

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

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

For the quarterly period ended August 31, 1997

OR

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

For the transition period from to

COMMISSION FILE NUMBER 0-7570

DELAWARE	CANANDAIGUA BRANDS, INC.	16-0716709
	AND ITS SUBSIDIARIES:	
NEW YORK	BATAVIA WINE CELLARS, INC.	16-1222994
NEW YORK	CANANDAIGUA WINE COMPANY, INC.	16-1462887
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
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
GEORGIA	THE VIKING DISTILLERY, INC.	58-2183528

(State or other jurisdiction of incorporation or organization) (Exact name of registrant as specified in its charter) (I.R.S. Employer Identification No.)

235 NORTH BLOOMFIELD ROAD, CANANDAIGUA, NEW YORK 14424

(Address of principal executive offices) (Zip Code)

(716) 393-4130

(Registrant's telephone number including area code)

THE FORMER NAME OF CANANDAIGUA BRANDS, INC. WAS CANANDAIGUA WINE COMPANY, INC.

THE FORMER NAME OF CANANDAIGUA WINE COMPANY, INC. (A SUBSIDIARY) WAS

CANANDAIGUA WEST, INC.

(Former name, if changed since last report)

116 BUFFALO STREET, CANANDAIGUA, NEW YORK 14424

(Former address, if changed since last report)

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
--- ---

The number of shares outstanding with respect to each of the classes of common stock of Canandaigua Brands, Inc., as of September 26, 1997, is set forth below (all of the Registrants, other than Canandaigua Brands, Inc., are direct or indirect wholly-owned subsidiaries of Canandaigua Brands, Inc.):

CLASS	NUMBER OF SHARES OUTSTANDING
-----	-----

Class A Common Stock, Par Value \$.01 Per Share	15,325,024
Class B Common Stock, Par Value \$.01 Per Share	3,330,458

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

<TABLE>

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

<CAPTION>

	August 31, 1997	February 28, 1997
	(unaudited)	
<S>	<C>	<C>
ASSETS		

CURRENT ASSETS:		
Cash and cash investments	\$ 4,278	\$ 10,010
Accounts receivable, net	160,885	142,592
Inventories, net	334,756	326,626
Prepaid expenses and other current assets	20,562	21,787
	-----	-----
Total current assets	520,481	501,015
PROPERTY, PLANT AND EQUIPMENT, net	246,712	249,552
OTHER ASSETS	265,757	270,334
	-----	-----
Total assets	\$ 1,032,950	\$ 1,020,901
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

CURRENT LIABILITIES:		
Notes payable	\$ 29,200	\$ 57,000
Current maturities of long-term debt	40,119	40,467
Accounts payable	120,511	63,492
Accrued Federal and state excise taxes	19,727	17,058
Other accrued expenses and liabilities	73,713	68,556
	-----	-----
Total current liabilities	283,270	246,573
	-----	-----
LONG-TERM DEBT, less current maturities	298,995	338,884
	-----	-----
DEFERRED INCOME TAXES	62,695	61,395
	-----	-----
OTHER LIABILITIES	8,577	9,316
	-----	-----
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Class A Common Stock, \$.01 par value-		
Authorized, 60,000,000 shares;		
Issued, 17,515,029 shares at August 31, 1997,		
and 17,462,332 shares at February 28, 1997	175	174
Class B Convertible Common Stock, \$.01 par value-		
Authorized, 20,000,000 shares;		
Issued, 3,956,183 shares at August 31, 1997, and		
February 28, 1997	40	40
Additional paid-in capital	223,806	222,336
Retained earnings	192,686	170,275
	-----	-----
	416,707	392,825
	-----	-----
Less-Treasury stock-		
Class A Common Stock, 2,267,119 shares at		
August 31, 1997, and 1,915,468 shares at		
February 28, 1997, at cost	(35,087)	(25,885)
Class B Convertible Common Stock, 625,725 shares		
at August 31, 1997, and February 28, 1997, at cost	(2,207)	(2,207)
	-----	-----
	(37,294)	(28,092)
	-----	-----
Total stockholders' equity	379,413	364,733
	-----	-----
Total liabilities and stockholders' equity	\$ 1,032,950	\$ 1,020,901
	=====	=====

<FN>

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

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</TABLE>

<TABLE>

(in thousands, except share data)

<CAPTION>

August 31,

For the Six Months Ended August 31,

For the Three Months Ended

	1997	1996	1997	
1996				
(unaudited)	(unaudited)	(unaudited)	(unaudited)	
<S>	<C>	<C>	<C>	<C>
GROSS SALES	\$ 820,326	\$ 754,866	\$ 409,288	\$
378,037				
Less - Excise taxes	(212,791)	(199,155)	(107,764)	
(98,819)				
Net sales	607,535	555,711	301,524	
279,218				
COST OF PRODUCT SOLD	(442,044)	(412,969)	(216,765)	
(209,383)				
Gross profit	165,491	142,742	84,759	
69,835				
SELLING, GENERAL AND				
ADMINISTRATIVE EXPENSES	(111,483)	(102,870)	(56,258)	
(52,927)				
Operating income	54,008	39,872	28,501	
16,908				
INTEREST EXPENSE, net	(16,024)	(16,803)	(7,545)	
(8,008)				
Income before provision for Federal				
and state income taxes	37,984	23,069	20,956	
8,900				
PROVISION FOR FEDERAL AND				
STATE INCOME TAXES	(15,573)	(9,627)	(8,591)	
(3,959)				
NET INCOME	\$ 22,411	\$ 13,442	\$ 12,365	\$
4,941				
SHARE DATA:				
Net income per common and common				
equivalent share:				
Primary	\$ 1.17	\$ 0.68	\$ 0.64	\$
0.25				
Fully diluted	\$ 1.15	\$ 0.68	\$ 0.64	\$
0.25				
Weighted average common and common				
equivalent shares outstanding:				
Primary	19,235,529	19,794,740	19,241,969	
19,653,489				
Fully diluted	19,416,282	19,794,740	19,317,865	
19,653,489				

<FN>

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

</FN>

</TABLE>

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<TABLE>

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

<CAPTION>

For the Six Months Ended August 31,

1997

1996

	----- (unaudited) <C>	----- (unaudited) <C>
<S>		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 22,411	\$ 13,442
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	12,625	12,424
Deferred tax provision	4,900	-
Amortization of intangible assets	4,699	4,857
Stock option expense	350	13
Amortization of discount on long-term debt	172	-
(Gain) loss on sale of property, plant and equipment	(883)	201
Change in operating assets and liabilities:		
Accounts receivable, net	(17,518)	(9,872)
Inventories, net	(8,131)	13,333
Prepaid expenses and other current assets	1,285	5,109
Accounts payable	57,408	43,569
Accrued Federal and state excise taxes	2,669	1,845
Other accrued expenses and liabilities	1,584	13,351
Other	(717)	(8,466)
	-----	-----
Total adjustments	58,443	76,364
	-----	-----
Net cash provided by operating activities	80,854	89,806
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment, net of minor disposals	(18,213)	(21,795)
Proceeds from sale of property, plant and equipment	8,512	5,200
	-----	-----
Net cash used in investing activities	(9,701)	(16,595)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments of long-term debt	(40,409)	(20,443)
Net repayments of notes payable	(27,800)	(49,300)
Purchases of treasury stock	(9,233)	(5,434)
Payment of issuance costs of long-term debt	(388)	-
Exercise of employee stock options	741	-
Proceeds from employee stock purchases	204	657
	-----	-----
Net cash used in financing activities	(76,885)	(74,520)
	-----	-----
NET DECREASE IN CASH AND CASH INVESTMENTS	(5,732)	(1,309)
CASH AND CASH INVESTMENTS, beginning of period	10,010	3,339
	-----	-----
CASH AND CASH INVESTMENTS, end of period	\$ 4,278	\$ 2,030
	=====	=====

<FN>

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

</FN>

</TABLE>

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CANANDAIGUA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 1997

1) MANAGEMENT'S REPRESENTATIONS:

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission applicable to quarterly reporting on Form 10-Q and reflect, in the opinion of the Company, all adjustments necessary to present the financial information for Canandaigua Brands, Inc. and its subsidiaries. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in financial statements, prepared in accordance with generally accepted accounting principles, have been condensed or omitted as permitted by such rules and regulations. These consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1997.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Certain August 1996 balances have been reclassified to conform with current year presentation.

3) INVENTORIES:

Inventories are valued at the lower of cost (computed in accordance with the last-in, first-out (LIFO) or first-in, first-out (FIFO) methods) or market. Substantially all of the inventories are valued using the LIFO method. Elements

of cost include materials, labor and overhead and consist of the following:

	August 31, 1997	February 28, 1997
	-----	-----
(in thousands)		
Raw materials and supplies	\$ 12,657	\$ 14,191
Wines and distilled spirits in process	246,672	262,289
Finished case goods	100,748	72,526
	-----	-----
	360,077	349,006
Less - LIFO reserve	(25,321)	(22,380)
	-----	-----
	\$ 334,756	\$ 326,626
	=====	=====

Information related to the FIFO method of inventory valuation may be useful in comparing operating results to those companies not using the LIFO method of inventory valuation. If the FIFO method had been used, reported net income would have been \$1.7 million, or \$0.09 per share on a fully diluted basis, higher for the six months ended August 31, 1997, and reported net income would have been \$8.0 million, or \$0.41 per share on a fully diluted basis, higher for the six months ended August 31, 1996.

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4) NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE:

Net income per common and common equivalent share is based on the weighted average number of common and dilutive common equivalent shares outstanding during each period. Dilutive common equivalent shares consist of stock options.

5) STOCK INCENTIVE PLANS:

At the Company's Annual Meeting of Stockholders held on July 22, 1997, stockholders approved the amendment and restatement of the Company's Stock Option and Stock Appreciation Right Plan as the Long-Term Stock Incentive Plan and the adoption of the Company's Incentive Stock Option Plan.

Under the Long-Term Stock Incentive Plan, non-qualified stock options, stock appreciation rights, restricted stock and other stock-based awards may be granted to employees, officers and directors of the Company. Grants, in the aggregate, may not exceed 4,000,000 shares of the Company's Class A Common Stock.

Under the Incentive Stock Option Plan, incentive stock options may be granted to employees, including officers, of the Company. Grants, in the aggregate, may not exceed 1,000,000 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 shares on the date of grant.

6) SUMMARIZED FINANCIAL INFORMATION - SUBSIDIARY GUARANTORS:

The subsidiary guarantors are wholly owned and the guarantees are full, unconditional, joint and several obligations of each of the subsidiary guarantors. Summarized financial information for the subsidiary guarantors is set forth below. 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 the non-guarantor subsidiaries which individually, and in the aggregate, are inconsequential. There are no restrictions on the ability of the subsidiary guarantors to transfer funds to the Company in the form of cash dividends or loan repayments. The subsidiary guarantors may not loan funds to the Company.

The following table presents summarized financial information for subsidiary guarantors in connection with all of the Company's 8.75% Senior Subordinated Notes:

	August 31, 1997	February 28, 1997
	-----	-----
(in thousands)		
Balance Sheet Data:		
Current assets	\$ 423,854	\$ 401,870
Noncurrent assets	\$ 395,735	\$ 403,068
Current liabilities	\$ 148,833	\$ 100,009
Noncurrent liabilities	\$ 64,701	\$ 65,300

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<TABLE>
<CAPTION>

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	1997	1996	1997	1996
(in thousands)				
<S>	<C>	<C>	<C>	<C>
Income Statement Data:				
Net sales	\$514,338	\$471,868	\$253,064	\$241,183
Gross profit	\$106,425	\$ 94,422	\$ 53,093	\$ 48,867
Income before provision for Federal and state income taxes	\$ 41,448	\$ 34,112	\$ 20,233	\$ 18,302
Net income	\$ 24,768	\$ 20,223	\$ 12,103	\$ 10,660

7) ACCOUNTING PRONOUNCEMENTS:

In February 1997, Statement of Financial Accounting Standards No. 128, "Earnings per Share," (SFAS No. 128) and Statement of Financial Accounting Standards No. 129, "Disclosure of Information about Capital Structure," (SFAS No. 129) were issued. SFAS No. 128 requires the Company to present basic and diluted earnings per share in the financial statements. The Company is required to adopt SFAS No. 128 for the year ending February 28, 1998, and restate previously reported earnings per share. Early adoption is not permitted. The Company believes the effect of adoption will not be material. SFAS No. 129 consolidates specific existing disclosure requirements and establishes standards for disclosing information about an entity's capital structure. The Company is required to adopt SFAS No. 129 for the year ending February 28, 1998. The Company believes the effect of adoption will not be material.

In June 1997, Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," (SFAS No. 130) and Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," (SFAS No. 131) were issued. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of financial statements. The Company is required to adopt SFAS No. 130 for interim periods and fiscal years beginning March 1, 1998. Reclassification of financial statements for earlier periods provided for comparative purposes is required. The Company believes the effect of adoption will not be material. SFAS No. 131 establishes standards for reporting information about operating segments in annual financial statements and requires reporting of selected information in interim financial statements. The Company is required to adopt SFAS No. 131 for fiscal years beginning March 1, 1998, and for interim periods beginning March 1, 1999. Restatement of comparative information for earlier years is required in the initial year of adoption and comparative information for interim periods in the initial year of adoption is to be reported for interim periods in the second year of application. The Company has not yet determined the impact of SFAS No. 131 on its financial statements.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

INTRODUCTION

The following discussion and analysis summarizes the significant factors affecting (i) consolidated results of operations of the Company for the three months ended August 31, 1997 ("Second Quarter 1998"), compared to the three months ended August 31, 1996 ("Second Quarter 1997"), and for the six months ended August 31, 1997 ("Six Months 1998"), compared to the six months ended August 31, 1996 ("Six Months 1997"), and (ii) financial liquidity and capital resources for the six months ended August 31, 1997. This discussion and analysis should be read in conjunction with the Company's consolidated financial statements and notes thereto included herein and in the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1997.

The Company operates primarily in the beverage alcohol industry. The Company is principally a producer and supplier of wines and an importer and producer of beers and distilled spirits. The Company's branded products and its other products and services are marketed by three operating divisions: Canandaigua Wine Company, Barton Beers and Barton Brands.

