

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-07-08** | Period of Report: **1994-05-31**  
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### FILER

#### CANANDAIGUA WINE CO INC

CIK: **16918** | IRS No.: **160716709** | State of Incorp.: **DE** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **000-07570** | Film No.: **94538177**  
SIC: **2080** Beverages

Business Address  
116 BUFFALO ST  
CANANDAIGUA NY 14424  
7163947900

#### BATAVIA WINE CELLARS INC

CIK: **914160** | IRS No.: **161222994** | State of Incorp.: **NY** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **033-70824-01** | Film No.: **94538178**

Mailing Address  
SCHOLL STREET  
BATAVIA NY 14020

Business Address  
116 BUFFALO STREET  
CANANDAIGUA NY 14424  
7163947900

#### BISCEGLIA BROTHERS WINE CO

CIK: **914162** | IRS No.: **942248544** | State of Incorp.: **DE** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **033-70824-02** | Film No.: **94538179**

Mailing Address  
25427 AVENUE 13  
MADERA CA 93637

Business Address  
116 BUFFALO STREET  
CANANDAIGUA NY 14424  
716-394-7900

#### CALIFORNIA PRODUCTS CO

CIK: **914163** | IRS No.: **940360780** | State of Incorp.: **CA** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **033-70824-03** | Film No.: **94538180**

Mailing Address  
3000 BUTLER AVENUE  
FRESNO CA 93708

Business Address  
116 BUFFALO STREET  
CANANDAIGUA NY 14424  
716-394-7900

#### GUILD WINERIES & DISTILLERIES INC

CIK: **914164** | IRS No.: **161401046** | State of Incorp.: **NY** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **033-70824-04** | Film No.: **94538181**

Mailing Address  
P.O. BOX 55  
WOODBIDGE CA 95258

Business Address  
116 BUFFALO STREET  
CANANDAIGUA NY 14424  
716-394-7900

#### TENNER BROTHERS INC

CIK: **914165** | IRS No.: **570474561** | State of Incorp.: **SC** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **033-70824-05** | Film No.: **94538182**

Mailing Address  
RT 2 BOX 85  
PATRICK SC 29584

Business Address  
116 BUFFALO STREET  
CANANDAIGUA NY 14424  
716-394-7900

#### WIDMERS WINE CELLARS INC

CIK: **914166** | IRS No.: **161184188** | State of Incorp.: **NY** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **033-70824-06** | Film No.: **94538183**

Mailing Address  
ONE LAKE NIAGARA LANE  
NAPLES NY 14512

Business Address  
116 BUFFALO STREET  
CANANDAIGUA NY 14424  
716-394-7900

#### BARTON INC

CIK: **914167** | IRS No.: **363500366** | State of Incorp.: **DE** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **033-70824-07** | Film No.: **94538184**

