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

(Mark One)

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

For the quarterly period ended November 30, 1998

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

(State or other jurisdiction of incorporation or organization)	(Exact name of registrant as specified in its charter)	(I.R.S. Employer Identification No.)
DELAWARE	CANANDAIGUA BRANDS, INC. AND ITS SUBSIDIARIES:	16-0716709
NEW YORK	BATAVIA WINE CELLARS, INC.	16-1222994
NEW YORK	CANANDAIGUA WINE COMPANY, INC.	16-1462887
NEW YORK	CANANDAIGUA EUROPE LIMITED	16-1195581
ENGLAND AND WALES	CANANDAIGUA LIMITED	---
NEW YORK	POLYPHENOLICS, INC.	16-1546354
NEW YORK	ROBERTS TRADING CORP.	16-0865491
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

300 WILLOWBROOK OFFICE PARK, FAIRPORT, NEW YORK 14450

(Address of principal executive offices) (Zip Code)

(716)393-4130

(Registrants' telephone number, including area code)

(Former name, former address and former fiscal year, 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 December 18, 1998, 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	14,678,619
Class B Common Stock, Par Value $.01 Per Share	3,225,023

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

CANANDAIGUA BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	November 30, 1998	February 28, 1998
	(unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash investments	$ 2,141	$ 1,232
Accounts receivable, net	173,760	142,615
Inventories, net	441,048	394,028
Prepaid expenses and other current assets	42,373	26,463
Total current assets	659,322	564,338
PROPERTY, PLANT AND EQUIPMENT, net	247,499	244,035
OTHER ASSETS	260,412	264,786
Total assets	$ 1,167,233	$ 1,073,159
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	$ 114,500	$ 91,900
Current maturities of long-term debt	24,118	24,118
Accounts payable	71,379	52,055
Accrued Federal and state excise taxes	24,632	17,498
Other accrued expenses and liabilities	153,233	97,763
Total current liabilities	387,862	283,334
LONG-TERM DEBT, less current maturities	291,386	309,218
DEFERRED INCOME TAXES	59,337	59,237
OTHER LIABILITIES	5,018	6,206
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred Stock, $.01 par value- Authorized, 1,000,000 shares; Issued, none at November 30, 1998, and February 28, 1998	--	--
Class A Common Stock, $.01 par value- Authorized, 120,000,000 shares; Issued, 17,859,769 shares at November 30, 1998, and 17,604,784 shares at February 28, 1998	178	176
Class B Convertible Common Stock, $.01 par value- Authorized, 20,000,000 shares; Issued, 3,850,748 shares at November 30, 1998, and 3,956,183 shares at February 28, 1998	39	40
Additional paid-in capital	235,860	231,687
Retained earnings	269,383	220,346
	505,460	452,249
Less-Treasury stock-		
Class A Common Stock, 3,183,605 shares at November 30, 1998, and 2,199,320 shares at February 28, 1998, at cost	(79,623)	(34,878)
Class B Convertible Common Stock, 625,725 shares at November 30, 1998, and February 28, 1998, at cost	(2,207)	(2,207)
	(81,830)	(37,085)
Total stockholders' equity	423,630	415,164
Total liabilities and stockholders' equity	$ 1,167,233	$ 1,073,159

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

<TABLE>

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

<CAPTION>

	For the Nine Months Ended November 30,		For the Three Months Ended November 30,	
	1998	1997	1998	1997
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<S>	<C>	<C>	<C>	<C>
GROSS SALES	$ 1,374,183	$ 1,252,372	$ 494,033	$ 432,046
Less - Excise taxes	(336,283)	(322,134)	(118,447)	(109,343)
Net sales	1,037,900	930,238	375,586	322,703
COST OF PRODUCT SOLD	(728,526)	(666,747)	(260,759)	(224,703)
Gross profit	309,374	263,491	114,827	98,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(202,561)	(171,772)	(73,775)	(60,289)
Operating income	106,813	91,719	41,052	37,711
INTEREST EXPENSE, net	(23,700)	(23,885)	(7,748)	(7,861)
Income before provision for Federal and state income taxes	83,113	67,834	33,304	29,850
PROVISION FOR FEDERAL AND STATE INCOME TAXES	(34,076)	(27,812)	(13,654)	(12,239)
NET INCOME	$ 49,037	$ 40,022	$ 19,650	$ 17,611
SHARE DATA:				
Earnings per common share:				
Basic	$ 2.66	$ 2.14	$ 1.10	$ 0.94
Diluted	$ 2.60	$ 2.10	$ 1.07	$ 0.92
Weighted average common shares outstanding:				
Basic	18,412	18,663	17,892	18,659
Diluted	18,881	19,054	18,325	19,181

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

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

	For the Nine Months Ended November 30,	
	1998	1997
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 49,037	$ 40,022
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property, plant and equipment	18,166	18,806
Amortization of intangible assets	7,523	6,987
Amortization of discount on long-term debt	287	261
Stock-based compensation expense	76	529
Deferred tax (benefit) provision	(2,800)	6,900
Gain on sale of property, plant and equipment	(16)	(3,036)
Change in operating assets and liabilities:		
Accounts receivable, net	(31,143)	(42,192)
Inventories, net	(47,019)	(91,008)
Prepaid expenses and other current assets	(15,690)	2,552
Accounts payable	19,324	6,896
Accrued Federal and state excise taxes	7,134	3,161
Other accrued expenses and liabilities	58,369	21,649
Other assets and liabilities, net	(3,917)	(1,043)
Total adjustments	10,294	(69,538)
Net cash provided by (used in) operating activities	59,331	(29,516)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(21,660)	(23,206)
Purchase of joint venture minority interest	(716)	--
Proceeds from sale of property, plant and		

equipment	45	12,547
Net cash used in investing activities	(22,331)	(10,659)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchases of treasury stock	(44,878)	(9,233)
Principal payments of long-term debt	(18,119)	(64,193)
Net proceeds from notes payable	22,600	104,000
Exercise of employee stock options	3,021	1,194
Proceeds from employee stock purchases	1,285	1,256
Payment of issuance costs of long-term debt	--	(561)
Net cash (used in) provided by financing activities	(36,091)	32,463
NET INCREASE (DECREASE) IN CASH AND CASH INVESTMENTS	909	(7,712)
CASH AND CASH INVESTMENTS, beginning of period	1,232	10,010
CASH AND CASH INVESTMENTS, end of period	$ 2,141	$ 2,298

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

CANANDAIGUA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 1998

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 fairly 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, 1998.

