreement (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993 and incorporated herein by reference).

10.3 Employment Agreement between Barton Incorporated and Alexander L. Berk dated as of September 1, 1990 as amended by Amendment No. 1 to Employment Agreement between Barton Incorporated and Alexander L. Berk dated November 11, 1996 (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1998 and incorporated herein by reference).

10.4 Amendment No. 2 to Employment Agreement between Barton Incorporated and Alexander L. Berk dated October 20, 1998 (filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1999 and incorporated herein by reference).

10.5 Long-Term Stock Incentive Plan, which amends and restates the Canandaigua Wine Company, Inc. Stock Option and Stock Appreciation Right Plan (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 1997 and incorporated herein by reference).

10.6 Amendment Number One to the Company's Long-Term Stock Incentive Plan (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 and incorporated herein by reference).

10.7 Amendment Number Two to the Company's Long-Term Stock Incentive Plan (filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1999 and incorporated herein by reference).

10.8 Amendment Number Three to the Company's Long-Term Stock Incentive Plan (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2000 and incorporated herein by reference).

10.9 Amendment Number Four to the Company's Long-Term Stock Incentive Plan (filed herewith).

- 10.10 Incentive Stock Option Plan of the Company (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 and incorporated herein by reference).

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- 10.11 Amendment Number One to the Company's Incentive Stock Option Plan (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 and incorporated herein by reference).
- 10.12 Amendment Number Two to the Company's Incentive Stock Option Plan (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2000 and incorporated herein by reference).
- 10.13 Amendment Number Three to the Company's Incentive Stock Option Plan (filed herewith).
- 10.14 Annual Management Incentive Plan of the Company (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 and incorporated herein by reference).
- 10.15 Amendment Number One to the Company's Annual Management Incentive Plan (filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1998 and incorporated herein by reference).
- 10.16 Amendment Number Two to the Company's Annual Management Incentive Plan (filed herewith).
- 10.17 Lease, effective December 25, 1997, by and among Matthew Clark Brands Limited and Pontsarn Investments Limited (filed as Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1999 and incorporated herein by reference).
- 10.18 Supplemental Executive Retirement Plan of the Company (filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1999 and incorporated herein by reference).
- 10.19 First Amendment to the Company's Supplemental Executive Retirement Plan (filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 1999 and incorporated herein by reference).
- 10.20 Second Amendment to the Company's Supplemental Executive Retirement Plan (filed herewith).
- 10.21 Credit Agreement, dated as of October 6, 1999, between the Company, certain principal subsidiaries, and certain banks for which The Chase Manhattan Bank acts as Administrative Agent, The Bank of Nova Scotia acts as Syndication Agent, and Credit Suisse First Boston and Citicorp USA, Inc. acts as Co-Documentation Agents (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 1999 and incorporated herein by reference).
- 10.22 Amendment No. 1 to Credit Agreement, dated as of February 13, 2001, between the Company, certain principal subsidiaries, and The Chase Manhattan Bank, as administrative agent for certain banks (filed herewith as Exhibit 4.20).
- 10.23 Letter Agreement between the Company and Thomas S. Summer, dated March 10, 1997, addressing compensation (filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2000 and incorporated herein by reference).
- 10.24 Letter Agreement between the Company and Jon Moramarco, dated October 5, 1999, addressing compensation (filed herewith).

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- 11.1 Statement re Computation of Per Share Earnings (filed herewith).
- 21.1 Subsidiaries of Company (filed herewith).
- 23.1 Consent of Arthur Andersen LLP (filed herewith).
- 99.1 1989 Employee Stock Purchase Plan of the Company, as amended by Amendment Number 1 through Amendment Number 5 (filed as Exhibit

99.1 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1998 and incorporated herein by reference).

99.2 Amendment Number 6 to the Company's 1989 Employee Stock Purchase Plan (filed as Exhibit 99.2 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1999 and incorporated herein by reference).

99.3 Amendment Number 7 to the Company's 1989 Employee Stock Purchase Plan (filed herewith).

PURCHASE AGREEMENT

Among

SEBASTIANI VINEYARDS, INC.,

TUOLOMNE RIVER VINTNERS GROUP

and

CANANDAIGUA WINE COMPANY, INC.

Dated as of January 30, 2001

-----

SALE OF TURNER ROAD VINTNERS

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- -----

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B	Financial Statements
C	Funding Commitment
D	Transitional Services Agreement
E	Opinion of Sellers' Counsel
F	Opinion of Buyer's Counsel

PURCHASE AGREEMENT

This PURCHASE AGREEMENT dated as of January 30, 2001 (this "Agreement"), is among SEBASTIANI VINEYARDS, INC., a Delaware corporation ("SVI"), and Tuolomne River Vintners Group, a California partnership, (the "TRVG" and together with SVI, "Sellers") and Canandaigua Wine Company, Inc., a New York corporation ("Buyer") and solely for purposes of Section 9.6, Richard Cuneo. Capitalized terms used herein are defined in Section 10.11.

Sellers desire to sell to Buyer, and Buyer desires to purchase from Sellers, certain property and assets of Sellers relating to SVI's wine production, sales, marketing and distribution business currently conducted under the TRV Trademarks (the "Business") on the terms and subject to the conditions hereinafter set forth.

Accordingly, the parties hereto agree as follows:

ARTICLE 1  
-----

PURCHASE AND SALE OF ASSETS

1.1 PURCHASE OF ASSETS; ASSUMPTION OF LIABILITIES.

(a) PURCHASE AND SALE OF ASSETS. On the terms and subject to the conditions of this Agreement, Sellers will sell, transfer, convey and assign to Buyer, and Buyer will purchase from Sellers all right, title and interest of Sellers as of the Closing in the following (collectively, the "Assets") with the understanding that SVI will remain in the wine production, sales, marketing and distribution business not associated with the TRV Trademarks:

(i) the real property located in Lodi, California, described in Schedule 1.1(a)(i) hereto (the "Real Property");

(ii) all rights, privileges and easements appurtenant to the Real Property (collectively, "Appurtenances");

(iii) all structures, buildings, building systems (including without limitation roof, HVAC, electrical, plumbing, sprinklers and fire safety systems), irrigation systems, fixtures and other improvements, together with the systems and facilities servicing such structures, located on the Real Property (collectively, "Improvements");

(iv) all (A) machinery, tools, appliances, vehicles, furniture, equipment, cooperage, barrels and other personal property and fixtures used in the Business, wherever located, including, but not limited to, that described in Schedule 1.1(a)(iv) hereto, and (B) machinery, tools, appliances, vehicles, furniture, equipment, cooperage, barrels and other personal property and fixtures, whether or not used in the Business, if located on the Real Property ((A) and (B) collectively, "Equipment");

(v) the contracts set forth in Schedule 1.1(a)(v) hereto and any grape purchase contracts entered into by SVI prior to the Closing Date in accordance with Section 4.1 (collectively, the "Contracts");

(vi) all intellectual property rights to the brand names "Farallon," "Talus," "Heritage," "Vendange," "Nathanson Creek" and "La Terre" (the "TRV Brandnames") and to the names "Turner Road Vintners" and "Humphrey & Brown International Wine Marketers," and the domain names "www.humphreybrown.com," "www.humphreyandbrown.com," "www.turnerroadvintners.com," "www.faralloncellars.com," "www.taluscellars.com," "www.heritage-vineyards.com," "www.heritagevineyards.com," "www.heritagecellars.com," "www.heritagewinery.com," "www.nathansoncreek.com," "www.vendange.com," and "www.laterrecellars.com" and the goodwill associated with such TRV Brandnames, names and domain names, whether registered or not (collectively, the "TRV Trademarks");

(vii) all (A) finished goods of the Business, including bottled wines labeled with TRV Brandnames, unlabeled case goods, and bulk wines, and (B) raw materials (whether expensed or not), including work in process, of the Business, and retail sales merchandise and supplies, consumable manufacturing supplies, spare parts and repair materials acquired in the course of Sellers' Business, as the same may exist at the close of business on the day before the Closing Date (including, without limitation, those listed in Schedule 1.1(a)(vii) hereto, other than such items sold or otherwise disposed of in the ordinary course of business prior to the Closing Date) (the "Inventory");

(viii) all accounts receivable and notes receivable owed to Sellers that relate exclusively to the Business ("Receivables");

(ix) all formulae, recipes, and blending instructions currently used in the Business or necessary to enable the Buyer to operate the Business, and all right, title, and interest in and to any patents and any pending patent applications, and in and to any copyrights, trademarks or services marks, or other intellectual property right, whether registered or not, in any trade dress, label designs, bottle designs, and other designs, advertising campaigns and layouts, trade secrets, inventions, models, manufacturing know-how, and any other similar intellectual property rights related to the operation of the Business, together with the goodwill of the Business symbolized thereby, including, without limitation, that listed in Schedule 1.1(a)(ix);

(x) copies of all Sellers' books and records necessary for the conduct of the Business;

(xi) any other intangible personal property now or hereafter owned by Sellers and relating to the operation of the Business, the ownership or use of the Real Property or any of the foregoing Assets, and all transferable permits, licenses and approvals and other rights necessary to utilize the Assets and enjoy the benefits of the Business; and

(xii) any assets reflected in the Closing Balance Sheet and not set forth above.

(b) ASSUMPTION OF LIABILITIES. On the terms and subject to the conditions of this Agreement, Buyer shall assume on the Closing Date and shall pay, perform and discharge when due the following obligations and liabilities of Sellers (the "Assumed Liabilities"):

(i) all obligations and liabilities of SVI under the Contracts, exclusive of (A) payments of money to be made by the Sellers on or after the Closing Date, the obligation for which arose prior to the Closing Date (except to the extent Buyer has assumed such obligation pursuant to subparagraph (ii) below), (B) obligations of the Sellers to indemnify other parties to the Contracts for acts or omissions of the Sellers or their Affiliates prior to the Closing Date, (C) liabilities under the Contracts arising out of or otherwise in respect of any breach by Seller of the terms of such Contracts prior to the Closing Date, and (D) liabilities to any third parties under any of the Contracts deemed to be not assigned to Buyer pursuant to Section 1.2(a) arising prior to the date all consents necessary to the assignment of such Contract have been obtained;

(ii) all accounts payable and accrued expenses and wine and grape purchases payable by Sellers that relate exclusively to the Business and have been taken into account in computing the Closing Purchase Price (or, if adjusted, the Adjusted Closing Purchase Price);

(iii) all obligations and liabilities for refunds, adjustments, promotional and other allowances, exchanges, returns, and warranty, guarantee and merchantability claims in respect of any and all products sold or manufactured by SVI in connection with the Business at any time before, on or after the Closing Date, but only if such liability has, and only to the extent of, a corresponding accrual, and has been taken into account in computing the Closing Purchase Price (or, if adjusted, the Adjusted Closing Purchase Price), except that such assumption of responsibility shall not include any liability or obligations of the Seller in the nature of product liability, negligence or strict liability arising from actions or omissions by Sellers or their Affiliates occurring on or prior to the Closing Date; and

(iv) all obligations and liabilities relating to or arising from the Buyer's conduct of the Business or use of the Assets from and after the Closing Date, including Sellers' promotional commitments and obligations, consistent with Sellers' past practices, which are payable, performable and incurred after the Closing Date and will not exceed in aggregate during the six months following the Closing Date an amount equal to the total dollars per case allowable for the number of cases sold under all of the brands as set forth on Schedule 1.1(b) (iv).

Notwithstanding the foregoing, the Sellers shall be responsible for all liabilities and obligations not expressly assumed by the Buyer under this Agreement (collectively the "Retained Liabilities"), including and not by way of limitation (a) liabilities relating to employee benefits, severance pay, vacation pay, or the Company Plans to employees, (b) tax liabilities, including and not by way of limitation, income, excise, sales, use, gross receipts, gross revenues, franchise, employment, payroll or property relating to the Business or the Purchased Assets for any period ending on or prior to the Closing Date or arising out of the transactions contemplated by this Agreement, except as expressly assumed by Buyer under Section 1.3(c), (c) violations by Sellers or their Affiliates of those laws described in Section 2.10, (d) liabilities arising out of contracts other than those assumed with respect to the Contracts, (e) claims by Distributors arising out of

the operation of the Business prior to Closing or out of the transactions contemplated by this Agreement, (f) liabilities under Environmental Laws or other Legal Requirements arising out of the treatment, storage, disposal, recycling, reuse or arrangements for disposal (whether at the Real Property or other locations) of wastes and Hazardous Substances generated, used, handled or transported by or on behalf of Sellers in connection with the operation of the Business or the use and occupancy of the Real Property on or prior to the Closing Date, (g) any breach by Sellers of the terms of a Contract or obligation to indemnify a party for the acts of the Sellers, (h) any products liability claims arising out of any product or services sold or manufactured by Sellers in connection with the operation of the Business on or prior to the Closing Date, whether based on contract, tort (including negligence), warranty or strict liability, or (i) except as assumed under Section 1.1(b), any claims which may also be imposed on the Buyer by virtue of "successorship", "de facto merger", "mere continuation" or other, similar principles of law.

(c) EXCLUDED ASSETS. Notwithstanding any other provision of this

Agreement, Sellers will not sell to Buyer, and Buyer will not acquire any interest in, the assets listed or described in Schedule 1.1(c) (the "Excluded Assets").

## 1.2 NON-ASSIGNABLE AGREEMENTS AND RIGHTS.

(a) NON-ASSIGNABILITY. To the extent any lease, contract or other agreement or any license, permit or approval is not capable of being assigned, transferred, subleased or sublicensed without the consent or waiver of the issuer thereof or a party thereto (other than the Sellers) or any third party (including a government or governmental unit), or if such assignment, transfer, sublease or sublicense or attempt to assign, transfer, sublease or sublicense would constitute a breach thereof or a violation of any law, decree, order, regulation or other governmental edict, this Agreement shall not constitute an assignment, transfer, sublease or sublicense thereof, or an attempted assignment, transfer, sublease or sublicense thereof.

(b) BUYER AND SELLERS TO USE REASONABLE EFFORTS. The Buyer and the Sellers agree to use reasonable efforts to obtain the consents and waivers referred to in Subsection (a) above, and to obtain any other consents and waivers necessary to assign, convey, settle, deliver and transfer the Assets.

(c) IF WAIVERS OR CONSENTS CANNOT BE OBTAINED. If any consent or waiver referred to in Subsection (a) above is not obtained, then to the extent that such consent or waiver is not a condition precedent to the Closing the Sellers shall (i) provide Buyer the benefits of the relevant permit, license, approval, lease, contract or other agreement, (ii) cooperate in any arrangement, reasonable and lawful as to both the Buyer and the Sellers, designed to afford to the Buyer the benefits of the Business and the Assets, and (iii) continue with the Buyer to attempt to obtain such consent or waiver.

## 1.3 CLOSING; CLOSING PURCHASE PRICE ALLOCATION.

(a) THE CLOSING. The closing of the purchase and sale of the Assets and the assumption of the Assumed Liabilities (the "Closing") shall be held at the offices of Morrison & Foerster LLP, 425 Market St., San Francisco, California, at 10:00 a.m. on a date to be mutually agreed upon between the parties, which shall be the later of March 15, 2001, or the second

business day after satisfaction of the condition to closing set forth in Section 7.3(a), or, if the other conditions to the Closing shall not have been satisfied or waived by such date, as soon thereafter as is practicable once such conditions are satisfied or waived (the date on which the Closing shall occur being referred to herein as the "Closing Date"). Without limiting the foregoing, the parties acknowledge that their mutual desire is to close on March 1, 2001, or as soon thereafter as is reasonably possible and will endeavor to do so.

(i) At the Closing, Buyer shall deliver to the Sellers:

(A) by wire transfer to a single bank account (designated in writing by the Sellers at least two business days prior to the Closing Date), immediately available funds in an amount equal to the "Total Shareholders Equity" as shown on the Pro Forma Closing Balance Sheet less the Inventory Adjustment plus \$170,000,000 (the "Closing Purchase Price"), less \$15,000,000 to be held by a third party as an escrow or retainage (the "Escrow");

(B) instruments of assumption in form and substance reasonably satisfactory to Sellers and their counsel evidencing and effecting the assumption by Buyer of the Assumed Liabilities and such other documents as are specifically required by this Agreement.

(ii) At the Closing, Buyer shall deliver the Escrow to a third party escrow agent (the "Escrow Agent"), mutually agreeable to the parties, pursuant to an Escrow Agreement attached as EXHIBIT A (the "Escrow Agreement"). The Escrow will be placed in an interest bearing account. The interest will be paid to the parties based on the distribution of the Escrow. Any amount remaining in the Escrow after the first anniversary of the Closing Date will be paid to the Sellers. Buyer will be permitted to offset amounts due to Buyer from the Sellers against the amounts in escrow.

(iii) At the Closing, Sellers shall deliver or cause to be delivered to Buyer executed instruments of sale, assignment, transfer and conveyance in form and substance reasonably satisfactory to Buyer and its counsel evidencing and effecting the sale and transfer to Buyer of the Assets (it being understood that such instruments shall not require Sellers to make any additional representations, warranties or covenants, expressed or implied, not contained in this Agreement).

Sellers agree to convey, and Buyer agrees to accept, title to the Real Property, Appurtenances and Improvements by grant deed and Seller shall remove prior to Closing any mortgage or deed of trust liens regarding the Real Property and/or Leased Property.

(b) CLOSING PURCHASE PRICE ALLOCATION. The Closing Purchase Price shall be allocated (the "Allocation") in the following manner:

(i) \$170 million shall be allocated to the Assets of TRVG; and

(ii) the balance of the Closing Purchase Price (or, if adjusted, the Adjusted Closing Purchase Price) shall be allocated to the Assets of SVI; provided, however, in the event the appraisal of the Assets of SVI is higher than the Closing Purchase Price less the sum of \$170 million, then the above allocation of Closing Purchase Price to TRVG shall be reduced by the amount such appraisal exceeds the Closing Purchase Price less the sum of

\$170 million. The Assets of SVI will be appraised by an appraisal firm selected by Buyer which is reasonably satisfactory to Sellers, and such appraisal shall be completed and approved by Buyer and Sellers as soon after the Closing Date as is reasonably practicable. The parties agree that the Allocation will be used by the parties in reporting the transaction contemplated by this Agreement for federal and state income tax purposes. Neither the appraisal provided for in this subsection, nor the Allocation shall affect the amount of the aggregate Closing Purchase Price or the amount of the aggregate Adjusted Closing Purchase Price.