Mailing Address  
55 E MONROE  
CHICAGO IL 60603

Business Address  
116 BUFFALO STREET  
CANANDAIGUA NY 14424  
716-394-79

**BARTON BRANDS LTD /DE/**CIK:**914168** | IRS No.: **363185921** | State of Incorp.:**DE** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **033-70824-08** | Film No.: **94538185**Mailing Address  
55 E MONROE 17TH  
CHICAGO IL 60603Business Address  
116 BUFFALO STREET  
CANANDAIGUA NY 14424  
716-394-7900**BARTON BEERS LTD**CIK:**914169** | IRS No.: **362855879** | State of Incorp.:**MD** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **033-70824-09** | Film No.: **94538186**Mailing Address  
55 E MONROE  
CHICAGO IL 60603Business Address  
116 BUFFALO STREET  
CANANDAIGUA NY 14424  
716-394-79**BARTON BRANDS OF CALIFORNIA INC**CIK:**914171** | IRS No.: **061048198** | State of Incorp.:**CT** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **033-70824-10** | Film No.: **94538187**Mailing Address  
2202 EAST DEL AMO BLVD  
COMPTON CA 90220Business Address  
116 BUFFALO STREET  
CANANDAIGUA NY 14424  
716-394-79**BARTON BRANDS OF GEORGIA INC**CIK:**914172** | IRS No.: **581215938** | State of Incorp.:**GA** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **033-70824-11** | Film No.: **94538188**Mailing Address  
650 FAIRBURN ROAD S W  
ATLANTA GA 30331Business Address  
116 BUFFALO STREET  
CANANDAIGUA NY 14424  
716-394-79**BARTON DISTILLERS IMPORT CORP**CIK:**914173** | IRS No.: **131794441** | State of Incorp.:**NY** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **033-70824-12** | Film No.: **94538189**Mailing Address  
845 THIRD AVENUE  
20TH FLOOR  
NEW YORK NY 10022-1236Business Address  
116 BUFFALO STREET  
CANANDAIGUA NY 14424  
716-394-39**BARTON FINANCIAL CORP**CIK:**914174** | IRS No.: **510311795** | State of Incorp.:**DE** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **033-70824-13** | Film No.: **94538190**Mailing Address  
901 MARKET STREET  
SUITE 917  
WILMINGTON DE 19801Business Address  
116 BUFFALO STREET  
CANANDAIGUA NY 14424  
716-394-79**STEVENS POINT BEVERAGE CO**CIK:**914175** | IRS No.: **390638900** | State of Incorp.:**WI** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **033-70824-14** | Film No.: **94538191**Mailing Address  
2617 WATER STREET  
STEVENS POINT WI  
54481-5232Business Address  
116 BUFFALO STREET  
CANANDAIGUA NY 14424  
716-394-79**MONARCH WINE CO LIMITED PARTNERSHIP**CIK:**914177** | IRS No.: **363547524** | State of Incorp.:**NY** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **033-70824-15** | Film No.: **94538192**Mailing Address  
845 THIRD AVENUE  
20TH FLOOR  
NEW YORK NY 10022-1236Business Address  
116 BUFFALO STREET  
CANANDAIGUA NY 14424  
716-394-79**BARTON MANAGEMENT INC**CIK:**914179** | IRS No.: **363539106** | State of Incorp.:**IL** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **033-70824-16** | Film No.: **94538193**Mailing Address  
55 EAST MONROE  
17TH FLOOR  
CHICAGO IL 60603Business Address  
116 BUFFALO STREET  
CANANDAIGUA NY 14424  
716-394-79**VINTNERS INTERNATIONAL CO INC**CIK:**914183** | IRS No.: **161443663** | State of Incorp.:**NY** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **033-70824-18** | Film No.: **94538194**Mailing Address  
P.O. BOX 780  
GONZALES CA 93926Business Address  
116 BUFFALO STREET  
CANANDAIGUA NY 14424  
716-394-79

<TABLE>  
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Securities and Exchange Commission  
Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended May 31, 1994

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-7570

Delaware	Canandaigua Wine Company, Inc. and its subsidiaries	16-0716709
New York	Batavia Wine Cellars, Inc.	16-1222994
Delaware	Bisceglia Brothers Wine Co.	94-2248544
California	California Products Company	94-0360780
New York	Guild Wineries & Distilleries, Inc.	16-1401046
South Carolina	Tenner Brothers, Inc.	57-0474561
New York	Widmer's Wine Cellars, Inc.	16-1184188
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
New York	Monarch Wine Company, Limited Partnership	36-3547524
Illinois	Vintners Management, Inc.	36-3539106
New York	Vintners International Company, Inc.	16-1443663
(State or other jurisdiction of incorporation or organization)	(Exact name of registrant as specified in its charter)	(I.R.S. Employer Identification No.)

116 Buffalo Street, Canandaigua, New York 14424  
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code (716)394-7900  
(716)394-7900

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

Indicate by check whether the registrant (1) has 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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

The number of shares outstanding of each of the classes of common stock of Canandaigua Wine Company, Inc. as of July 6, 1994 is set forth below (all of the registrants, other than Canandaigua Wine Company, Inc., are direct or indirect wholly owned subsidiaries of Canandaigua Wine Company, Inc.).

Class	Number of Shares Outstanding
Class A Common Stock, Par Value \$.01 Per Share	12,593,231
Class B Convertible Common Stock, Par Value \$.01 Per Share	3,390,051

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Part 1 - Financial Information