2) 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:

	November 30, 1998	February 28, 1998
(in thousands)		
Raw materials and supplies	$ 16,739	$ 14,439
Wine and distilled spirits in process	340,764	304,037
Finished case goods	102,558	92,948
	460,061	411,424
Less - LIFO reserve	(19,013)	(17,396)
	$ 441,048	$ 394,028

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 $1.0 million, or $0.05 per share on a diluted basis, higher for the nine months ended November 30, 1998, and reported net income would have been $0.7 million, or $0.03 per share on a diluted basis, higher for the nine months ended November 30, 1997.

3) BORROWINGS:

BANK CREDIT AGREEMENT -

In June 1998, the bank credit agreement was amended to, among other things,

eliminate the requirement that the Company reduce the outstanding balance of the revolving loan facility to less than $60.0 million for thirty consecutive days during the six months ending each August 31. In July 1998, the revolving loan facility under the bank credit agreement was increased by $100.0 million to $285.0 million.

4) RETIREMENT SAVINGS AND PROFIT SHARING RETIREMENT PLAN:

Effective March 1, 1998, the Company's existing retirement savings and profit sharing retirement plans and the Barton profit sharing and 401(k) plan were merged into the Canandaigua Brands, Inc. 401(k) and Profit Sharing Plan (the "Plan"). The Plan covers substantially all employees, excluding those employees covered by collective bargaining agreements. The 401(k) portion of the Plan permits eligible employees to defer a portion of their compensation (as defined in the Plan) on a pretax basis. Participants may defer up to 10% of their compensation for the year, subject to limitations of the Plan. The Company makes a matching contribution of 50% of the first 6% of compensation a participant defers. The amount of the Company's contribution under the profit sharing portion of the Plan is in such discretionary amount as the Board of Directors may annually determine, subject to limitations of the Plan.

5) STOCKHOLDERS' EQUITY:

STOCK REPURCHASE AUTHORIZATION -

In June 1998, the Company's Board of Directors authorized the repurchase of up to $100.0 million of its Class A Common Stock and Class B Convertible Common Stock. The Company may finance such purchases, which will become treasury shares, through cash generated from operations or through the bank credit agreement.

INCREASE IN NUMBER OF AUTHORIZED SHARES OF CLASS A COMMON STOCK -

In July 1998, the stockholders of the Company approved an increase in the number of authorized shares of Class A Common Stock from 60,000,000 shares to 120,000,000 shares, thereby increasing the aggregate number of authorized shares of the Company to 141,000,000 shares.

6) EARNINGS PER COMMON SHARE:

The Company adopted the provisions of Statement of Financial Accounting Standards No. 128, "Earnings Per Share," ("SFAS No. 128") effective February 28, 1998. Basic earnings per common share excludes the effect of common stock equivalents and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period for Class A Common Stock and Class B Convertible Common Stock. Diluted earnings per common share reflects the potential dilution that could result if securities or other contracts to issue common stock were exercised or converted into common stock. Diluted earnings per common share assumes the exercise of stock options using the treasury stock method and assumes the conversion of convertible

securities, if any, using the "if converted" method. Historical earnings per common share have been restated to conform with the provisions of SFAS No. 128.

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

	For the Nine Months Ended November 30,		For the Three Months Ended November 30,	
	1998	1997	1998	1997
(in thousands, except per share data)				
Income applicable to common shares	$49,037	$40,022	$19,650	$17,611
Weighted average common shares outstanding - basic	18,412	18,663	17,892	18,659
Stock options	469	391	433	522
Weighted average common shares outstanding - diluted	18,881	19,054	18,325	19,181
EARNINGS PER COMMON SHARE - BASIC	$ 2.66	$ 2.14	$ 1.10	$ 0.94
EARNINGS PER COMMON SHARE - DILUTED	$ 2.60	$ 2.10	$ 1.07	$ 0.92

7) 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 nonguarantor 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; however, except for limited amounts, 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:

	November 30, 1998	February 28, 1998
(in thousands)		
Balance Sheet Data:		
Current assets	$ 539,422	$ 460,618
Noncurrent assets	$ 396,441	$ 395,225
Current liabilities	$ 110,068	$ 102,207
Noncurrent liabilities	$ 62,224	$ 61,784

	For the Nine Months Ended November 30,		For the Three Months Ended November 30,	
	1998	1997	1998	1997
(in thousands)				
Income Statement Data:				
Net sales	$848,196	$764,457	$294,751	$250,119
Gross profit	$185,749	$153,590	$ 62,469	$ 47,165
Income before provision for Federal and state income taxes	$ 75,693	$ 58,658	$ 25,532	$ 17,210
Net income	$ 44,659	$ 34,886	$ 15,064	$ 10,118

8) ACCOUNTING PRONOUNCEMENT:

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. SFAS No. 133 requires that every derivative be recorded as either an asset or liability in the balance sheet measured at its fair value. SFAS No. 133 also requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company formally document, designate and assess the effectiveness of transactions that receive hedge accounting. The Company is required to adopt SFAS No. 133 on a prospective basis for interim periods and fiscal years beginning March 1, 2000. The Company believes the effect of adoption on its financial statements will not be material based on the Company's current risk management strategies.

9) SUBSEQUENT EVENTS:

ACQUISITION OF MATTHEW CLARK PLC -

On November 3, 1998, Canandaigua Limited, a wholly-owned subsidiary of the Company, announced a cash tender offer for the entire issued and to be issued ordinary share capital of Matthew Clark plc ("Matthew Clark"). The offer valued each Matthew Clark share at 243 pence, valuing the whole of the issued ordinary share capital of Matthew Clark at approximately (pound)215.1 million.

On December 1, 1998, Canandaigua Limited declared the cash tender offer to be wholly unconditional--all conditions to the offer having either been satisfied or waived. Canandaigua Limited thereby acquired control of Matthew Clark. On December 15, 1998, Canandaigua Limited paid for all shares tendered at the time the offer was declared wholly unconditional. The cash tender offer remains open for acceptance by Matthew Clark's shareholders until further notice. On December 14, 1998, valid acceptances had been received representing approximately 95.6 percent of the existing issued ordinary share capital of Matthew Clark. Therefore, Canandaigua Limited has utilized certain provisions of the UK Companies Act to enable it to compulsorily acquire Matthew Clark shares that have not been tendered pursuant to the offer by the end of a prescribed statutory period.

The purchase price for the Matthew Clark shares was funded with proceeds from loans under a First Amended and Restated Credit Agreement (the "1998 Credit Agreement"), effective as of November 2, 1998, between the Company and The Chase Manhattan Bank, as administrative agent, and a syndicate of banks who are parties to the 1998 Credit Agreement.