(c) PAYMENT OF TRANSFER TAXES. Buyer shall pay all sales, transfer or use taxes and assessments arising from the sale or transfer of the Assets hereunder. Buyer shall pay any premium for title insurance and endorsements on the Real Property issued to Buyer at Closing. Property taxes on the Real Property, Appurtenances and Improvements shall be prorated between Buyer and SVI on a pro rata basis as of the Closing Date. If Closing occurs before the actual taxes and assessments payable during such year are known, the proration of taxes shall be upon the basis of taxes and assessments for the Real Property and Improvements payable during the immediately preceding year; provided, however, that if the taxes and assessments payable during the year in which Closing occurs are thereafter determined to be more or less than the taxes and assessments payable during the preceding year, Sellers and Buyer promptly shall adjust the proration made at Closing and Sellers or Buyer, as the case may be, shall pay to the other any amount required as a result of such adjustment. This covenant shall not merge with the deed delivered hereunder but shall survive the Closing.

#### 1.4 CLOSING PURCHASE PRICE ADJUSTMENT.

(a) PREPARATION OF CLOSING BALANCE SHEET. Within 45 days after the Closing Date, SVI shall cause to have prepared and delivered to Buyer (i) an audited closing balance sheet for the Business (the "Closing Balance Sheet") as of the close of business on the Closing Date and related audited income statement for the period then ended and (ii) an audited balance sheet for SVI as of the close of business on the Closing Date and related audited income statement for the period then ended (determined on a pro forma basis as though the parties had not consummated the transactions contemplated by this Agreement). Buyer shall assist SVI in the preparation of the Closing Balance Sheet and shall provide SVI and its representatives access at all reasonable times to the personnel, properties, books and records of the Business for such purpose. Such Closing Balance Sheet and related income statement shall be prepared consistent with the Accounting Methodology and using generally accepted accounting principles, consistently applied, except as set forth in the Accounting Methodology and shall take account of the results of the physical inventory and inspection of the Assets and Business set forth below. During the 45 days immediately following Buyer's receipt of the Closing Balance Sheet, Buyer will be permitted to review SVI's working papers relating to the Closing Balance Sheet. The Closing Balance Sheet shall become final and binding upon the parties on the 45th day following receipt thereof by Buyer unless Buyer gives written notice of its disagreement ("Notice of Disagreement") to SVI prior to such date. Any Notice of Disagreement shall specify in reasonable detail the nature of any disagreement so asserted. If a timely Notice of Disagreement is received by SVI, then the Closing Balance Sheet (as revised in accordance with clause (x) or (y) below) shall become final and binding upon the parties on the earlier of (x) the date the parties hereto resolve in writing any differences they have with respect to any matter specified in the Notice of Disagreement or (y) the date the Accounting Firm completes a Final Closing

Balance Sheet. During the ten business days immediately following the delivery of a Notice of Disagreement, SVI and Buyer shall seek in good faith to resolve in writing any differences which they may have with respect to any matter specified in the Notice of Disagreement. During such

period, SVI shall have access to the working papers of Buyer prepared in connection with Buyer's preparation of the Notice of Disagreement. At the end of such ten business day period, SVI and Buyer shall immediately submit to an independent accounting firm (the "Accounting Firm") for review and resolution any and all matters which remain in dispute and which were included in the Notice of Disagreement. Within ten (10) business days of such submission to the Accounting Firm, each of the parties and their accountants shall be afforded the opportunity to present their positions as to such Closing Balance Sheet to the Accounting Firm. Within 45 days of such submission to the Accounting Firm, the Accounting Firm shall resolve all matters remaining in dispute and, based on such resolution, adjust the Closing Balance Sheet accordingly (as adjusted, the "Final Closing Balance Sheet"). The Final Closing Balance Sheet shall be binding on the parties. In resolving all matters in dispute, the Accounting Firm shall apply the standards set forth above for preparation of the Closing Balance Sheet to determine whether the Closing Balance Sheet was prepared in accordance with such standards. Such determination shall be made without reference to the Pro Forma Closing Balance Sheet. The Final Closing Balance Sheet shall become final and binding on Buyer and Sellers on the date the Accounting Firm delivers its final resolution to the parties. The Accounting Firm shall be mutually agreeable to the Buyer and Sellers and shall be a nationally recognized independent accounting firm. The fees of the Accounting Firm pursuant to this Section 1.4 shall be borne 50% by Buyer and 50% by SVI.

(b) ADJUSTMENT. The Closing Purchase Price shall be increased or decreased, dollar for dollar, for any differences between "Total Shareholders Equity" as set forth on the Pro-Forma Balance Sheet and as set forth on the Closing Balance Sheet or, if disputed, the Final Closing Balance Sheet (the Closing Purchase Price as so increased or decreased shall hereinafter be referred to as the "Adjusted Closing Purchase Price"). If the Closing Purchase Price is less than the Adjusted Closing Purchase Price, Buyer shall, and if the Closing Purchase Price is more than the Adjusted Closing Purchase Price, Sellers shall, within 10 business days after the Closing Balance Sheet or Final Closing Balance Sheet, as the case may be, becomes final and binding on the parties, make payment by wire transfer in immediately available funds of the amount of such difference, together with interest thereon at a rate equal to the rate of interest from time to time announced publicly by Citibank, N.A. as its base rate, calculated on the basis of the actual number of days elapsed over 365, from the Closing Date to the date of payment.

(c) PRE-CLOSING INVENTORY. From the date hereof until the Closing Date, Sellers, Buyer and their representatives (including accountants, engineers and consultants) shall cooperate to perform a physical inventory and inspection of the Assets and Business for purposes of creating the Closing Balance Sheet (the "Pre-Closing Inventory"). The parties shall complete the Pre-Closing Inventory prior to Closing on the nearest date to Closing as is reasonably practicable. The Pre-Closing Inventory shall be conducted at such times as are reasonably necessary to complete the Pre-Closing Inventory on that date. As part of the Pre-Closing Inventory, Buyer shall be permitted to inspect the condition of, and sample the Assets in light of Sellers' representations and warranties hereunder; provided that, such inspection shall be conducted in a reasonable fashion so as to not interfere unreasonably with the operations of Sellers and so as to prevent any material adverse effect on any Assets. For purposes of creating

the Closing Balance Sheet, Sellers and Buyer shall follow the procedures set forth in Schedule 1.4(c) hereto and shall be bound by the provisions thereof for determining the quantity of Inventory and whether such Inventories are merchantable.

1.5 INVENTORY ADJUSTMENT. For the purposes of calculating the Closing Purchase Price and the Adjusted Closing Purchase Price, the "Net Inventory" set forth on the Pro Forma Closing Balance Sheet, the Closing Balance Sheet, and the Final Closing Balance Sheet shall be reduced by \$31,200,000 (the "Inventory Adjustment").

## ARTICLE 2 -----

### REPRESENTATIONS AND WARRANTIES OF SELLERS

Except as and to the extent set forth in the DISCLOSURE SCHEDULE delivered by Sellers to Buyer concurrently with the execution and delivery of this Agreement (the "Disclosure Schedule"), SVI and TRVG, severally and jointly, hereby represent and warrant to Buyer on the date hereof and on and as of the Closing Date as follows:

#### 2.1 CORPORATE ORGANIZATION; QUALIFICATION.

(a) SVI ORGANIZATION. SVI is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware; SVI has full power and authority to carry on the Business as it is now being

conducted and to own, lease and operate its properties and assets; and SVI has made available to Buyer complete and correct copies of its Articles of Incorporation and Bylaws, as currently in effect. The DISCLOSURE SCHEDULE lists all jurisdictions in which SVI is qualified or licensed to do business, and such jurisdictions are all jurisdictions necessary for conduct of the Business.

(b) TRVG ORGANIZATION. TRVG is a general partnership duly organized, validly existing and in good standing under the laws of the State of California; TRVG has full power and authority to carry on its business as it is now being conducted and to own, lease and operate its properties and assets; and TRVG has made available to Buyer complete and correct copies of TRVG's Partnership Agreement, as currently in effect. The DISCLOSURE SCHEDULE lists all jurisdictions in which TRVG is qualified or licensed to do business, and such jurisdictions are all jurisdictions necessary for conduct of the Business.

## 2.2 AUTHORIZATIONS; ETC.

(a) SVI AUTHORITY. SVI has full corporate power and authority to enter into this Agreement and to carry out the transactions contemplated hereby. The Board of Directors and stockholders of SVI have taken all action required to authorize the execution and delivery of this Agreement and consummation of the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by SVI, and no other corporate or other action is necessary to effect such execution and delivery; and this Agreement is the valid and binding obligation of SVI, enforceable in accordance with its terms, except that (i) enforceability may be limited by bankruptcy, reorganization, insolvency or other laws affecting the enforcement of creditors' rights generally, and (ii) courts may award money damages rather than specific

enforcement of contractual provisions involving matters other than or in addition to the payment of money.

(b) TRVG AUTHORITY. TRVG has full power and authority to enter into this Agreement and to carry out the transactions contemplated hereby. The partners of TRVG have taken all action required to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by TRVG, this Agreement is the valid and binding obligation of TRVG, enforceable in accordance with its terms, except that enforceability may be limited by bankruptcy, reorganization, insolvency or other laws affecting the enforcement of creditors' rights generally, and courts may award money damages rather than specific enforcement of contractual provisions involving matters other than or in addition to the payment of money.

2.3 NO VIOLATION. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will violate any provision of the Articles of Incorporation or Bylaws of SVI or the Partnership Agreement of TRVG. Neither the execution and delivery of this Agreement by Sellers nor the consummation of the transactions contemplated hereby will:

(a) require Sellers to obtain any consent, approval, authorization or permit of, or make any filing with or provide any notification to, any governmental or regulatory authority, except (A) in connection with the HSR Act, (B) pursuant to state securities laws, or (C) pursuant to laws, rules and regulations regulating the production and sale of alcoholic beverages, if any are applicable;

(b) with respect to Contracts between SVI and SVI's distributors, except as set forth in the DISCLOSURE SCHEDULE, require any payment or the incurring of any obligation on the part of SVI or result in a loss of rights or default, with or without notice or lapse of time, under the terms, conditions or provisions of any such contracts or agreements, except for such defaults as to which requisite waivers or consents have been obtained;

(c) violate any order, writ, injunction, decree, statute, rule or regulation applicable to the Sellers or the Assets; or

(d) result in the creation or imposition of any Security Interest on any of the Assets.

2.4 FINANCIAL STATEMENTS. Attached hereto as EXHIBIT B are true and correct copies of (i) the unaudited balance sheet of the Business, properly adjusted for the Excluded Assets, as of December 31, 2000 (the "Balance Sheet"), related unaudited income statement for the six month period then ended, and footnotes and details thereto, and (ii) the unaudited balance sheet of the Business as of June 30, 2000, related unaudited income statement for the fiscal year then ended, and footnotes and details thereto. Buyer shall have access to the work papers of Sellers' accountants used in the preparation of the Balance Sheet and all financial statements of the Sellers which relate in whole or in part to the

Business. The Balance Sheet and related unaudited income statement, and the unaudited balance sheet of the Business as of June 30, 2000, and related unaudited income statement (A) have been prepared consistent with the Accounting

Methodology and using generally accepted accounting principles, consistently applied, except as set forth in the Accounting Methodology, (B) fairly present the financial condition, and results of operations of the Business as of dates and for the periods referred to therein, and (C) are consistent with the books and records of the Business.

## 2.5 ABSENCE OF CERTAIN CHANGES.

(a) OPERATIONS. Since the date of the Balance Sheet there has not been (i) any adverse change in (A) the business, financial condition or operations of the Business, (B) the Assets or (C) Sellers' relationships with suppliers, customers, distributors, lessors or others relating to the Business except, in each case, changes in the ordinary course of business; (ii) any damage, destruction or loss, whether or not covered by insurance, adversely affecting the Business or the Assets; (iii) the creation of any Security Interest with respect to any Assets, except in the ordinary course of business; (iv) except as set forth on Schedule 2.5(a), any change in the credit practices, promotional practices or pricing practices of Sellers with respect to the Business or in Sellers' method of maintaining the Business's books, accounts or business records; (v) any acquisition of any assets, or lease of any assets from any other Person, relating exclusively to the Business except in the ordinary course of business consistent with past practice; (vi) any sale or other transfer of any assets relating exclusively to the Business to any other Person, except in the ordinary course of business consistent with past practice; (vii) any action that would result in a violation or breach of, or a default under, any Contract or any contract by which any of the Assets is bound; (viii) any transaction involving the Business outside the ordinary course of business; or (ix) the execution or creation of, or any amendment or termination of, any Contract or any contract by which any of the Assets is bound, except in the ordinary course of business.

(b) COMPENSATION. Since the date of the Balance Sheet, there has not been any increase in the compensation or benefits payable or to become payable by Sellers to any Employees working solely for the Business, except for increases in the normal course of business and except for increases involving payments or obligations on the part of Sellers that in the aggregate are less than One Hundred Thousand Dollars (\$100,000) per annum.

2.6 ASSETS OF BUSINESS. The Assets constitute all of the assets held for use or used primarily in connection with the Business and are adequate to carry on the Business as currently conducted. All of the tangible personal property included in the Assets that is necessary for or used in the operation of the Business is in good operating condition and repair, except for ordinary wear and tear. The Accounts Receivable represent bona fide sales at arm's length to customers of the Business, are not subject to any set-offs, counterclaims, deductions, rights to return, or agreements for deduction, free goods, discounts or other deferred price or quantity adjustments which do not have a sufficient corresponding accrual. The Accounts Receivable are collectible in accordance with their terms except to the extent of a sufficient reserve.

2.7 TITLE TO ASSETS. Except for Real Property and Leased Property referenced in Section 2.23, Sellers have good and valid title to all the Assets, free and clear of all Security Interests of any nature whatsoever, except

(a) such as are disclosed on Schedule 2.7,

(b) liens for (i) taxes and other governmental charges which are not due and payable or which may thereafter be paid without penalty, or (ii) mechanics', carriers', workmen's, repairmen's or other like liens arising or incurred in the ordinary course of business that do not, in the aggregate, represent encumbrances on the Assets in excess of \$30,000 (liens set forth in subsection (ii) collectively referred to herein as the "Permitted Liens").

2.8 TRADEMARKS AND INTELLECTUAL PROPERTY. Sellers own the TRV Trademarks and the intellectual property set forth on Schedule 1.1(a)(ix) (the TRV Trademarks and scheduled intellectual property collectively referred to herein as the "Intellectual Property"), whether registered or not, free and clear of all liens, charges, claims, options, pledges, licenses, security interests, or similar restrictions except for licenses included in the Contracts, if any, and licenses previously granted to Buyer. There are no trademarks, service marks, trade names, copyrights, patents, or other intellectual property owned or licensed by the Sellers and used in the conduct of the Business, other than the Intellectual Property. Neither the use, nor the registration, of the Intellectual Property conflicts with the rights of any other Person, and no other Person's operations conflict with the use or registration of the Intellectual Property. There are no claims, suits or proceedings pending or to the knowledge of the Sellers threatened against or by SVI or TRVG claiming



either an infringement or conflict by SVI or TRVG of or with any rights of any Person or an infringement or conflict by any Person of or with any of the Intellectual Property. To the knowledge of the Sellers, no intellectual property right of any third party will be infringed by the use by the Buyer of the Intellectual Property, provided such use is not materially different from the manner in which such Intellectual Property has been used by Sellers. Except as set forth on the DISCLOSURE SCHEDULE, the TRV Trademarks are registered, solely in the name of TRVG, (A) on the Principal or Supplemental Register of the United States Patent and Trademark Office, and (B) with the appropriate foreign authorities necessary for protection of the TRV Trademarks in all foreign markets where the TRV Trademarks are used, and each registration is valid, in full force and effect, and enforceable. The United States Patent and Trademark Office registration numbers, foreign registration numbers, and corresponding TRV Trademarks are set forth on Schedule 2.8 hereto. All of the Intellectual Property is in use in the jurisdictions in which it is registered, and no such use has been discontinued for a period in excess of three (3) consecutive years. All copyrightable materials are works for hire, authored by employees of Sellers, or authored by third parties pursuant to written works for hire agreements giving Sellers absolute right, title and interest in and to such materials.

2.9 LITIGATION. Except as set forth in the DISCLOSURE SCHEDULE, (i) there is no legal, administrative, arbitration or other proceeding, claim, dispute or action of any nature or inquiry or investigation pending or threatened against Sellers relating to the Business or against TRVG or any of the Assets, and (ii) none of the Assets or Sellers in relation to the Business is subject to any judgment, order or decree entered in any lawsuit or proceeding.

#### 2.10 COMPLIANCE WITH LAW.

(a) GENERAL. Except as to the matters set forth in Sections 2.10(b), 2.11, 2.12 and 2.13 (which are addressed by the specific representations regarding the subject matters thereof) SVI is in compliance with all Legal Requirements applicable to the Business. Sellers have not received any notification from any governmental entity that SVI, with respect to the Business or the Assets, is in violation of any such Legal Requirements. TRVG is in compliance with all

Legal Requirements applicable to the Business. Sellers have not received any notification that TRVG is in violation of any such Legal Requirements.