RESULTS OF OPERATIONS

SECOND QUARTER 1998 COMPARED TO SECOND QUARTER 1997

NET SALES

The following table sets forth the net sales (in thousands of dollars) and unit volumes (in thousands of cases), if applicable, for branded beverage alcohol products and other products and services sold by the Company for Second

Quarter 1998 and Second Quarter 1997.

<TABLE>
<CAPTION>

Second Quarter 1998 Compared to Second Quarter 1997

	Net Sales			Unit Volume		
	1998	1997	%Increase/ (Decrease)	1998	1997	%Increase/ (Decrease)
Branded Beverage						
Alcohol Products:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Wine	\$ 122,099	\$ 116,746	4.6%	6,442	6,195	4.0%
Beer	108,383	90,457	19.8%	8,691	7,227	20.3%
Spirits	51,372	44,700	14.9%	2,575	2,356	9.3%
Other (a)	19,670	27,315	(28.0%)	N/A	N/A	N/A
	\$ 301,524	\$ 279,218	8.0%	17,708	15,778	12.2%

<FN>

(a) Other consists primarily of non-branded concentrate sales, contract bottling and other production services and bulk product sales, none of which are sold in case quantities.

</FN>

</TABLE>

Net sales for Second Quarter 1998 increased to \$301.5 million from \$279.2 million for Second Quarter 1997, an increase of \$22.3 million, or 8.0%. This increase resulted primarily from (i) \$17.9 million of additional beer sales, largely Mexican beers, (ii) \$6.7 million of additional spirits sales and (iii) \$6.4 million of additional table wine sales. These increases were partially offset by lower sales of grape juice concentrate and sparkling wines. Unit volume for branded beverage alcohol products for Second Quarter 1998 increased 12.2% as compared to Second Quarter 1997. The unit volume increase was largely the result of increased sales of the Company's Mexican beer brands and its spirits brands. The unit volume increase in wine was primarily the result of increased sales of the Company's table wine brands.

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GROSS PROFIT

The Company's gross profit increased to \$84.8 million for Second Quarter 1998 from \$69.8 million for Second Quarter 1997, an increase of \$14.9 million, or 21.4%. As a percent of net sales, gross profit increased to 28.1% for Second Quarter 1998 from 25.0% for Second Quarter 1997. The dollar increase in gross profit resulted primarily from higher gross profit from branded wine sales related to cost structure improvements, pricing initiatives and additional sales volume, increased sales of beer and higher gross profit from spirits brands related to higher selling prices and increased volume.

In general, the preferred method of accounting for inventory valuation is the last-in, first-out method ("LIFO") because, in most circumstances, it results in a better matching of costs and revenues. For comparison purposes to companies using the first-in, first-out method of accounting for inventory valuation ("FIFO") only, gross profit reflected a reduction of \$0.6 million and \$7.9 million in Second Quarter 1998 and Second Quarter 1997, respectively, due to the Company's LIFO accounting method. The Company's gross profit for Second Quarter 1998 reflects the cumulative effect of revised cost estimates, including more favorable grape costs than had been estimated in first quarter 1998.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased to \$56.3 million for Second Quarter 1998 from \$52.9 million for Second Quarter 1997, an increase of \$3.3 million, or 6.3%. Selling, general and administrative expenses as a percent of net sales decreased to 18.7% for Second Quarter 1998 as compared to 19.0% for Second Quarter 1997. The dollar increase in selling, general and administrative expenses resulted principally from selling and other expenses related to the Company's increased sales volume and overall growth.

INTEREST EXPENSE, NET

Net interest expense decreased to \$7.5 million for Second Quarter 1998 from \$8.0 million for Second Quarter 1997, a decrease of \$0.5 million, or 5.8%. The decrease was primarily due to a decrease in the Company's average borrowings which was partially offset by an increase in the average interest rate.

PROVISION FOR FEDERAL AND STATE INCOME TAXES

The Company's effective tax rate for Second Quarter 1998 decreased to 41.0% from 44.5% for Second Quarter 1997 as Second Quarter 1997 reflected the cumulative impact of a higher effective tax rate in California caused by statutory limitations on the Company's ability to utilize certain deductions.

NET INCOME

As a result of the above factors, net income increased to \$12.4 million for Second Quarter 1998 from \$4.9 million for Second Quarter 1997, an increase of \$7.4 million, or 150.3%.

For financial analysis purposes only, the Company's earnings before interest, taxes, depreciation and amortization ("EBITDA") for Second Quarter 1998 was \$37.0 million, an increase of \$11.4 million over EBITDA of \$25.6 million for Second Quarter 1997. 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.

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SIX MONTHS 1998 COMPARED TO SIX MONTHS 1997

NET SALES

The following table sets forth the net sales (in thousands of dollars) and unit volumes (in thousands of cases), if applicable, for branded beverage alcohol products and other products and services sold by the Company for Six Months 1998 and Six Months 1997.

<TABLE>
<CAPTION>

Six Months 1998 Compared to Six Months 1997

	Net Sales			Unit Volume		
	1998	1997	%Increase/ (Decrease)	1998	1997	%Increase/ (Decrease)
Branded Beverage Alcohol Products:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Wine	\$ 247,538	\$ 240,404	3.0%	13,162	12,866	2.3%
Beer	205,996	163,314	26.1%	16,439	13,072	25.8%
Spirits	101,734	90,222	12.8%	5,124	4,759	7.7%
Other (a)	52,267	61,771	(15.4%)	N/A	N/A	N/A
	\$ 607,535	\$ 555,711	9.3%	34,725	30,697	13.1%

<FN>

(a) Other consists primarily of non-branded concentrate sales, contract bottling and other production services and bulk product sales, none of which are sold in case quantities.

</FN>

</TABLE>

Net sales for Six Months 1998 increased to \$607.5 million from \$555.7 million for Six Months 1997, an increase of \$51.8 million, or 9.3%. This increase resulted primarily from (i) \$42.7 million of additional beer sales, largely Mexican beers, (ii) \$11.5 million of additional spirits sales and (iii) \$10.7 million of additional table wine sales. These increases were partially offset by lower sales of grape juice concentrate, sparkling wines and dessert wines. Unit volume for branded beverage alcohol products for Six Months 1998 increased 13.1% as compared to Six Months 1997. The unit volume increase was largely the result of increased sales of the Company's Mexican beer brands and its spirits brands. The increase in table wine brands unit volume was partially offset by a decrease in unit volume of dessert wine brands and sparkling wine brands.

GROSS PROFIT

The Company's gross profit increased to \$165.5 million for Six Months 1998 from \$142.7 million for Six Months 1997, an increase of \$22.7 million, or 15.9%. As a percent of net sales, gross profit increased to 27.2% for Six Months 1998 from 25.7% for Six Months 1997. The dollar increase in gross profit resulted primarily from increased sales of beer, higher gross profit from spirits brands related to higher selling prices and increased volume, and higher gross profit from branded wine and grape juice concentrate sales related to pricing initiatives and cost structure improvements, partially offset by higher grape costs.

In general, the preferred method of accounting for inventory valuation is the last-in, first-out method ("LIFO") because, in most circumstances, it results in a better matching of costs and revenues. For comparison purposes to companies using the first-in, first-out method of accounting for inventory valuation ("FIFO") only, gross profit reflected a reduction of \$2.9 million and \$13.8 million in Six Months 1998 and Six Months 1997, respectively, due to the Company's LIFO accounting method.

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SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased to \$111.5 million for Six Months 1998 from \$102.9 million for Six Months 1997, an increase of \$8.6 million, or 8.4%. Selling, general and administrative expenses as a percent of net sales decreased to 18.4% for Six Months 1998 as compared to 18.5% for Six Months 1997. The dollar increase in selling, general and administrative expenses resulted principally from selling and other expenses related to the Company's increased sales volume and overall growth.

INTEREST EXPENSE, NET

Net interest expense decreased to \$16.0 million for Six Months 1998 from \$16.8 million for Six Months 1997, a decrease of \$0.8 million, or 4.8%. The decrease was primarily due to a decrease in the Company's average borrowings which was partially offset by an increase in the average interest rate.

PROVISION FOR FEDERAL AND STATE INCOME TAXES

The Company's effective tax rate for Six Months 1998 decreased to 41.0% from 41.7% for Six Months 1997 as Six Months 1997 reflected a higher effective tax rate in California caused by statutory limitations on the Company's ability to utilize certain deductions.

NET INCOME

As a result of the above factors, net income increased to \$22.4 million for Six Months 1998 from \$13.4 million for Six Months 1997, an increase of \$9.0 million, or 66.7%.

For financial analysis purposes only, the Company's earnings before interest, taxes, depreciation and amortization ("EBITDA") for Six Months 1998 was \$71.3 million, an increase of \$14.2 million over EBITDA of \$57.2 million for Six Months 1997. 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.

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SIX MONTHS 1998 CASH FLOWS

OPERATING ACTIVITIES

Net cash provided by operating activities for Six Months 1998 was \$80.9 million which resulted primarily from an increase of \$61.7 million in operating liabilities plus a net increase of \$44.3 million in net income adjusted for noncash items, partially offset by a net increase of \$24.4 million in operating assets. The increase of \$61.7 million in operating liabilities was primarily due to a \$57.4 million increase in accounts payable primarily due to the purchase of grapes associated with the 1997 harvest. The net increase of \$24.4 million in operating assets resulted principally from a \$17.5 million increase in accounts receivable primarily due to increased beer and spirits sales and an \$8.1 million net increase in inventory levels.

INVESTING ACTIVITIES AND FINANCING ACTIVITIES

Net cash used in investing activities for Six Months 1998 was \$9.7 million which resulted from \$18.2 million of capital expenditures, including \$7.2 million for vineyards, partially offset by proceeds from the sale of property, plant and equipment of \$8.5 million.

Net cash used in financing activities for Six Months 1998 was \$76.9 million which resulted primarily from principal payments of \$40.4 million of long-term

debt, net repayments of \$27.8 million of revolving loan borrowings under the Company's bank credit agreement and repurchase of \$9.2 million of the Company's Class A Common Stock.

During January 1996, the Company's Board of Directors authorized the repurchase of up to \$30.0 million of its Class A Common Stock and Class B Common Stock (the "Repurchase Program"). During May 1997, the Company completed the Repurchase Program with the repurchase of 362,100 shares of its Class A Common Stock at a cost of \$9.2 million. With respect to the Repurchase Program, the Company repurchased a total of 1,149,550 shares of Class A Common Stock at an aggregate cost of \$30.0 million, or at an average cost of \$26.10 per share.

DEBT

Total debt outstanding as of August 31, 1997, amounted to \$368.3 million, a decrease of \$68.0 million from February 28, 1997, resulting primarily from principal payments of long-term debt and the net repayments of revolving loan borrowings. The ratio of total debt to total capitalization decreased to 49.3% as of August 31, 1997, from 54.5% as of February 28, 1997.

As of August 31, 1997, under its bank credit agreement, the Company had outstanding term loans of \$146.0 million bearing interest at 6.5%, \$29.2 million of revolving loans bearing interest at 7.3%, undrawn revolving letters of credit of \$8.1 million and \$147.7 million available to be drawn in revolving loans.

As of August 31, 1997, the Company had outstanding \$195.0 million aggregate principal amount of 8 3/4% Senior Subordinated Notes due 2003. The notes are unsecured and subordinated to the prior payment in full of all senior indebtedness of the Company, which includes the bank credit agreement. The notes are guaranteed, on a senior subordinated basis, by substantially all of the Company's operating subsidiaries.

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PART II - OTHER INFORMATION

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

At the Annual Meeting of Stockholders of Canandaigua Brands, Inc. (f/k/a Canandaigua Wine Company, Inc.) ("Canandaigua"), held on July 22, 1997 (the "Annual Meeting"), the holders of Canandaigua's Class A Common Stock (the "Class A Stock"), voting as a separate class, elected management's slate of director nominees designated to be elected by the holders of the Class A Stock, and the holders of Canandaigua's Class B Common Stock (the "Class B Stock"), voting as a separate class, elected management's slate of director nominees designated to be elected by the holders of the Class B Stock.

In addition, at the Annual Meeting, the holders of Class A Stock and the holders of Class B Stock, voting together as a single class, voted upon the following proposals:

- (i) Proposal to amend Canandaigua's Restated Certificate of Incorporation to change the name of the Company from "Canandaigua Wine Company, Inc." to "Canandaigua Brands, Inc.";
- (ii) Proposal to approve the amendment and restatement of the Stock Option and Stock Appreciation Right Plan as the Long-Term Stock Incentive Plan;
- (iii) Proposal to approve the Incentive Stock Option Plan;
- (iv) Proposal to approve the Annual Management Incentive Plan; and
- (v) Proposal to ratify the selection of Arthur Andersen LLP, Certified Public Accountants, as Canandaigua's independent auditors for the fiscal year ending February 28, 1998.

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

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

Directors Elected By the Holders of Class A Stock:

For all nominees:	12,433,531
* Instructed:	466,671
Withheld from all nominees:	821,079

(* Number of votes withheld from a specified nominee as opposed to withheld from all nominees.)

The tabulation with respect to each nominee is as follows:

George Bresler:
For: 12,433,531; Withheld: 1,287,750

James A. Locke, III:
For: 12,900,202; Withheld: 821,079

Directors Elected By the Holders of Class B Stock:

For all nominees: 32,274,990
* Instructed: 2,000
Withheld from all nominees: 350,930

(* Number of votes withheld from specified nominees as opposed to withheld from all nominees.)