Item 1. Financial Statements

CANANDAIGUA WINE COMPANY, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

<u>&lt;S&gt;</u>	<u>&lt;C&gt;</u>	<u>&lt;C&gt;</u>
	May 31, 1994	August 31, 1993
	(Unaudited)	(Audited)
Assets		
Current Assets:		
Cash and cash investments	\$1,539,933	\$3,717,782
Accounts receivable, net	98,248,168	75,908,946
Inventories, net	215,515,787	147,165,267
Prepaid expenses and other current assets	19,461,000	17,262,919
Total current assets	\$334,764,888	\$244,054,914
Property, Plant and Equipment, at cost		
less accumulated depreciation	167,697,676	78,600,281
Other Assets	77,305,520	32,527,291
Total assets	\$579,768,084	\$355,182,486
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current portion of long-debt	\$8,793,954	\$11,828,000
Notes payable - banks	38,000,000	9,000,000
Accounts payable - trade	34,266,350	41,288,481
Federal and state income taxes	720,337	950,509
Federal and state excise taxes	11,399,202	11,194,941
Accrued salaries, bonuses and commissions	5,574,569	4,276,960
Other accrued liabilities	54,329,611	16,499,606
Deferred income taxes	1,763,241	1,763,241
Total current liabilities	\$154,847,264	\$96,801,738
Long-Term Debt, less current portion	\$178,432,437	\$108,303,233
Deferred Income Taxes	\$31,479,601	\$20,629,329
Other Long-Term Liabilities	\$7,852,108	\$3,344,414
Stockholders' Equity		
Class A Common Stock, \$.01 par value		
- Authorized 60,000,000 shares;		
Issued, 13,832,597 at May 31, 1994 and 10,543,645 at August 31, 1993	\$138,326	\$105,439
Class B Convertible Common Stock, \$.01 par value - Authorized 20,000,000 shares; Issued, 4,015,776 at May 31, 1994 and 4,068,576 at August 31, 1993	40,158	40,685
Additional paid-in capital	110,066,831	47,201,942
Retained earnings	104,575,200	86,525,325
	214,820,515	133,873,391
Less Treasury stock		
Class A Common Stock, 1,239,366 shares at May 31, 1994 and 1,274,251 at August 31, 1993, at cost	(5,457,318)	(5,563,096)
Class B Convertible Common Stock, 625,725 shares at May 31, 1994 and August 31, 1993, at cost	(2,206,523)	(2,206,523)
Total stockholders' equity	\$207,156,674	\$126,103,772
Total liabilities and stockholders' equity	\$579,768,084	\$355,182,486

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## CANANDAIGUA WINE COMPANY, INC. AND SUBSIDIARIES

## Consolidated Statements of Income and Retained Earnings

<u>&lt;S&gt;</u>	<u>&lt;C&gt;</u>	<u>&lt;C&gt;</u>	<u>&lt;C&gt;</u>	<u>&lt;C&gt;</u>
	Nine Months Ended		Three Months Ended	
	May 31, 1994	May 31, 1993	May 31, 1994	May 31, 1993
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gross Sales	\$618,615,707	\$233,605,602	\$212,043,459	\$73,599,044
Less Excise taxes	(169,876,974)	(43,219,847)	(57,820,469)	(13,103,781)
Net sales	\$448,738,733	\$190,385,755	\$154,222,990	\$60,495,263
Cost of Product Sold	(319,639,702)	(132,744,773)	(111,447,714)	(42,084,287)
Gross profit	129,099,031	57,640,982	42,775,276	18,410,976
Selling, General & Administrative Expenses	(87,109,400)	(37,539,688)	(27,449,495)	(11,799,465)

Operating income	41,989,631	20,101,294	15,325,781	6,611,511
Interest Income	237,587	126,082	163,816	4,128
Interest Expense	(13,083,543)	(4,312,012)	(4,724,007)	(1,273,576)
Income before provision for income taxes	29,143,675	15,915,364	10,765,590	5,342,063
Provision for Federal and State Income Taxes	(11,093,800)	(5,968,300)	(4,110,160)	(1,950,550)
Net Income	18,049,875	9,947,064	6,655,430	3,391,513
Retained earnings, beginning	86,525,325	70,921,273	97,919,770	77,476,824
Retained earnings, ending	\$104,575,200	\$80,868,337	\$104,575,200	\$80,868,337
Net income per common and equivalent share				
Primary	\$1.16	\$.84	\$.41	\$.29
Fully Diluted	\$1.13	\$.79	\$.41	\$.27
Weighted average shares outstanding				
Primary	15,590,328	11,775,180	16,361,827	11,796,897
Fully Diluted	16,329,966	15,068,265	16,361,827	15,089,982