1998 CREDIT AGREEMENT -

On December 14, 1998, the Company, its principal operating subsidiaries (other than Matthew Clark and it subsidiaries), and a syndicate of banks (the "Syndicate Banks"), for which The Chase Manhattan Bank acts as administrative agent, entered into the 1998 Credit Agreement, effective as of November 2, 1998, which amends and restates in its entirety the credit agreement entered into between the Company and The Chase Manhattan Bank on November 2, 1998. The 1998 Credit Agreement includes both US Dollar and Pound Sterling commitments of the Syndicate Banks of up to, in the aggregate, the equivalent of $1.0 billion (subject to increase as therein provided to $1.2 billion) with the proceeds available for repayment of all outstanding principal and accrued interest on all loans under the Company's bank credit agreement dated as of December 19, 1997, payment of the purchase price for the Matthew Clark shares, repayment of Matthew Clark's credit facilities, funding of permitted acquisitions, payment of transaction expenses and ongoing working capital needs of the Company.

The 1998 Credit Agreement provides for a $350.0 million Tranche I Term Loan facility due in December 2004, a $200.0 million Tranche II Term Loan facility due in June 2000, a $150.0 million Tranche III Term Loan facility due in December 2005, and a $300.0 million Revolving Credit facility (including letters of credit up to a maximum of $20.0 million) which expires in December 2004. Portions of the Tranche I Term Loan facility and the Revolving Credit facility are available for borrowing in Pounds Sterling.

The Tranche I Term Loan facility requires quarterly repayments, starting at $6.265 million in December 1999, increasing annually thereafter and with a balloon payment at maturity of approximately $110.0 million. The Tranche II Term Loan facility requires no principal payments prior to stated maturity. The Tranche III Term Loan facility requires quarterly repayments, starting at $0.375 million in December 1999 and increasing to approximately $17.95 million in March 2004. There are certain mandatory term loan prepayments, including those based on excess cash flow, sale of assets, issuance of debt or equity, and fluctuations in the US Dollar/Pound Sterling exchange rate, in each case subject to baskets and thresholds which (other than with respect to those pertaining to fluctuations in the Dollar/Pound exchange rate, which were inapplicable under the previous bank credit agreement) are generally more favorable to the Company than those contained in its previous bank credit agreement.

The rate of interest payable, at the Company's option, is a function of the London interbank offered rate ("LIBOR") plus a margin, federal funds rate plus a margin, or the prime rate plus a margin. The margin is adjustable based upon the Company's Debt Ratio (as defined in the 1998 Credit Agreement). The initial margin on LIBOR borrowings ranges between 1.75% and 2.50% and (other than for the Tranche II Term Loan facility) may be reduced after November 30, 1999 to between 1.125% and 1.50%, depending on the Company's Debt Ratio. Conversely, if the Debt Ratio of the Company should increase, the margin would be adjusted upwards to up to between 2.0% and 2.75% for LIBOR based borrowings. In addition to interest, the Company pays a facility fee on the Revolving Credit commitments, initially at 0.50% per annum and subject to reduction after November 30, 1999, to 0.375%, depending on the Company's Debt Ratio.

Each of the Company's principal operating subsidiaries (other than Matthew Clark and its subsidiaries) has guaranteed the Company's obligations under the 1998 Credit Agreement, and the Company and those subsidiaries have given security interests to the Syndicate Banks in substantially all of their assets. The Company and its subsidiaries are subject to customary secured lending covenants including those restricting additional liens, the incurrence of additional indebtedness, the sale of assets, the payment of dividends, transactions with affiliates and the making of certain investments. The primary financial covenants require the maintenance of a debt coverage ratio, a senior debt coverage ratio, a fixed charges ratio and an interest coverage ratio. Among the most restrictive covenants contained in the 1998 Credit Agreement is the requirement to maintain a fixed charges ratio of not less than 1.0 at the last day of each fiscal quarter for the most recent four quarters.

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 November 30, 1998 ("Third Quarter 1999"), compared to the three

months ended November 30, 1997 ("Third Quarter 1998"), and for the nine months ended November 30, 1998 ("Nine Months 1999"), compared to the nine months ended November 30, 1997 ("Nine Months 1998"), and (ii) financial liquidity and capital resources for Nine Months 1999. 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, 1998.

The Company is a leading producer and marketer of beverage alcohol brands. Prior to the acquisition of Matthew Clark, the Company was principally a producer and supplier of wine and an importer and producer of beer and distilled spirits in the United States. With the acquisition of Matthew Clark, the Company added the United Kingdom as a major market for its products. The Company's beverage alcohol products include wine, beer, and distilled spirits brands, as well as several cider brands and a sparkling water brand acquired as part of the acquisition of Matthew Clark. Through Matthew Clark, the Company is also a major wholesaler of beverage alcohol products in the United Kingdom. The acquisition of Matthew Clark is significant and the Company expects it to have a material impact on the Company's future results of operations.

On November 3, 1998, Canandaigua Limited, a wholly-owned subsidiary of the Company, announced a cash tender offer for the entire issued and to be issued ordinary share capital of Matthew Clark. The offer valued each Matthew Clark share at 243 pence, valuing the whole of the issued ordinary share capital of Matthew Clark at approximately (pound)215.1 million.

On December 1, 1998, Canandaigua Limited declared the cash tender offer to be wholly unconditional--all conditions to the offer having either been satisfied or waived. Canandaigua Limited thereby acquired control of Matthew Clark. On December 15, 1998, Canandaigua Limited paid for all shares tendered at the time the offer was declared wholly unconditional. The cash tender offer remains open for acceptance by Matthew Clark's shareholders until further notice. On December 14, 1998, valid acceptances had been received representing approximately 95.6 percent of the existing issued ordinary share capital of Matthew Clark. Therefore, Canandaigua Limited has utilized certain provisions of the UK Companies Act to enable it to compulsorily acquire Matthew Clark shares that have not been tendered pursuant to the offer by the end of a prescribed statutory period.

The purchase price for the Matthew Clark shares was funded with proceeds from loans under the 1998 Credit Agreement, effective as of November 2, 1998, between the Company and The Chase Manhattan Bank, as administrative agent, and a syndicate of banks who are parties to the 1998 Credit Agreement. In conjunction with financing the acquisition with the 1998 Credit Agreement, the Company expects to take an extraordinary charge in the fourth quarter of 1999 of approximately $1.8 million after taxes to write off unamortized fees associated with its previous bank credit agreement. In addition, the Company expects to record nonrecurring restructuring expenses of approximately $4.2 million after taxes in the fourth quarter of 1999 for the completion of a facility consolidation which was already in process at Matthew Clark prior to the Company's acquisition of Matthew Clark.