The tabulation with respect to each nominee is as follows:

Marvin Sands:
For: 32,274,990; Withheld: 352,930

Richard Sands:
For: 32,274,990; Withheld: 352,930

Robert Sands:
For: 32,274,990; Withheld: 352,930

Bertram E. Silk:
For: 32,276,990; Withheld: 350,930

II. The results of the voting with respect to the proposal to amend Canandaigua's Restated Certificate of Incorporation to change the name of the Company from Canandaigua Wine Company, Inc. to Canandaigua Brands, Inc. are as follows:

For: 46,278,093
Against: 52,031
Abstain: 19,077
Broker Nonvotes: 0

III. The results of the voting with respect to the proposal to approve the amendment and restatement of the Stock Option and Stock Appreciation Right Plan as the Long-Term Stock Incentive Plan are as follows:

For: 33,189,896
Against: 7,817,261
Abstain: 85,208
Broker Nonvotes: 5,256,836

IV. The results of the voting with respect to the proposal to approve the Incentive Stock Option Plan are as follows:

For: 33,857,121
Against: 7,139,505
Abstain: 95,739
Broker Nonvotes: 5,256,836

V. The results of the voting with respect to the proposal to approve the Annual Management Incentive Plan are as follows:

For: 41,889,541
Against: 393,170
Abstain: 92,524
Broker Nonvotes: 3,973,966

VI. The results of the voting with respect to the proposal to ratify the selection of Arthur Andersen LLP, Certified Public Accountants, as the Company's independent auditors for the fiscal year ending February 28, 1998 are as follows:

For: 46,217,353
Against: 57,424
Abstain: 74,424
Broker Nonvotes: 0

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

- (a) See Index to Exhibits located on Page 19 of this Report.
- (b) The following Report on Form 8-K was filed with the Securities and Exchange Commission during the quarter ended August 31, 1997: Form 8-K dated August 28, 1997. This Form 8-K reported information under Item 5 (Other Events).

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SIGNATURES

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

CANANDAIGUA BRANDS, INC.

Dated: September 29, 1997 By: /s/ Thomas F. Howe

Thomas F. Howe, Vice President,
Corporate Reporting and Controller

Dated: September 29, 1997 By: /s/ Thomas S. Summer

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

SUBSIDIARIES

BATAVIA WINE CELLARS, INC.

Dated: September 29, 1997 By: /s/ Thomas F. Howe

Thomas F. Howe, Controller

Dated: September 29, 1997 By: /s/ Thomas S. Summer

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

CANANDAIGUA WINE COMPANY, INC.

Dated: September 29, 1997 By: /s/ Thomas F. Howe

Thomas F. Howe, Controller

Dated: September 29, 1997 By: /s/ Thomas S. Summer

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

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BARTON INCORPORATED

Dated: September 29, 1997 By: /s/ Alexander L. Berk

Alexander L. Berk, President and
Chief Operating Officer

Dated: September 29, 1997 By: /s/ Raymond E. Powers

Raymond E. Powers, Executive Vice
President, Treasurer and Assistant
Secretary
(Principal Financial Officer and
Principal Accounting Officer)

BARTON BRANDS, LTD.

Dated: September 29, 1997 By: /s/ Alexander L. Berk

Alexander L. Berk, Executive Vice
President

Dated: September 29, 1997

By: /s/ Raymond E. Powers

Raymond E. Powers, Executive Vice
President, Treasurer and Assistant
Secretary
(Principal Financial Officer and
Principal Accounting Officer)

BARTON BEERS, LTD.

Dated: September 29, 1997

By: /s/ Alexander L. Berk

Alexander L. Berk, Executive Vice
President

Dated: September 29, 1997

By: /s/ Raymond E. Powers

Raymond E. Powers, Executive Vice
President, Treasurer and Assistant
Secretary
(Principal Financial Officer and
Principal Accounting Officer)

BARTON BRANDS OF CALIFORNIA, INC.

Dated: September 29, 1997

By: /s/ Alexander L. Berk

Alexander L. Berk, Executive Vice
President

Dated: September 29, 1997

By: /s/ Raymond E. Powers

Raymond E. Powers, Executive Vice
President, Treasurer and Assistant
Secretary
(Principal Financial Officer and
Principal Accounting Officer)

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BARTON BRANDS OF GEORGIA, INC.

Dated: September 29, 1997

By: /s/ Alexander L. Berk

Alexander L. Berk, Executive Vice
President

Dated: September 29, 1997

By: /s/ Raymond E. Powers

Raymond E. Powers, Executive Vice
President, Treasurer and Assistant
Secretary
(Principal Financial Officer and
Principal Accounting Officer)

BARTON DISTILLERS IMPORT CORP.

Dated: September 29, 1997

By: /s/ Alexander L. Berk

Alexander L. Berk, Executive Vice
President

Dated: September 29, 1997

By: /s/ Raymond E. Powers

Raymond E. Powers, Executive Vice
President, Treasurer and Assistant
Secretary
(Principal Financial Officer and
Principal Accounting Officer)

BARTON FINANCIAL CORPORATION

Dated: September 29, 1997

By: /s/ Raymond E. Powers

Raymond E. Powers, President and
Secretary

Dated: September 29, 1997

By: /s/ Charles T. Schlau

Charles T. Schlau, Treasurer
(Principal Financial Officer and
Principal Accounting Officer)

STEVENS POINT BEVERAGE CO.

Dated: September 29, 1997

By: /s/ Alexander L. Berk

Alexander L. Berk, Executive Vice
President

Dated: September 29, 1997

By: /s/ Raymond E. Powers

Raymond E. Powers, Executive Vice
President, Treasurer and Assistant
Secretary
(Principal Financial Officer and
Principal Accounting Officer)

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MONARCH IMPORT COMPANY

Dated: September 29, 1997

By: /s/ Alexander L. Berk

Alexander L. Berk, Executive Vice
President

Dated: September 29, 1997

By: /s/ Raymond E. Powers

Raymond E. Powers, Executive Vice
President, Treasurer and Assistant
Secretary
(Principal Financial Officer and
Principal Accounting Officer)

THE VIKING DISTILLERY, INC.

Dated: September 29, 1997

By: /s/ Alexander L. Berk

Alexander L. Berk, Executive Vice
President

Dated: September 29, 1997

By: /s/ Raymond E. Powers

Raymond E. Powers, Executive Vice
President, Treasurer and Assistant
Secretary
(Principal Financial Officer and
Principal Accounting Officer)

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INDEX TO EXHIBITS

(2) PLAN OF ACQUISITION, REORGANIZATION, ARRANGEMENT, LIQUIDATION OR SUCCESSION.

Not applicable.

(3) ARTICLES OF INCORPORATION AND BY-LAWS.

3.1(a) Certificate of Amendment of the Certificate of Incorporation of Canandaigua Wine Company, Inc. (now known as Canandaigua Brands, Inc., hereinafter in this Index to Exhibits, the "Company") (filed herewith).

3.1(b) Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Transition Report on Form 10-K for the Transition Period from September 1, 1995 to February 29, 1996 and incorporated herein by reference).

3.2 Amended and Restated By-Laws of the Company (filed herewith; filed for the purpose of reflecting the Company's new name, Canandaigua Brands, Inc., in the title of the By-Laws).

(4) INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS, INCLUDING INDENTURES.

4.1 Specimen of Certificate of Class A Common Stock of the Company (filed as Exhibit 1.1 to the Company's Registration Statement on Form 8-A dated April

28, 1992 and incorporated herein by reference).

- 4.2 Specimen of Certificate of Class B Common Stock of the Company (filed as Exhibit 1.2 to the Company's Registration Statement on Form 8-A dated April 28, 1992 and incorporated herein by reference).
- 4.3 Indenture 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).
- 4.4 First Supplemental Indenture dated as of August 3, 1994 among the Company, Canandaigua West, 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).
- 4.5 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).
- 4.6 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).

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(10) MATERIAL CONTRACTS.

- 10.1 Amendment Number One to the Long-Term Stock Incentive Plan of the Company (filed herewith).
- 10.2 Incentive Stock Option Plan of the Company (filed herewith).
- 10.3 Amendment Number One to the Incentive Stock Option Plan of the Company (filed herewith).
- 10.4 Annual Management Incentive Plan of the Company (filed herewith).

(11) STATEMENT RE COMPUTATION OF PER SHARE EARNINGS.

Computation of per share earnings (filed herewith).

(15) LETTER RE UNAUDITED INTERIM FINANCIAL INFORMATION.

Not applicable.

(18) LETTER RE CHANGE IN ACCOUNTING PRINCIPLES.

Not applicable.

(19) REPORT FURNISHED TO SECURITY HOLDERS.

Not applicable.

(22) PUBLISHED REPORT REGARDING MATTERS SUBMITTED TO A VOTE OF SECURITY HOLDERS.

Not applicable.

(23) CONSENTS OF EXPERTS AND COUNSEL.

Not applicable.

(24) POWER OF ATTORNEY.

Not applicable.

(27) FINANCIAL DATA SCHEDULE.

Financial Data Schedule (filed herewith).

(99) ADDITIONAL EXHIBITS.

Not applicable.

EXHIBIT 3.2

BY-LAWS
OF
CANANDAIGUA BRANDS, INC.

(AS AMENDED AND RESTATED ON JANUARY 11, 1996)

ARTICLE I
STOCKHOLDERS

SECTION 1.1 ANNUAL MEETINGS. An annual meeting of stockholders shall be held for the election of directors at such date, time and place, either within or without the State of Delaware, as may be designated by resolution of the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting.

SECTION 1.2 SPECIAL MEETINGS. Special meetings of stockholders for any purpose or purposes may be called at any time by the Board of Directors, or by a committee of the Board of Directors which has been duly designated by the Board of Directors, and whose powers and authority, as expressly provided in a resolution of the Board of Directors, include the power to call such meetings, but such special meetings may not be called by any other person or persons.

SECTION 1.3 NOTICE OF MEETINGS. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the written notice of any meeting shall be given not less than ten nor more than fifty days before the date of the meeting to each stockholder entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation.

SECTION 1.4 ADJOURNMENTS. Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

SECTION 1.5 QUORUM. The Corporation's authorized capital stock consists of 60,000,000 shares designated as Class A Common Stock (the "Class A Common") and 20,000,000 shares designated as Class B Common Stock (the "Class B Common"). At each meeting of stockholders, except as otherwise provided by law, the Corporation's Restated Certificate of Incorporation or these By-Laws, the holders of a majority of the outstanding aggregate voting power of the Class A Common and the Class B Common, present in person or by proxy,

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shall constitute a quorum. In the absence of a quorum, the stockholders so present may, by majority vote of such stockholders voting together as a single class, adjourn the meeting from time to time in the manner provided in Section 1.4 of these By-Laws until a quorum shall attend. Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of any corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

SECTION 1.6 VOTING. Except as otherwise provided by law, Section 2.2 of these By-Laws pertaining to the election of directors, or the Corporation's Restated Certificate of Incorporation, all elections and questions shall be decided by majority vote of all outstanding shares of stock entitled to vote thereon, present in person or by proxy, voting together as a single class, provided that the holders of the Class A Common shall have one (1) vote per share and the holders of the Class B Common shall have ten (10) votes per share. Except as otherwise required by law or by the Restated Certificate of Incorporation, the Board of Directors may require a larger vote upon any election or question.

SECTION 1.7 ORGANIZATION. Meetings of stockholders shall be presided over by the Chairman of the Board, if any, or in his absence by the Vice Chairman of the Board, if any, or in his absence by the Chief Executive Officer, or in his absence by the President or in the absence of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen at the meeting. The Secretary shall act as

secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

SECTION 1.8 PROXIES. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary of the Corporation.

SECTION 1.9 FIXING DATE FOR DETERMINATION OF STOCKHOLDERS OF RECORD. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. If no record date is fixed: (1) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day

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next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; and (2) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

SECTION 1.10 LIST OF STOCKHOLDERS ENTITLED TO VOTE. The Secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the offices of the transfer agent. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list of stockholders or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

SECTION 1.11 ACTION BY CONSENT OF STOCKHOLDERS. Unless otherwise restricted by the Restated Certificate of Incorporation, any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE II
BOARD OF DIRECTORS

SECTION 2.1 NUMBER; QUALIFICATIONS. The Board of Directors shall consist of one or more members, the number thereof to be determined from time to time by resolution of the Board of Directors. Directors shall be elected at the annual meeting of stockholders and each director elected shall hold office until his successor is elected and qualified. Directors need not be stockholders.

SECTION 2.2 ELECTION; RESIGNATION; REMOVAL; VACANCIES. At every meeting of stockholders called for the election of directors, the holders of Class A Common, voting as a class, shall be entitled to elect one-fourth (1/4) of the number of directors to be elected at such meeting (rounded, if the total number of directors to be elected at such meeting is not divisible by four (4), to the next higher whole number), and the holders of Class B Common,

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voting as a class, shall be entitled to elect the remaining number of directors

to be elected at such meeting. A plurality of the votes cast shall be sufficient to elect. If the number of outstanding Class B Common shares is less than 12 1/2% of the total number of outstanding shares of Class A Common and Class B Common, then the holders of the Class A Common shall be entitled to elect one-fourth (1/4) of the number of directors to be elected at such meeting (rounded, if the total number of directors to be elected at such meeting is not divisible by four (4), to the next higher whole number) and shall be entitled to participate with the holders of the Class B Common voting as a single class in the election of the remaining number of directors to be elected at such meeting, provided that the holders of Class A Common shall have one (1) vote per share and the holders of Class B Common shall have ten (10) votes per share. If, during the interval between annual meetings for the election of directors, the number of directors who have been elected by either the holders of the Class A Common or the Class B Common shall, by reason of resignation, death, retirement, disqualification or removal, be reduced, the vacancy or vacancies in directors so created may be filled by a majority vote of the remaining directors then in office, even if less than a quorum, or by a sole remaining director. Any director so elected by the remaining directors to fill any such vacancy may be removed from office by the vote of the holders of the holders of a majority of the shares of the Class A Common and the Class B Common voting as a single class, provided that the holders of Class A Common shall have one (1) vote per share and the holders of Class B Common shall have ten (10) votes per share.

SECTION 2.3 REGULAR MEETINGS. Regular meetings of the Board of Directors may be held at such places within or without the State of Delaware and at such times as the Board of Directors may from time to time determine, and if so determined notices thereof need not be given.

SECTION 2.4 SPECIAL MEETINGS. Special meetings of the Board of Directors may be held at any time or place within or without the State of Delaware whenever called by the Chairman, Chief Executive Officer, the President, any Vice-President, the Secretary, or by any two members of the Board of Directors. At least one days' notice thereof shall be given by the person or persons calling the meeting, either personally, by mail or by telegram.

SECTION 2.5 TELEPHONIC MEETINGS PERMITTED. Members of the Board of Directors, or any committee designated by the Board, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this By-Law shall constitute presence in person at such meeting.