Dividend per share NONE NONE NONE NONE

The accompanying notes to consolidated financial statements  
are an integral part of these statements  
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CANANDAIGUA WINE COMPANY, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	<S>	<C>	<C>	<C>	<C>
		May 31, 1994 (Unaudited)	May 31, 1993 (Unaudited)	May 31, 1994 (Unaudited)	May 31, 1993 (Unaudited)
			Nine Months Ended	Three Months Ended	
Cash Flows From Operating Activities:					
Net Income		\$18,049,875	\$9,947,064	\$ 6,655,429	\$3,391,513
Adjustments to reconcile net income to net cash provided (used) by operating activities:					
Depreciation of property, plant and equipment		7,519,592	5,455,929	2,786,915	1,853,155
Amortization		2,822,800	773,901	1,174,108	257,967
Gain on sale of equipment		0	(184,968)	0	0
Change in deferred taxes		861,272	0	1,108,872	0
Accrued interest on converted debentures, net of tax		161,241	0	0	0
Changes in assets and liabilities, net of effects of from purchase of business:					
Accounts receivable		(2,161,452)	2,893,873	(6,762,278)	(2,587,362)
Inventories		16,060,328	1,584,176	11,322,029	8,518,267
Prepaid expenses		(1,884,985)	(1,312,158)	(1,207,411)	(1,925,322)
Accounts payable		(40,287,485)	(26,147,857)	1,152,139	(81,501)
Accrued Federal and state income taxes		(230,172)	2,055,374	25,885	364,453
Accrued Federal and state excise taxes		(853,217)	(1,305,996)	(5,796,755)	(1,096,601)
Accrued salaries and commissions		1,297,609	(56,658)	86,258	373,393
Other accrued liabilities		(3,230,966)	375,360	2,588,995	1,164,693
Other		(8,802,563)	(553,588)	318,133	(330,801)
Total adjustments		\$(28,727,998)	\$(16,422,612)	\$6,796,890	\$6,510,341
Net cash used by operating activities		\$(10,678,123)	\$(6,475,548)	\$13,452,319	\$9,901,854
Cash Flows From Investing Activities					
Purchases of property, plant and equipment, net of minor disposals		\$(5,262,079)	(4,261,637)	(2,461,661)	(1,110,131)
Acquisition costs for purchase of business-net of cash acquired		3,200	0	0	0
Proceeds from sale of equipment		0	649,000	0	0
Net cash used by investing activities		\$(5,258,879)	\$(3,612,637)	\$(2,461,661)	\$(1,110,131)
Cash Flows From Financing Activities:					
Net proceeds of short-term borrowings		17,681,358	8,000,000	(13,000,000)	(10,000,000)
Principal payments of long-term debt		(4,474,105)	(38,741)	(2,034,439)	(13,059)
Proceeds of employee stock appreciation &					

purchase plan	544,860	203,512	0	1,233
Exercise of employee stock options	10,000	0	0	0
Fractional shares paid for stock splits	(2,960)	0	(1)	0
Net cash provided by financing activities	\$13,759,153	\$8,164,771	\$ (15,034,440)	\$ (10,011,826)
Net Decrease in Cash and Cash Investments	\$ (2,177,849)	\$ (1,923,414)	(4,043,782)	(1,220,103)
Cash and Cash Investments, beginning of period	3,717,782	2,193,543	5,583,715	1,490,232
Cash and Cash Investments, end of period	\$1,539,933	\$270,129	\$1,539,933	\$270,129
Supplemental Disclosures of Cash Flow Information				
Cash paid during the period for:				
Interest	\$8,729,470	\$3,246,916	\$2,007,151	\$208,480
Income taxes	\$11,323,972	\$3,912,926	\$3,315,775	\$1,586,097

Supplemental Disclosures of Noncash Investing and Financing Activities:

Fair value of assets acquired	232,782,954
Liabilities assumed	(90,950,669)
Consideration paid	\$146,832,285
Less - amounts borrowed	(142,622,285)
Less - issuance of Class A Common Stock options (4,210,000)	
Net cash paid for acquisition	\$0
Issuance of Class A Common Stock for conversion of debentures	\$58,960,000
Write off of unamortized deferred financing costs on debentures	(1,568,719)
Write off of unpaid accrued interest on debentures	1,370,743
Total addition to Stockholders' Equity from Conversion	\$58,762,024

The accompanying notes to consolidated financial statements are an integral part of these statements  
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CANANDAIGUA WINE COMPANY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
May 31, 1994

I. Management 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 Wine Company, Inc. and its consolidated 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 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 August 31, 1993.