Matthew Clark is a major UK drinks group which produces, distributes and wholesales a variety of alcoholic and bottled water beverages in the United Kingdom. Matthew Clark operates through two divisions: Matthew Clark Brands and Matthew Clark Wholesale. Matthew Clark Brands is the branded drinks division which comprises cider products, wine and bottled water products. Cider products include cider sold predominantly under the Blackthorn brand and premium packaged cider sold under the Diamond White and K brands. Wine and bottled water products include Stowell's of Chelsea wine box, QC fortified British wine, light British wine/perry and Strathmore bottled water. New products include Stone's Cream Liqueur, Jinzu and Espri. Matthew Clark Wholesale is the United Kingdom's leading independent drinks wholesaler. Matthew Clark Wholesale provides a full range of wines, spirits, ciders, beers and soft drinks to over 17,000 on-premise outlets (outlets where beverage alcohol products are consumed on the premises).

RESULTS OF OPERATIONS

THIRD QUARTER 1999 COMPARED TO THIRD QUARTER 1998

NET SALES

The following table sets forth the net sales (in thousands of dollars) and unit volume (in thousands of cases), if applicable, for branded beverage alcohol products and other products and services sold by the Company for Third Quarter 1999 and Third Quarter 1998.

Third Quarter 1999 Compared to Third Quarter 1998

Net Sales			Unit Volume		
		%Increase/			%Increase/

	1999	1998	(Decrease)	1999	1998	(Decrease)
Wine	$169,874	$153,353	10.8%	8,546	7,799	9.6%
Beer	128,810	92,605	39.1%	10,262	7,357	39.5%
Spirits	55,472	51,359	8.0%	2,584	2,520	2.5%
Other (a)	21,430	25,386	(15.6%)	N/A	N/A	N/A
	$375,586	$322,703	16.4%	21,392	17,676	21.0%

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

Net sales for Third Quarter 1999 increased to $375.6 million from $322.7 million for Third Quarter 1998, an increase of $52.9 million, or 16.4%. This increase resulted primarily from (i) $36.2 million of additional beer sales, largely Mexican beers and (ii) $16.5 million of additional wine sales, resulting primarily from the introduction of new wine brands. Unit volume for branded beverage alcohol products for Third Quarter 1999 increased 21.0% as compared to Third Quarter 1998. The unit volume increase was the result of the increased sales of the Company's beer brands, primarily Mexican beer, the introduction of new wine brands and increased brandy sales.

GROSS PROFIT

The Company's gross profit increased to $114.8 million for Third Quarter 1999 from $98.0 million for Third Quarter 1998, an increase of $16.8 million, or 17.2%. As a percent of net sales, gross profit increased to 30.6% for Third Quarter 1999 from 30.4% for Third Quarter 1998. The dollar increase in gross profit resulted primarily from additional beer unit volume, introduction of new wine brands, additional spirits unit volume and unit cost improvements in wine brands.

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 $0.9 million and an addition of $1.8 million in Third Quarter 1999 and Third Quarter 1998, respectively, due to the Company's LIFO accounting method.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased to $73.8 million for Third Quarter 1999 from $60.3 million for Third Quarter 1998, an increase of $13.5 million, or 22.4%. The dollar increase in selling, general and administrative expenses resulted principally from higher advertising costs associated with the introduction of new wine brands and increased beer sales, and higher promotion costs related to the growth in beer sales as well as programs implemented to improve the Company's wine sales. Selling, general and administrative expenses as a percent of net sales increased to 19.6% for Third Quarter 1999 as compared to 18.7% for Third Quarter 1998. The increase in percent of net sales resulted primarily from advertising costs associated with the introduction of new wine brands and promotion costs related to programs implemented to improve the Company's wine sales.

NET INCOME

As a result of the above factors, net income increased to $19.6 million for Third Quarter 1999 from $17.6 million for Third Quarter 1998, an increase of $2.0 million, or 11.6%.

For financial analysis purposes only, the Company's earnings before interest, taxes, depreciation and amortization ("EBITDA") for Third Quarter 1999 were $49.8 million, an increase of $3.6 million over EBITDA of $46.2 million for Third Quarter 1998. 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.

NINE MONTHS 1999 COMPARED TO NINE MONTHS 1998

NET SALES

The following table sets forth the net sales (in thousands of dollars) and unit volume (in thousands of cases), if applicable, for branded beverage alcohol products and other products and services sold by the Company for Nine Months 1999 and Nine Months 1998.

Nine Months 1999 Compared to Nine Months 1998

	Net Sales			Unit Volume		
	1999	1998	%Increase/ (Decrease)	1999	1998	%Increase/ (Decrease)
Wine	$ 420,726	$400,891	4.9%	21,340	20,961	1.8%
Beer	388,739	298,601	30.2%	30,906	23,796	29.9%
Spirits	157,485	153,093	2.9%	7,677	7,644	0.4%
Other (a)	70,950	77,653	(8.6%)	N/A	N/A	N/A
	$1,037,900	$930,238	11.6%	59,923	52,401	14.4%

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

Net sales for Nine Months 1999 increased to $1,037.9 million from $930.2 million for Nine Months 1998, an increase of $107.7 million, or 11.6%. This increase resulted primarily from (i) $90.1 million of additional beer sales, largely Mexican beers, and (ii) $19.8 million of additional wine sales, resulting primarily from the introduction of new wine brands. Unit volume for branded beverage alcohol products for Nine Months 1999 increased 14.4% as compared to Nine Months 1998. The unit volume increase was primarily the result of the increased sales of the Company's beer brands, mostly Mexican beer.

GROSS PROFIT

The Company's gross profit increased to $309.4 million for Nine Months 1999 from $263.5 million for Nine Months 1998, an increase of $45.9 million, or 17.4%. As a percent of net sales, gross profit increased to 29.8% for Nine Months 1999 from 28.3% for Nine Months 1998. The dollar increase in gross profit resulted primarily from additional beer unit volume, introduction of new wine brands, higher average selling prices related to wine sales and unit cost improvements in wine and spirits brands.