SECTION 2.6 QUORUM; VOTE REQUIRED FOR ACTION. At all meetings of the Board of Directors a majority of the whole Board shall constitute a quorum for the transaction of business. Except in cases in which the Restated Certificate of Incorporation or these By-Laws otherwise provide, the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 2.7 ORGANIZATION. Meetings of the Board of Directors shall be presided over by the Chairman of the Board, if any, or in his absence by the Vice Chairman of the Board, if

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any, or in his absence by the Chief Executive Officer, or in his absence by the President, or in their absence by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

SECTION 2.8 INFORMAL ACTION BY DIRECTORS. Unless otherwise restricted by the Restated Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board or such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

ARTICLE III
COMMITTEES

SECTION 3.1 COMMITTEES. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have

power or authority in reference to amending the Restated Certificate of Incorporation of the Corporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of dissolution, or amending these By-Laws; and, unless the resolution expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock.

SECTION 3.2 COMMITTEE RULES. Unless the Board of Directors otherwise provides, each committee designated by the Board may make, alter and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article II of these By-Laws.

ARTICLE IV
OFFICERS

SECTION 4.1 EXECUTIVE OFFICERS; ELECTION; QUALIFICATIONS; TERM OF OFFICE; RESIGNATION; REMOVAL; VACANCIES. The Board of Directors shall choose a President and Secretary, and it

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may, if it so determines, choose a Chairman of the Board and a Vice Chairman of the Board from among its members. The Board of Directors may also choose a Chief Executive Officer, one or more Vice-Presidents, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers, and may choose such other officers as it may deem necessary, each of whom shall have such titles and duties as shall be determined by the Board of Directors. Each such officer shall hold office until the first meeting of the Board of Directors after the annual meeting of stockholders next succeeding this election, and until his successor is elected and qualified or until his earlier resignation or removal. Any officer may resign at any time upon written notice to the Corporation. The Board of Directors may remove any officer with or without cause at any time, but such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation. Any number of offices may be held by the same person. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

SECTION 4.2 CHAIRMAN OF THE BOARD. The Chairman of the Board, if there be one, shall preside at all meetings of the Board of Directors and stockholders, and shall perform such other duties as the Board may direct.

SECTION 4.3 CHIEF EXECUTIVE OFFICER. The Board of Directors may designate whether the Chairman of the Board, if one shall have been chosen, or the President shall be the Chief Executive Officer of the Corporation. If a Chairman of the Board has not been chosen, or if one has been chosen but not designated Chief Executive Officer, then the President shall be the Chief Executive Officer of the Corporation. The Chief Executive Officer shall be the principal executive officer of the Corporation and shall in general supervise and control all of the business and affairs of the Corporation, unless otherwise provided by the Board of Directors. He shall preside at all meetings of the stockholders and shall see that orders and resolutions of the Board of Directors are carried into effect. He shall have general powers of supervision and shall be the final arbiter of all differences among officers of the Corporation and his decision as to any matter affecting the Corporation shall be final and binding as between the officers of the Corporation subject only to the Board of Directors.

SECTION 4.4 PRESIDENT. If the Chairman of the Board has not been chosen Chief Executive Officer or, if the Chairman of the Board has been so chosen, in the event of his inability or refusal to act, the President shall perform the duties of the Chief Executive Officer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer. At all other times, the President shall have the active management of the business of the Corporation under the general supervision of the Chief Executive Officer. In general, he shall perform all duties incident to the office of President, and such other duties as the Chief Executive Officer or the Board of Directors may from time to time prescribe.

SECTION 4.5 VICE-PRESIDENTS. In the absence of the President or in the event of his inability or refusal to act, the Vice-President (or in the event there be more than one Vice-President, the Vice-Presidents in the order designated, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and

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when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice-Presidents shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

SECTION 4.6 SECRETARY. The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the Corporation and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or Chief Executive Officer, under whose supervision he shall be. He shall have custody of the corporate seal of the Corporation and he, or an Assistant Secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature.

SECTION 4.7 ASSISTANT SECRETARY. The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

SECTION 4.8 TREASURER. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, he shall give the Corporation a bond (which shall be renewed every six years) in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and property of whatever kind in his possession or under his control belonging to the Corporation.

SECTION 4.9 ASSISTANT TREASURER. The Assistant Treasurer, or if there be more than one, the Assistant Treasurers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

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ARTICLE V
STOCK

SECTION 5.1 CERTIFICATES. Every holder of stock shall be entitled to have a certificate signed by or in the name of the Corporation by the Chairman or Vice Chairman of the Board of Directors, if any, or the President or a Vice-President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, of the Corporation, certifying the class and number of shares of the Corporation owned by him. Any of or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

SECTION 5.2 LOST, STOLEN OR DESTROYED STOCK CERTIFICATES; ISSUANCE OF NEW CERTIFICATES. The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

SECTION 5.3 TRANSFERS OF STOCK. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

SECTION 5.4 REGISTERED STOCKHOLDERS. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

ARTICLE VI
MISCELLANEOUS

SECTION 6.1 FISCAL YEAR. The fiscal year of the Corporation shall be March 1 to the last day of February, unless otherwise determined by resolution of the Board of Directors.

SECTION 6.2 SEAL. The corporate seal shall have the name of the Corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors.

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SECTION 6.3 WAIVER OF NOTICE OF MEETINGS OF STOCKHOLDERS, DIRECTORS AND COMMITTEES. Any written waiver of notice, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of any regular or special meeting of the stockholders, directors, or member of a committee of directors need be specified in any written waiver of notice.

SECTION 6.4 INTERESTED DIRECTORS; QUORUM. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if: (1) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (2) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (3) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

SECTION 6.5 FORM OF RECORDS. Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or be in the form of, punch cards, magnetic tape, photographs, micro photographs, or any other information storage device, provided that the records so kept can be converted into clearly legible form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect the same.

SECTION 6.6 AMENDMENT OF BY-LAWS. These By-Laws may be altered or repealed, and new By-Laws made, by the Board of Directors, but the stockholders may make additional By-Laws and may alter and repeal any By-Laws whether adopted by them or otherwise.

EXHIBIT 3.2

BY-LAWS
OF
CANANDAIGUA BRANDS, INC.

(AS AMENDED AND RESTATED ON JANUARY 11, 1996)

ARTICLE I
STOCKHOLDERS

SECTION 1.1 ANNUAL MEETINGS. An annual meeting of stockholders shall be held for the election of directors at such date, time and place, either within or without the State of Delaware, as may be designated by resolution of the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting.

SECTION 1.2 SPECIAL MEETINGS. Special meetings of stockholders for any purpose or purposes may be called at any time by the Board of Directors, or by a committee of the Board of Directors which has been duly designated by the Board of Directors, and whose powers and authority, as expressly provided in a resolution of the Board of Directors, include the power to call such meetings, but such special meetings may not be called by any other person or persons.

SECTION 1.3 NOTICE OF MEETINGS. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the written notice of any meeting shall be given not less than ten nor more than fifty days before the date of the meeting to each stockholder entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation.

SECTION 1.4 ADJOURNMENTS. Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

SECTION 1.5 QUORUM. The Corporation's authorized capital stock consists of 60,000,000 shares designated as Class A Common Stock (the "Class A Common") and 20,000,000 shares designated as Class B Common Stock (the "Class B Common"). At each meeting of stockholders, except as otherwise provided by law, the Corporation's Restated Certificate of Incorporation or these By-Laws, the holders of a majority of the outstanding aggregate voting power of the Class A Common and the Class B Common, present in person or by proxy,

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shall constitute a quorum. In the absence of a quorum, the stockholders so present may, by majority vote of such stockholders voting together as a single class, adjourn the meeting from time to time in the manner provided in Section 1.4 of these By-Laws until a quorum shall attend. Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of any corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

SECTION 1.6 VOTING. Except as otherwise provided by law, Section 2.2 of these By-Laws pertaining to the election of directors, or the Corporation's Restated Certificate of Incorporation, all elections and questions shall be decided by majority vote of all outstanding shares of stock entitled to vote thereon, present in person or by proxy, voting together as a single class, provided that the holders of the Class A Common shall have one (1) vote per share and the holders of the Class B Common shall have ten (10) votes per share. Except as otherwise required by law or by the Restated Certificate of Incorporation, the Board of Directors may require a larger vote upon any election or question.

SECTION 1.7 ORGANIZATION. Meetings of stockholders shall be presided over by the Chairman of the Board, if any, or in his absence by the Vice Chairman of the Board, if any, or in his absence by the Chief Executive Officer, or in his absence by the President or in the absence of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen at the meeting. The Secretary shall act as

secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

SECTION 1.8 PROXIES. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary of the Corporation.

SECTION 1.9 FIXING DATE FOR DETERMINATION OF STOCKHOLDERS OF RECORD. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. If no record date is fixed: (1) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day

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next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; and (2) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

SECTION 1.10 LIST OF STOCKHOLDERS ENTITLED TO VOTE. The Secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the offices of the transfer agent. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list of stockholders or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

SECTION 1.11 ACTION BY CONSENT OF STOCKHOLDERS. Unless otherwise restricted by the Restated Certificate of Incorporation, any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE II
BOARD OF DIRECTORS

SECTION 2.1 NUMBER; QUALIFICATIONS. The Board of Directors shall consist of one or more members, the number thereof to be determined from time to time by resolution of the Board of Directors. Directors shall be elected at the annual meeting of stockholders and each director elected shall hold office until his successor is elected and qualified. Directors need not be stockholders.

SECTION 2.2 ELECTION; RESIGNATION; REMOVAL; VACANCIES. At every meeting of stockholders called for the election of directors, the holders of Class A Common, voting as a class, shall be entitled to elect one-fourth (1/4) of the number of directors to be elected at such meeting (rounded, if the total number of directors to be elected at such meeting is not divisible by four (4), to the next higher whole number), and the holders of Class B Common,

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voting as a class, shall be entitled to elect the remaining number of directors

to be elected at such meeting. A plurality of the votes cast shall be sufficient to elect. If the number of outstanding Class B Common shares is less than 12 1/2% of the total number of outstanding shares of Class A Common and Class B Common, then the holders of the Class A Common shall be entitled to elect one-fourth (1/4) of the number of directors to be elected at such meeting (rounded, if the total number of directors to be elected at such meeting is not divisible by four (4), to the next higher whole number) and shall be entitled to participate with the holders of the Class B Common voting as a single class in the election of the remaining number of directors to be elected at such meeting, provided that the holders of Class A Common shall have one (1) vote per share and the holders of Class B Common shall have ten (10) votes per share. If, during the interval between annual meetings for the election of directors, the number of directors who have been elected by either the holders of the Class A Common or the Class B Common shall, by reason of resignation, death, retirement, disqualification or removal, be reduced, the vacancy or vacancies in directors so created may be filled by a majority vote of the remaining directors then in office, even if less than a quorum, or by a sole remaining director. Any director so elected by the remaining directors to fill any such vacancy may be removed from office by the vote of the holders of the holders of a majority of the shares of the Class A Common and the Class B Common voting as a single class, provided that the holders of Class A Common shall have one (1) vote per share and the holders of Class B Common shall have ten (10) votes per share.

SECTION 2.3 REGULAR MEETINGS. Regular meetings of the Board of Directors may be held at such places within or without the State of Delaware and at such times as the Board of Directors may from time to time determine, and if so determined notices thereof need not be given.

SECTION 2.4 SPECIAL MEETINGS. Special meetings of the Board of Directors may be held at any time or place within or without the State of Delaware whenever called by the Chairman, Chief Executive Officer, the President, any Vice-President, the Secretary, or by any two members of the Board of Directors. At least one days' notice thereof shall be given by the person or persons calling the meeting, either personally, by mail or by telegram.

SECTION 2.5 TELEPHONIC MEETINGS PERMITTED. Members of the Board of Directors, or any committee designated by the Board, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this By-Law shall constitute presence in person at such meeting.

SECTION 2.6 QUORUM; VOTE REQUIRED FOR ACTION. At all meetings of the Board of Directors a majority of the whole Board shall constitute a quorum for the transaction of business. Except in cases in which the Restated Certificate of Incorporation or these By-Laws otherwise provide, the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 2.7 ORGANIZATION. Meetings of the Board of Directors shall be presided over by the Chairman of the Board, if any, or in his absence by the Vice Chairman of the Board, if

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any, or in his absence by the Chief Executive Officer, or in his absence by the President, or in their absence by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

SECTION 2.8 INFORMAL ACTION BY DIRECTORS. Unless otherwise restricted by the Restated Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board or such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

ARTICLE III
COMMITTEES

SECTION 3.1 COMMITTEES. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have

power or authority in reference to amending the Restated Certificate of Incorporation of the Corporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of dissolution, or amending these By-Laws; and, unless the resolution expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock.

SECTION 3.2 COMMITTEE RULES. Unless the Board of Directors otherwise provides, each committee designated by the Board may make, alter and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article II of these By-Laws.

ARTICLE IV
OFFICERS

SECTION 4.1 EXECUTIVE OFFICERS; ELECTION; QUALIFICATIONS; TERM OF OFFICE; RESIGNATION; REMOVAL; VACANCIES. The Board of Directors shall choose a President and Secretary, and it

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may, if it so determines, choose a Chairman of the Board and a Vice Chairman of the Board from among its members. The Board of Directors may also choose a Chief Executive Officer, one or more Vice-Presidents, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers, and may choose such other officers as it may deem necessary, each of whom shall have such titles and duties as shall be determined by the Board of Directors. Each such officer shall hold office until the first meeting of the Board of Directors after the annual meeting of stockholders next succeeding this election, and until his successor is elected and qualified or until his earlier resignation or removal. Any officer may resign at any time upon written notice to the Corporation. The Board of Directors may remove any officer with or without cause at any time, but such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation. Any number of offices may be held by the same person. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

SECTION 4.2 CHAIRMAN OF THE BOARD. The Chairman of the Board, if there be one, shall preside at all meetings of the Board of Directors and stockholders, and shall perform such other duties as the Board may direct.