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. The percentage of inventories valued using the LIFO method is 93%, 88%, and 97% at May 31, 1994, August 31, 1993, and May 31, 1993, respectively. Replacement cost of the inventories determined on a FIFO basis approximated \$215,199,000, \$146,421,000, and \$91,096,000 at May 31, 1994, August 31, 1993, and May 31, 1993, respectively. At May 31, 1994, August 31, 1993 and May 31, 1993, the net realizable value of the Company's inventories was in excess of \$215,515,787, \$147,165,267, and \$91,110,225, respectively.

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

<TABLE>

<C>	<C>	<C>
May 31, 1994	August 31, 1993	May 31, 1993

<S>			
Raw materials and supplies	\$29,062,176	\$31,683,657	\$30,730,409
Wines, whiskey and spirits in process	137,090,956	73,400,765	44,441,520
Finished case goods	49,362,655	42,080,845	15,938,296
	\$215,515,787	\$147,165,267	\$91,110,225

</TABLE>

### 3) Property, Plant and Equipment:

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

<TABLE>

<S>	<C> May 31, 1994	<C> August 31, 1993
Land	\$12,015,152	\$4,305,648
Buildings and improvements	62,516,055	30,135,151
Machinery and equipment	145,575,079	91,161,305
Motor vehicles	2,551,367	2,553,585
Construction in progress	4,189,593	2,074,570
	\$226,847,246	\$130,230,259
Less accumulated depreciation	(59,149,570)	(51,629,978)
	\$167,697,676	\$78,600,281

</TABLE>

### 4) Acquisitions:

On October 15, 1993, the Company acquired substantially all of the tangible and intangible assets of Vintners International Company, Inc. ("Vintners") other than cash and the Hammondsport Winery (the "Vintners Assets"), and assumed certain current liabilities associated with the ongoing business (the "Vintners Acquisition"), for an aggregate purchase price of \$148.9 million (the "Cash Consideration"), subject to adjustment based upon the determination of the Final Net Current Asset Amount (as defined below), and paid \$8,961,000 of direct acquisition and financing costs. In addition, at closing the Company delivered options (the "Options") to Vintners and Household Commercial of California, Inc., one of Vintners' lenders, to purchase an aggregate of 500,000 shares (the "Option Shares") of the Company's Class A Common Stock, at an exercise price per share of \$18.25, which are exercisable at any time until October 15, 1996. These options have been recorded at \$8.42 per share, based upon an independent appraisal and \$4,210,000 has been reflected as a component of additional paid-in-capital.

Vintners was the United States' fifth largest supplier of wine with two of the country's most highly recognized brands, Paul Masson and Taylor California Cellars. The wineries acquired from Vintners are the Gonzales winery in Gonzales, California and the Paul Masson wineries in Madera and Soledad, California. In addition, the Company is leasing from Vintners the Hammondsport winery in Hammondsport, New York. The lease is for a period of 18 months from the date of the Vintners Acquisition.

The Cash Consideration was funded by the Company pursuant to (i) approximately \$12.6 million of Revolving Loans under the Credit Facility (as defined in Note 5 below) of which \$11.2 million funded the Cash Consideration and \$1.4 million funded the payment of direct acquisition costs; (ii) an accrued liability of approximately \$7.7 million for the holdback described below and (iii) the \$130.0 million Subordinated Bank Loan (as defined in Note 5 below). See "Description of Long-Term Debt" under Note 5 below.

At closing the Company held back from the Cash Consideration approximately 10% of the then estimated net current assets of Vintners purchased by the Company, and deposited an additional \$2.8 million of the Cash Consideration into an escrow to be held until October 15, 1995. If the amount of the net current assets as determined after the closing (the "Final Net Current Asset

Amount") is greater than 90% and less than 100% of the amount of net current assets estimated at closing (the "Estimated Net Current Asset Amount"), then the Company shall pay into the established escrow an amount equal to the Final Net Current Asset Amount less 90% of the Estimated Net Current Asset Amount. If the Final Net Current Asset Amount is greater than the Estimated Net Current Asset Amount, then, in addition to the payment described above, the Company shall pay an amount equal to such excess, plus interest from the closing, to Vintners. If the Final Net Current Asset Amount is less than 90% of the Estimated Net Current Asset Amount, then the Company shall be paid such deficiency out of the escrow account. As of May 31, 1994, no adjustment to the established escrow was required and the Final Net Current Asset Amount has not been determined.

The Vintners Acquisition was accounted for using the purchase method; accordingly, the Vintners Assets were recorded at fair market value at the date of acquisition. The fair market value of the Vintners Assets approximated the aggregate purchase price. The accompanying consolidated financial statements reflect the results of operations of Vintners since October 15, 1993.