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 $1.6 million and $1.1 million in Nine Months 1999 and Nine Months 1998, respectively, due to the Company's LIFO accounting method.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased to $202.6 million for Nine Months 1999 from $171.8 million for Nine Months 1998, an increase of $30.8 million, or 17.9%. The dollar increase in selling, general and administrative expenses resulted principally from higher advertising costs associated with the Company's wine sales, primarily the introduction of new wine brands, and increased beer sales, and higher promotion costs related to both programs implemented to improve the Company's wine sales and the growth in beer sales. Selling, general and administrative expenses as a percent of net sales increased to 19.5% for Nine Months 1999 as compared to 18.5% for Nine Months 1998. The increase in percent of net sales resulted primarily from advertising costs associated with the introduction of new wine brands and promotion costs related to programs implemented to improve the Company's wine sales.

NET INCOME

As a result of the above factors, net income increased to $49.0 million for Nine Months 1999 from $40.0 million for Nine Months 1998, an increase of $9.0 million, or 22.5%.

For financial analysis purposes only, the Company's earnings before interest, taxes, depreciation and amortization ("EBITDA") for Nine Months 1999 were $132.5 million, an increase of $15.0 million over EBITDA of $117.5 million for Nine Months 1998. 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.

NINE MONTHS 1999 CASH FLOWS

OPERATING ACTIVITIES

Net cash provided by operating activities for Nine Months 1999 was $59.3 million, which resulted from $72.3 million in net income adjusted for noncash items, less $12.9 million representing the net change in operating assets and liabilities. The net change in operating assets and liabilities resulted primarily from seasonal increases in inventories and accounts receivable, partially offset by an increase in liabilities for grapes purchased.

INVESTING ACTIVITIES AND FINANCING ACTIVITIES

Net cash used in investing activities for Nine Months 1999 was $22.3 million, which resulted primarily from $21.7 million of capital expenditures, including $6.1 million for vineyards.

Net cash used in financing activities for Nine Months 1999 was $36.1 million, which resulted primarily from repurchases of $44.9 million of the Company's Class A Common Stock, principal payments of $18.1 million of long-term debt, partially offset by additional borrowings of $22.6 million of notes payable.

During June 1998, the Company's Board of Directors authorized the repurchase of up to $100.0 million of its Class A Common Stock and Class B Common Stock. The repurchase of shares of common stock will be accomplished, from time to time, depending upon market conditions, through open market or privately negotiated transactions. The Company may finance such repurchases through cash generated from operations or through the bank credit agreement. In July 1998, the revolving loan facility under the bank credit agreement was increased by $100.0 million to $285.0 million in order to increase its flexibility to make such purchases. The repurchased shares will become treasury shares and may be used for general corporate purposes. As of December 21, 1998, the Company had purchased 1,018,836 shares of Class A Common Stock at an aggregate cost of $44.9 million, or at an average cost of $44.05 per share.

DEBT

Total debt outstanding as of November 30, 1998, amounted to $430.0 million, an increase of $4.8 million from February 28, 1998, resulting primarily from the net proceeds from revolving loan borrowings, partially offset by principal payments of long-term debt. The ratio of total debt to total capitalization decreased to 50.4% as of November 30, 1998, from 50.6% as of February 28, 1998.

As of November 30, 1998, under its bank credit agreement, the Company had outstanding term loans of $122.0 million bearing interest at 6.0%, $114.5 million of revolving loans bearing interest at 5.7%, undrawn revolving letters of credit of $7.8 million, and $162.7 million in revolving loans available to be drawn. During June 1998, the bank credit agreement was amended to, among other things, eliminate the requirement that the Company reduce the outstanding balance of the revolving loan facility to less than $60.0 million for thirty consecutive days during the six months ending each August 31.

As of November 30, 1998, the Company had outstanding $195.0 million aggregate principal amount of 8 3/4% Senior Subordinated Notes due December 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.

On December 14, 1998, the Company, its principal operating subsidiaries (other than Matthew Clark and it subsidiaries), and the Syndicate Banks, for which The Chase Manhattan Bank acts as administrative agent, entered into the 1998 Credit Agreement, effective as of November 2, 1998, which amends and restates in its entirety the credit agreement entered into between the Company and The Chase Manhattan Bank on November 2, 1998. The 1998 Credit Agreement includes both US Dollar and Pound Sterling commitments of the Syndicate Banks of up to, in the aggregate, the equivalent of $1.0 billion (subject to increase as

therein provided to $1.2 billion) with the proceeds available for repayment of all outstanding principal and accrued interest on all loans under the Company's bank credit agreement dated as of December 19, 1997, payment of the purchase price for the Matthew Clark shares, repayment of Matthew Clark's credit facilities, funding of permitted acquisitions, payment of transaction expenses and ongoing working capital needs of the Company.

The 1998 Credit Agreement provides for a $350.0 million Tranche I Term Loan facility due in December 2004, a $200.0 million Tranche II Term Loan facility due in June 2000, a $150.0 million Tranche III Term Loan facility due in December 2005, and a $300.0 million Revolving Credit facility (including letters of credit up to a maximum of $20.0 million) which expires in December 2004. Portions of the Tranche I Term Loan facility and the Revolving Credit facility are available for borrowing in Pounds Sterling. A brief description of the 1998 Credit Agreement is contained in Note 9 to the Company's financial statements located in Item 1 of this Report on Form 10-Q.

ACCOUNTING PRONOUNCEMENT

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (SFAS No. 133), "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. SFAS No. 133 requires that every derivative be recorded as either an asset or liability in the balance sheet measured at its fair value. SFAS No. 133 also requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company formally document, designate and assess the effectiveness of transactions that receive hedge accounting. The Company is required to adopt SFAS No. 133 on a prospective basis for interim periods and fiscal years beginning March 1, 2000. The Company believes the effect of adoption on its financial statements will not be material based on the Company's current risk management strategies.

YEAR 2000 ISSUE

For purposes of the following Year 2000 discussion, the information presented includes the effect of the Company's December 1, 1998, acquisition of Matthew Clark. The Company has in place detailed programs to address Year 2000 readiness in its internal systems and with its key customers and suppliers. The Year 2000 issue is the result of computer logic that was written using two digits rather than four to define the applicable year. Any computer logic that processes date-sensitive information may recognize the date using "00" as the year 1900 rather than the year 2000, which could result in miscalculations or system failures.

Pursuant to the Company's readiness programs, all major categories of information technology systems and non-information technology systems (i.e., equipment with embedded microprocessors) in use by the Company, including manufacturing, sales, financial and human resources, are being inventoried and assessed. In addition, plans are being developed for the required systems modifications or replacements. With respect to its information technology systems, the Company has completed the entire assessment phase and approximately 60% of the remediation phase. With respect to its non-information technology systems, the Company has completed approximately 90% of the assessment phase and approximately 55% of the remediation phase. Selected areas, both internal and external, will be tested to assure the integrity of the Company's remediation programs. The testing is expected to be completed by September 1999. The Company plans to have all internal mission-critical information technology and non-information technology systems Year 2000 compliant by September 1999.