SECTION 4.3 CHIEF EXECUTIVE OFFICER. The Board of Directors may designate whether the Chairman of the Board, if one shall have been chosen, or the President shall be the Chief Executive Officer of the Corporation. If a Chairman of the Board has not been chosen, or if one has been chosen but not designated Chief Executive Officer, then the President shall be the Chief Executive Officer of the Corporation. The Chief Executive Officer shall be the principal executive officer of the Corporation and shall in general supervise and control all of the business and affairs of the Corporation, unless otherwise provided by the Board of Directors. He shall preside at all meetings of the stockholders and shall see that orders and resolutions of the Board of Directors are carried into effect. He shall have general powers of supervision and shall be the final arbiter of all differences among officers of the Corporation and his decision as to any matter affecting the Corporation shall be final and binding as between the officers of the Corporation subject only to the Board of Directors.

SECTION 4.4 PRESIDENT. If the Chairman of the Board has not been chosen Chief Executive Officer or, if the Chairman of the Board has been so chosen, in the event of his inability or refusal to act, the President shall perform the duties of the Chief Executive Officer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer. At all other times, the President shall have the active management of the business of the Corporation under the general supervision of the Chief Executive Officer. In general, he shall perform all duties incident to the office of President, and such other duties as the Chief Executive Officer or the Board of Directors may from time to time prescribe.

SECTION 4.5 VICE-PRESIDENTS. In the absence of the President or in the event of his inability or refusal to act, the Vice-President (or in the event there be more than one Vice-President, the Vice-Presidents in the order designated, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and

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when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice-Presidents shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

SECTION 4.6 SECRETARY. The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the Corporation and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or Chief Executive Officer, under whose supervision he shall be. He shall have custody of the corporate seal of the Corporation and he, or an Assistant Secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature.

SECTION 4.7 ASSISTANT SECRETARY. The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

SECTION 4.8 TREASURER. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, he shall give the Corporation a bond (which shall be renewed every six years) in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and property of whatever kind in his possession or under his control belonging to the Corporation.

SECTION 4.9 ASSISTANT TREASURER. The Assistant Treasurer, or if there be more than one, the Assistant Treasurers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

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ARTICLE V
STOCK

SECTION 5.1 CERTIFICATES. Every holder of stock shall be entitled to have a certificate signed by or in the name of the Corporation by the Chairman or Vice Chairman of the Board of Directors, if any, or the President or a Vice-President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, of the Corporation, certifying the class and number of shares of the Corporation owned by him. Any of or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

SECTION 5.2 LOST, STOLEN OR DESTROYED STOCK CERTIFICATES; ISSUANCE OF NEW CERTIFICATES. The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

SECTION 5.3 TRANSFERS OF STOCK. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

SECTION 5.4 REGISTERED STOCKHOLDERS. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

ARTICLE VI
MISCELLANEOUS

SECTION 6.1 FISCAL YEAR. The fiscal year of the Corporation shall be March 1 to the last day of February, unless otherwise determined by resolution of the Board of Directors.

SECTION 6.2 SEAL. The corporate seal shall have the name of the Corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors.

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SECTION 6.3 WAIVER OF NOTICE OF MEETINGS OF STOCKHOLDERS, DIRECTORS AND COMMITTEES. Any written waiver of notice, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of any regular or special meeting of the stockholders, directors, or member of a committee of directors need be specified in any written waiver of notice.

SECTION 6.4 INTERESTED DIRECTORS; QUORUM. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if: (1) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (2) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (3) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

SECTION 6.5 FORM OF RECORDS. Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or be in the form of, punch cards, magnetic tape, photographs, micro photographs, or any other information storage device, provided that the records so kept can be converted into clearly legible form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect the same.

SECTION 6.6 AMENDMENT OF BY-LAWS. These By-Laws may be altered or repealed, and new By-Laws made, by the Board of Directors, but the stockholders may make additional By-Laws and may alter and repeal any By-Laws whether adopted by them or otherwise.

CANANDAIGUA WINE COMPANY, INC.

ANNUAL MANAGEMENT INCENTIVE PLAN

This Annual Management Incentive Plan was approved by the Board of Directors of the Company on June 23, 1997 and shall be effective upon approval by the stockholders. Certain capitalized terms used in the Plan are defined in Annex A.

1. PURPOSE

The Plan is designed to enable the Company to attract and retain valued employees and to provide them with incentives to attain certain annual performance goals.

2. ADMINISTRATION

The Plan shall be administered by a Committee of the Company's Board of Directors. This Committee shall consist of at least two members of the Company's Board of Directors, all of whom are (a) "outside directors" within the meaning of Section 162(m), and (b) not eligible to participate in the Plan. Subject to the Plan, the Committee shall possess the sole authority, in its discretion, to (i) establish and administer the Performance Criteria and Performance Targets, (ii) select the Participating Executives who will receive Bonuses under the Plan, (iii) determine the amount of such Bonuses and any terms, conditions or limitations on the payment of any Bonuses, (iv) interpret the Plan, (v) make and amend rules and regulations relating to the Plan, and (vi) make all other determinations necessary or advisable for the administration of the Plan.

3. TERMS AND CONDITIONS OF BONUSES

For each Performance Period, the Committee shall select, at the time the Performance Criteria and Performance Targets are determined, the Participating Executives. Each Participating Executive may receive a Bonus if and only if the Performance Targets established by the Committee, relative to the applicable Performance Criteria, are attained. The applicable Performance Period and Performance Targets shall be determined by the Committee consistent with the terms of the Plan and Section 162(m). The Committee may adjust Performance Targets to take into account the effects of any Extraordinary Items equitably in a manner consistent with the determination of the original Bonus, provided, however, no such adjustment may be made with respect to any Bonus to a Participating Executive which is intended to qualify as "performance based compensation" unless such adjustment satisfies the requirements of Section 162(m) and the related Rules.

The Performance Target with respect to the Performance Criteria must be established by the Committee in advance of the deadlines applicable under Section 162(m) and while the performance relating to the Performance Target remains substantially uncertain within the meaning of Section 162(m). At the time the Performance Target is established, the Committee shall provide, in terms of an objective formula or standard for each Participating Executive, the method of computing the specific amount that will represent the maximum amount of Bonus payable to the Participant if the Performance Target is attained.

Notwithstanding any other provision hereof, no Participating Executive shall receive a Bonus under the Plan for any fiscal year or other Performance Period in excess of \$2 million. Any Bonuses awarded by the Committee under the Plan shall be paid within 30 days after year-end financial results are reported or, if later, as soon as practicable following the Committee's determinations and certification under this Section. Any such payment shall be in cash or cash equivalent, subject to applicable withholding requirements. Notwithstanding the foregoing, the Committee may, in its sole discretion, defer the payout of any Bonus. In the case of the delay of a Bonus otherwise payable at or after the attainment and certification of the applicable Performance Target, any additional amount payable as a result of the delay shall be limited to the Moody's Average Corporate Bond Yield during the deferral period.

No Participating Executive shall receive any payment under the Plan unless the Committee has certified, by resolution or other appropriate action in writing, that the amount thereof has been accurately

determined in accordance with the terms, conditions and limits of the Plan and that the Performance Target and any other material terms previously established by the Committee or set forth in the Plan were in fact satisfied.

4. TERMINATION OF EMPLOYMENT

If the employment of a Participating Executive terminates by reason of such Participating Executive's Retirement, Disability, death or involuntary

termination without Cause, a ratable portion of any applicable Bonus shall be paid, subject to the attainment of the applicable Performance Target, at or after the attainment and certification of the applicable Performance Target at the end of the fiscal year or other Performance Period. The ratable portion of the Bonus shall be determined by multiplying the bonus by a fraction, the numerator of which is the number of full or partial months during the Performance Period during which the Participating Executive was employed, and the denominator of which is the number of calendar months in the Performance Period. Upon termination of the Participating Executive's employment by voluntary resignation or for Cause, all Bonuses for which the Participating Executive may be eligible shall be forfeited unless the Committee otherwise expressly so provides in a written contract or other written instrument.

5. ADJUSTMENTS

In the event of any change in the Company's applicable accounting principles or practices by reason of any stock dividend, stock split, recapitalization, reorganization, merger, consolidation, split-up, combination, exchange of shares, rights offering or other similar change which occurs after the Performance Targets are established for a given Performance Period, the amount of the Bonuses paid under the Plan for such Performance Period shall be automatically adjusted consistent with such change to prevent dilution or enlargement of the Bonuses under the Plan.

6. NO EMPLOYMENT RIGHTS

The Plan shall not confer upon any Participating Executive any right with respect to continuance as an employee of the Company, nor shall it interfere in any way with the right of the Company to terminate the Participating Executive's position as an employee.

7. DISCRETION OF COMPANY

Any decision made or action taken by the Company, the Committee or the Board of Directors in connection with the creation, amendment, construction, administration, interpretation or effect of the Plan shall be within the absolute discretion of such entity and shall be conclusive and binding upon all persons. No officer, director or member of the Committee shall have any liability for actions taken or omitted under the Plan by the member or by any other person.

8. AMENDMENT AND DISCONTINUANCE

The Plan may be amended, modified or terminated by the Committee at any time, and all Bonuses shall be subject to the Plan as amended from time to time, except that the Committee may not, without the approval of a Participating Executive adversely affect any rights under the Plan. No amendment, modification or termination shall be effective without the approval of the Board of Directors and/or the stockholders if such approval is necessary to comply with the applicable provisions of Section 162(m).

9. CHANGE OF CONTROL

Notwithstanding other provisions of the Plan, in the event of a Change of Control of the Company, the Performance Period for a Participating Executive shall end on the date of the Change of Control and the Performance Target shall be adjusted to reflect the early termination of the Performance Period. If the Performance Target, as adjusted, is deemed satisfied by the Committee, the Participating Executive may receive a ratable portion of the Bonus that would have been paid if the Performance Period had not been terminated early and the Performance Target had been satisfied. The ratable portion of the Bonus shall be determined by multiplying the original Bonus by a fraction, the numerator of which is the number of months from the first day

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of the Performance Period to the date of the Change of Control (including any fractional month) and the denominator of which is the total number of months in the original Performance Period.

The Plan shall be binding upon any successor to the Company, whether such successor is the result of a direct or indirect purchase, merger, consolidation or other acquisition of all or substantially all of the business and/or assets of the Company.

10. SECTION 162(m) CONDITIONS

It is the intent of the Company that the Plan and Bonuses paid under the Plan satisfy and be interpreted in a manner that satisfies any applicable requirements of Section 162(m) as performance-based compensation. Any provision, application or interpretation of the Plan inconsistent with this intent to satisfy the standards in Section 162(m) shall be disregarded. Notwithstanding anything to the contrary in the Plan, the provisions of the Plan may at any time be bifurcated by the Committee in any manner so that certain provisions of the Plan or any Bonus intended (or required in order) to satisfy the applicable

requirements of Section 162(m) are applicable only to persons whose compensation is subject to Section 162(m).

11. NO FUNDING OF THE PLAN

The Company shall not be required to fund or otherwise segregate any cash or any other assets which may at any time be paid to any Participating Executive under the Plan. The Plan shall constitute an "unfunded" plan of the Company. The Company shall not, by any provisions of the Plan, be deemed to be a trustee of any property, and any rights of any Participating Executive shall be limited to those of a general unsecured creditor.

12. NON-TRANSFERABILITY

Except as expressly provided by the Committee, no benefit payable under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any such attempted action shall be void. This Section shall not apply to an assignment of a contingency or payment due after the death of a Participating Executive to such Participating Executive's legal representative or beneficiary.

13. EFFECTIVE DATE

The effective date of the Plan shall be the date the Plan is approved by the Company's stockholders.

14. DEFINITIONS

Any terms or provisions used herein which are defined in Section 162(m) shall have the meanings as therein defined.

15. GOVERNING LAW

To the extent not inconsistent with the provisions of Section 162(m), the Plan shall be construed under the laws of the State of New York.

Dated: June 23, 1997

CANANDAIGUA WINE COMPANY, INC.

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By: /s/ Richard Sands

Title: President

Date of Stockholder Approval: July 22, 1997

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ANNEX A
TO
ANNUAL MANAGEMENT INCENTIVE PLAN
CERTAIN DEFINITIONS

Capitalized terms used in the Plan shall have the meanings set forth below:

"BONUS" means a cash payment or payment opportunity, as the context requires.

"CAUSE" means, solely for the purposes of the Plan, gross negligence or willful misconduct or commission of a felony or an act of moral turpitude determined by the Committee to be detrimental to the best interests of the Company or, if the Participating Executive is subject to a written agreement with the Company "cause" shall have the meaning set forth in that agreement.

"CHANGE OF CONTROL" means:

(a) there shall be consummated

(i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which any Shares are to be converted into cash, securities or other property, provided that the consolidation or merger is not with a corporation which was a direct or indirect wholly-owned subsidiary of the Company or a parent of the Company immediately before the consolidation or merger; or

(ii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company; or

(b) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; or

- (c) any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) shall become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, of 30% or more voting control of the Company's then outstanding common stock, provided that such person shall not be a wholly-owned subsidiary of the Company immediately before it becomes such 30% beneficial owner of voting control; or
- (d) individuals who constitute the Company's Board of Directors on the date hereof (the "Incumbent Board") cease for any reason to constitute at least a majority thereof, provided, however, that any person becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least three quarters of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director without objection to such nomination) shall be, for purposes of this clause (d), considered as though such person were a member of the Incumbent Board.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COMPANY" means Canandaigua Wine Company, Inc. and its Subsidiaries, except when the context indicates that only the parent company is intended.

"COMMITTEE" means the committee appointed by the Board of Directors of the Company to administer the Plan as provided in Section 2.

"DISABILITY" means the inability of a Participant to perform his or her duties for a period in excess of the applicable statutory short-term disability coverage provided by the Company. The date of termination with respect to Disability shall be the day following the date such short-term disability protection lapses.

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"EXTRAORDINARY ITEMS" means (a) items presented as such (or other comparable terms) on the Company's audited financial statements, (b) extraordinary, unusual or nonrecurring items of gain or loss, (c) changes in tax or accounting laws or Rules, and (d) the effects of mergers, acquisitions, divestitures, spin offs or significant transactions, each of which are identified in the audited financial statements and notes thereto or in the "management's discussion and analysis" of the financial statements in a period report filed with the SEC under the Exchange Act.