(b) ENVIRONMENTAL. Sellers are in compliance with all Environmental Laws, and there are, and have been, no past or present events, conditions, circumstances, activities, practices, incidents, or actions which could reasonably be expected to interfere with or prevent continued compliance with any Environmental Laws. Except as set forth on the DISCLOSURE SCHEDULE, Sellers have not received from any governmental authority or other Person any notification that Sellers are in violation of any Environmental Law. SVI has all licenses, permits, registrations, and authorizations which are required for operation of the Business under any Environmental Law and/or which are required from any governmental authority having jurisdiction over any Hazardous Substance located in or on the Real Property. No Hazardous Substances have been disposed of or buried at the Real Property, nor have any been released except in full compliance with Environmental Laws. There are no Hazardous Substances present at, in, under, or upon the Real Property or the Improvements thereon and there are no underground storage tanks of any kind located on any of the Real Property, and, except as set forth on the DISCLOSURE SCHEDULE, there have not previously been any such tanks. Neither Seller is subject to any private, administrative, or judicial action relating to the present or alleged presence of Hazardous Substances in, under, or upon the Real Property or the Improvements thereon, and there are no pending or threatened actions or proceedings from any governmental authority or any other Person regarding any matter described in this paragraph (b).

#### 2.11 TAX MATTERS.

(a) Each of the Sellers has filed all tax returns that it was required to file. All such tax returns were correct and complete in all respects. All taxes owed by the Sellers (whether or not shown on the tax returns) have been paid. None of the Sellers currently is the beneficiary of any extension of time within which to file any tax return. No claim has ever been made by an authority in a jurisdiction where any of the Sellers does not file tax returns that it is or may be subject to taxation by that jurisdiction. There are no Security Interests on any of the Assets that arose in connection with any failure (or alleged failure) to pay any tax.

(b) The Sellers have withheld and paid all taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party.

(c) No stockholder, partner, director or officer (or employee responsible for tax matters) of any of the Sellers expects any authority to assess any additional taxes for any period for which tax returns have been

filed. There is no dispute or claim concerning any tax liability of any of the Sellers either (A) claimed or raised by any authority in writing or (B) as to which any of the stockholders, partners, directors or officers (or employees responsible for tax matters) has knowledge based upon personal contact with any agent of such authority.

## 2.12 EMPLOYEES.

(a) IDENTIFICATION. The DISCLOSURE SCHEDULE accurately sets forth, with respect to each employee of either Seller (including any employee of either Seller who is on a leave of

absence or on layoff status) whose employment is exclusively or primarily for the Business (referred to individually as an "Employee", and collectively as the "Employees"):

(i) the name of such Employee;

(ii) such Employee's title;

(iii) such Employee's annualized compensation as of the date of this Agreement; and

(iv) each Company Plan in which such Employee participates or is eligible to participate (including, without limitation, whether such Employee is currently inactive by reasons of short term disability, long term disability, or workers compensation).

(b) CONTRACTORS. The DISCLOSURE SCHEDULE contains a list of individuals who are currently performing services for Sellers exclusively or primarily in connection with the Business and are classified as "consultants" or "independent contractors," and the respective compensation of each such "consultant" or "independent contractor."

(c) TERMINABLE. The employment of each of Employee is terminable by either Seller, as applicable, at will. Neither Seller is a party to or bound by, and has never been a party to or bound by, any employment agreement (except as set forth in the DISCLOSURE SCHEDULE), or any union contract, collective bargaining agreement or similar contract in connection with the Business.

(d) MANUALS. Sellers have made available to Buyer accurate and complete copies of all employee manuals and handbooks, disclosure materials, policy statements, and employment agreements relating to the employment of the Employees.

(e) LEGAL REQUIREMENTS. Sellers have complied with all Legal Requirements related to the employment of Employees. Sellers have not received any notice in writing of any claim that either Seller has not complied in any material respect with any Legal Requirements relating to the employment of Employees, including any provisions thereof relating to wages, hours, collective bargaining, the payment of Social Security and similar taxes, equal employment opportunity, employment discrimination, the WARN Act, employee safety, or that it is liable for any arrearages of wages or any taxes or penalties for failure to comply with any of the foregoing.

(f) LABOR PRACTICES. Neither Seller is engaged, and has never been engaged, in any unfair labor practice of any nature in connection with the Business. There has never been any slowdown, work stoppage, labor dispute or union organizing activity, or any similar activity or dispute, affecting the Business or any of the Employees. There is not now pending, and to the Knowledge of Sellers no person has threatened to commence, any such slowdown, work stoppage or labor dispute in connection with the Business. Neither Seller is a party to any collective-bargaining agreement with respect to Employees and has not received notice of any proposed union certification or recognition election with respect to the Business.

(g) TERMINATION OF EMPLOYEES. Schedule 2.12(g) sets forth a true and accurate list of those employees of the Business terminated by the Sellers within the last 90 days, and whether such termination was for cause or not.

(h) TRANSFERS OF EMPLOYEES. Schedule 2.12(h) sets forth a true and accurate list of those employees of the Sellers and their Affiliates who have been transferred between the Sellers and their Affiliates within the twenty-four month period immediately preceding the date hereof.

## 2.13 BENEFIT PLANS; ERISA.

(a) PLANS. The DISCLOSURE SCHEDULE sets forth a true and complete list of each written or oral employee benefit plan, including any retirement or deferred compensation plan, incentive compensation plan, stock plan, including stock option plans, unemployment compensation plan, vacation pay, severance pay, bonus or benefit arrangement, insurance or hospitalization

program or any other fringe benefit arrangements for any current or former employee, director, consultant or agent, whether pursuant to contract, arrangement, custom or informal understanding, regardless of whether an "employee benefit plan," as defined in Section 3(3) of ERISA, policy or agreement (including, any employment or consulting agreement or severance agreement) that is maintained, or is or was contributed to by Sellers (all and any Member of the Controlled Group of the foregoing) (the "Company Plans"). A true and correct copy of each Company Plan as currently in effect and, if applicable, the most recent annual report, summary plan description, trust agreement and any determination letter issued by the Internal Revenue Service for each Company Plan have been delivered to or will be made available for review by Buyer. Neither Sellers nor any Member of the Controlled Group has ever maintained or contributed to any plan subject to Title IV of ERISA or Section 412 of the Internal Revenue Code of 1986, as amended (the "Code") (including any "Multiemployer Plan," as defined in Section 3(37)(A) of ERISA) and no fact or event exists which could give rise to any liability under Title IV of ERISA or Section 412 of the Code. Neither Sellers nor any Member of the Controlled Group is, nor do any of them expect to be, subject to (1) a security interest pursuant to Section 412(f) of the Code or (2) a lien pursuant to Section 412(n) of the Code or Sections 4068 or 302(f) of ERISA with respect to any Company Plan.

(b) ADMINISTRATION. Each Company Plan that is an "employee benefit plan," as defined in Section 3(3) of ERISA, complies by its terms and has been administered in compliance in all material respects with the requirements provided by any and all statutes, orders or governmental rules or regulations currently in effect and applicable to the Company Plan, including, but not limited to, ERISA and the Code.

(c) NO PROHIBITED TRANSACTIONS; CLAIMS. With respect to each Company Plan:

(i) no prohibited transactions (as defined in Section 406 or 407 of ERISA or Section 4975 of the Code) have occurred for which a statutory exemption is not available; and

(ii) no action or claims (other than routine claims for benefits made in the ordinary course of Company Plan administration for which Company Plan administrative review procedures have not been exhausted) are pending or, to Sellers' Knowledge, threatened or

imminent against or with respect to any Company Plan, any employer who is participating (or who has participated) in any Company Plan or any fiduciary (as defined in Section 3(21) of ERISA), of the Company Plan.

(d) COBRA. All of the Company Plans, to the extent applicable, are in compliance in all material respects with the continuation of group health coverage provisions contained in Section 4980B of the Code and Sections 601 through 608 of ERISA ("COBRA").

(e) NON-COBRA. Neither Seller nor any Member of the Controlled Group maintains or contributes to any plan that provides health benefits to an employee after the employee's termination of employment or retirement except as required under COBRA.

(f) REPORTS. All reports, forms and other documents required to be filed with any government entity or furnished to employees, former employees or beneficiaries with respect to any Company Plan (including summary plan descriptions, Forms 5500 and summary annual reports) have been timely filed and furnished and are accurate.

(g) CERTAIN QUALIFICATIONS. Each of the Company Plans that is intended to qualify under Section 401(a) of the Code has been determined by the Internal Revenue Service to so qualify (pursuant to a current favorable determination letter) after January 1, 1989, or has remaining a period of time under applicable Treasury regulations or IRS pronouncements in which to apply for such a letter and make any amendments necessary to obtain a favorable determination as to the qualified status of each such Company Employee Plan, and each trust maintained pursuant thereto has been determined by the Internal Revenue Service to be exempt from taxation under Section 501 of the Code. To Sellers' Knowledge, nothing has occurred that could reasonably be expected to adversely affect the qualification of any Company Plan and its related trust.

(h) CONTRIBUTIONS. All required contributions to the Company Plans for all periods ending prior to the Closing Date (including periods from the first day of the current plan year to the Closing Date) have been made or will have been made prior to the Closing Date by Sellers.

(i) PREMIUMS. All insurance premiums required for insurance coverages under the Company Plans have been paid in full or will have been paid in full prior to the Closing Date, subject only to normal retrospective adjustments in the ordinary course, with regard to the Company Plans for plan years ending on or before the Closing Date.

(j) ACCRUAL OF EXPENSES AND LIABILITIES. All expenses and liabilities relating to all of the Company Plans have been, and will on the Closing Date be, fully and properly accrued on Sellers' books and records and disclosed in accordance with generally accepted accounting principles and in the financial statements of the respective Company Plans.

(k) AMENDMENT; TERMINATION. Each of the Company Plans provides that it may be amended or terminated at any time and, except for benefits protected under Section 411(d) of the Code, all benefits payable to current, terminated employees or any beneficiary may be amended or terminated by the Seller or the Business at any time without liability.

(l) OTHER LIABILITIES. Neither Sellers nor the Business nor any Member of the Controlled Group has any liability or is threatened with any liability (whether joint or several) (i) for any excise tax imposed by Sections 4971, 4975, 4976, 4977 or 4979 of the Code, or (ii) to a fine under Section 502 of ERISA.

(m) NEGOTIATIONS. There are no negotiations, demands or proposals which are pending or have been made which concern matters now covered, or that would be covered, by the type of agreement required to be listed in the DISCLOSURE SCHEDULE.

2.14 INSURANCE. The DISCLOSURE SCHEDULE contains an accurate and complete description of all policies of fire, liability, worker's compensation and other forms of insurance owned or held by Sellers relating to the Business or the Assets.

2.15 CONTRACTS; NO DEFAULT. Neither Seller is a party to any contract or other agreement, whether written or oral, that (i) imposes, or will impose as of the Closing Date, any Security Interest (other than the Security Interests set forth on Schedule 6.9) on any of the Assets that will not be removed on or before the Closing Date, or (ii) would prevent or threaten the consummation of the transaction contemplated by this Agreement. True and complete copies of the Contracts have been made available to Buyer prior to the execution and delivery of this Agreement. All Contracts are to Sellers' Knowledge, valid and enforceable in accordance with their respective terms; neither Seller is in default in the performance of any of its obligations thereunder; to Sellers' Knowledge, no default or event that (whether with or without notice, lapse of time, or both, or the happening or the occurrence of any other event) would constitute a default thereunder has occurred; and, to Sellers' Knowledge, all other parties thereto are not in default thereunder and have no counterclaims, offsets or defenses with respect thereto. Except as set forth on the DISCLOSURE SCHEDULE, all consents to the transactions contemplated by this Agreement required from parties to the Contracts have been obtained by Sellers, or will be obtained prior to the Closing Date.

2.16 CUSTOMERS AND SUPPLIERS. Except as set forth on Schedule 2.16, since January 1, 2000, there has been no adverse change in the business relationship of Sellers with any customer or supplier which change is material to the financial condition or operations of the Business. To Sellers' Knowledge, no customer or supplier of the Business intends to materially reduce its purchases from or sales to Sellers. None of the suppliers or customers of the Business have informed the Sellers, in writing or, to Sellers' Knowledge, orally, that it does not intend to do business with the Buyer following the Closing with respect to the Business, except as may be set forth on the DISCLOSURE SCHEDULE.

2.17 LICENSES AND REGISTRATIONS. (i) Sellers have all permits, licenses, registrations and approvals (collectively, "Approvals") necessary to conduct the Business as presently conducted and as required by applicable laws, rules and regulations, and (ii) neither Seller is in violation or breach of any of the terms, requirements or conditions of any of said Approvals. The DISCLOSURE SCHEDULE sets forth a complete and accurate listing of all of the Approvals issued to, possessed by, or otherwise in effect with respect to the Business. Such Approvals constitute all of the Approvals necessary to permit the Business to be conducted in the manner in which it is now being conducted.

2.18 BOOKS AND RECORDS. The books of account, minute books and other corporate and partnership records of Sellers properly and fairly reflect all material transactions undertaken by Sellers and all such books and records have been maintained in accordance with good business practice. At Closing, Sellers will deliver to Buyer copies of all documents, books and records related to the operation of the Business.

2.19 AS IS, WHERE IS SALE. Buyer acknowledges and agrees that it has been or will prior to the date hereof be given a full opportunity to inspect and investigate every aspect of the Assets, including all matters related to legal status or requirements, physical condition, title, leasing, contracts, and other matters of significance. Buyer specifically acknowledges and agrees that, except for the specific representations and warranties set forth in Article 2, the Assets are being sold in an "AS IS" condition and "WITH ALL FAULTS" as of the date of this Agreement and as of the Closing.

2.20 NO OTHER REPRESENTATIONS OR WARRANTIES. Except for the representations and warranties contained in Article 2, neither of the Sellers nor any other Person makes any express or implied representation or warranty on behalf of the Sellers, and each of the Sellers hereby disclaims any such representation or warranty whether by the Sellers or any of their respective Affiliates, officers, directors, employees, agents or representatives or any other Person.

2.21 FULL DISCLOSURE. To the Knowledge of the Sellers, the representations and warranties contained in this Article 2, as supplemented by the Sellers' schedules and DISCLOSURE SCHEDULE, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary, to make the representations and warranties contained in this Article 2, as supplemented by the Sellers' schedules and DISCLOSURE SCHEDULE, in the light of the circumstances under which they were made, not misleading.

2.22 DISTRIBUTORS. Set forth on Schedule 2.22 is a true and complete list of the Distributors.

2.23 REAL PROPERTY.

(a) Schedule 1.1(a)(i) sets forth a complete and correct list and the legal descriptions of the Real Property. Sellers are not a party to any contract, lease or other agreement regarding the Real Property, other than this Agreement and the documents set forth on Schedule 2.23.

(b) Except for liens for current taxes not yet due and payable, the Sellers have good and marketable title to the Real Property and valid leasehold interests in and to all real property that is the subject of leases included in the Contracts (the "Leased Property"), which Real Property and Leased Property interests are not subject to any rights of any other person or entity that are superior to such interests of Sellers, other than easements of record and the documents set forth on Schedule 2.23. The easements of record and those set forth on Schedule 2.23 do not materially interfere with the present use or occupation of the Real Property or Leased Property.

(c) True, correct and complete copies of the real property leases included in the Contracts (including without limitation any amendments and underlying leases) are attached

to Schedule 1.1(a)(v). Such leases contain the entire agreement between the landlord of each Leased Property and the appropriate Seller and there are no other agreements between the landlord and the Sellers affecting such Leased Property. Such leases are in full force and effect and all of the representations and warranties of the Sellers therein are true and correct. No material default of the tenant and/or subtenant (if any) has occurred under any of such leases nor has any event occurred which, with the giving of notice or the passage of time or both would constitute a material default of the tenant and/or subtenant (if any) thereunder. Any default under such leases has been cured within applicable cure periods provided thereby. Without limiting the generality of the foregoing, the tenant and/or subtenant (if any) under such leases, is current in the payment of all rent due thereunder and has not prepaid more than one month's rent thereunder. To the Sellers' Knowledge, no default of the landlord has occurred under any such leases nor has any event occurred which, with the giving of notice or the passage of time or both would constitute a default of the landlord thereunder. To the Sellers' Knowledge, there are no claimed set-offs against rent due, claims for indemnification by any party, known claims or litigation regarding the Leased Property. The Sellers have free and unimpeded vehicular and pedestrian access to the Leased Property via a dedicated public way or appurtenant easements.

(d) The Sellers have all necessary approvals, certificates, consents, permits and licenses, including but not limited to all water and irrigation licenses and permits, (all of which are in current effect and in final, non-appealable form) to use and operate the Business at or on the Real Property and the Leased Property. The Sellers have not violated or failed to hold any valid and effective certificates of occupancy, or certificates relating to electrical work, subdivision, zoning or other approvals, consents, permits and licenses (including, without limitation, building, housing, safety, fire, health subdivision, zoning and similar permits and approvals) required by applicable law with respect to any Real Property or Leased Property. The Real Property and Leased Property is free from any use or occupancy restrictions, except those imposed by applicable subdivision and zoning laws, ordinances and regulations which permit the current use of the Real Property and Leased Property, and from all special taxes or assessments, except those specified on Schedule 2.23. Except as set forth on Schedule 2.23, the Real Property and Leased Property and the Sellers' use and operation thereof complies in all material respects with all (i) federal, state and local directives, laws, ordinances, policies, rules, regulations, requirements, and statutes applicable thereto (including, without limitation, applicable building, health, fire, safety, subdivision, zoning and other similar regulatory laws, ordinances, codes and

regulations and the Americans with Disabilities Act ) (collectively, "Property Laws"), and (ii) insurance requirements applicable to any buildings and improvements. To the Sellers' Knowledge, the Sellers have not received, nor is there, any notice of any non-compliance with any Property Laws regarding the Real Property or Leased Property, which have not been resolved. None of the Real Property or Leased Property is located within a flood plain requiring flood insurance, or evidence of such insurance is attached to Schedule 2.23.

(e) Neither the whole nor any portion of the Real Property or Leased Property is subject to any governmental decree or order to be sold nor, to the Sellers' Knowledge, is being condemned, expropriated or otherwise taken by any public authority with or without payment of compensation therefore nor has any such condemnation, expropriation or taking been proposed. To the Sellers' Knowledge, there are no zoning or other land-use regulation proceedings, or any change in any applicable Property Laws, which could affect the use, operation or value of the Real Property or Leased Property affected thereby in any material respect, and the Sellers have

not received written notice of any special assessment proceedings affecting the Real Property or Leased Property which have not been resolved.