The Company is also communicating with its major customers, suppliers and financial institutions to assess the potential impact on the Company's operations if those third parties fail to become Year 2000 compliant in a timely manner. While this process is not yet complete, based upon responses to date, it appears that many of those customers and suppliers have only indicated that they have in place Year 2000 readiness programs, without specifically confirming that they will be Year 2000 compliant in a timely manner. Risk assessment, readiness evaluation, action plans and contingency plans related to the Company's significant customers and suppliers are expected to be completed by September 1999. The Company's key financial institutions have been surveyed and it is the Company's understanding that they are or will be Year 2000 compliant on or before December 31, 1999.

The costs incurred to date related to its Year 2000 activities have not been material to the Company, and, based upon current estimates, the Company does not believe that the total cost of its Year 2000 readiness programs will have a material adverse impact on the Company's results of operations or financial condition.

The Company's readiness programs also include the development of contingency plans to protect its business and operations from Year 2000-related interruptions. These plans should be complete by September 1999 and, by way of examples, will include back-up procedures, identification of alternate suppliers, where possible, and increases in inventory levels. Based upon the Company's current assessment of its non-information technology systems, the Company does not believe it necessary to develop an extensive contingency plan for those systems. There can be no assurances, however, that any of the Company's contingency plans will be sufficient to handle all problems or issues which may arise.

The Company believes that it is taking reasonable steps to identify and address those matters that could cause serious interruptions in its business and operations due to Year 2000 issues. However, delays in the implementation of new systems, a failure to fully identify all Year 2000 dependencies in the Company's systems and in the systems of its suppliers, customers and financial institutions, a failure of such third parties to adequately address their respective Year 2000 issues, or a failure of a contingency plan could have a material adverse effect on the Company's business, financial condition and results of operations. For example, the Company would experience a material adverse impact on its business if significant suppliers of beer, glass or telecommunications systems fail to timely provide the Company with necessary inventories or services due to Year 2000 systems failures.

The statements set forth herein concerning Year 2000 issues which are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. In particular, the costs associated with the Company's Year 2000 programs and the time-frame in which the Company plans to complete Year 2000

modifications are based upon management's best estimates. These estimates were derived from internal assessments and assumptions of future events. These estimates may be adversely affected by the continued availability of personnel and system resources, and by the failure of significant third parties to properly address Year 2000 issues. Therefore, there can be no guarantee that any estimates, or other forward-looking statements will be achieved, and actual results could differ significantly from those contemplated.

PART II - OTHER INFORMATION

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

(a) See Index to Exhibits located on Page 23 of this Report.

(b) The following Reports on Form 8-K were filed with the Securities and Exchange Commission during the quarter ended November 30, 1998:

(i) Form 8-K dated November 3, 1998. This Form 8-K reported information under Item 5 (Other Events); and

(ii) Form 8-K dated November 25, 1998. This Form 8-K reported information under Item 5 (Other Events).

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: December 22, 1998

By: /s/ Thomas F. Howe

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

Dated: December 22, 1998

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: December 22, 1998 By: /s/ Thomas F. Howe

Thomas F. Howe, Controller

Dated: December 22, 1998 By: /s/ Thomas S. Summer

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

CANANDAIGUA WINE COMPANY, INC.

Dated: December 22, 1998 By: /s/ Thomas F. Howe

Thomas F. Howe, Controller

Dated: December 22, 1998 By: /s/ Thomas S. Summer

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

CANANDAIGUA EUROPE LIMITED

Dated: December 22, 1998 By: /s/ Thomas F. Howe

Thomas F. Howe, Controller

Dated: December 22, 1998 By: /s/ Thomas S. Summer

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

CANANDAIGUA LIMITED

Dated: December 22, 1998 By: /s/ Thomas S. Summer

Thomas S. Summer, Director
(On behalf of the Registrant and as
Principal Financial Officer and
Principal Accounting Officer)

POLYPHENOLICS, INC.

Dated: December 22, 1998 By: /s/ Thomas F. Howe

Thomas F. Howe, Vice President and
Controller

Dated: December 22, 1998 By: /s/ Thomas S. Summer

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

ROBERTS TRADING CORP.

Dated: December 22, 1998 By: /s/ Thomas F. Howe

Thomas F. Howe, Controller

Dated: December 22, 1998 By: /s/ Thomas S. Summer

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

BARTON INCORPORATED

Dated: December 22, 1998 By: /s/ Alexander L. Berk

Alexander L. Berk, President and
Chief Executive Officer

Dated: December 22, 1998 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: December 22, 1998 By: /s/ Alexander L. Berk

Alexander L. Berk, Executive Vice President

Dated: December 22, 1998 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: December 22, 1998 By: /s/ Alexander L. Berk

Alexander L. Berk, Executive Vice President

Dated: December 22, 1998 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: December 22, 1998 By: /s/ Alexander L. Berk

Alexander L. Berk, President

Dated: December 22, 1998 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 GEORGIA, INC.

Dated: December 22, 1998 By: /s/ Alexander L. Berk

Alexander L. Berk, President

Dated: December 22, 1998 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: December 22, 1998 By: /s/ Alexander L. Berk

Alexander L. Berk, President

Dated: December 22, 1998 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: December 22, 1998 By: /s/ Raymond E. Powers

Raymond E. Powers, President and Secretary

Dated: December 22, 1998 By: /s/ Charles T. Schlau

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

STEVENS POINT BEVERAGE CO.

Dated: December 22, 1998 By: /s/ Alexander L. Berk

Alexander L. Berk, Executive Vice President

Dated: December 22, 1998 By: /s/ Raymond E. Powers

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

MONARCH IMPORT COMPANY

Dated: December 22, 1998 By: /s/ Alexander L. Berk

Alexander L. Berk, President

Dated: December 22, 1998 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: December 22, 1998 By: /s/ Alexander L. Berk

Alexander L. Berk, President

Dated: December 22, 1998 By: /s/ Raymond E. Powers

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

INDEX TO EXHIBITS

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

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

(3) ARTICLES OF INCORPORATION AND BY-LAWS.

3.1 Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1998 and incorporated herein by reference).

3.2 Amended and Restated By-Laws of the Company (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1998 and incorporated herein by reference).

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

4.1 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).