"PARTICIPATING EXECUTIVE" means a key employee (including any officer) of the Company or one of its Subsidiaries selected by the Committee to participate in the Plan.

"PERFORMANCE CRITERIA" means one or more of the following performance criteria selected by the Committee with respect to any performance-based Award: (a) increases in the Fair Market Value of a Share, (b) shareholder value added, (c) cash flow, (d) earnings per share, (e) earnings of the Company before deducting interest, taxes, depreciation and amortization, (f) return on equity, (g) return on capital, (h) return on assets or net assets, (i) cost reduction or control, (j) operating income or net operating income, (k) operating margins/sales in one or more business segments or product lines, (l) return on operating revenue, and (m) market share in one or more business segments or product lines. Performance criteria may be established on a corporate, divisional, business unit or consolidated basis and measured absolutely or relative to the Company's peers.

"PERFORMANCE PERIOD" means the fiscal year or years or other period established by the Committee with respect to which the Performance Targets are set by the Committee.

"PERFORMANCE TARGET" means one or more specific objective goal or goals (which may be cumulative or alternative) that are timely set in writing by the Committee for each Participant for the applicable Performance Period with respect to any one or more of the Performance Criteria.

"PLAN" means the Annual Management Incentive Plan of the Company, as amended from time to time.

"RETIREMENT" means a termination of employment by an employee who is at least 60 years of age and after at least 10 years of service with the Company (which shall include entities acquired by the Company, if the Committee so determines).

"RULES" means rules, regulations and interpretations issued by the governmental authority charged with administering any law and any judicial interpretations applicable thereto.

"SECTION 162(m)" means Section 162(m) of the Code, together with the regulations promulgated thereunder, all as amended from time to time.

"SHARES" means shares of the Company's Class A Common Stock, par value \$.01 per

share.

"SUBSIDIARIES" means (a) all corporations of which at least fifty percent of the voting stock is owned by the Company directly or through one or more corporations at least fifty percent of whose voting stock is so owned, and (b) partnerships or other entities in which the Company has, either directly or indirectly, at least a fifty percent interest in the capital or profits.

CANANDAIGUA WINE COMPANY, INC.

ANNUAL MANAGEMENT INCENTIVE PLAN

This Annual Management Incentive Plan was approved by the Board of Directors of the Company on June 23, 1997 and shall be effective upon approval by the stockholders. Certain capitalized terms used in the Plan are defined in Annex A.

1. PURPOSE

The Plan is designed to enable the Company to attract and retain valued employees and to provide them with incentives to attain certain annual performance goals.

2. ADMINISTRATION

The Plan shall be administered by a Committee of the Company's Board of Directors. This Committee shall consist of at least two members of the Company's Board of Directors, all of whom are (a) "outside directors" within the meaning of Section 162(m), and (b) not eligible to participate in the Plan. Subject to the Plan, the Committee shall possess the sole authority, in its discretion, to (i) establish and administer the Performance Criteria and Performance Targets, (ii) select the Participating Executives who will receive Bonuses under the Plan, (iii) determine the amount of such Bonuses and any terms, conditions or limitations on the payment of any Bonuses, (iv) interpret the Plan, (v) make and amend rules and regulations relating to the Plan, and (vi) make all other determinations necessary or advisable for the administration of the Plan.

3. TERMS AND CONDITIONS OF BONUSES

For each Performance Period, the Committee shall select, at the time the Performance Criteria and Performance Targets are determined, the Participating Executives. Each Participating Executive may receive a Bonus if and only if the Performance Targets established by the Committee, relative to the applicable Performance Criteria, are attained. The applicable Performance Period and Performance Targets shall be determined by the Committee consistent with the terms of the Plan and Section 162(m). The Committee may adjust Performance Targets to take into account the effects of any Extraordinary Items equitably in a manner consistent with the determination of the original Bonus, provided, however, no such adjustment may be made with respect to any Bonus to a Participating Executive which is intended to qualify as "performance based compensation" unless such adjustment satisfies the requirements of Section 162(m) and the related Rules.

The Performance Target with respect to the Performance Criteria must be established by the Committee in advance of the deadlines applicable under Section 162(m) and while the performance relating to the Performance Target remains substantially uncertain within the meaning of Section 162(m). At the time the Performance Target is established, the Committee shall provide, in terms of an objective formula or standard for each Participating Executive, the method of computing the specific amount that will represent the maximum amount of Bonus payable to the Participant if the Performance Target is attained.

Notwithstanding any other provision hereof, no Participating Executive shall receive a Bonus under the Plan for any fiscal year or other Performance Period in excess of \$2 million. Any Bonuses awarded by the Committee under the Plan shall be paid within 30 days after year-end financial results are reported or, if later, as soon as practicable following the Committee's determinations and certification under this Section. Any such payment shall be in cash or cash equivalent, subject to applicable withholding requirements. Notwithstanding the foregoing, the Committee may, in its sole discretion, defer the payout of any Bonus. In the case of the delay of a Bonus otherwise payable at or after the attainment and certification of the applicable Performance Target, any additional amount payable as a result of the delay shall be limited to the Moody's Average Corporate Bond Yield during the deferral period.

No Participating Executive shall receive any payment under the Plan unless the Committee has certified, by resolution or other appropriate action in writing, that the amount thereof has been accurately

determined in accordance with the terms, conditions and limits of the Plan and that the Performance Target and any other material terms previously established by the Committee or set forth in the Plan were in fact satisfied.

4. TERMINATION OF EMPLOYMENT

If the employment of a Participating Executive terminates by reason of such Participating Executive's Retirement, Disability, death or involuntary

termination without Cause, a ratable portion of any applicable Bonus shall be paid, subject to the attainment of the applicable Performance Target, at or after the attainment and certification of the applicable Performance Target at the end of the fiscal year or other Performance Period. The ratable portion of the Bonus shall be determined by multiplying the bonus by a fraction, the numerator of which is the number of full or partial months during the Performance Period during which the Participating Executive was employed, and the denominator of which is the number of calendar months in the Performance Period. Upon termination of the Participating Executive's employment by voluntary resignation or for Cause, all Bonuses for which the Participating Executive may be eligible shall be forfeited unless the Committee otherwise expressly so provides in a written contract or other written instrument.

5. ADJUSTMENTS

In the event of any change in the Company's applicable accounting principles or practices by reason of any stock dividend, stock split, recapitalization, reorganization, merger, consolidation, split-up, combination, exchange of shares, rights offering or other similar change which occurs after the Performance Targets are established for a given Performance Period, the amount of the Bonuses paid under the Plan for such Performance Period shall be automatically adjusted consistent with such change to prevent dilution or enlargement of the Bonuses under the Plan.

6. NO EMPLOYMENT RIGHTS

The Plan shall not confer upon any Participating Executive any right with respect to continuance as an employee of the Company, nor shall it interfere in any way with the right of the Company to terminate the Participating Executive's position as an employee.

7. DISCRETION OF COMPANY

Any decision made or action taken by the Company, the Committee or the Board of Directors in connection with the creation, amendment, construction, administration, interpretation or effect of the Plan shall be within the absolute discretion of such entity and shall be conclusive and binding upon all persons. No officer, director or member of the Committee shall have any liability for actions taken or omitted under the Plan by the member or by any other person.

8. AMENDMENT AND DISCONTINUANCE

The Plan may be amended, modified or terminated by the Committee at any time, and all Bonuses shall be subject to the Plan as amended from time to time, except that the Committee may not, without the approval of a Participating Executive adversely affect any rights under the Plan. No amendment, modification or termination shall be effective without the approval of the Board of Directors and/or the stockholders if such approval is necessary to comply with the applicable provisions of Section 162(m).

9. CHANGE OF CONTROL

Notwithstanding other provisions of the Plan, in the event of a Change of Control of the Company, the Performance Period for a Participating Executive shall end on the date of the Change of Control and the Performance Target shall be adjusted to reflect the early termination of the Performance Period. If the Performance Target, as adjusted, is deemed satisfied by the Committee, the Participating Executive may receive a ratable portion of the Bonus that would have been paid if the Performance Period had not been terminated early and the Performance Target had been satisfied. The ratable portion of the Bonus shall be determined by multiplying the original Bonus by a fraction, the numerator of which is the number of months from the first day

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of the Performance Period to the date of the Change of Control (including any fractional month) and the denominator of which is the total number of months in the original Performance Period.

The Plan shall be binding upon any successor to the Company, whether such successor is the result of a direct or indirect purchase, merger, consolidation or other acquisition of all or substantially all of the business and/or assets of the Company.

10. SECTION 162(m) CONDITIONS

It is the intent of the Company that the Plan and Bonuses paid under the Plan satisfy and be interpreted in a manner that satisfies any applicable requirements of Section 162(m) as performance-based compensation. Any provision, application or interpretation of the Plan inconsistent with this intent to satisfy the standards in Section 162(m) shall be disregarded. Notwithstanding anything to the contrary in the Plan, the provisions of the Plan may at any time be bifurcated by the Committee in any manner so that certain provisions of the Plan or any Bonus intended (or required in order) to satisfy the applicable

requirements of Section 162(m) are applicable only to persons whose compensation is subject to Section 162(m).

11. NO FUNDING OF THE PLAN

The Company shall not be required to fund or otherwise segregate any cash or any other assets which may at any time be paid to any Participating Executive under the Plan. The Plan shall constitute an "unfunded" plan of the Company. The Company shall not, by any provisions of the Plan, be deemed to be a trustee of any property, and any rights of any Participating Executive shall be limited to those of a general unsecured creditor.

12. NON-TRANSFERABILITY

Except as expressly provided by the Committee, no benefit payable under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any such attempted action shall be void. This Section shall not apply to an assignment of a contingency or payment due after the death of a Participating Executive to such Participating Executive's legal representative or beneficiary.

13. EFFECTIVE DATE

The effective date of the Plan shall be the date the Plan is approved by the Company's stockholders.

14. DEFINITIONS

Any terms or provisions used herein which are defined in Section 162(m) shall have the meanings as therein defined.

15. GOVERNING LAW

To the extent not inconsistent with the provisions of Section 162(m), the Plan shall be construed under the laws of the State of New York.

Dated: June 23, 1997

CANANDAIGUA WINE COMPANY, INC.

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By: /s/ Richard Sands

Title: President

Date of Stockholder Approval: July 22, 1997

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ANNEX A
TO
ANNUAL MANAGEMENT INCENTIVE PLAN

CERTAIN DEFINITIONS

Capitalized terms used in the Plan shall have the meanings set forth below:

"BONUS" means a cash payment or payment opportunity, as the context requires.

"CAUSE" means, solely for the purposes of the Plan, gross negligence or willful misconduct or commission of a felony or an act of moral turpitude determined by the Committee to be detrimental to the best interests of the Company or, if the Participating Executive is subject to a written agreement with the Company "cause" shall have the meaning set forth in that agreement.

"CHANGE OF CONTROL" means:

(a) there shall be consummated

(i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which any Shares are to be converted into cash, securities or other property, provided that the consolidation or merger is not with a corporation which was a direct or indirect wholly-owned subsidiary of the Company or a parent of the Company immediately before the consolidation or merger; or

(ii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company; or

(b) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; or

- (c) any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) shall become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, of 30% or more voting control of the Company's then outstanding common stock, provided that such person shall not be a wholly-owned subsidiary of the Company immediately before it becomes such 30% beneficial owner of voting control; or
- (d) individuals who constitute the Company's Board of Directors on the date hereof (the "Incumbent Board") cease for any reason to constitute at least a majority thereof, provided, however, that any person becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least three quarters of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director without objection to such nomination) shall be, for purposes of this clause (d), considered as though such person were a member of the Incumbent Board.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COMPANY" means Canandaigua Wine Company, Inc. and its Subsidiaries, except when the context indicates that only the parent company is intended.

"COMMITTEE" means the committee appointed by the Board of Directors of the Company to administer the Plan as provided in Section 2.

"DISABILITY" means the inability of a Participant to perform his or her duties for a period in excess of the applicable statutory short-term disability coverage provided by the Company. The date of termination with respect to Disability shall be the day following the date such short-term disability protection lapses.

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"EXTRAORDINARY ITEMS" means (a) items presented as such (or other comparable terms) on the Company's audited financial statements, (b) extraordinary, unusual or nonrecurring items of gain or loss, (c) changes in tax or accounting laws or Rules, and (d) the effects of mergers, acquisitions, divestitures, spin offs or significant transactions, each of which are identified in the audited financial statements and notes thereto or in the "management's discussion and analysis" of the financial statements in a period report filed with the SEC under the Exchange Act.

"PARTICIPATING EXECUTIVE" means a key employee (including any officer) of the Company or one of its Subsidiaries selected by the Committee to participate in the Plan.

"PERFORMANCE CRITERIA" means one or more of the following performance criteria selected by the Committee with respect to any performance-based Award: (a) increases in the Fair Market Value of a Share, (b) shareholder value added, (c) cash flow, (d) earnings per share, (e) earnings of the Company before deducting interest, taxes, depreciation and amortization, (f) return on equity, (g) return on capital, (h) return on assets or net assets, (i) cost reduction or control, (j) operating income or net operating income, (k) operating margins/sales in one or more business segments or product lines, (l) return on operating revenue, and (m) market share in one or more business segments or product lines. Performance criteria may be established on a corporate, divisional, business unit or consolidated basis and measured absolutely or relative to the Company's peers.

"PERFORMANCE PERIOD" means the fiscal year or years or other period established by the Committee with respect to which the Performance Targets are set by the Committee.

"PERFORMANCE TARGET" means one or more specific objective goal or goals (which may be cumulative or alternative) that are timely set in writing by the Committee for each Participant for the applicable Performance Period with respect to any one or more of the Performance Criteria.

"PLAN" means the Annual Management Incentive Plan of the Company, as amended from time to time.

"RETIREMENT" means a termination of employment by an employee who is at least 60 years of age and after at least 10 years of service with the Company (which shall include entities acquired by the Company, if the Committee so determines).

"RULES" means rules, regulations and interpretations issued by the governmental authority charged with administering any law and any judicial interpretations applicable thereto.

"SECTION 162(m)" means Section 162(m) of the Code, together with the regulations promulgated thereunder, all as amended from time to time.