(f) All Improvements on the Real Property and all structures, buildings, building systems (including without limitation roof, HVAC, electrical, plumbing, sprinklers and fire safety systems), irrigation systems, fixtures and other improvements, together with the systems and facilities servicing such structures, buildings, fixtures and other improvements, located on the Leased Property (collectively, the "Leased Property Improvements") are (i) in good working order and repair (ordinary wear and tear excepted) and (ii) suitable for the use presently being made of such Improvements and Leased Property Improvements by the Sellers.

(g) All water, sewer, gas, electric, communications, telephone, irrigation and drainage facilities and all other utilities required by law or for the present use and operation of the Real Property and Leased Property ("Utilities Facilities") are: (i) installed to the boundary lines of the Real Property or Leased Property and the buildings and vineyards situate thereon, (ii) all connected and operating pursuant to valid permits, consents and approvals, (iii) adequate to service the Real Property and Leased Property and to permit compliance with all Property Laws and the present usage of the Real Property and Leased Property, and (iv) are connected to the Real Property or Leased Property by means of one or more public or private easements extending from the Real Property or Leased Property to one or more public streets, public rights-of way or utility facilities ("Appurtenant Easements"). None of the Improvements, Leased Property Improvements or Utility Facilities located on the Real Property or Leased Property (v) encroaches on the property of others or (vi) relies on any facilities located on other property not subject to Appurtenant Easements (A) to comply with any Property Laws, or (B) for agricultural use, structural support, material building systems, operations, Improvements or Utility Facilities. All of the Utility Facilities not located on the Real Property or Leased Property are situate within and comply at all times with the provisions of the Appurtenant Easements.

(h) The Sellers have not committed or obligated themselves in any manner whatsoever to assign or sublease any Real Property or Leased Property to any person or entity. Except as provided on Schedule 2.23, the Sellers have not committed or obligated themselves in any manner whatsoever to place any encumbrance on any Real Property or Leased Property or any portion thereof. Except as provided on Schedule 2.23, the Sellers have not hypothecated or assigned any rents or income from the Real Property or Leased Property, or any portion thereof, in any manner.

(i) Except as provided on Schedule 2.23, the Sellers have not caused any work or improvements to be performed upon or made to any of the Real Property or Leased Property for which there remains outstanding any material payment obligation that could result in the imposition of any lien on any Real Property, Leased Property, Improvements or Leased Property Improvements, except for the imposition of Permitted Liens. Prior to the date of this Agreement, or as provided elsewhere in this Agreement, Sellers have delivered (or will deliver) to Buyer true and correct copies of all deeds to the Sellers, approvals, certificates, consents, easements, encumbrances, instruments, licenses, mortgages, permits, surveys, title insurance policies and other documents relating to or affecting the title to the Real Property and Leased Property that are in the possession, custody or control of the Sellers.

(j) To Sellers' Knowledge, the winery wastewater treatment systems at any of the Real Property, including without limitation such systems which utilize ponds and wetlands as part of the treatment process: (i) are being operated, maintained and monitored in compliance with all applicable Environmental Laws and Legal Requirements and in accordance with applicable

Operation and Maintenance Manuals and procedures; (ii) are fulfilling the wastewater treatment purposes for which they were created; and (iii) do not require significant modification to maintain continued proper operation and compliance with Environmental Laws and Legal Requirements and fulfillment of wastewater treatment purposes. The Sellers have all easements and rights to operate the winery wastewater treatment systems and to utilize the pipelines on adjoining properties in connection with such systems. Such easements and rights are fully transferable to Buyer at Closing Date.

ARTICLE 3  
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REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Sellers on the date hereof and on and as of the Closing Date as follows:

3.1 CORPORATE ORGANIZATION; ETC. Buyer is a corporation duly organized, validly existing and in good standing under the laws of New York. Buyer has full power and authority to carry on its business as now being conducted and to own, lease and operate its properties and assets.

3.2 AUTHORIZATION; ETC. Buyer has full corporate power and authority to enter into this Agreement and to carry out the transactions contemplated hereby. Buyer has taken all action required by its Articles of Incorporation, its Bylaws or otherwise to authorize the execution and delivery of this Agreement and the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered, and no other corporate or other action is necessary to effect such execution and delivery; and this Agreement is the valid and binding obligation of Buyer enforceable against it in accordance with its terms, except that (i) enforceability may be limited by bankruptcy, reorganization, insolvency or other laws affecting the enforcement of creditors' rights generally, and (ii) courts may award money damages rather than specific enforcement of contractual provisions involving matters other than or in addition to the payment of money.

3.3 NO VIOLATION. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (a) violate any provisions of the Articles of Incorporation or Bylaws of Buyer, (b) violate, or be in conflict with, or constitute a default (or an event which, with or without due notice or lapse of time, or both, would constitute a default) under or cause the acceleration of the maturity of any debt, obligation, contract, commitment or other agreement to which Buyer is a party, (c) result in the creation or imposition of any mortgage, pledge, lien, security interest, encumbrance, restriction or charge of any kind, upon any property or assets of Buyer under any debt, obligation, contract, agreement or commitment to which Buyer is a party or by which Buyer is bound, or (d) violate any statute or law or any judgment, decree, order, regulation, or rule of any court or governmental authority.

3.4 CONSENTS AND APPROVALS OF GOVERNMENTAL AUTHORITIES. Except for approvals to be obtained from the State of California Department of Alcoholic Beverage Control and Board of Equalization, (the "California Authorities") the United States Bureau of Alcohol, Tobacco and Firearms (the "ATF"), and the notification requirements and expiration or termination of the applicable waiting period under the HSR Act, no material consent, approval or authorizations of, or declaration, filing or registration with, any governmental regulatory authority or third Person is required in connection with the execution, delivery and performance of this Agreement by Buyer and the consummation of the transactions contemplated hereby. To the best of Buyer's knowledge, there is no existing circumstance related to Buyer that would prevent Buyer from obtaining the approvals specified above.

3.5 FUNDS. Buyer has available a commitment attached hereto as EXHIBIT C (the "Commitment") from the Chase Manhattan Bank and Chase Securities Inc. (collectively, "Chase") or will use its reasonable efforts to seek other funding to provide sufficient funds to enable Buyer to consummate the transactions contemplated herein. The Commitment is subject only to the terms and conditions stated therein. Buyer is in full compliance with its credit facilities including without limitation the credit facility referred to in the Commitment. Buyer will take all reasonable steps necessary to cause Chase to fund the Commitment or for Buyer to otherwise obtain sufficient funding for Buyer to consummate its obligations hereunder. Buyer has no knowledge Chase will not fund the Commitment. Buyer will not take any action that could reasonably be expected to adversely affect the certainty of Buyer's ability to consummate the transactions contemplated hereby or obtain the financing contemplated by the Commitment or otherwise in amounts sufficient to enable Buyer to consummate the transactions contemplated hereby.

3.6 Omitted.

3.7 DISCLOSURE OF INFORMATION. Buyer believes it has received all the information it considers necessary or appropriate for deciding whether to purchase the Assets pursuant to this Agreement. Buyer has had an opportunity to ask questions and receive answers from Sellers regarding the terms and

conditions of sale of the Assets and the business, properties, prospects and financial condition of the Business.

3.8 INVESTMENT EXPERIENCE. Buyer can bear the economic risk of its investment, and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the purchase of the Assets.

3.9 Omitted.

3.10 NO OTHER REPRESENTATIONS OR WARRANTIES. Except for the representations and warranties contained in this Article 3, Buyer nor any other Person makes any express or implied representation or warranty on behalf of the Buyer, and Buyer hereby disclaims any such representation or warranty whether by the Buyer or any of their respective Affiliates, officers, directors, employees, agents or representatives or any other Person.

#### ARTICLE 4 -----

##### CONDUCT OF BUSINESS PENDING THE CLOSING DATE

Sellers hereby agree that, pending the Closing Date, and except as otherwise consented to or approved by Buyer in writing:

4.1 REGULAR COURSE OF BUSINESS. Sellers shall conduct the Business in the ordinary course and substantially in the same manner as heretofore conducted. Without limiting the generality of the foregoing:

(a) Sellers will not change in any manner the rate or terms of compensation or bonus payable or to become payable to any management employee, or change in any manner the rate or terms of any insurance, pension or other employee benefit plan, payment or arrangement made to, for or with any management employee;

(b) Sellers will not enter into any grape purchase contract;

(c) Sellers will not enter into any agreement to do any of the things described in clause (a) or (b) above;

(d) The Sellers will use their best efforts to preserve their rights to, and the goodwill associated with, the Intellectual Property.

(e) Subject to the terms and condition of this Agreement, Sellers will use their reasonable efforts to keep available the services of the Employees, and preserve the goodwill, reputation, and present relationships of the Business with its suppliers, customers, licensors, and others having such business relations with the Business.

(f) Except in the ordinary course of business, or except upon the written consent of the Buyer, no Seller will (i) sell, lease, transfer, or otherwise dispose of any of the Assets, (ii) create or permit to exist any lien on the Assets other than Permitted Liens, or (iii) make any new commitments for capital expenditures in the Business.

(g) No Seller will accelerate or delay the manufacture, shipment, or sale of any inventory in a manner inconsistent with past practices, including, without limitation, sell inventory to distributors in excess of quantities which would constitute, as of the Closing Date, the lesser of (i) inventories beyond which the distributor has historically purchased during the comparable period in the prior year or (ii) a fifteen (15) day supply for distributors located in the State of California and a forty-five (45) day supply for other distributors (any such excess referred to herein as "Loaded Sales to Distributors").

(h) The Sellers will (i) use reasonable efforts to maintain the Assets in good repair, order, and condition, normal wear and tear excepted, (ii) maintain their records relating to the Assets in the usual, regular, and ordinary manner on a basis consistent with past practices, and (iii) use reasonable efforts to perform and comply with their obligations under the Contracts. The Sellers will not make any material alterations to the Assets, other than in the ordinary course

of business consistent with past practices, without the prior written consent of the Buyer, which consent shall not be unreasonably withheld or delayed.

4.2 ORGANIZATION. Each of Seller shall use its best efforts to preserve its existence and business organization intact, to keep available to Buyer, the officers and key employees employed in the Business, and to preserve for Buyer the Business's relationships with lenders, suppliers, customers and others having business relations with the Business.



4.3 INSURANCE; PROPERTY. Each Seller shall continue to insure all property, real, personal and mixed, owned or leased by such Seller and used in the Business, including the Assets, in the manner contemplated in Section 2.14 and all such property shall be used, operated, maintained and repaired in a careful and reasonable manner. Notwithstanding the foregoing, in the event of any casualty affecting the Assets after the date hereof and prior to the Closing Date (i) in an amount less than \$200,000, Sellers shall have no obligation to repair or restore the Assets provided Sellers assign to Buyer at Closing any proceeds available to Sellers under any policy of casualty insurance covering the Assets, and (ii) in an amount equal to or greater than \$200,000, Sellers shall have no obligation to repair or restore the Assets provided if Sellers do not repair or restore such Assets prior to the Closing Date, Buyer's obligations to effect the transactions contemplated herein shall be relieved, and Buyer may, in its sole discretion, terminate this Agreement pursuant to Section 8.1 without further obligation to Sellers.

For a period of twelve (12) months from the Closing Date, the Sellers shall maintain, on an occurrence basis, comprehensive General Liability Insurance (including, without limitation, contractual liability insurance and products liability insurance) covering claims arising out of Sellers' operation of the Business, and out of products or services sold by, or manufactured by Seller in connection with the operation of the Business, on or prior to the Closing Date, with limits of at least \$1,000,000 for each occurrence, with a \$25,000,000 aggregate limit, naming the Buyer as additional insured. Such policies shall be written so that Buyer will receive 30 days written notice of any cancellation and reasonable notice of any non-renewal or material change in coverage.

4.4 NO DEFAULT; AMENDMENT. Each Seller shall use its best efforts not to do any act or omit to do any act, or permit any act or omission to act, that will cause a breach of any material Contract. Neither Seller shall amend any material Contract except in the ordinary course of business and with prior notice to Buyer, provided that any amendment to a Contract or Contracts that individually, or in the aggregate, increases the liability of Sellers by more than \$100,000.00 requires the written consent of the Buyer.

4.5 COMPLIANCE WITH LAWS. Each Seller shall duly comply with all Legal Requirements applicable to it and its properties, operations, business and employees.

4.6 NO ACQUISITIONS; EXCLUSIVITY. Sellers shall not approve or undertake, whether as the surviving, disappearing, acquiring or selling entity, any other merger, consolidation, asset acquisition or disposition, tender offer or other takeover transaction with respect to the Business or Assets or furnish or cause to be furnished any information concerning the Business or Assets to any Person (other than to Buyer) that is interested in any such transaction. Sellers shall not

solicit or encourage, or pursue any unsolicited, inquiries or proposals for the acquisition of all or any part of the capital stock, property, assets or business of the Business or Assets.

#### ARTICLE 5 -----

##### COVENANTS OF SELLERS AND BUYER

5.1 FULL ACCESS. Sellers shall afford to Buyer, its counsel, accountants and other authorized representatives reasonable access to Sellers' properties, books and records to the extent they relate to the Business or Assets in order that Buyer may have full opportunity to make such reasonable investigations as Buyer shall desire to make of the Business. Sellers will cause Sellers' employees and accountants to furnish such additional financial and operating data and other information relating to the Business or Assets as Buyer shall from time to time reasonably request. Any such investigation shall be conducted during normal business hours in such a manner so as not to interfere unreasonably with the operations of SVI and TRVG, and Buyer shall not contact any sales representatives, distributors, brokers, customers, suppliers or employees of Sellers concerning the transactions contemplated by this Agreement without the prior written consent of Sellers.

5.2 CONSENTS, REMOVAL OF OBJECTIONS. It is the intent of Buyer and Sellers to consummate the purchase and sale of Assets hereunder at the earliest practicable time, and they respectively agree to exert their reasonable efforts to cause the Closing to occur.

(a) Omitted.

(b) ANTITRUST NOTIFICATION. Each of Sellers and Buyer will as promptly as practicable, but in no event later than January 31, 2001, file with the United States Federal Trade Commission (the "FTC") and the United States Department of Justice (the "DOJ") the notification and report form, if any, required for the transactions contemplated hereby and any supplemental information requested in connection therewith pursuant to the HSR Act. Any

such notification and report form and supplemental information will be in substantial compliance with the requirements of the HSR Act. Each of Buyer and Sellers shall furnish to the other such necessary information and reasonable assistance as the other may request in connection with its preparation of any filing or submission which is necessary under the HSR Act. Sellers and Buyer shall keep each other apprised of the status of any communications with, and inquiries or requests for additional information from, the FTC and the DOJ and shall comply promptly with any such inquiry or request. Each of Sellers and Buyer will use its reasonable efforts to obtain any clearance required under the HSR Act for the purchase and sale of the Assets.

(c) OTHER REGULATORY APPROVALS. Each of Sellers and Buyer will as promptly as practical seek the approval of the California Authorities and of the ATF for the transactions contemplated hereby including the transfer of any licenses, permits, registrations and authorizations necessary for operation of the Business. Such approval shall be sought in compliance with applicable laws and regulations. Each of Buyer and Sellers shall furnish to the other such necessary information and reasonable assistance as the other may request in connection with seeking such approval. Sellers and Buyer shall keep each other apprised of the status of any communications with, and inquiries or requests for additional information from the

California Authorities and the ATF, and shall comply promptly with any such inquiry or request. Each of Sellers and Buyer will use its reasonable efforts to obtain the approval of the California Authorities and the ATF for the purchase and sale of the Assets. For a period of one (1) year following the Closing, Sellers shall cooperate with Buyer in connection with Buyer's efforts to obtain "use-up" rights with respect to labels and trade dress included in the Assets, including, if so requested by Buyer, confirmation to federal and state alcoholic beverage authorities that the Buyer is authorized by the Sellers to use such labels and trade dress.

(d) GOVERNMENTAL CONSENTS. Buyer and Sellers agree to use reasonable efforts to obtain the consents and permits described in Section 6.3.

#### 5.3 EMPLOYEES.

(a) From the date of this Agreement, Sellers shall afford to Buyer, its counsel, and other authorized representatives reasonable access to the Employees, except to the extent an Employee appears on Schedule 5.3 (the "Unavailable Employees"), and the employment records thereof, for the purpose of Buyer making a determination, in its sole discretion, as to which Employees Buyer will extend offers of employment. Buyer shall be permitted to make employment offers to all Employees, except the Unavailable Employees. Any such Employee who accepts employment with Buyer on the Closing Date is herein referred to as a "Transferred Employee". Nothing herein shall obligate Buyer to extend employment offers.

(b) Buyer shall provide wages and salaries to the Transferred Employees that are comparable, in the aggregate, to those provided by Sellers as of the Closing Date and shall give each Transferred Employee past service credit under its compensation and benefit plans and arrangements for service with Sellers prior to the Closing Date as if such service had been with Buyer; PROVIDED that such credit for past service with Sellers shall be solely for purposes of vesting and eligibility, but not benefit accrual. Sellers, in accordance with their past practices, shall not offer or pay any severance pay to an Employee who is offered employment by Buyer except if the offer of employment would have required a significant increase in commute time to and from work, a significant increase in travel time (sales), or would have required the Employee to relocate.

(c) For a period of one (1) year after the Closing Date, neither Sellers nor any Affiliates of the Sellers shall directly or indirectly induce or attempt to induce in any manner any Transferred Employee to leave the employment of Buyer or any Affiliate of Buyer nor employ or offer employment to any Employee to whom Buyer has made an offer of employment.

5.4 FURTHER ASSURANCES. Buyer and Sellers shall each execute and deliver such instruments and take such other actions as the other parties may reasonably require in order to carry out the intent of this Agreement. After the Closing, Sellers shall from time to time, at the reasonable request of Buyer and without cost or expense to Sellers, execute and deliver such other instruments, documents or agreements of conveyance and transfer and take such other actions, including, without limitation, assistance in the reduction to possession of any Assets, as Buyer or its counsel may reasonably request, in order to more effectively consummate the transactions contemplated hereby and to vest in Buyer good and marketable title to the Assets.