4.2 First Supplemental Indenture, dated as of August 3, 1994, among the Company, Canandaigua West, Inc. (a subsidiary of the Company now known as Canandaigua Wine Company, Inc.) and The Chase Manhattan Bank (as successor to Chemical Bank) (filed as Exhibit 4.5 to the Company's Registration Statement on Form S-8 (Registration No. 33-56557) and incorporated herein by reference).

4.3 Second Supplemental Indenture, dated August 25, 1995, among the Company, V Acquisition Corp. (a subsidiary of the Company now known as The Viking Distillery, Inc.) and The Chase Manhattan Bank (as successor to Chemical Bank) (filed as Exhibit 4.5 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1995 and incorporated herein by reference).

4.4 Third Supplemental Indenture, dated as of December 19, 1997, among the Company, Canandaigua Europe Limited, Roberts Trading Corp. and The Chase Manhattan Bank (filed as Exhibit 4.4 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1998 and incorporated herein by reference).

4.5 Fourth Supplemental Indenture, dated as of October 2, 1998, among the Company, Polyphenolics, Inc. and The Chase Manhattan Bank (filed herewith).

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).

4.7 First Supplemental Indenture, dated as of December 19, 1997, among the Company, Canandaigua Europe Limited, Roberts Trading Corp. and Harris Trust and Savings Bank (filed as Exhibit 4.6 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1998 and incorporated herein by reference).

4.8 Second Supplemental Indenture, dated as of October 2, 1998, among the Company, Polyphenolics, Inc. and Harris Trust and Savings Bank (filed herewith).

4.9 First Amended and Restated Credit Agreement, dated as of November 2, 1998, between the Company, its principal operating subsidiaries, and certain banks for which The Chase Manhattan Bank acts as Administrative Agent (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 1, 1998 and incorporated herein by reference).

(10) MATERIAL CONTRACTS.

First Amended and Restated Credit Agreement, dated as of November 2, 1998, between the Company, its principal operating subsidiaries, and certain banks for which The Chase Manhattan Bank acts as Administrative Agent (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 1, 1998 and incorporated herein by reference).

(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 4.8

SECOND SUPPLEMENTAL INDENTURE (the "Supplement"), dated as of October 2, 1998 is entered into by and among CANANDAIGUA BRANDS, INC. (formerly known as Canandaigua Wine Company, Inc.), a Delaware corporation (the "Company"), and POLYPHENOLICS, INC., a New York corporation, and a wholly owned subsidiary of the Company (the "New Guarantor"), and HARRIS TRUST AND SAVINGS BANK , as Trustee (the "Trustee").

RECITALS OF THE COMPANY AND THE NEW GUARANTOR

WHEREAS, the Company, the Guarantors and the Trustee have executed and delivered an Indenture, dated as of October 29, 1996, as supplemented, among the Company, the Guarantors and the Trustee (the "Indenture") providing for the issuance by the Company of $65,000,000 aggregate principal amount of the Company's 8 3/4% Senior Subordinated Notes due 2003 (the "Securities") and pursuant to which the Guarantors have agreed to guarantee, jointly and severally, the full and punctual payment and performance when due of all Indenture Obligations.

WHEREAS, the New Guarantor has become a Subsidiary and pursuant to Section 1014(b) of the Indenture is obligated to enter into the Supplement thereby guaranteeing the punctual payment and performance when due of all Indenture Obligations;

WHEREAS, pursuant to Section 901(e) of the Indenture, the Company, the New Guarantor and the Trustee may enter into this Supplement without the consent of any Holder;

WHEREAS, the execution and delivery of this Supplement have been duly authorized by a Board Resolution of the respective Boards of Directors of the Company and the New Guarantor; and

WHEREAS, all conditions and requirements necessary to make the Supplement valid and binding upon the Company and the New Guarantor, and enforceable against the Company and the New Guarantor in accordance with its terms, have been performed and fulfilled;

NOW, THEREFORE, in consideration of the above premises, each of the parties hereto agrees, for the benefit of the others and for the equal and proportionate benefit of the Holders of the Securities, as follows:

ARTICLE ONE
THE NEW GUARANTEE

Section 101. For value received, the New Guarantor, in accordance with Article Fourteen of the Indenture, hereby absolutely, unconditionally and irrevocably guarantees (the "New Guarantee"), jointly and severally among itself and the Guarantors, to the Trustee and the Holders, as if the New Guarantor were the principal debtor, the punctual payment and performance when due of all Indenture Obligations (which for purposes of the New Guarantee

shall also be deemed to include all commissions, fees, charges, costs and other expenses (including reasonable legal fees and disbursements of one counsel) arising out of or incurred by the Trustee or the Holders in connection with the enforcement of the New Guarantee). The agreements made and obligations assumed hereunder by the New Guarantor shall constitute and shall be deemed to constitute a Guarantee under the Indenture and for all purposes of the Indenture, and the New Guarantor shall be considered a Guarantor for all purposes of the Indenture as if it were originally named therein as a Guarantor.

Section 102. The New Guarantee shall be automatically and unconditionally released and discharged upon the occurrence of the events set forth in Section 1014(c) of the Indenture.

Section 103. The New Guarantor hereby waives and will not in any manner whatsoever, claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Subsidiary as a result of any payment by such Subsidiary under its Guarantee under the Indenture.

ARTICLE TWO
MISCELLANEOUS

Section 201. Except as otherwise expressly provided or unless the context

otherwise requires, all terms used herein which are defined in the Indenture shall have the meanings assigned to them in the Indenture. Except as supplemented hereby, the Indenture (including the Guarantees incorporated therein) and the Securities are in all respects ratified and confirmed and all the terms and provisions thereof shall remain in full force and effect.

Section 202. This Supplement shall be effective as of the close of business on the date hereof.

Section 203. The recitals contained herein shall be taken as the statements of the Company and the New Guarantor, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Supplement.

Section 204. This Supplement shall be governed by and construed in accordance with the laws of the jurisdiction which govern the Indenture and its construction.

Section 205. This Supplement may be executed in any number of counterparts each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be duly executed and their respective seals to be affixed hereunto and duly attested all as of the day and year first above written.

CANANDAIGUA BRANDS, INC.

[Corporate Seal]

By: /s/ Perry R. Humphrey

Name: Perry R. Humphrey
Title: Treasurer

Attest:

/s/ David S. Sorce
- ---------------------------
Name: David S. Sorce
Title: Assistant Secretary

POLYPHENOLICS, INC.