The Company acquired all of the outstanding capital stock of Barton Incorporated ("Barton") on June 29, 1993 (the "Barton Acquisition"). The following table presents unaudited pro forma results of operations as if the Vintners Acquisition occurred at the beginning of the Nine Months ended 5/31/94 and as if both the Vintners Acquisition and the Barton Acquisition occurred at the beginning of the Nine Months ended 5/31/93, after giving effect to certain adjustments for depreciation, amortization of intangibles, interest expense on the acquisition debt and related income tax effects. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisitions been made at the beginning of fiscal 1994 and 1993, respectively, or of results which may occur in the future.

<TABLE>	<S>	<C> Pro forma For the Nine Months Ended	<C> May 31, 1993
		May 31, 1994	May 31, 1993
Net Sales		\$466,001,000	\$494,447,000
Net Income from Operations		41,614,000	50,998,000
Net Income		16,883,000	21,934,000
Net Income per Common and Equivalent Shares:			
Primary		\$1.08	\$1.72
Fully Diluted		\$1.06	\$1.48
Weighted Average Shares Outstanding:			
Primary		15,590,328	12,775,180
Fully Diluted		16,329,966	16,158,153

<TABLE>  
5) Long-Term Debt:

Long-term debt consists of the following at May 31, 1994:

<S>	<C> Current	<C> Long-Term	<C> Total
Credit Facilities			
Senior Credit Facility:			
Term loan, variable rate, original proceeds \$50,000,000 due in installments through fiscal 1999	\$8,000,000	\$38,000,000	\$46,000,000
Senior Subordinated Notes:			
8.75% redeemable after December 15, 1998, due 2003	-----	130,000,000	130,000,000

Capitalized Lease Agreements:

Capitalized equipment leases at interest rates ranging from 8.9% to 18% due in



monthly installments through fiscal 1997	255,454	313,606	569,060
Industrial Development Agencies:			
7 1/4 1975 issue, original proceeds \$2,000,000, due in annual installments of \$100,000 through fiscal 1994	100,000	-----	100,000
7 1/2% 1980 issue, original proceeds \$2,370,000, due in annual installments of \$118,500 through fiscal 1999	118,500	592,500	711,000
Other Long-Term Debt:			
Loans payable - 5% secured by cash surrender value of officer's life insurance policies	-----	966,973	966,973
Notes payable at 1% below prime rate (\$3,000,000) to prime rate (\$5,239,358), due in yearly installments through fiscal 1995	-----	8,239,358	8,239,358
Promissory note at prime rate due in equal yearly installments through September 30, 1995	320,000 \$8,793,954	320,000 \$178,432,437	640,000 \$187,226,391

</TABLE>

#### Description of Long-Term Debt

##### Senior Credit Facility

On October 15, 1993 the Company amended the Senior Credit Facility (the "Credit Facility") in connection with the acquisition of substantially all of the assets of Vintners.

The Credit Facility consists of: (i) a \$50.0 million Term Loan; (ii) Revolving Loans in an aggregate principal amount, together with the aggregate amount of all undrawn or drawn letters of credit ("Revolving Letters of Credit"), not to exceed \$95.0 million; and (iii) a standby irrevocable letter of credit of \$28.2 million. The Banks have been given security interests in substantially all of the assets of the Company and its subsidiaries and each of the Company's principal operating subsidiaries has guaranteed, jointly and severally, the Company's obligations under the Credit Facility.

The Revolving Loans and the Term Loan, at the Company's option, can be either a Base Rate Loan or a Eurodollar Loan. A Base Rate Loan bears interest at the rate per annum equal to (i) the higher of (1) Federal Funds Rate for such day plus 1/2 of 1%, or (2) the Chase Bank prime commercial lending rate, plus (ii) 0.375% (subject to adjustment). A Eurodollar Loan bears interest at London Interbank Offered Rate plus 1.625% (subject to adjustment).