"SHARES" means shares of the Company's Class A Common Stock, par value \$.01 per

share.

"SUBSIDIARIES" means (a) all corporations of which at least fifty percent of the voting stock is owned by the Company directly or through one or more corporations at least fifty percent of whose voting stock is so owned, and (b) partnerships or other entities in which the Company has, either directly or indirectly, at least a fifty percent interest in the capital or profits.

CANANDAIGUA WINE COMPANY, INC.

ANNUAL MANAGEMENT INCENTIVE PLAN

This Annual Management Incentive Plan was approved by the Board of Directors of the Company on June 23, 1997 and shall be effective upon approval by the stockholders. Certain capitalized terms used in the Plan are defined in Annex A.

1. PURPOSE

The Plan is designed to enable the Company to attract and retain valued employees and to provide them with incentives to attain certain annual performance goals.

2. ADMINISTRATION

The Plan shall be administered by a Committee of the Company's Board of Directors. This Committee shall consist of at least two members of the Company's Board of Directors, all of whom are (a) "outside directors" within the meaning of Section 162(m), and (b) not eligible to participate in the Plan. Subject to the Plan, the Committee shall possess the sole authority, in its discretion, to (i) establish and administer the Performance Criteria and Performance Targets, (ii) select the Participating Executives who will receive Bonuses under the Plan, (iii) determine the amount of such Bonuses and any terms, conditions or limitations on the payment of any Bonuses, (iv) interpret the Plan, (v) make and amend rules and regulations relating to the Plan, and (vi) make all other determinations necessary or advisable for the administration of the Plan.

3. TERMS AND CONDITIONS OF BONUSES

For each Performance Period, the Committee shall select, at the time the Performance Criteria and Performance Targets are determined, the Participating Executives. Each Participating Executive may receive a Bonus if and only if the Performance Targets established by the Committee, relative to the applicable Performance Criteria, are attained. The applicable Performance Period and Performance Targets shall be determined by the Committee consistent with the terms of the Plan and Section 162(m). The Committee may adjust Performance Targets to take into account the effects of any Extraordinary Items equitably in a manner consistent with the determination of the original Bonus, provided, however, no such adjustment may be made with respect to any Bonus to a Participating Executive which is intended to qualify as "performance based compensation" unless such adjustment satisfies the requirements of Section 162(m) and the related Rules.

The Performance Target with respect to the Performance Criteria must be established by the Committee in advance of the deadlines applicable under Section 162(m) and while the performance relating to the Performance Target remains substantially uncertain within the meaning of Section 162(m). At the time the Performance Target is established, the Committee shall provide, in terms of an objective formula or standard for each Participating Executive, the method of computing the specific amount that will represent the maximum amount of Bonus payable to the Participant if the Performance Target is attained.

Notwithstanding any other provision hereof, no Participating Executive shall receive a Bonus under the Plan for any fiscal year or other Performance Period in excess of \$2 million. Any Bonuses awarded by the Committee under the Plan shall be paid within 30 days after year-end financial results are reported or, if later, as soon as practicable following the Committee's determinations and certification under this Section. Any such payment shall be in cash or cash equivalent, subject to applicable withholding requirements. Notwithstanding the foregoing, the Committee may, in its sole discretion, defer the payout of any Bonus. In the case of the delay of a Bonus otherwise payable at or after the attainment and certification of the applicable Performance Target, any additional amount payable as a result of the delay shall be limited to the Moody's Average Corporate Bond Yield during the deferral period.

No Participating Executive shall receive any payment under the Plan unless the Committee has certified, by resolution or other appropriate action in writing, that the amount thereof has been accurately

determined in accordance with the terms, conditions and limits of the Plan and that the Performance Target and any other material terms previously established by the Committee or set forth in the Plan were in fact satisfied.

4. TERMINATION OF EMPLOYMENT

If the employment of a Participating Executive terminates by reason of such Participating Executive's Retirement, Disability, death or involuntary

termination without Cause, a ratable portion of any applicable Bonus shall be paid, subject to the attainment of the applicable Performance Target, at or after the attainment and certification of the applicable Performance Target at the end of the fiscal year or other Performance Period. The ratable portion of the Bonus shall be determined by multiplying the bonus by a fraction, the numerator of which is the number of full or partial months during the Performance Period during which the Participating Executive was employed, and the denominator of which is the number of calendar months in the Performance Period. Upon termination of the Participating Executive's employment by voluntary resignation or for Cause, all Bonuses for which the Participating Executive may be eligible shall be forfeited unless the Committee otherwise expressly so provides in a written contract or other written instrument.

5. ADJUSTMENTS

In the event of any change in the Company's applicable accounting principles or practices by reason of any stock dividend, stock split, recapitalization, reorganization, merger, consolidation, split-up, combination, exchange of shares, rights offering or other similar change which occurs after the Performance Targets are established for a given Performance Period, the amount of the Bonuses paid under the Plan for such Performance Period shall be automatically adjusted consistent with such change to prevent dilution or enlargement of the Bonuses under the Plan.

6. NO EMPLOYMENT RIGHTS

The Plan shall not confer upon any Participating Executive any right with respect to continuance as an employee of the Company, nor shall it interfere in any way with the right of the Company to terminate the Participating Executive's position as an employee.

7. DISCRETION OF COMPANY

Any decision made or action taken by the Company, the Committee or the Board of Directors in connection with the creation, amendment, construction, administration, interpretation or effect of the Plan shall be within the absolute discretion of such entity and shall be conclusive and binding upon all persons. No officer, director or member of the Committee shall have any liability for actions taken or omitted under the Plan by the member or by any other person.

8. AMENDMENT AND DISCONTINUANCE

The Plan may be amended, modified or terminated by the Committee at any time, and all Bonuses shall be subject to the Plan as amended from time to time, except that the Committee may not, without the approval of a Participating Executive adversely affect any rights under the Plan. No amendment, modification or termination shall be effective without the approval of the Board of Directors and/or the stockholders if such approval is necessary to comply with the applicable provisions of Section 162(m).

9. CHANGE OF CONTROL

Notwithstanding other provisions of the Plan, in the event of a Change of Control of the Company, the Performance Period for a Participating Executive shall end on the date of the Change of Control and the Performance Target shall be adjusted to reflect the early termination of the Performance Period. If the Performance Target, as adjusted, is deemed satisfied by the Committee, the Participating Executive may receive a ratable portion of the Bonus that would have been paid if the Performance Period had not been terminated early and the Performance Target had been satisfied. The ratable portion of the Bonus shall be determined by multiplying the original Bonus by a fraction, the numerator of which is the number of months from the first day

Page 3

of the Performance Period to the date of the Change of Control (including any fractional month) and the denominator of which is the total number of months in the original Performance Period.

The Plan shall be binding upon any successor to the Company, whether such successor is the result of a direct or indirect purchase, merger, consolidation or other acquisition of all or substantially all of the business and/or assets of the Company.

10. SECTION 162(m) CONDITIONS

It is the intent of the Company that the Plan and Bonuses paid under the Plan satisfy and be interpreted in a manner that satisfies any applicable requirements of Section 162(m) as performance-based compensation. Any provision, application or interpretation of the Plan inconsistent with this intent to satisfy the standards in Section 162(m) shall be disregarded. Notwithstanding anything to the contrary in the Plan, the provisions of the Plan may at any time be bifurcated by the Committee in any manner so that certain provisions of the Plan or any Bonus intended (or required in order) to satisfy the applicable

requirements of Section 162(m) are applicable only to persons whose compensation is subject to Section 162(m).

11. NO FUNDING OF THE PLAN

The Company shall not be required to fund or otherwise segregate any cash or any other assets which may at any time be paid to any Participating Executive under the Plan. The Plan shall constitute an "unfunded" plan of the Company. The Company shall not, by any provisions of the Plan, be deemed to be a trustee of any property, and any rights of any Participating Executive shall be limited to those of a general unsecured creditor.

12. NON-TRANSFERABILITY

Except as expressly provided by the Committee, no benefit payable under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any such attempted action shall be void. This Section shall not apply to an assignment of a contingency or payment due after the death of a Participating Executive to such Participating Executive's legal representative or beneficiary.

13. EFFECTIVE DATE

The effective date of the Plan shall be the date the Plan is approved by the Company's stockholders.

14. DEFINITIONS

Any terms or provisions used herein which are defined in Section 162(m) shall have the meanings as therein defined.

15. GOVERNING LAW

To the extent not inconsistent with the provisions of Section 162(m), the Plan shall be construed under the laws of the State of New York.

Dated: June 23, 1997

CANANDAIGUA WINE COMPANY, INC.

--

By: /s/ Richard Sands

Title: President

Date of Stockholder Approval: July 22, 1997

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ANNEX A
TO
ANNUAL MANAGEMENT INCENTIVE PLAN

CERTAIN DEFINITIONS

Capitalized terms used in the Plan shall have the meanings set forth below:

"BONUS" means a cash payment or payment opportunity, as the context requires.

"CAUSE" means, solely for the purposes of the Plan, gross negligence or willful misconduct or commission of a felony or an act of moral turpitude determined by the Committee to be detrimental to the best interests of the Company or, if the Participating Executive is subject to a written agreement with the Company "cause" shall have the meaning set forth in that agreement.

"CHANGE OF CONTROL" means:

(a) there shall be consummated

(i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which any Shares are to be converted into cash, securities or other property, provided that the consolidation or merger is not with a corporation which was a direct or indirect wholly-owned subsidiary of the Company or a parent of the Company immediately before the consolidation or merger; or

(ii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company; or

(b) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; or

- (c) any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) shall become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, of 30% or more voting control of the Company's then outstanding common stock, provided that such person shall not be a wholly-owned subsidiary of the Company immediately before it becomes such 30% beneficial owner of voting control; or
- (d) individuals who constitute the Company's Board of Directors on the date hereof (the "Incumbent Board") cease for any reason to constitute at least a majority thereof, provided, however, that any person becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least three quarters of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director without objection to such nomination) shall be, for purposes of this clause (d), considered as though such person were a member of the Incumbent Board.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COMPANY" means Canandaigua Wine Company, Inc. and its Subsidiaries, except when the context indicates that only the parent company is intended.

"COMMITTEE" means the committee appointed by the Board of Directors of the Company to administer the Plan as provided in Section 2.

"DISABILITY" means the inability of a Participant to perform his or her duties for a period in excess of the applicable statutory short-term disability coverage provided by the Company. The date of termination with respect to Disability shall be the day following the date such short-term disability protection lapses.

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"EXTRAORDINARY ITEMS" means (a) items presented as such (or other comparable terms) on the Company's audited financial statements, (b) extraordinary, unusual or nonrecurring items of gain or loss, (c) changes in tax or accounting laws or Rules, and (d) the effects of mergers, acquisitions, divestitures, spin offs or significant transactions, each of which are identified in the audited financial statements and notes thereto or in the "management's discussion and analysis" of the financial statements in a period report filed with the SEC under the Exchange Act.

"PARTICIPATING EXECUTIVE" means a key employee (including any officer) of the Company or one of its Subsidiaries selected by the Committee to participate in the Plan.

"PERFORMANCE CRITERIA" means one or more of the following performance criteria selected by the Committee with respect to any performance-based Award: (a) increases in the Fair Market Value of a Share, (b) shareholder value added, (c) cash flow, (d) earnings per share, (e) earnings of the Company before deducting interest, taxes, depreciation and amortization, (f) return on equity, (g) return on capital, (h) return on assets or net assets, (i) cost reduction or control, (j) operating income or net operating income, (k) operating margins/sales in one or more business segments or product lines, (l) return on operating revenue, and (m) market share in one or more business segments or product lines. Performance criteria may be established on a corporate, divisional, business unit or consolidated basis and measured absolutely or relative to the Company's peers.

"PERFORMANCE PERIOD" means the fiscal year or years or other period established by the Committee with respect to which the Performance Targets are set by the Committee.

"PERFORMANCE TARGET" means one or more specific objective goal or goals (which may be cumulative or alternative) that are timely set in writing by the Committee for each Participant for the applicable Performance Period with respect to any one or more of the Performance Criteria.

"PLAN" means the Annual Management Incentive Plan of the Company, as amended from time to time.

"RETIREMENT" means a termination of employment by an employee who is at least 60 years of age and after at least 10 years of service with the Company (which shall include entities acquired by the Company, if the Committee so determines).

"RULES" means rules, regulations and interpretations issued by the governmental authority charged with administering any law and any judicial interpretations applicable thereto.

"SECTION 162(m)" means Section 162(m) of the Code, together with the regulations promulgated thereunder, all as amended from time to time.

"SHARES" means shares of the Company's Class A Common Stock, par value \$.01 per

share.

"SUBSIDIARIES" means (a) all corporations of which at least fifty percent of the voting stock is owned by the Company directly or through one or more corporations at least fifty percent of whose voting stock is so owned, and (b) partnerships or other entities in which the Company has, either directly or indirectly, at least a fifty percent interest in the capital or profits.

CANANDAIGUA WINE COMPANY, INC.

ANNUAL MANAGEMENT INCENTIVE PLAN

This Annual Management Incentive Plan was approved by the Board of Directors of the Company on June 23, 1997 and shall be effective upon approval by the stockholders. Certain capitalized terms used in the Plan are defined in Annex A.

1. PURPOSE

The Plan is designed to enable the Company to attract and retain valued employees and to provide them with incentives to attain certain annual performance goals.

2. ADMINISTRATION

The Plan shall be administered by a Committee of the Company's Board of Directors. This Committee shall consist of at least two members of the Company's Board of Directors, all of whom are (a) "outside directors" within the meaning of Section 162(m), and (b) not eligible to participate in the Plan. Subject to the Plan, the Committee shall possess the sole authority, in its discretion, to (i) establish and administer the Performance Criteria and Performance Targets, (ii) select the Participating Executives who will receive Bonuses under the Plan, (iii) determine the amount of such Bonuses and any terms, conditions or limitations on the payment of any Bonuses, (iv) interpret the Plan, (v) make and amend rules and regulations relating to the Plan, and (vi) make all other determinations necessary or advisable for the administration of the Plan.