[Corporate Seal]

By: /s/ Perry R. Humphrey

Name: Perry R. Humphrey
Title: Assistant Treasurer

Attest:

/s/ David S. Sorce
- ---------------------------
Name: David S. Sorce
Title: Secretary

HARRIS TRUST AND SAVINGS BANK

[Corporate Seal]

By: /s/ J. Bartolini

Name: J. Bartolini
Title: Vice President

Attest:

/s/ D.G. Donovan
- ---------------------------
Name: D.G. Donovan
Title: Assistant Secretary

EXHIBIT 4.8

SECOND SUPPLEMENTAL INDENTURE (the "Supplement"), dated as of October 2, 1998 is entered into by and among CANANDAIGUA BRANDS, INC. (formerly known as Canandaigua Wine Company, Inc.), a Delaware corporation (the "Company"), and POLYPHENOLICS, INC., a New York corporation, and a wholly owned subsidiary of the Company (the "New Guarantor"), and HARRIS TRUST AND SAVINGS BANK , as Trustee (the "Trustee").

RECITALS OF THE COMPANY AND THE NEW GUARANTOR

WHEREAS, the Company, the Guarantors and the Trustee have executed and delivered an Indenture, dated as of October 29, 1996, as supplemented, among the Company, the Guarantors and the Trustee (the "Indenture") providing for the issuance by the Company of $65,000,000 aggregate principal amount of the Company's 8 3/4% Senior Subordinated Notes due 2003 (the "Securities") and pursuant to which the Guarantors have agreed to guarantee, jointly and severally, the full and punctual payment and performance when due of all Indenture Obligations.

WHEREAS, the New Guarantor has become a Subsidiary and pursuant to Section 1014(b) of the Indenture is obligated to enter into the Supplement thereby guaranteeing the punctual payment and performance when due of all Indenture Obligations;

WHEREAS, pursuant to Section 901(e) of the Indenture, the Company, the New Guarantor and the Trustee may enter into this Supplement without the consent of any Holder;

WHEREAS, the execution and delivery of this Supplement have been duly authorized by a Board Resolution of the respective Boards of Directors of the Company and the New Guarantor; and

WHEREAS, all conditions and requirements necessary to make the Supplement valid and binding upon the Company and the New Guarantor, and enforceable against the Company and the New Guarantor in accordance with its terms, have been performed and fulfilled;

NOW, THEREFORE, in consideration of the above premises, each of the parties hereto agrees, for the benefit of the others and for the equal and proportionate benefit of the Holders of the Securities, as follows:

ARTICLE ONE
THE NEW GUARANTEE

Section 101. For value received, the New Guarantor, in accordance with Article Fourteen of the Indenture, hereby absolutely, unconditionally and irrevocably guarantees (the "New Guarantee"), jointly and severally among itself and the Guarantors, to the Trustee and the Holders, as if the New Guarantor were the principal debtor, the punctual payment and performance when due of all Indenture Obligations (which for purposes of the New Guarantee

shall also be deemed to include all commissions, fees, charges, costs and other expenses (including reasonable legal fees and disbursements of one counsel) arising out of or incurred by the Trustee or the Holders in connection with the enforcement of the New Guarantee). The agreements made and obligations assumed hereunder by the New Guarantor shall constitute and shall be deemed to constitute a Guarantee under the Indenture and for all purposes of the Indenture, and the New Guarantor shall be considered a Guarantor for all purposes of the Indenture as if it were originally named therein as a Guarantor.

Section 102. The New Guarantee shall be automatically and unconditionally released and discharged upon the occurrence of the events set forth in Section 1014(c) of the Indenture.

Section 103. The New Guarantor hereby waives and will not in any manner whatsoever, claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Subsidiary as a result of any payment by such Subsidiary under its Guarantee under the Indenture.

ARTICLE TWO
MISCELLANEOUS

Section 201. Except as otherwise expressly provided or unless the context

otherwise requires, all terms used herein which are defined in the Indenture shall have the meanings assigned to them in the Indenture. Except as supplemented hereby, the Indenture (including the Guarantees incorporated therein) and the Securities are in all respects ratified and confirmed and all the terms and provisions thereof shall remain in full force and effect.

Section 202. This Supplement shall be effective as of the close of business on the date hereof.

Section 203. The recitals contained herein shall be taken as the statements of the Company and the New Guarantor, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Supplement.

Section 204. This Supplement shall be governed by and construed in accordance with the laws of the jurisdiction which govern the Indenture and its construction.

Section 205. This Supplement may be executed in any number of counterparts each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be duly executed and their respective seals to be affixed hereunto and duly attested all as of the day and year first above written.

CANANDAIGUA BRANDS, INC.

[Corporate Seal]

By: /s/ Perry R. Humphrey

Name: Perry R. Humphrey
Title: Treasurer

Attest:

/s/ David S. Sorce

Name: David S. Sorce
Title: Assistant Secretary

POLYPHENOLICS, INC.

[Corporate Seal]

By: /s/ Perry R. Humphrey

Name: Perry R. Humphrey
Title: Assistant Treasurer

Attest:

/s/ David S. Sorce

Name: David S. Sorce
Title: Secretary

HARRIS TRUST AND SAVINGS BANK

[Corporate Seal]

By: /s/ J. Bartolini

Name: J. Bartolini
Title: Vice President

Attest:

/s/ D.G. Donovan

Name: D.G. Donovan
Title: Assistant Secretary

EXHIBIT 11

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

	For the Nine Months Ended November 30,			
	1998		1997	
	Basic	Diluted	Basic	Diluted
Income applicable to common shares	$49,037	$49,037	$40,022	$40,022
Adjustments	--	--	--	--
Income applicable to common shares	$49,037	$49,037	$40,022	$40,022
Shares:				
Weighted average common shares outstanding	18,412	18,412	18,663	18,663
Adjustments:				
Stock options	--	469	--	391
Adjusted weighted average common shares outstanding	18,412	18,881	18,663	19,054
Earnings per common share	$ 2.66	$ 2.60	$ 2.14	$ 2.10

	For the Three Months Ended November 30,			
	1998		1997	
	Basic	Diluted	Basic	Diluted
Income applicable to common shares	$19,650	$19,650	$17,611	$17,611
Adjustments	--	--	--	--
Income applicable to common shares	$19,650	$19,650	$17,611	$17,611
Shares:				
Weighted average common shares outstanding	17,892	17,892	18,659	18,659
Adjustments:				
Stock options	--	433	--	522
Adjusted weighted average common shares outstanding	17,892	18,325	18,659	19,181
Earnings per common share	$ 1.10	$ 1.07	$ 0.94	$ 0.92

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This schedule contains summary financial information extracted from the
Company's November 30, 1998 Form 10-Q and is qualified in its entirety by
reference to such financial statements.
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