5.5 PUBLIC ANNOUNCEMENTS. Sellers and Buyer agree that immediately after execution of this Agreement, Buyer may make a public announcement and issue a press release in a form to be reasonably agreed upon by the parties. Otherwise,

except as required by law or in response to a request by regulatory or judicial authorities having jurisdiction over the applicable party, neither party will disclose to any third party the Confidential Information (as defined in the Confidentiality Agreement) of the other parties, the terms of the proposed transaction or the nature of discussions without the prior written permission of the other party, other than information regarding the transaction which becomes publicly available without violation of the terms hereof; provided, that neither party is precluded by this Agreement from confidential discussions with its stockholders, partners, key employees, legal counsel, accountants, banks and other agents or advisors as reasonably deemed necessary by each party, respectively, in order to facilitate the transaction contemplated hereby; and provided further, that Buyer shall not be required to obtain the consent of Sellers to enter into confidential discussions about the transactions contemplated by this Agreement with potential private equity sources or to make any press release or public statement required by law or any securities exchange upon which Buyer's stock is publicly traded. Notwithstanding the foregoing, if either of the Sellers or any of their officers, directors, stockholders, general partners, key employees, legal counsel, accountants, banks or other agents or advisors has or obtains any "material non-public" information (as contemplated in Regulation FD of the Securities and Exchange Commission, herein referred to as "Regulation FD") of the Business or the Buyer or its Affiliates, such Sellers and their officers, directors, stockholders, general partners, key employees, legal counsel, accountants, banks and other agents and advisors shall hold in confidence, and shall not disclose, such material non-public information unless and until the Buyer or its Affiliates have publicly disclosed such information in compliance with Regulation FD. Sellers shall obtain agreement from any such officers, directors, stockholders, general partners, key employees, legal counsel, accountants, banks and other agents or advisors to whom such Confidential Information or terms of the proposed transaction have been disclosed, to abide by the obligations in this paragraph relating to holding in confidence "material nonpublic" information of the Business or the Buyer or its Affiliates.

5.6 ACTIONS OF BUYER AFFECTING REPRESENTATIONS AND WARRANTIES. Buyer shall not take any action, nor suffer or permit to be taken any action, that would cause any representations and warranties of Buyer contained in Article 3 hereof to be incorrect on or as of the Closing Date.

5.7 ACTIONS OF SELLERS AFFECTING REPRESENTATIONS AND WARRANTIES. Sellers shall not take any action, nor suffer or permit to be taken any action, that would cause any representations and warranties of Sellers contained in Article 2 to be incorrect on or as of the Closing Date.

#### 5.8 NOTIFICATION; UPDATES TO DISCLOSURE SCHEDULE.

(a) During the period between the date hereof and the Closing, Sellers shall promptly notify Buyer in writing of the discovery by any of the Sellers of: any event, condition, fact or circumstance that occurred or existed on or prior to the date of this Agreement and that caused or constitutes a breach of or inaccuracy in

any representation or warranty made by the Sellers in this Agreement; any event, condition, fact or circumstance that occurs, arises or exists after the date of this Agreement and that would cause or constitute a breach of or inaccuracy in any representation or warranty made by Sellers in this Agreement if (A) such representation or warranty had been made as of the time of the occurrence, existence or discovery of such event, condition, fact or circumstance, or (B) such event, condition, fact or circumstance had occurred, arisen or existed on or prior to the date of this Agreement; any breach of any covenant or obligation of any of the Sellers contained in this Agreement; and any event, condition, fact or circumstance that may make the timely satisfaction of any of the conditions set forth in Article 6 impossible or unlikely.

(b) If any event, condition, fact or circumstance that is required to be disclosed pursuant to this Section 5.8 affects anything set forth in the DISCLOSURE SCHEDULE, then the Sellers shall promptly deliver to Buyer an update to the DISCLOSURE SCHEDULE (a "Disclosure Schedule Update") specifying such change. No such Disclosure Schedule Update shall be deemed to supplement or amend the DISCLOSURE SCHEDULE for the purpose of (i) determining the accuracy of any of the representations and warranties made by the Sellers in this Agreement as of the Closing, or (ii) determining whether the conditions set forth in Article 6 have been satisfied.

5.9 CONDUCT PENDING THE CLOSING. The parties shall not take any action, or omit to take any action, that could threaten or prevent the Closing of the transaction contemplated by this Agreement, provided that nothing contained herein shall restrict a party's right to terminate this Agreement pursuant to Section 8.1.

5.10 ACCESS BY SELLERS; BOOKS AND RECORDS. Buyer shall cooperate with the Sellers to make available to the Sellers all financial, tax and other information (including the books and records of the Business), and the personnel file of each Transferred Employee reasonably required by the Sellers in

connection with (i) any audit or other investigation by any taxing authority or any required returns, responses to inquiries, reports or submissions (including any consolidated financial or statutory reporting obligations and including any tax returns or replies to the tax inquiries of the Sellers or their Affiliates) to governmental authorities with respect to the Business related to periods beginning prior to the Closing Date or (ii) matters relating to insurance coverage of the Business, third-party litigation, claims, proceedings and investigations. Buyer shall preserve such information and the books and records for a period at least as long as Buyer's internal procedures and policies would require. Notwithstanding the foregoing, risk of loss or damage for such information after Closing shall remain with Sellers and the Buyer shall have no liability or responsibility therefor so long as the Buyer has acted in good faith to comply with its obligations under this Section 5.10.

5.11 PLANT CLOSINGS. Buyer shall not, at any time prior to the 61st day following the Closing Date, without fully complying with the notice and other requirements of the WARN Act, effectuate (i) a "plant closing" (as defined in the WARN Act) affecting any site of employment or one or more facilities or operating units within any site of employment of the Business or (ii) a "mass layoff" (as defined in the WARN Act) affecting any site of employment of the Business. If Buyer takes any action within 180 days after the Closing Date which independently, or in connection with any reduction in the size of the work force of the Business occurring within the ninety day period prior to the Closing Date, could be construed as a "plant closing" or "mass layoff" as those terms are defined in the WARN Act, Buyer shall be solely responsible for providing any notice required by the WARN Act and for making payments, if any, and paying all penalties and costs, if any, which may result from any failure to provide such notice.

#### 5.12 CERTAIN FINANCIAL INFORMATION.

(a) Sellers shall, from the date hereof, provide, or cause to be provided to, Buyer and assist in the preparation by Buyer of, audited and unaudited financial and other information required for the preparation of selected and summary financial data and pro forma financial information regarding the Business for all periods required by applicable provisions of Regulations S-X and S-K promulgated under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, or an underwritten private offering of debt or equity, and shall provide such management representation letters and shall cause its outside public accountants to deliver such consents and comfort letters as are customary under applicable accounting standards, as promptly as reasonably practicable, but in no event later than forty-five (45) days after receipt of such request. Buyer shall be responsible for the costs and expenses incurred in the connection with such preparation, review and audit. Sellers agree that Buyer may use, and Sellers shall deliver such consents and shall authorize their outside public accountant to deliver such consents, as may reasonably be requested by Buyer to the use of the financial and other information provided pursuant to this Section 5.12, or any other information provided by Sellers to Buyer specifically for the following purposes, in any registration statement, prospectus, offering memorandum, Form 8-K or other public filing, or other document at any time on and after the date of this Agreement.

(b) In addition to the foregoing, for a period of 15 months from the date hereof, from time to time Buyer may request, and Sellers shall provide, assistance in the preparation by Buyer of such audited and unaudited financial and other information of the type, and for the purposes, described in Subsection (a) above, and Sellers shall provide such management representation letters and cause its outside public accountants to deliver such consents and comfort letters as are customary for such purposes under applicable accounting standards, as promptly as reasonably practicable, but in no event later than forty-five (45) days after receipt of such request. Buyer shall be responsible for the costs and expenses incurred in the connection with such preparation, review and audit.

5.13 BULK SALES. The Buyer and Sellers hereby waive compliance with any bulk sales or similar laws which may be applicable to the transactions contemplated hereby.

5.14 DISTRIBUTORS. Promptly after the date hereof, the Sellers shall give notice to the Distributors with respect to the distribution of products associated with the TRV Trademarks. Such notice shall be in the form attached hereto as Schedule 5.14, and shall be delivered to the Distributors as designated on that Schedule.

5.15 MUTUAL ASSISTANCE ON ACCOUNTS RECEIVABLE. In the event Buyer, SVI or TRVG receives payment on receivables owned by the other, then each shall promptly repay to the other owning such receivables the amount erroneously received with respect thereto.

5.16 TRANSITION SERVICES. SVI and Buyer shall enter into a transition services agreement in the form attached hereto as EXHIBIT D (the "Transitional

Services Agreement").

#### 5.17 TITLE MATTERS.

(a) The Sellers shall deliver or cause to be delivered to Buyer promptly following the execution of this Agreement, all title insurance policies and/or commitments (including any preliminary title reports) and survey maps in the Sellers' possession regarding the Real Property and Leased Property.

(b) The Sellers, at their expense, shall deliver to Buyer no later than fourteen (14) days prior to the Closing Date current instrument survey maps ("Surveys") of the Real Property and Leased Property, dated no earlier than thirty (30) days before the Closing Date, and prepared: (i) by a surveyor selected by Buyer and (ii) in accordance with the latest Minimum Standard Detail Requirements for ALTA Land Title Surveys, certified to Buyer, the Title Seller and such other parties as Buyer may designate, with a form of certificate and Table A requirements depicted in a manner satisfactory to Buyer, in its sole and absolute discretion, showing all the Real Property and Leased Property, together with all improvements thereon, and all easements, rights-of-way and encroachments affecting the Real Property and certifying its exact acreage.

(c) The Sellers and Shareholder shall use commercially reasonable efforts to assist Buyer in obtaining the Title Commitment and Title Policy referenced in Section 6.9 of this Agreement.

5.18 LIENS. The Sellers shall obtain releases of all Permitted Liens and Security Interests set forth on Schedule 2.7.

5.19 SELLERS' FINANCIAL STATEMENTS. At least 10 days prior to the Closing Date, Sellers shall deliver to Buyer:

(a) the audited balance sheet of SVI as of June 30, 2000, and the related audited income statement for the fiscal year then ended, and footnotes thereto;

(b) the unaudited balance sheet of SVI as of December 31, 2000, and the related unaudited income statement for the six months then ended which Sellers' accountants will have reviewed in accordance with SAS 71;

(c) the unaudited balance sheet of TRVG as of December 31, 2000, and the related unaudited income statement for the twelve months then ended;

(d) the Balance Sheet and the related income statement for the six months then ended and the footnotes and details related thereto which Sellers' accountants will have reviewed in accordance with SAS 71; and (e) the audited balance sheet of the Business as of June 30, 2000, and the related audited income statement for the fiscal year then ended and footnotes and details thereto.

The balance sheets of SVI and related income statements delivered to Buyer pursuant to this Section 5.19 shall be prepared in accordance with generally accepted accounting principles applied on a consistent basis, shall fairly present the financial condition and results of operations of SVI as of the dates and for the periods presented, and shall be consistent with the books and records of SVI. The Balance Sheet and related income statement delivered to Buyer pursuant to this Section 5.19 shall be prepared consistent with the Accounting Methodology and using generally accepted accounting principles, consistently applied, except as set forth in the Accounting Methodology, shall fairly present the financial condition and operations of the Business as of December 31, 2000, and the six month period then ended, and shall be consistent with the books and records of the Business. The balance sheet of the Business as of June 30, 2000, and related income statement delivered to Buyer pursuant to this Section 5.19 shall be prepared consistent with the Accounting Methodology and using generally accepted principles, consistently applied, except as set forth in the Accounting Methodology, shall fairly present the financial condition and operations of the Business as of June 30, 2000, and the fiscal year then ended, and shall be consistent with the books and records of the Business.

At least 15 days prior to the Closing Date, Sellers shall deliver the Pro Forma Closing Balance Sheet to Buyer which shall be prepared in the same manner as the Balance Sheet.

#### 5.20 BUSINESS INFORMATION.

(a) In connection with any future sale by Constellation Brands, Inc. ("CBI") of its securities, the Sellers acknowledge that the underwriter may require that certain business information relating solely to the Business be included in the prospectus or offering memorandum. Therefore, Sellers hereby agree (i) to use during the 24 months following the date hereof commercially reasonable efforts to provide CBI with, and to cooperate with CBI in compiling such necessary information, and (ii) that such information

may be included in such prospectus or offering memorandum. Buyer shall reimburse Sellers for all Sellers' out-of-pocket costs related to the performance of Sellers' obligation under this Section 5.20.

(b) Incident to any prospectus or offering memorandum referred to in this Section 5.20, and subject to applicable law, the Buyer will indemnify and hold harmless each Seller from and against any and all Damages to which they, or any of them, may become subject under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, at

common law or otherwise, insofar as such Damages arise out of the use, publication or distribution of the prospectus or offering memorandum.

#### ARTICLE 6

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##### CONDITIONS TO BUYER'S OBLIGATIONS

The obligation of Buyer to effect the transactions contemplated herein shall be subject to the satisfaction, on or before the Closing Date, of each of the following conditions:

6.1 REPRESENTATIONS AND WARRANTIES TRUE. The representations and warranties of Sellers contained herein, in the DISCLOSURE SCHEDULE, and in all certificates and other documents delivered by Sellers to Buyer, pursuant hereto or in connection with the transactions contemplated hereby, shall be true and correct, and in each case shall be as of the date when made and as of the Closing Date as though such representations and warranties were made at each such date (unless otherwise expressly limited to a specific date or period), provided that this condition shall be deemed waived by Buyer for purposes of this condition (but shall remain a breach for purposes of indemnification in Section 9.2) so long as any failures of such representations and warranties to be true and correct have not resulted or do not result in any adverse change in or effect on the Business or the Assets involving or likely to involve, in the aggregate, an amount equal to or in excess of \$3,000,000.

6.2 PERFORMANCE. Sellers shall have performed and complied with all covenants, agreements, obligations, terms and conditions required by this Agreement to be performed or complied with by Sellers on or prior to the Closing Date, and all other terms and conditions to be satisfied by Sellers as provided herein shall have been satisfied.

6.3 CONSENTS. All consents from governmental agencies required to consummate the transactions contemplated hereby shall have been obtained. Buyer shall have obtained all government licenses that are necessary to conduct the winery business it intends to conduct with the Assets, including, without limitation, appropriate licenses and permits from the California Authorities and the ATF and all permits, registrations, certificates, licenses, approvals and authorizations required under any Environmental Law. In addition, all consents required by those Contracts set forth on Schedule 6.3 shall have been obtained.

##### 6.4 HSR; NO PROCEEDING OR LITIGATION.

(a) Any applicable waiting periods under the HSR Act shall have been terminated or expired;

(b) there shall not be any pending or threatened action or proceeding, whether administrative or judicial, that shall have been brought on behalf of or shall otherwise involve any governmental agency or authority and that is directed toward challenging, restraining, prohibiting or invalidating any of the transactions contemplated by this Agreement; and

(c) there shall not be any pending action or proceeding, whether administrative or judicial, that shall have been brought on behalf of or shall otherwise involve any other Person and that is directed toward challenging, restraining, prohibiting or invalidating any of the

transactions contemplated by this Agreement, except for actions or proceedings as to which Buyer shall have received a written opinion of counsel for Buyer (which shall be subject only to such qualifications as are customarily included in opinions of this type) to the effect that there is no material likelihood that such Person will prevail in such action or proceeding.

6.5 OPINIONS OF COUNSEL. Buyer shall have received an opinion of counsel to Sellers, dated as of the Closing Date, in the form of EXHIBIT E attached hereto.

6.6 CERTIFICATES. Buyer shall have received a certificate dated the Closing Date from each of the Sellers, certifying (i) the incumbency of each officer of each of the Sellers who has signed this Agreement or any instrument delivered in connection with this Agreement, which certificate shall contain specimens of the signatures of each of the officers whose incumbency is certified, and (ii) as to the matters set forth in Sections 6.1 and 6.2.

6.7 ADVERSE CHANGES. No material Adverse Effect shall have occurred since the date of the Balance Sheet.

6.8 FUNDS. The Commitments shall have been funded; PROVIDED, HOWEVER, if any failure to fund shall be due to a breach by Buyer of Buyer's representations and warranties set forth in Section 3.5, the condition set forth in this Section 6.8 shall be deemed satisfied.

6.9 TITLE TO REAL PROPERTY.

(a) Buyer shall have obtained from Chicago Title Company (the "Title Company") a commitment to issue (the "Title Commitment") on the date of Closing, upon the sole condition of the payment by Buyer of its regularly scheduled premium, its latest standard ALTA Form (with the "creditor's rights" exclusion deleted (or equivalent)) owner's policy of title insurance (the "Title Policy"), insuring in an amount reasonably related to the appraised value of Real Property and Leased Property obtained as the result of the appraisal set forth in Section 1.3(b), that fee simple title in and to the Real Property and the Buyer's leasehold interests in and to the Leased Property will, as of Closing, be vested of record in the Buyer, subject to no exceptions other than those acceptable to Buyer, in its sole and absolute discretion, and those exceptions expressly approved by Buyer in Schedule 6.9.

(b) The receipt by Buyer of satisfactory evidence, in Buyer's sole discretion, that there are no governmental regulations or legal restrictions which would interfere with the current use of the Property by the Buyer, and that Sellers possess or have all appurtenant easements required to utilize and maintain the pipelines over, under or through adjoining properties between 4614 West Turner Road and 5852 West Turner Road.

6.10 FIRPTA CERTIFICATE.

Buyer shall have received either (a) a certificate of non-foreign status as described in Section 1445 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (collectively the "Code") from each Seller who is not a non-resident alien individual, foreign corporation, foreign partnership, foreign trust or foreign estate, or (b) a certification, signed by the Presidents of the Sellers (as provided in Section 1445 of the Code) stating under penalty of perjury that such Seller is not and during the last five years has not been

a United States Real Property Holding Corporation as such term is defined in Section 897 of the Code.