3. TERMS AND CONDITIONS OF BONUSES

For each Performance Period, the Committee shall select, at the time the Performance Criteria and Performance Targets are determined, the Participating Executives. Each Participating Executive may receive a Bonus if and only if the Performance Targets established by the Committee, relative to the applicable Performance Criteria, are attained. The applicable Performance Period and Performance Targets shall be determined by the Committee consistent with the terms of the Plan and Section 162(m). The Committee may adjust Performance Targets to take into account the effects of any Extraordinary Items equitably in a manner consistent with the determination of the original Bonus, provided, however, no such adjustment may be made with respect to any Bonus to a Participating Executive which is intended to qualify as "performance based compensation" unless such adjustment satisfies the requirements of Section 162(m) and the related Rules.

The Performance Target with respect to the Performance Criteria must be established by the Committee in advance of the deadlines applicable under Section 162(m) and while the performance relating to the Performance Target remains substantially uncertain within the meaning of Section 162(m). At the time the Performance Target is established, the Committee shall provide, in terms of an objective formula or standard for each Participating Executive, the method of computing the specific amount that will represent the maximum amount of Bonus payable to the Participant if the Performance Target is attained.

Notwithstanding any other provision hereof, no Participating Executive shall receive a Bonus under the Plan for any fiscal year or other Performance Period in excess of \$2 million. Any Bonuses awarded by the Committee under the Plan shall be paid within 30 days after year-end financial results are reported or, if later, as soon as practicable following the Committee's determinations and certification under this Section. Any such payment shall be in cash or cash equivalent, subject to applicable withholding requirements. Notwithstanding the foregoing, the Committee may, in its sole discretion, defer the payout of any Bonus. In the case of the delay of a Bonus otherwise payable at or after the attainment and certification of the applicable Performance Target, any additional amount payable as a result of the delay shall be limited to the Moody's Average Corporate Bond Yield during the deferral period.

No Participating Executive shall receive any payment under the Plan unless the Committee has certified, by resolution or other appropriate action in writing, that the amount thereof has been accurately

determined in accordance with the terms, conditions and limits of the Plan and that the Performance Target and any other material terms previously established by the Committee or set forth in the Plan were in fact satisfied.

4. TERMINATION OF EMPLOYMENT

If the employment of a Participating Executive terminates by reason of such Participating Executive's Retirement, Disability, death or involuntary

termination without Cause, a ratable portion of any applicable Bonus shall be paid, subject to the attainment of the applicable Performance Target, at or after the attainment and certification of the applicable Performance Target at the end of the fiscal year or other Performance Period. The ratable portion of the Bonus shall be determined by multiplying the bonus by a fraction, the numerator of which is the number of full or partial months during the Performance Period during which the Participating Executive was employed, and the denominator of which is the number of calendar months in the Performance Period. Upon termination of the Participating Executive's employment by voluntary resignation or for Cause, all Bonuses for which the Participating Executive may be eligible shall be forfeited unless the Committee otherwise expressly so provides in a written contract or other written instrument.

5. ADJUSTMENTS

In the event of any change in the Company's applicable accounting principles or practices by reason of any stock dividend, stock split, recapitalization, reorganization, merger, consolidation, split-up, combination, exchange of shares, rights offering or other similar change which occurs after the Performance Targets are established for a given Performance Period, the amount of the Bonuses paid under the Plan for such Performance Period shall be automatically adjusted consistent with such change to prevent dilution or enlargement of the Bonuses under the Plan.

6. NO EMPLOYMENT RIGHTS

The Plan shall not confer upon any Participating Executive any right with respect to continuance as an employee of the Company, nor shall it interfere in any way with the right of the Company to terminate the Participating Executive's position as an employee.

7. DISCRETION OF COMPANY

Any decision made or action taken by the Company, the Committee or the Board of Directors in connection with the creation, amendment, construction, administration, interpretation or effect of the Plan shall be within the absolute discretion of such entity and shall be conclusive and binding upon all persons. No officer, director or member of the Committee shall have any liability for actions taken or omitted under the Plan by the member or by any other person.

8. AMENDMENT AND DISCONTINUANCE

The Plan may be amended, modified or terminated by the Committee at any time, and all Bonuses shall be subject to the Plan as amended from time to time, except that the Committee may not, without the approval of a Participating Executive adversely affect any rights under the Plan. No amendment, modification or termination shall be effective without the approval of the Board of Directors and/or the stockholders if such approval is necessary to comply with the applicable provisions of Section 162(m).

9. CHANGE OF CONTROL

Notwithstanding other provisions of the Plan, in the event of a Change of Control of the Company, the Performance Period for a Participating Executive shall end on the date of the Change of Control and the Performance Target shall be adjusted to reflect the early termination of the Performance Period. If the Performance Target, as adjusted, is deemed satisfied by the Committee, the Participating Executive may receive a ratable portion of the Bonus that would have been paid if the Performance Period had not been terminated early and the Performance Target had been satisfied. The ratable portion of the Bonus shall be determined by multiplying the original Bonus by a fraction, the numerator of which is the number of months from the first day

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of the Performance Period to the date of the Change of Control (including any fractional month) and the denominator of which is the total number of months in the original Performance Period.

The Plan shall be binding upon any successor to the Company, whether such successor is the result of a direct or indirect purchase, merger, consolidation or other acquisition of all or substantially all of the business and/or assets of the Company.

10. SECTION 162(m) CONDITIONS

It is the intent of the Company that the Plan and Bonuses paid under the Plan satisfy and be interpreted in a manner that satisfies any applicable requirements of Section 162(m) as performance-based compensation. Any provision, application or interpretation of the Plan inconsistent with this intent to satisfy the standards in Section 162(m) shall be disregarded. Notwithstanding anything to the contrary in the Plan, the provisions of the Plan may at any time be bifurcated by the Committee in any manner so that certain provisions of the Plan or any Bonus intended (or required in order) to satisfy the applicable

requirements of Section 162(m) are applicable only to persons whose compensation is subject to Section 162(m).

11. NO FUNDING OF THE PLAN

The Company shall not be required to fund or otherwise segregate any cash or any other assets which may at any time be paid to any Participating Executive under the Plan. The Plan shall constitute an "unfunded" plan of the Company. The Company shall not, by any provisions of the Plan, be deemed to be a trustee of any property, and any rights of any Participating Executive shall be limited to those of a general unsecured creditor.

12. NON-TRANSFERABILITY

Except as expressly provided by the Committee, no benefit payable under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any such attempted action shall be void. This Section shall not apply to an assignment of a contingency or payment due after the death of a Participating Executive to such Participating Executive's legal representative or beneficiary.

13. EFFECTIVE DATE

The effective date of the Plan shall be the date the Plan is approved by the Company's stockholders.

14. DEFINITIONS

Any terms or provisions used herein which are defined in Section 162(m) shall have the meanings as therein defined.

15. GOVERNING LAW

To the extent not inconsistent with the provisions of Section 162(m), the Plan shall be construed under the laws of the State of New York.

Dated: June 23, 1997

CANANDAIGUA WINE COMPANY, INC.

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By: /s/ Richard Sands

Title: President

Date of Stockholder Approval: July 22, 1997

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ANNEX A
TO
ANNUAL MANAGEMENT INCENTIVE PLAN

CERTAIN DEFINITIONS

Capitalized terms used in the Plan shall have the meanings set forth below:

"BONUS" means a cash payment or payment opportunity, as the context requires.

"CAUSE" means, solely for the purposes of the Plan, gross negligence or willful misconduct or commission of a felony or an act of moral turpitude determined by the Committee to be detrimental to the best interests of the Company or, if the Participating Executive is subject to a written agreement with the Company "cause" shall have the meaning set forth in that agreement.

"CHANGE OF CONTROL" means:

(a) there shall be consummated

(i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which any Shares are to be converted into cash, securities or other property, provided that the consolidation or merger is not with a corporation which was a direct or indirect wholly-owned subsidiary of the Company or a parent of the Company immediately before the consolidation or merger; or

(ii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company; or

(b) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; or

- (c) any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) shall become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, of 30% or more voting control of the Company's then outstanding common stock, provided that such person shall not be a wholly-owned subsidiary of the Company immediately before it becomes such 30% beneficial owner of voting control; or
- (d) individuals who constitute the Company's Board of Directors on the date hereof (the "Incumbent Board") cease for any reason to constitute at least a majority thereof, provided, however, that any person becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least three quarters of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director without objection to such nomination) shall be, for purposes of this clause (d), considered as though such person were a member of the Incumbent Board.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COMPANY" means Canandaigua Wine Company, Inc. and its Subsidiaries, except when the context indicates that only the parent company is intended.

"COMMITTEE" means the committee appointed by the Board of Directors of the Company to administer the Plan as provided in Section 2.

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Page 2

"EXTRAORDINARY ITEMS" means (a) items presented as such (or other comparable terms) on the Company's audited financial statements, (b) extraordinary, unusual or nonrecurring items of gain or loss, (c) changes in tax or accounting laws or Rules, and (d) the effects of mergers, acquisitions, divestitures, spin offs or significant transactions, each of which are identified in the audited financial statements and notes thereto or in the "management's discussion and analysis" of the financial statements in a period report filed with the SEC under the Exchange Act.

"PARTICIPATING EXECUTIVE" means a key employee (including any officer) of the Company or one of its Subsidiaries selected by the Committee to participate in the Plan.

"PERFORMANCE CRITERIA" means one or more of the following performance criteria selected by the Committee with respect to any performance-based Award: (a) increases in the Fair Market Value of a Share, (b) shareholder value added, (c) cash flow, (d) earnings per share, (e) earnings of the Company before deducting interest, taxes, depreciation and amortization, (f) return on equity, (g) return on capital, (h) return on assets or net assets, (i) cost reduction or control, (j) operating income or net operating income, (k) operating margins/sales in one or more business segments or product lines, (l) return on operating revenue, and (m) market share in one or more business segments or product lines. Performance criteria may be established on a corporate, divisional, business unit or consolidated basis and measured absolutely or relative to the Company's peers.

"PERFORMANCE PERIOD" means the fiscal year or years or other period established by the Committee with respect to which the Performance Targets are set by the Committee.

"PERFORMANCE TARGET" means one or more specific objective goal or goals (which may be cumulative or alternative) that are timely set in writing by the Committee for each Participant for the applicable Performance Period with respect to any one or more of the Performance Criteria.

"PLAN" means the Annual Management Incentive Plan of the Company, as amended from time to time.

"RETIREMENT" means a termination of employment by an employee who is at least 60 years of age and after at least 10 years of service with the Company (which shall include entities acquired by the Company, if the Committee so determines).

"RULES" means rules, regulations and interpretations issued by the governmental authority charged with administering any law and any judicial interpretations applicable thereto.

"SECTION 162(m)" means Section 162(m) of the Code, together with the regulations promulgated thereunder, all as amended from time to time.

"SHARES" means shares of the Company's Class A Common Stock, par value \$.01 per

share.

"SUBSIDIARIES" means (a) all corporations of which at least fifty percent of the voting stock is owned by the Company directly or through one or more corporations at least fifty percent of whose voting stock is so owned, and (b) partnerships or other entities in which the Company has, either directly or indirectly, at least a fifty percent interest in the capital or profits.

<TABLE>

EXHIBIT 11

CANANDAIGUA BRANDS, INC. AND SUBSIDIARIES
COMPUTATION OF NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE
(in thousands, except per share data)
(unaudited)

<CAPTION>

	For the Six Months Ended August 31,			
	1997		1996	
	Primary	Fully Diluted	Primary	Fully Diluted
Net income per common and common equivalent share:				
<S>	<C>	<C>	<C>	<C>
Net income available to common and common equivalent shares	\$ 22,411	\$ 22,411	\$ 13,442	\$ 13,442
Adjustments	--	--	--	--
Net income available to common and common equivalent shares	\$ 22,411	\$ 22,411	\$ 13,442	\$ 13,442
Shares:				
Weighted average common shares outstanding	18,665	18,665	19,553	19,553
Adjustments:				
(1) Assumed exercise of incentive stock options	571	750	204	204
(2) Assumed exercise of stock options	--	1	38	38
Weighted average common and common equivalent shares outstanding	19,236	19,416	19,795	19,795
Net income per common and common equivalent share	\$ 1.17	\$ 1.15	\$ 0.68	\$ 0.68

<CAPTION>

	For the Three Months Ended August 31,			
	1997		1996	
	Primary	Fully Diluted	Primary	Fully Diluted
Net income per common and common equivalent share:				
<S>	<C>	<C>	<C>	<C>
Net income available to common and common equivalent shares	\$ 12,365	\$ 12,365	\$ 4,941	\$ 4,941
Adjustments	--	--	--	--
Net income available to common and common equivalent shares	\$ 12,365	\$ 12,365	\$ 4,941	\$ 4,941
Shares:				
Weighted average common shares outstanding	18,559	18,559	19,477	19,477
Adjustments:				
(1) Assumed exercise of incentive stock options	683	758	152	152
(2) Assumed exercise of stock options	--	1	24	24
Weighted average common and common equivalent shares outstanding	19,242	19,318	19,653	19,653
Net income per common and common equivalent share	\$ 0.64	\$ 0.64	\$ 0.25	\$ 0.25

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S AUGUST 31, 1997 FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<CIK> 0000016918

<NAME> CANANDAIGUA BRANDS, INC.

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	FEB-28-1998
<PERIOD-END>	AUG-31-1997
<CASH>	4,278
<SECURITIES>	0
<RECEIVABLES>	160,885
<ALLOWANCES>	0
<INVENTORY>	334,756
<CURRENT-ASSETS>	520,481
<PP&E>	357,630
<DEPRECIATION>	110,918
<TOTAL-ASSETS>	1,032,950
<CURRENT-LIABILITIES>	283,270
<BONDS>	298,995
<PREFERRED-MANDATORY>	0
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<COMMON>	215
<OTHER-SE>	379,198
<TOTAL-LIABILITY-AND-EQUITY>	1,032,950
<SALES>	607,535
<TOTAL-REVENUES>	607,535
<CGS>	442,044
<TOTAL-COSTS>	553,527
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	16,024
<INCOME-PRETAX>	37,984
<INCOME-TAX>	15,573
<INCOME-CONTINUING>	22,411
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	22,411
<EPS-PRIMARY>	1.17
<EPS-DILUTED>	1.15

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