As of May 31, 1994, the Term Loan outstanding balance was \$46 million, which was a Eurodollar Loan that bears interest at 6.26% per annum. As of May 31, 1994, \$38.0 million was outstanding under the Revolving Loans and approximately \$53 million was available to be drawn down by the Company. The Revolving Loans are required to be prepaid in such amounts that the aggregate amount of Revolving Loans outstanding, together with the drawn and undrawn Revolving Letters of Credit, will not exceed the Borrowing Base. The Borrowing Base means the sum of 70% of the amount of certain eligible receivables plus 40% of the value of certain eligible inventory. In addition, the Revolving Loans are required to be prepaid in such amounts that, for a period of 30 consecutive days during the last two fiscal quarters of each fiscal year, the aggregate amount of Revolving Loans outstanding, together with drawn and undrawn Revolving Letters of Credit, will not exceed \$35.0 million. The Revolving Loans mature on June 15, 1999.

The Company is subject to certain restrictive covenants including those relating to additional liens, additional indebtedness, the sale of assets, the payment of dividends, transactions with affiliates, certain investments and certain other fundamental changes and making capital expenditures that

exceed specified levels. The Company is also required to maintain the following financial covenants above specified levels: indebtedness to tangible net worth; tangible net worth; fixed charges ratio; operating cash flow to interest expense; and current ratio.

The Company is required to maintain in effect until June 29, 1995 interest rate swap, cap or collar agreements or other similar arrangements (each, an "Interest Rate Protection Agreement") which protect the Company against three-month London Interbank Offered Rates exceeding 7.5% per annum in an amount at least equal to \$25.0 million.

#### Senior Subordinated Notes

The Company borrowed \$130.0 million under a subordinated bank loan agreement (the "Subordinated Bank Loan") provided in connection with the Vintners Acquisition. On December 27, 1993, the Company repaid the Subordinated Bank Loan from the proceeds of an issuance of \$130 million of senior subordinated notes ("the Notes") together with borrowings under the revolving loans. The Notes are due 2003 with a stated interest rate of 8.75% per annum. Interest will be payable semi-annually on June 15 and December 15 of each year. The Notes are redeemable at the option of the Company, in whole or in part, on or after December 15, 1998. The Notes are unsecured and subordinated to the prior payment in full of all senior indebtedness of the Company, which includes the Credit Facility and, the Notes are guaranteed, on a senior subordinated basis, by substantially all of the Company's operating subsidiaries.

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

#### Convertible Subordinated Debentures

On October 18, 1993, the Company called its 7% Convertible Subordinated Debentures (the "Debentures") for redemption on November 19, 1993 at a redemption price of 102.1% plus accrued interest. During the period September 1, 1993 through November 19, 1993, Debentures in an aggregate principal amount of \$58,960,000 were converted to 3,235,882 shares of the Company's Class A Common Stock at a price of \$18.22 per share. Debentures in an aggregate principal amount of approximately \$63,000 were redeemed. Interest was accrued on the Debentures until the date of conversion but was forfeited by the debentureholders upon conversion. Accrued interest in an amount of approximately \$1,370,000 was recorded as an addition to additional paid-in-capital.

At the redemption date, the capitalized debenture issuance costs of approximately \$2,246,000 net of accumulated amortization of approximately \$677,000 were recorded as a reduction of additional paid-in-capital.

#### 6) Commitments and Contingencies:

Pursuant to the terms of the Stock Purchase Agreement dated June 29, 1993 among the Company, Barton Incorporated ("Barton") and the former Barton stockholders (the "Selling Shareholders"), under which the Company acquired from the Selling Shareholders all of the outstanding shares of the capital stock of Barton, the Company is obligated to pay out up to an aggregate amount of \$57.3 million (the Earn-out Amounts) in cash over a three year period upon the satisfaction of certain performance goals. During the quarter ended May 31, 1994, the Company accrued \$18.2 million of the Earn-out Amounts as additional purchase price as certain performance goals under the Stock Purchase Agreement were satisfied. This amount will be paid out on December 30, 1994.

In connection with the Vintners Acquisition, the Company has assumed Vintners' purchase and crush contracts with certain growers and suppliers. Under the grape purchase contracts, the Company is committed to purchase all grape production yielded from a specified number of acres for a period of time ranging up to five years. The actual tonnage of grapes that must be purchased by the Company will vary each year depending on certain factors, including weather, time of harvest, and the agricultural practices and location of the growers and suppliers under contract.