6.11 TRANSITIONAL SERVICES. At the Closing, SVI shall execute the Transitional Services Agreement.

6.12 LIST OF PAYABLE AND ACCOUNTS RECEIVABLE. At the Closing, Sellers shall deliver to Buyer a list of all accounts payable of the Business as of the date two days prior to the Closing Date and a list of all accounts receivable as of the Closing Date. Two days after the Closing Date, Sellers shall deliver a list of all accounts payable and receivable of the Business to the Buyer.

#### ARTICLE 7

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#### CONDITIONS TO SELLER'S OBLIGATIONS

The obligation of Sellers to effect the transactions contemplated hereby shall be subject to the satisfaction, on or before the Closing Date, of each of the following conditions:

7.1 REPRESENTATIONS AND WARRANTIES TRUE. The representations and warranties of Buyer contained herein shall be in all material respects true and accurate as of the date when made and as of the Closing Date as though such representations and warranties were made at each such date.

7.2 PERFORMANCE. Buyer shall have performed and complied with all covenants, agreements, obligations, terms and conditions required by this Agreement to be performed or complied with by Buyer on or prior to the Closing Date and all other terms and conditions to be satisfied by Buyer as provided herein shall have been satisfied.

7.3 HSR; NO PROCEEDING OR LITIGATION.

(a) Any applicable waiting periods under the HSR Act shall have been terminated or expired;

(b) there shall not be any pending or threatened action or proceeding, whether administrative or judicial, that shall have been brought on behalf of or shall otherwise involve any governmental agency or authority and that

is directed toward challenging, restraining, prohibiting or invalidating the transactions contemplated by this Agreement; and

(c) there shall not be any pending action or proceeding, whether administrative or judicial, that shall have been brought on behalf of or shall otherwise involve any other Person and that is directed toward challenging, restraining, prohibiting or invalidating any of the transactions contemplated by this Agreement, except for actions or proceedings as to which Sellers shall have received a written opinion of counsel for Buyer (which shall be subject only to such qualifications as are customarily included in opinions of this type) to the effect that there is no material likelihood that such Person will prevail in such action or proceeding.

7.4 CONSENTS. All consents from governmental agencies required to consummate the transactions contemplated hereby shall have been obtained.

7.5 OPINIONS OF COUNSEL. Sellers shall have received the opinion of counsel to Buyer, dated as of the Closing Date, in the form of EXHIBIT F, attached hereto.

7.6 CERTIFICATE. Sellers shall have received a certificate dated the Closing Date from Buyer certifying (i) the incumbency of each officer of Buyer who has signed this Agreement or any instrument delivered in connection with this Agreement on behalf of Buyer, which certificate shall contain specimens of the signatures of each of the officers whose incumbency is certified, and (ii) as to the matters set forth in Sections 7.1 and 7.2.

7.7 TRANSITIONAL SERVICES. At the Closing, Buyer shall execute the Transitional Services Agreement.

#### ARTICLE 8 -----

##### TERMINATION AND ABANDONMENT

8.1 METHODS OF TERMINATION. This Agreement may be terminated, and the purchase and sale of Assets herein contemplated may be abandoned:

(a) by mutual written consent of Sellers and Buyer;

(b) by Buyer on or after April 15, 2001, if any of the terms or conditions to be met or performed as required in Article 6 of this Agreement shall not have been met or performed, or waived in writing by Buyer on or prior to such date, provided such failure of a condition is not due to the action or inaction of Buyer in breach of the terms of Article 5;

(c) by Sellers on or after April 15, 2001, if any of the terms or conditions to be met or performed as required in Article 7 of this Agreement shall not have been met or performed, or waived in writing by Sellers, on or prior to such date, provided such failure of a condition is not due to the action or inaction of one or both Sellers in breach of the terms of Article 5; or

(d) By Buyer as provided in Section 4.3 in the event of certain casualty affecting the Assets.

8.2 PROCEDURE UPON TERMINATION. In the event of termination and abandonment by Buyer or either Sellers, pursuant to Section 8.1, written notice thereof shall forthwith be given to the other party and this Agreement shall terminate, and the purchase and sale of the Assets contemplated herein shall be abandoned, without further action by Buyer or Sellers. If this Agreement is terminated as provided herein:

(a) each party shall return all documents, work papers and other material of any other party relating to the transactions contemplated hereby, whether obtained before or after the execution hereof, to the party furnishing the same; and

(b) notwithstanding anything to the contrary contained herein, Buyer, upon termination of this Agreement pursuant to Section 8.1(b), or 8.1(d) and Sellers, upon termination of this Agreement pursuant to Section 8.1(c), shall have the right to pursue any remedies available to it at law or in equity.

#### ARTICLE 9 -----

##### SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNITY

9.1 SURVIVAL OF REPRESENTATIONS AND WARRANTIES AND COVENANTS.

(a) The respective representations and warranties of Buyer and Sellers



contained herein or in any certificate, document or other writing delivered pursuant hereto or in connection herewith shall not be deemed waived or otherwise affected by any investigation made by the other party hereto. Representations and warranties shall survive until the first anniversary of the Closing Date, except that the representations and warranties set forth in Section 2.11, shall survive until the termination of applicable statutes of limitation; provided, however, that if, at any time on or prior to the first anniversary of the Closing Date if either Buyer delivers to Sellers, or the Sellers deliver to the Buyer a written notice indicating that Buyer has on the one hand, or Sellers have on the other hand, determined, in good faith, that there has been a breach of any such representation or warranty, then the obligation of Sellers or Buyer, as applicable, to indemnify and hold harmless Buyer or Sellers, as applicable, with respect to such breach shall survive until all indemnification claims relating to such breach have been fully and finally resolved.

(b) The respective covenants of Buyer and Sellers contained herein or in any certificate, document or other writing delivered pursuant hereto or in connection herewith shall not be deemed waived or otherwise affected by any investigation made by the other party hereto. The covenants of Sellers and Buyer set forth in this Agreement shall survive until fully performed in accordance with this Agreement; provided, however, that nothing stated herein shall waive in any manner the right of Buyer or Sellers to enforce their respective rights for any breach of a covenant by the other prior to such full performance.

9.2 INDEMNIFICATION BY SELLERS. Each of SVI and TRVG jointly and severally shall indemnify Buyer, its affiliates and each of their respective officers, directors, employees and agents (each a, "Buyer Indemnified Party") and hold them harmless from any Damages suffered or incurred by any such Buyer Indemnified Party to the extent arising from (a) any breach by either of the Sellers of any representation or warranty contained in this Agreement or in any certificate, instrument or other document delivered pursuant hereto to the extent and during the period such representation or warranty survives the Closing, (b) any breach of any covenant of such Seller contained in this Agreement, (c) waiver of compliance with bulk sales laws which may be applicable to the transactions contemplated hereby, and (d) the Retained Liabilities, PROVIDED, HOWEVER, that:

(i) Sellers shall not have any liability under clause (a) above unless the aggregate of all Damages relating thereto for which Sellers would, but for this proviso, be

liable exceeds on a cumulative basis an amount equal to \$3,000,000 (the "Threshold Damages") and then only to the extent of any such excess; and

(ii) Sellers' aggregate liability under clause (a) above shall in no event exceed \$100,000,000; provided, however, that the limitations set forth in (i) and (ii) shall not apply to any breach of a representation or warranty, set forth herein, or in any schedule, certificate, instrument or other document delivered pursuant hereto, by Sellers when Sellers had Knowledge of such breach on or prior to Closing.

Buyer acknowledges and agrees that, from and after the Closing, its sole and exclusive remedy with respect to any and all claims relating to the subject matter of this Agreement shall be pursuant to the indemnification provisions set forth in this Section 9.2.

Buyer further acknowledges and agrees that, other than the representations and warranties of Sellers specifically contained in this Agreement, there are no representations or warranties of Sellers either expressed or implied with respect to the Business or Assets.

9.3 INDEMNIFICATION BY BUYER. Buyer shall indemnify each of the Sellers, their affiliates and each of their respective officers, directors, employees and agents (each a, "SVI Indemnified Party") against and hold them harmless from any Damage suffered or incurred by any such SVI Indemnified Party to the extent arising from (a) any breach of any representation or warranty of Buyer contained in this Agreement or in any certificate, instrument or other document delivered pursuant hereto or in connection herewith, (b) any breach of any covenant of Buyer contained in this Agreement (including without limitation the covenants regarding the conduct of the inspection of inventory set forth in Section 1.4(c)), (c) any assertion against either of the Sellers of any obligations or liabilities of Buyer, including any such obligations or liabilities in the Contracts assumed by Buyer under Section 1.1(b)(i), (d) any claim against any SVI Indemnified Party relating to the use of the Assets or the operation of the Business by Buyer after the Closing Date, other than a claim related to the Excluded Assets or Retained Liabilities, or for which Buyer is responsible under this Section 9.3 or (e) any material damage to the Real Property or other Assets caused by Buyer or its representatives or consultants during the course of due diligence; provided, however, that:

(i) Omitted.

(ii) Buyer shall not have any liability under clause (a) above unless the aggregate of all Damages relating thereto for which Buyers would, but for this proviso, be liable exceeds on a cumulative basis an amount equal to the Threshold Damages and then only to the extent of any such excess; and

(iii) Buyer's aggregate liability under clause (a) above shall in no event exceed an amount equal to \$100,000,000.

Sellers acknowledge and agree that, from and after the Closing, their sole and exclusive remedy with respect to any and all claims relating to the subject matter of this Agreement shall be pursuant to the indemnification provisions set forth in this Section 9.3.

Sellers acknowledge and agree that, other than the representations and warranties of Buyer specifically contained in this Agreement, there are no representations or warranties of Buyer either expressed or implied with respect to the transactions contemplated hereunder.

9.4 TERMINATION OF INDEMNIFICATION. The obligations to indemnify and hold harmless a party hereto, pursuant to Sections 9.2 and 9.3 shall terminate to the extent the applicable representation or warranty or covenant terminates pursuant to Section 9.1; PROVIDED, HOWEVER, that such obligations to indemnify and hold harmless shall not terminate with respect to any item as to which the person to be indemnified or the related party hereto shall have, before the expiration of the applicable period, previously made a claim by delivering a notice (stating in reasonable detail the basis of such claim) to the indemnifying party.

9.5 PROCEDURES RELATING TO INDEMNIFICATION. In order for a SVI Indemnified Party or a Buyer Indemnified Party (either, an "Indemnified Party") to be entitled to any indemnification provided for under this Agreement in respect of, arising out of or involving a claim or demand made by any person, firm, governmental authority or corporation against the Indemnified Party (a "Third Party Claim"), such Indemnified Party must notify the indemnifying party in writing, and in reasonable detail, of the Third Party Claim within 30 business days after receipt by such Indemnified Party of written notice of the Third Party Claim; PROVIDED, HOWEVER, that failure to give such notification shall not affect the indemnification provided hereunder except to the extent the indemnifying party shall have been actually prejudiced as a result of such failure (except that the indemnifying party shall not be liable for any expenses incurred during the period in which the Indemnified Party failed to give such notice). Thereafter, the Indemnified Party shall deliver to the indemnifying party, within ten business days after the Indemnified Party's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnified Party relating to the Third Party Claim; PROVIDED, HOWEVER, that failure to give such notification shall not affect the indemnification provided hereunder except to the extent the indemnifying party shall have been actually prejudiced as a result of such failure.

If a Third Party Claim is made against an Indemnified Party, the indemnifying party will be entitled to participate in the defense thereof and, if it so chooses, to assume the defense thereof with counsel selected by the indemnifying party and reasonably satisfactory to the Indemnified Party. Should the indemnifying party so elect to assume the defense of a Third Party Claim, the indemnifying party will not be liable to the Indemnified Party for legal expenses subsequently incurred by the Indemnified Party in connection with the defense thereof. If the indemnifying party assumes such defense, the Indemnified Party shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the indemnifying party, it being understood that the indemnifying party shall control such defense. The indemnifying party shall be liable for the fees and expenses of counsel employed by the Indemnified Party for any period during which the indemnifying party has not assumed the defense thereof (other than during any period in which the Indemnified Party shall have failed to give notice of the Third Party Claim as provided above). If the indemnifying party chooses to defend or prosecute any Third Party Claim, all the parties hereto shall cooperate in the defense or prosecution thereof. Such cooperation shall include the retention and (upon the indemnifying party's request) the provision to the indemnifying party of records and information which are reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and

explanation of any material provided hereunder. Whether or not the indemnifying party shall have assumed the defense of a Third Party Claim, the Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the indemnifying party's prior written consent (which consent shall not be unreasonably withheld).

#### 9.6 SELLERS' REPRESENTATIVE.

(a) Each Seller hereby irrevocably authorizes, directs and appoints

Richard Cuneo (the "Representative") to act as the sole and exclusive agent, attorney-in-fact and representative of such Seller, Seller's representatives and successors, assigns and designees (the "Seller Parties") to (i) take any and all actions (including executing and delivering any documents), incurring any costs and expenses for the account of the Seller Parties and making any and all determinations which may be required or permitted to be taken by them in connection with this Article 9 or the Escrow Agreement; (ii) exercise such rights, power and authority as are authorized, delegated and granted to the Representative under this Agreement; and (iii) exercise such rights, power and authority as are incidental to the foregoing. It shall be the obligation of the Representative to inform each Seller Party of all notices received and all actions, decisions, notices and exercises of any rights, power or authority proposed to be done, given or taken by him, and he shall act only as directed jointly by those Seller Parties holding a majority in interest in the Escrow; provided, that Buyer shall have no obligation to confirm that the Representative has taken all necessary action or received appropriate direction. Any actions, exercises of rights, power or authority and any decisions or determinations made by the Representative in good faith and in accordance with this Section 9.6(a) shall be absolutely and irrevocably binding on each Seller Party as if each Seller Party personally had taken such action, exercised such rights, power or authority or made such decision or determination in such Seller Party's individual capacity.

(b) With respect to the matters covered by or related to this Section 9 and the Escrow Agreement, (i) each Seller Party irrevocably relinquishes such Seller Party's right to act independently and other than through the Representative with respect to such subject matter (except with respect to the right to vote with the other Seller Parties as to the direction of the Representative as to any action, decision, notice or exercise of rights on behalf of the Seller Parties, and with respect to the removal and/or the appointment of a successor Representative), and (ii) no Seller Party shall have any right to institute any suit, action or proceeding against the Buyer or the Escrow Agent with respect to any such matter (except in the case of fraud on the part of the Buyer or in the case of fraud or gross negligence on the part of the Escrow Agent), any such right being irrevocably and exclusively delegated to the Representative. Without limiting the generality of the foregoing, any notice hereunder delivered to Buyer by Sellers other than through the Representative shall be of no effect, and each notice delivered by Buyer or any other Buyer Indemnified Party to the Representative shall be effective as against each such Seller Party.

(c) The Representative may resign at any time upon thirty (30) days notice by submitting a written resignation to the Seller Parties, with a copy to the Buyer at their addresses as set forth in Section 10.5. The Representative may be removed any time upon notice of action taken jointly by those Seller Parties holding a majority in interest in the Escrow. In the event of the removal, death, physical or mental incapacity or resignation of the Representative, the Seller

parties shall promptly (and in any event within thirty (30) days of notice of such event) appoint a successor Representative.

(d) Richard Cuneo hereby acknowledges and accepts the foregoing authorization and appointment and agrees to serve as Representative in accordance with this Agreement and the Escrow Agreement.

Nothing in this Agreement is intended to impose, and nothing in this Agreement shall be interpreted as imposing, upon the Representative, as Representative, any personal liability, personal economic obligation, or personal guarantee in favor of any party to this Agreement or any third party. The Sellers agree to severally (in proportion to their respective ownership interests in the Escrow) indemnify and hold the Representative harmless against any loss, liability or expense incurred without gross negligence or willful misconduct on the part of the Representative, arising out of or in connection with carrying out his duties hereunder, including the costs and expenses of defending himself against any claim of liability in connection with the exercise or performance of any of their powers or duties hereunder (including the reasonable fees, expenses and disbursements of their counsel(s)).

#### ARTICLE 10 -----

##### MISCELLANEOUS PROVISIONS

10.1 ARBITRATION. Any controversy or claim arising out of or relating to this Agreement, the breach thereof, or the transactions contemplated hereby, except as provided for in Section 1.4, shall be solely and finally settled by binding arbitration in San Francisco, California in accordance with the then prevailing Commercial Arbitration Rules of the American Arbitration Association. By written notice to the other party, either party may demand that a disputed matter be submitted to arbitration. In the demand notice, the party shall specify the nature of the dispute. Within twenty (20) days of the notice, each

party shall nominate an arbitrator. Within thirty (30) days of the nomination and appointment of the two arbitrators, the two arbitrators shall select a third arbitrator, and if they fail to do so, a neutral arbitrator shall be chosen in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

10.2 AMENDMENT AND MODIFICATION. Subject to applicable law, this Agreement may be amended or supplemented only by written agreement of Buyer and Sellers at any time prior to the Closing Date with respect to any of the terms contained herein.

10.3 WAIVER OF COMPLIANCE. Any failure of Sellers or Buyer to comply with any obligation, covenant, agreement or condition herein may be expressly waived in writing by the other party, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or an estoppel with respect to, any subsequent or other failure.

10.4 EXPENSES; ATTORNEYS' FEES. Whether or not the transactions contemplated by this Agreement are consummated, and except as otherwise expressly provided in this Agreement,

each party shall pay its own expenses incurred by it or on its behalf in connection with this Agreement or any transaction contemplated by this Agreement. If any action is brought for the enforcement of this Agreement or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing party as determined by the arbitrator(s) shall be entitled to recover reasonable attorneys' fees and other costs incurred in arbitration, as determined by the arbitrator(s), in addition to any other relief to which such party may be entitled.

10.5 NOTICES. All notices, requests, demands and other communications required or permitted hereunder shall be in writing or by telex or telecopy and, unless otherwise expressly provided herein, shall be deemed to have been duly given and received when delivered by hand, against receipt, or, if mailed, three (3) business days after deposit in the mail, with postage prepaid for registered or certified mail, return receipt requested, or, in the case of telex or telecopy notice, when sent, if answer back or confirmation received, and addressed to the party at its address set forth immediately below, or at such other address as the party shall have furnished the other parties in accordance with this Section.

(a) If to either of the Sellers, to:

Sebastiani Vineyards, Inc.  
389 Fourth Street East  
Sonoma, CA 95476-5790  
Fax: (707) 933-3371

Attention: Don Sebastiani

with a copy to:

Sebastiani Vineyards, Inc.  
389 Fourth Street East  
Sonoma, CA 95476-5790  
Fax: (707) 933-3367

Attention: Mary Ann Sebastiani Cuneo

with a copy to:

Sebastiani Vineyards, Inc.  
389 Fourth Street East  
Sonoma, CA 95476-5790  
Fax: (707) 933-3367

Attention: Richard Cuneo

with a copy to:

Morrison & Foerster, LLP  
425 Market Street  
San Francisco, CA 94105  
Fax: (415) 268-7522

Attention: Robert S. Townsend, Esq.

(b) If to Buyer, to:

Canandaigua Wine Company, Inc.

116 Buffalo Street  
Canandaigua, New York 14424  
Fax: (716) 396-8870

Attention: Office of General Counsel

with a copy to:

Nixon Peabody, LLP  
Clinton Square  
P.O. Box 31051  
Rochester, New York 14603-1051  
Fax: (716) 263-1600

Attention: James A. Locke III, Esq.

or to such other persons or addresses as Buyer or the Sellers shall furnish to the other in writing.

10.6 ASSIGNMENT. This Agreement and all of the provisions hereof shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Buyer shall have the right to assign this Agreement and all or any part of Buyer's rights, interests or obligations hereunder to any Affiliate of Buyer, provided that Buyer shall not be relieved of its obligations under this Agreement in the event such Affiliate fails to perform. Otherwise, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by Buyer or Sellers without the prior written consent of the other party.

10.7 GOVERNING LAW. This Agreement is to be construed in accordance with and governed by the internal laws of the State of California (as permitted by Section 1646.5 of the California Civil Code (or any similar successor provision)) without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of California to the rights and duties of the parties.

10.8 COUNTERPARTS. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.9 ENTIRE AGREEMENT. This Agreement, including the Exhibits attached hereto, the DISCLOSURE SCHEDULE and the other documents referred to herein which form a part hereof, excluding the Confidentiality Agreement between the parties dated May 12, 2000 (the "Confidentiality Agreement") embody the entire agreement and understanding of Buyer and Sellers in respect of the subject matter contained herein and therein. There are no restrictions, promises, warranties, covenants, or undertakings other than those expressly set forth or referred to herein or therein. This Agreement supersedes all prior agreements and understandings between Buyer and Sellers including, without limitation, those set forth in the Confidentiality Agreement.

10.10 THIRD PARTY BENEFICIARIES. Nothing in this Agreement is intended to confer upon any person other than the parties hereto and their successors and permitted assigns any rights or remedies under or by reason of this Agreement.

10.11 CERTAIN DEFINITIONS.

"Accounting Firm" shall have the meaning set forth in Section 1.4(a) hereof.

"Accounting Methodology" shall mean the accounting principles, reserve methodology and procedures described on Schedule 1.4(a) hereto.

"Adjusted Closing Purchase Price" shall have the meaning set forth in Section 1.4(b) hereof.

"Adverse Effect" means any change in or effect on the business, operations, properties or financial condition of the Business or the Assets that is adverse to such business, operations, properties or financial condition other than changes or effects arising from the execution of this Agreement, any announcement of this Agreement, the consummation of the transactions contemplated hereby or from general economic, market or industry conditions.

"Affiliate" has the meaning assigned thereto in Rule 405, as currently promulgated under the Securities Act of 1933, as amended.

"Agreement" means this Purchase Agreement dated as of January 30, 2000.

"Approvals" shall have the meaning set forth in Section 2.17 hereof.

"Appurtenances" shall have the meaning set forth in Section 1.1(a)(ii) hereof.

"Assets" shall have the meaning set forth in Section 1.1(a) hereof.

"Assumed Liabilities" shall have the meaning set forth in Section 1.1(b) hereof.

"ATF" shall have the meaning set forth in Section 3.4 hereof.

"Balance Sheet" shall have the meaning set forth in Section 2.4 hereof.

"Business" shall have the meaning set forth in the recitals of this Agreement.

"Buyer" shall have the meaning set forth in the recitals of this Agreement.

"Buyer Indemnified Party" shall have the meaning set forth in Section 9.2 hereof.

"California Authorities" shall have the meaning set forth in Section 3.4 hereof.

"Closing" shall have the meaning set forth in Section 1.3(a) hereof.

"Closing Balance Sheet" shall have the meaning set forth in Section 1.4(a) hereof.

"Closing Date" shall have the meaning set forth in Section 1.3(a) hereof.

"Closing Purchase Price" shall have the meaning set forth in Section 1.3(a) (i) (A) hereof.

"COBRA" shall have the meaning set forth in Section 2.13(d) hereof.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company Plan" shall have the meaning set forth in Section 2.13(a) hereof.

"Confidential Information Memorandum" shall have the meaning set forth in Section 2.20(b).

"Confidentiality Agreement" shall have the meaning set forth in Section 10.9 hereof.

"Contracts" shall have the meaning set forth in Section 1.1(a) (v) hereof.

"Damages" means the amount of any loss, damage, injury, liability, claim, fee (including any legal fee, expert fee, accounting fee or advisory fee) demand, settlement, judgment, award, fine, penalty, tax, charge or cost.

"Disclosure Schedule Update" shall have the meaning set forth in Section 5.8(b) hereof.

"Disclosure Schedule" shall have the meaning set forth in Article 2 hereof.

"Distributors" shall mean the distributors, wholesalers, and brokers used by the Sellers in the Business, whether in the United States or elsewhere.

"DOJ" shall have the meaning set forth in Section 5.2(b) hereof.

"Employee" shall have the meaning set forth in Section 2.12(a) hereof.

"Employee Welfare Plan" shall mean any employee welfare benefit plan, as defined in Section 3(1) of ERISA, whether or not terminated, including, but not limited to, any severance

agreement or plan, any material fringe benefit plan or program, any medical plan, life insurance plan, short-term or long-term disability plan, dental plan, personnel policy, vacation time, holiday pay, bonus programs, service award, moving expense reimbursement program, tool allowance, safety equipment allowance, and sick leave, which any Seller or any Member of the Controlled Group has at any time within the past six (6) years maintained, made contributions to, obligated itself to make contributions to, or had any other liability with respect to.

"Environmental Law" shall mean all Legal Requirements concerning protection of the environment and/or human health and/or regulating Hazardous Substances, including, but not limited to, the following, each as amended: the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. ss.ss. 9601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. ss.ss. 6901 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. ss.ss.1251 et seq.; the Clean Air Act, 42 U.S.C. ss.ss. 7401 et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. ss.ss.1471 et seq.; Toxic Substances Control Act, 15 U.S.C.ss.ss. 2601 et seq.; Refuse Act, 33 U.S.C. ss.ss. 407 et seq.; Safe Drinking Water Act, 42 U.S.C. ss.ss. 300(f) et seq.; Emergency Planning and Community Right-To-Know Act, 42 U.S.C. ss.ss. 11001 et seq.; Occupational Safety and Health Act, 29

U.S.C. ss.ss. 65 et seq. to the extent it includes the emission of any Hazardous Substance and includes any Hazardous Substance for which hazard communication standards have been established; California Hazardous Substance Account Act, California Health & Safety Code ss.ss. 25300 et seq.; California Asbestos Notification Laws, California Health & Safety Code ss.ss. 25915 et seq.; California Hazardous Waste Control Law, California Health & Safety Code ss.ss. 22100 et seq.; California Hazardous Materials Release Response Plans and Inventory Act, California Health & Safety Code ss.ss. 25500 et seq.; California Clean Air Act, California Health & Safety Code ss.ss. 39608 et seq.; California Toxic Pits Cleanup Act, California Health & Safety Code ss.ss. 25208 et seq.; California Pipeline Safety Act, California Government Code ss.ss. 51010 et seq.; California Toxic Air Contaminants Law, California Health & Safety Code ss.ss. 39650 et seq.; California Porter-Cologne Water Quality Act, California Water Code ss.ss. 13000 et seq.; California Toxic Injection Well Control Act, California Health & Safety Code ss.ss. 25159.10 et seq.; California Safe Drinking Water and Toxic Enforcement Act of 1986, California Health & Safety Code ss.ss. 25249.5 et seq.; California Underground Storage Tank Act, California Health & Safety Code ss.ss. 25280 et seq.; California Occupational Carcinogens Control Act, California Labor Code ss.ss. 9000 et seq.; any other laws of this nature applicable to the Assets or operation of the Business; and all regulations promulgated under any of the foregoing.

"Equipment" shall have the meaning set forth in Section 1.1(a)(iv) hereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Excluded Assets" means those Assets described in Schedule 1.1(c) attached hereto.

"Final Closing Balance Sheet" means the balance sheet prepared by the Accounting Firm for the purposes provided in Section 1.4.

"FTC" shall have the meaning set forth in Section 5.2(b) hereof.

"Hazardous Substance" shall mean any substance, material, chemical or waste that is listed, or contains material amounts of one or more components that are defined, designated, classified, considered or listed, as hazardous, acutely hazardous, toxic, radioactive, or dangerous under any Legal Requirements, as well as any "solid waste", industrial waste, industrial wastewater sewage, asbestos or asbestos containing material, petroleum, petroleum product or by-product, crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, synthetic gas useable as fuel, or polychlorinated biphenyls (PCBs).

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Improvements" shall have the meaning set forth in Section 1.1(a)(iii) hereof.

"Indemnified Party" shall have the meaning set forth in Section 9.5 hereof.

"Inventory" shall have the meaning set forth in Section 1.1(a)(vii) hereof.

"Inventory Adjustment" shall have the meaning set forth in Section 1.5 hereof.

"Knowledge" of either Seller means the actual knowledge, after a diligent investigation of the type reasonably required to impart actual knowledge of the facts in questions, of any of Don Sebastiani, Mary Ann Sebastiani Cuneo, Sam Sebastiani, Richard Cuneo, Richard Conley, Paul Bergna, James O'Connor, Robert Carroll, Emma Swain, and Victoria Bonnington.

"Legal Requirement" means all federal, state, local, municipal, law, statute, ordinance, code, rule, regulation, requirement, specification of any federal, state, county, municipal or local governmental body that is in force.

"Listed Employee" shall have that meaning set forth in Section 5.3(a) hereof.

"Loaded Sales to Distributors" shall have that meaning set forth in Section 4.1(g).

"Member of the Controlled Group" means each trade or business, whether or not incorporated, that would be treated as a single employer with either Seller under Section 4001 of ERISA or Sections 414(b), (c), (m) or (o) of the Code.

"Minimum Damages" shall have the meaning set forth in Section 6.1 hereof.

"Multiemployer Plan" shall have the meaning set forth in Section 2.13(a) hereof.

"Notice of Disagreement" shall have the meaning set forth in Section 1.4(a)

hereof.

"Offer to Purchase" shall have the meaning set forth in Section 10.9 hereof.

"Partnership Agreement" means the partnership agreement dated as of the 27th of April, 1994, by and between MAJiC Vice, Inc., a California corporation, Lucinco, Inc., a California corporation, and E.T.K., Inc., a California corporation.

"Permitted Liens" shall have the meaning set forth in Section 2.7(b)(ii) hereof.

"Person" shall include any individual, firm, corporation, partnership, government, governmental agency or other entity, whether acting in an individual, a fiduciary or any other capacity.

"Pro Forma Closing Balance Sheet" shall mean the balance sheet of the Business estimated as of February 28, 2001, prepared by Sellers in good faith, and delivered to Buyer fifteen (15) days prior to the Closing Date.

"Real Property" shall have the meaning set forth in Section 1.1(a)(i) hereof.

"Receivables" shall have the meaning set forth in Section 1.1(a)(viii) hereof.

"Retained Liabilities" shall have the meaning set forth in Section 1.1(a) hereof.

"Security Interests" means all deeds of trust, mortgages, pledges, liens, security interests, encumbrances, restrictions, charges, limitations, adverse claims, or other agreements relating to disposition of any kind.

"Sellers" means SVI and TRVG.

"Survival Period" shall have that meaning set forth in Section 9.1 hereof.

"SVI" means Sebastiani Vineyards, Inc.

"SVI Indemnified Party" shall have the meaning set forth in Section 9.3 hereof.

"Third Party Claim" shall have the meaning set forth in Section 9.5 hereof.

"Threshold Damages" shall have the meaning set forth in Section 9.2(a)(i) hereof.

"Total Shareholders Equity" shall be that accounting entry bearing the same title on the Pro Forma Balance Sheet, the Closing Balance Sheet, or the Final Closing Balance Sheet, as the case may be.

"Transferred Employee" shall have the meaning set forth in Section 5.3(a) hereof.

"TRV Brandnames" shall have the meaning set forth in Section 1.1(a)(vi) hereof.

"TRV Trademarks" shall have the meaning set forth in Section 1.1(a)(vi) hereof.

"TRVG" means Tuolomne River Vintners Group.

"Unavailable Employees" shall have the meaning set forth in Section 5.3(a).

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

CANANDAIGUA WINE COMPANY, INC., a New York corporation

By: /s/ Jon Moramarco

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Jon Moramarco, President

SEBASTIANI VINEYARDS, INC., a Delaware corporation

By: /s/ Don Sebastiani

-----



Don Sebastiani, Chief Executive Officer

TUOLOMNE RIVER VINTNERS GROUP, a California partnership

By: MAJiC Vine, Inc., a California corporation,  
General Partner

By: /s/ Mary Ann Sebastiani Cuneo  
-----  
Mary Ann Sebastiani Cuneo, President

By: Lucinco, Inc., a California corporation,  
General Partner

By: /s/ Sam Sebastiani  
-----  
Sam Sebastiani, President

By: E.T.K. Inc., a California corporation,  
General Partner

By: /s/ Don A. Sebastiani  
-----  
Don A. Sebastiani, President

The undersigned agrees to be bound by the obligations and duties of Sellers' Representative set forth in Section 9.6.

/s/ Richard Cuneo  
-----  
Richard Cuneo

AMENDMENT NO. 1

AMENDMENT NO. 1 dated as of February 13, 2001 between CONSTELLATION BRANDS, INC. (formally known as Canandaigua Brands, Inc.), a Delaware corporation (the "Borrower"); each of the Subsidiaries of the Borrower identified under the caption "SUBSIDIARY GUARANTORS" on the signature pages hereto (individually, a "Subsidiary Guarantor" and, collectively the "Subsidiary Guarantors" and, together with the Borrower, the "Obligors"); and THE CHASE MANHATTAN BANK, as administrative agent for the Lenders referred to below (in such capacity, together with its successors in such capacity, the "Administrative Agent").

The Borrower, the Subsidiary Guarantors, certain financial institutions (the "Lenders") and the Administrative Agent are parties to a Credit Agreement dated as of October 6, 1999 (as in effect on the date hereof, the "Credit Agreement"). The Obligors and the Administrative Agent (having previously obtained the authorization of the Required Lenders) wish to amend the Credit Agreement in certain respects and, accordingly, the parties hereto hereby agree as follows:

Section 1. DEFINITIONS. Except as otherwise defined in this Amendment No. 1, terms defined in the Credit Agreement (as amended hereby) are used herein as defined therein.

Section 2. AMENDMENTS. Subject to the satisfaction of the conditions specified in Section 4 hereof, but with effect on and after the date hereof, the Credit Agreement is amended as follows:

(a) Article I of the Credit Agreement is amended by adding the following definition in its appropriate alphabetic location:

"'Turner Road Acquisition' means the acquisition of certain property and assets of Sebastiani Vineyards, a Delaware corporation ("SVI"), and Tuolomne River Vintners Group, a California partnership (together with SVI, the "Sellers") pursuant to a purchase agreement dated as of February 1, 2001 among the Sellers and Canandaigua Wine Company, Inc. a Wholly-Owned Subsidiary of the Borrower and a Subsidiary Guarantor, for an aggregate purchase price approximately equal to \$295,000,000, as such purchase price may be adjusted in accordance with the terms of such purchase agreement as in effect on February 1, 2001."

(b) Clause (iii) of the definition of "Net Available Proceeds" in Article I of the Credit Agreement is amended and restated to read in its entirety as follows:

"(iii) in the case of any Equity Issuance, the aggregate amount of all cash received by the Borrower and its Subsidiaries in respect of such Equity Issuance (net of (x) expenses incurred by the Borrower and its Subsidiaries in connection therewith and (y) cash proceeds so received and applied to refinance Subordinated Indebtedness as contemplated by Section 7.11), PROVIDED that the first \$125,000,000 of cash received by the Borrower and its Subsidiaries after February 1, 2001 and prior to April 30, 2001 in

Amendment No. 1

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respect of any single Equity Issuance will not constitute Net Available Proceeds for the purpose of this definition; and"

(c) Clause (a) of Section 6.08 of the Credit Agreement is amended and restated to read in its entirety as follows:

"(a) in the case of the Tranche I Revolving Loans only, repay on the Effective Date Indebtedness owing under the Existing Credit Agreement and make acquisitions permitted by Section 7.05(b) (PROVIDED that, as provided in Section 7.05(b), the Borrower will not use more than \$75,000,000 (or, in the case of the Turner Road Acquisition, \$125,000,000) of the proceeds of each Tranche I Revolving Loan Borrowing to fund each transaction described therein and/or pay any related fees or expenses referred to in said Section),"

(d) Paragraphs (A) and (B) of Section 7.01(c)(ii) of the Credit Agreement are amended and restated to read in their entirety as follows:

"(A) the aggregate principal amount of such other Indebtedness incurred pursuant to this clause (c)(ii) after February 1, 2001 shall not (for any one or more Debt Incurrences) exceed \$400,000,000 in the aggregate (plus, in the case of any Debt Incurrences denominated in Sterling, an additional (pound) 100,000,000 in the aggregate);

(B) the Net Available Proceeds of such Indebtedness shall be

applied to prepay Loans in the manner provided in Section 2.11(b)(iv), to finance one or more Acquisitions pursuant to Section 7.05(b) or to repay at maturity or prepay in full the Borrower's Senior Subordinated Notes due 2003, PROVIDED that the aggregate amount of such Net Available Proceeds that may be applied by the Borrower (in excess of \$200,000,000 in the case of Net Available Proceeds to be applied to finance the Turner Road Acquisition) to finance Acquisitions shall not exceed, on any date, the aggregate amount of Net Available Proceeds of Equity Issuances applied by the Borrower to the prepayment of Loans hereunder (accompanied, in the case of prepayment of Revolving Loans, by reductions of Commitments in like amount), whether pursuant to Section 2.11(b)(ii) or otherwise, during the period from the date hereof through such date;"

(e) Clause (ii) of the proviso in Section 7.05(b) of the Credit Agreement is amended and restated to read in its entirety as follows:

"(ii) the Borrower will not use more than \$75,000,000 (or, in the case of the Turner Road Acquisition, \$125,000,000) of the proceeds of one or more Tranche I Revolving Loans to fund any single such transaction and/or pay any related fees or expenses."

Amendment No. 1

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(f) Sections 7.10(b) of the Credit Agreement is amended and restated to read in its entirety as follows:

"(b) SENIOR DEBT RATIO. The Borrower will not permit the Senior Debt Ratio to exceed the following respective ratios at any time during the following respective periods:

Period	Ratio
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From February 13, 2001 through November 30, 2001	3.75 to 1
From December 1, 2001 through August 31, 2002	3.50 to 1
From September 1, 2002 and at all times thereafter	3.00 to 1

(g) Sections 7.11(ii) of the Credit Agreement is amended and restated to read in its entirety as follows:

"(ii) so long as no Default shall have occurred and be continuing (or will occur as a result of such payment), from the proceeds of Senior Unsecured Indebtedness incurred in accordance with Section 7.01(c)(ii) in an aggregate principal amount up to but not exceeding \$200,000,000 and from the proceeds of Subordinated Indebtedness issued in accordance with the first paragraph in this Section, the Borrower may redeem Subordinated Indebtedness that is being refinanced with any such proceeds,"

Section 3. REPRESENTATIONS AND WARRANTIES. The Borrower represents and warrants to the Lenders and the Administrative Agent that (i) the representations and warranties set forth in the Credit Agreement, and of each Obligor in each of the other Loan Documents to which it is party (but as to such other Loan Documents, in all material respects), are true and correct on and as of the date hereof as if made on and as of the date hereof (or, if any such representation or warranty is expressly stated to have been made as of a specific date, such representation or warranty shall be true and correct as of such specific date) and (ii) at the time of and immediately after giving effect to this Amendment No. 1, no Default has occurred and is continuing.

Section 4. CONDITIONS PRECEDENT. The amendments set forth in Section 2 hereof shall become effective, as of the date hereof, upon (i) the execution and delivery of this Amendment No. 1 by the Obligors and the Administrative Agent and (ii) the payment, on the date that the condition set forth in clause (i) of this Section 4 is satisfied, to each Lender that authorizes the Administrative Agent to execute this Amendment No. 1 not later than the close of business, New York City time, on Monday, February 12, 2001, an amendment fee in an amount equal to 0.15% of the sum of the aggregate amount of such Lender's Revolving Commitments and Term Loans on the date the condition set for in clause (i) of this Section 4 is satisfied.

Amendment No. 1

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Section 5. MISCELLANEOUS. Except as herein provided, the Credit Agreement shall remain unchanged and in full force and effect. This Amendment No. 1 may be executed in any number of counterparts, all of which taken together shall constitute one and the same amendatory instrument and any of the parties hereto

may execute this Amendment No. 1 by signing any such counterpart. This Amendment No. 1 shall be governed by, and construed in accordance with, the law of the State of New York.

Amendment No. 1

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be duly executed and delivered as of the day and year first above written.

CONSTELLATION BRANDS, INC.

By /s/ Thomas S. Summer

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Title: Executive Vice President  
and Chief Financial Officer

SUBSIDIARY GUARANTORS

ALLBERRY, INC.  
BATAVIA WINE CELLARS, INC.  
CANANDAIGUA EUROPE LIMITED  
CANANDAIGUA WINE COMPANY, INC  
CLOUD PEAK CORPORATION  
FRANCISCAN VINEYARDS, INC.  
MT. VEEDER CORPORATION  
POLYPHENOLICS, INC.  
ROBERTS TRADING CORP.

By /s/ Thomas S. Summer

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Title: Treasurer

BARTON INCORPORATED  
BARTON BRANDS, LTD.  
BARTON BEERS, LTD.  
BARTON BRANDS OF CALIFORNIA, INC.  
BARTON BRANDS OF GEORGIA, INC.  
BARTON CANADA, LTD.  
BARTON DISTILLERS IMPORT CORP.  
BARTON FINANCIAL CORPORATION  
MONARCH IMPORT COMPANY  
STEVENS POINT BEVERAGE CO.

By /s/ Thomas S. Summer

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Title: Vice President

CANANDAIGUA LIMITED

By /s/ Thomas S. Summer

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Title: Finance Director

Amendment No. 1

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THE CHASE MANHATTAN BANK,  
as Administrative Agent

By /s/ Gail Weiss

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Title: Vice President

Amendment No. 1  
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AMENDMENT NUMBER FOUR  
TO THE  
CANANDAIGUA BRANDS, INC.  
LONG-TERM STOCK INCENTIVE PLAN

This Amendment Number Four to the Canandaigua Brands, Inc. Long-Term Stock Incentive Plan (the "Plan") is adopted pursuant to Section 19 of the Plan by the Board of Directors of Constellation Brands, Inc. (f/k/a Canandaigua Brands, Inc.) (the "Company"), acting in its capacity as the Committee under the Plan. Capitalized terms used herein which are not otherwise defined shall have the meanings ascribed to them in the Plan and Annex A thereto.

1. NAME. The name of the Plan is hereby changed to "Constellation Brands, Inc. Long-Term Stock Incentive Plan," and all references to the Company name in the Plan are hereby replaced by references to "Constellation Brands, Inc."

In witness whereof, Constellation Brands, Inc. has caused this instrument to be executed as of December 21, 2000.

CONSTELLATION BRANDS, INC.

By: /s/ Richard Sands  
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Richard Sands, President

AMENDMENT NUMBER THREE TO THE  
CANANDAIGUA BRANDS, INC.  
INCENTIVE STOCK OPTION PLAN

This Amendment Number Three to the Canandaigua Brands, Inc. Incentive Stock Option Plan (the "Plan") is adopted pursuant to Section 15 of the Plan by the Board of Directors of Constellation Brands, Inc. (f/k/a Canandaigua Brands, Inc.) (the "Company"), acting in its capacity as the Committee under the Plan. Capitalized terms used herein which are not otherwise defined shall have the meanings ascribed to them in the Plan and Annex A thereto.

1. NAME. The name of the Plan is hereby changed to "Constellation Brands, Inc. Incentive Stock Option Plan," and all references to the Company name in the Plan are hereby replaced by references to "Constellation Brands, Inc."

In witness whereof, Constellation Brands, Inc. has caused this instrument to be executed as of December 21, 2000.

CONSTELLATION BRANDS, INC.

By: /s/ Richard Sands

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Richard Sands, President

AMENDMENT NUMBER TWO  
TO THE  
CANANDAIGUA BRANDS, INC.  
ANNUAL MANAGEMENT INCENTIVE PLAN

This Amendment Number Two to the Canandaigua Brands, Inc. Annual Management Incentive Plan (the "Plan") is adopted pursuant to Section 8 of the Plan by the Human Resources Committee of the Board of Directors of Constellation Brands, Inc. (f/k/a Canandaigua Brands, Inc.) (the "Company"), acting in its capacity as the Committee under the Plan. Capitalized terms used herein which are not otherwise defined shall have the meanings ascribed to them in the Plan and Annex A thereto.

1. NAME. The name of the Plan is hereby changed to "Constellation Brands, Inc. Annual Management Incentive Plan," and all references to the Company name in the Plan are hereby replaced by references to "Constellation Brands, Inc."

In witness whereof, Constellation Brands, Inc. has caused this instrument to be executed as of December 21, 2000.

CONSTELLATION BRANDS, INC.

By: /s/ Richard Sands  
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Richard Sands, President



SECOND AMENDMENT  
TO THE  
CANANDAIGUA BRANDS, INC.  
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

The Canandaigua Brands, Inc. Supplemental Executive Retirement Plan, as amended (the "SERP"), is hereby further amended as follows:

I

The name of the SERP is hereby changed to "Constellation Brands, Inc. Supplemental Executive Retirement Plan."

II

The reference to "Canandaigua Brands, Inc. (the "Company")" in Section 1.1 of the SERP is hereby replaced with "Canandaigua Brands, Inc. (effective September 19, 2000, renamed Constellation Brands, Inc.) (the "Company")."

III

The reference to the "Canandaigua Brands, Inc. 401(k) and Profit Sharing Plan" in Section 1.2 of the SERP is hereby changed to "Constellation Brands, Inc. 401(k) and Profit Sharing Plan, f/k/a Canandaigua Brands, Inc. 401(k) and Profit Sharing Plan."

IV

Except as amended herein, the SERP, as adopted, shall remain in full force and effect.

Executed, in multiple originals, this 21st day of December, 2000.

CONSTELLATION BRANDS, INC.

By: /s/ George H. Murray

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George H. Murray,

Chief Human Resources Officer

October 5, 1999

Jon Moramarco  
672 Greenview  
Santa Rosa, CA 95403

Dear Jon:

I am pleased to confirm the terms of the offer extended to you for a position with Canandaigua Wine Company, Inc. ("CWC" or the "Company"). As discussed, the position is President and Chief Executive Officer reporting to me.

With regards to your compensation, the following describes the package:

- o Starting biweekly base compensation of \$13,269.23 ("Base Compensation") subject to all deductions and withholdings required by law.
- o Upon your employment you will receive an option to purchase 50,000 shares of Canandaigua Brands, Inc. ("CBI") Class A Stock at the market price on the date of the grant which shall be as soon as practicable after your first day of employment. The option shall contain the standard terms contained in grants currently being made to employees with a similar level of responsibility.
- o You will be eligible for participation in the annual Long Term Stock Incentive Plan which provides you with CBI Stock options with a target of 1.5 times Base Compensation earned and a maximum of 1.75 times Base Compensation earned divided by the share market price on the date of the grant. For this fiscal year, the number of options you will receive will equal 1.5 times your actual Base Compensation earned divided by the share market price on date of grant.
- o You will be eligible for an annual discretionary bonus with a target of 50% and a maximum of 87.5% of your earned Base Compensation. Your bonus for this fiscal year, however, shall not be less than 50% of your actual Base Compensation earned.
- o Relocation expenses will be reimbursed as per the Company's most inclusive option under its relocation policy. In addition, the Company shall reimburse you for temporary housing during a period of up to twelve (12) months prior to your family's relocation to the Rochester, NY area.
- o You are eligible for three (3) weeks vacation in each calendar year until such time as you become eligible for more vacation under our vacation policy, as such policy is amended from time to time.
- o If you are terminated by the Company without cause, as determined in the sole discretion of the Company, you will receive twenty-four (24) months (reduced as hereafter provided) of Base Compensation ("Severance") in full and final satisfaction of all the Company's obligations to you arising out of such termination, conditioned upon your agreement to the terms of and execution of the Company's standard form of Severance Agreement, General Release and Waiver, as such may be amended by the Company from time to time. Beginning with your first day of employment, for every two (2) months of employment, you will receive one (1) month less of Base Compensation as Severance such that at the end of one year of employment and during your remaining term of employment, you will receive no less than eighteen (18) months of Base Compensation as Severance arising out of a termination without cause, subject to the other terms herein above provided.
- o You will be eligible for your first performance and compensation review which will be conducted and effective as of November, 2000.
- o You will be eligible to participate in all existing employee benefit plans as you become eligible under the terms of such plans as amended, added to or discontinued from time to time, such as the health care, disability insurance, life insurance, profit sharing, 401(k) and employee stock purchase plans.
- o This offer is subject to the terms of the CWC Employment Application.

Lastly, by executing this letter of agreement, you acknowledge and agree that your employment with CWC is at will, meaning that it can be terminated by you or CWC at any time, with or without cause. You further understand and agree that this letter constitutes the entire agreement of the parties, and is governed by New York State law. You hereby consent to binding arbitration under the rules of

the American Arbitration Association as they relate to commercial disputes in Rochester, NY as the sole and exclusive means for resolution of any disputes which may arise hereunder or in connection with your employment. No arbitration award shall include any punitive, incidental, consequential or special damages of any kind. Any such arbitration award may be entered in any court having appropriate jurisdiction. There are no other written or oral agreements of the parties, and this letter of agreement cannot be modified or amended, except in writing executed by your direct supervisor.

If you have additional questions regarding this offer, or any issues regarding your acceptance of this position, please call me within the next few days.

Please sign below and return this letter in the enclosed envelope so we can expedite your employment process.

Sincerely,

CANANDAIGUA WINE COMPANY, INC.

/s/ Robert S. Sands

- -----

Robert S. Sands

RSS:eb

ACCEPTED AND AGREED TO:

/s/ Jon Moramarco

- -----

Jon Moramarco

DATE:

October 7, 1999

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## EXHIBIT 11.1

&lt;TABLE&gt;

## CONSTELLATION BRANDS, INC. AND SUBSIDIARIES

## COMPUTATION OF EARNINGS PER COMMON SHARE

(in thousands, except per share data)

&lt;CAPTION&gt;

	For the Years Ended					
	February 28, 2001		February 29, 2000		February 28, 1999	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
-						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Income before extraordinary item	\$ 97,342	\$ 97,342	\$ 77,375	\$ 77,375	\$ 61,909	\$ 61,909
Extraordinary item, net of income taxes	--	--	--	--	(11,437)	(11,437)
-						
Income applicable to common shares	\$ 97,342	\$ 97,342	\$ 77,375	\$ 77,375	\$ 50,472	\$ 50,472
Shares:						
Weighted average common shares outstanding	36,723	36,723	36,108	36,108	36,587	36,587
Adjustments:						
Stock options	--	652	--	890	--	920
-						
Adjusted weighted average common shares outstanding	36,723	36,375	36,108	36,998	36,587	37,507
Earnings per common share:						
Income before extraordinary item	\$ 2.65	\$ 2.60	\$ 2.14	\$ 2.09	\$ 1.69	\$ 1.65
Extraordinary item, net of income taxes	--	--	--	--	(0.31)	(0.30)
-						
Earnings per common share	\$ 2.65	\$ 2.60	\$ 2.14	\$ 2.09	\$ 1.38	\$ 1.35

&lt;/TABLE&gt;

## EXHIBIT 21.1

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## SUBSIDIARIES OF CONSTELLATION BRANDS, INC.

PLACE OF INCORPORATION	SUBSIDIARY
New York	Batavia Wine Cellars, Inc.
New York	Canandaigua Wine Company, Inc.
New York	Canandaigua Europe Limited
Netherlands	Canandaigua B.V.
England and Wales	Canandaigua Limited
New York	Polyphenolics, Inc.
New York	Roberts Trading Corp.
Delaware	Franciscan Vineyards, Inc.
California	Allberry, Inc.
California	Cloud Peak Corporation
California	M.J. Lewis Corp.
California	Mt. Veeder Corporation
Delaware	Barton Incorporated
Delaware	Barton Brands, Ltd.
Maryland	Barton Beers, Ltd.
Connecticut	Barton Brands of California, Inc.
Georgia	Barton Brands of Georgia, Inc.
Illinois	Barton Canada, Ltd.
New York	Barton Distillers Import Corp.
Delaware	Barton Financial Corporation
Canada	Schenley Distilleries Inc. / Les Distilleries Schenley Inc.
Wisconsin	Stevens Point Beverage Co.
Illinois	Monarch Import Company
England and Wales	Matthew Clark plc
England and Wales	Freetraders Group Limited
England and Wales	Matthew Clark Wholesale Limited
England and Wales	Matthew Clark Brands Limited
England and Wales	The Gaymer Group Europe Limited

[LOGO] ARTHUR ANDERSEN

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statements on Form S-8 file numbers 33-26694, 33-56557, 333-88391 and 333-57912, Form S-3 file number 333-91587, and Form S-4 file number 333-60720.

/s/ Arthur Andersen LLP

Rochester, New York  
May 29, 2001

AMENDMENT NUMBER 7  
TO THE  
CANANDAIGUA BRANDS, INC.  
1989 EMPLOYEE STOCK PURCHASE PLAN

This Amendment Number 7 to the Canandaigua Brands, Inc. 1989 Employee Stock Purchase Plan (the "Plan") is adopted pursuant to Paragraph 20 of the Plan by the Board of Directors of Constellation Brands, Inc. (f/k/a Canandaigua Brands, Inc.) (the "Company"). Capitalized terms used herein which are not otherwise defined shall have the meanings ascribed to them in the Plan.

1. NAME. The name of the Plan is hereby changed to Constellation Brands, Inc. 1989 Employee Stock Purchase Plan," and all references in the Plan to "Canandaigua Brands, Inc." are hereby replaced by references to "Constellation Brands, Inc."

2. Effective November 1, Paragraph 22(a) is amended to read as follows:

All costs and expenses incurred in the administration of the Plan shall be paid by the Company or the employee, as the Company so determines.

3. Effective November 1, the fourth paragraph of Paragraph 23 is amended to read as follows:

All transactional costs and account maintenance fees, if any, shall be paid by the employee or as otherwise determined by the Company.

In witness whereof, Constellation Brands, Inc. has caused this instrument to be executed as of December 21, 2000.

CONSTELLATION BRANDS, INC.

By: /s/ Richard Sands

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Richard Sands, President