The grapes purchased under these contracts are generally priced at market value as determined by either the prior year's (or an average of the three most recent prior years) Grape Crop Report issued by the California Department of Food and Agriculture or on prices as reported by the Federal State Market News Service. Some contracts include a minimum base price per ton that the Company must pay. The Company purchased \$8,464,000 of grapes under these contracts during the period October 15, 1993 through May 31, 1994. During 1994, in connection with the purchase of Vintners, the Company established a reserve for the estimated loss on firm purchase commitments of approximately \$10 million related to the above mentioned contracts. Based on current and anticipated future yields and prices, the Company estimates that purchases in the following amounts will be required under these contracts during the subsequent four fiscal years:

Year 1995	\$26,648,000
Year 1996	\$18,179,000
Year 1997	\$5,665,000
Year 1998	\$1,895,000

For contracts extending beyond 1998, it is not feasible to estimate the amounts to be paid. However, none of the contracts with terms extending beyond 1998 are at prices in excess of market value, as defined above, and all of the contracts extending beyond 1998 are for quantities and varieties less than the anticipated future requirements of the business.

The Company has assumed Vintners' grape crush contract obligations with another winery under which the Company is obligated to pay \$600,000 for crushing and processing of a specified tonnage at a fixed price per ton during fiscal 1995.

The Company has also assumed the lease obligations of Vintners, including the lease obligation with the owner of certain warehouse facilities no longer used by the Company. Under the terms of the agreement, the Company's lease obligation is reduced by the amount of rentals received from a new lessee of the facilities. The Company has accrued the estimated lease obligations in excess of the amount of rentals to be received from the new lessee.

At May 31, 1994, aggregate minimum rental commitments under various non-cancelable operating lease agreements assumed from Vintners for the remainder of fiscal 1994 and thereafter are as follows:

Remainder of 1994	\$184,760
Year 1995	\$132,300
Year 1996	\$89,498
Year 1997	\$77,518
Year 1998	\$75,505
Thereafter	\$75,505

7) Agreement to Import Mexican Beers:

On March 31, 1994, Barton Beers, Ltd., a wholly owned subsidiary of the Company, entered into a new agreement under which it will continue importing, marketing and distributing Corona Extra, Corona Light, Coronita, Negra Modelo, Modelo Especial and Pacifico Beers in the twenty-five primarily western states of the United States. The agreement is retroactive to January 1, 1994 and continues through December 31, 1998. The new agreement contains substantially similar provisions as the previous agreement, including certain performance criteria.

8) Subsequent Event - Almaden and Inglenook Acquisition:

On June 23, 1994, the Company announced that it and Heublein, Inc. ("Heublein") had signed a Letter of Intent outlining the terms under which the Company will acquire Almaden, Inglenook and other wine brands from Heublein, as well as wineries in Madera, Escalon, Paicines and Reedley, California. The proposed

acquisition by the Company pursuant to the non-binding understanding is subject to, among other matters, execution of a definitive purchase agreement and other related agreements and regulatory approvals. Under the proposed transactions, the Company would also acquire a grape juice concentrate business run by Heublein at the Madera winery, as well as Heublein's minority interest in the Madera Glass Company. In connection with any acquisition of these assets, the Company would be required to refinance or obtain appropriate consents from the banking syndicate under its credit facility. The Company would anticipate funding this acquisition of assets through bank financing. The Company's proposed acquisition transactions with Heublein would be significant to the Company and would have a material impact on the Company's future results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations of the Company

The Company has realized significant growth in sales and profitability over the last two fiscal years primarily as a result of acquisitions. The Company acquired substantially all of the assets of Guild Wineries and Distilleries on October 1, 1991, all of the outstanding capital stock of Barton Incorporated ("Barton") on June 29, 1993 ("Barton Acquisition") and substantially all of the assets of Vintners International Company, Inc. ("Vintners") on October 15, 1993 ("Vintners Acquisition"). The Company's results of operations for the quarter ended May 31, 1994 include the results of operations of Barton and Vintners for the complete period. The Company's results of operations for the nine months ended May 31, 1994 include the results of operations of Barton for the complete period and include the results of the operations of Vintners' assets from October 15, 1993, the date of the Vintners Acquisition.

On June 23, 1994, the Company announced that it and Heublein, Inc. ("Heublein") had signed a Letter of Intent outlining the terms under which the Company will acquire Almaden, Inglenook and other wine brands from Heublein, as well as wineries in Madera, Escalon, Paicines and Reedley, California. The proposed acquisition by the Company pursuant to the non-binding understanding is subject to, among other matters, execution of a definitive purchase agreement and other related agreements and regulatory approvals. Under the proposed transactions, the Company would also acquire a grape juice concentrate business run by Heublein at the Madera winery, as well as Heublein's minority interest in the Madera Glass Company. In connection with any acquisition of these assets, the Company would be required to refinance or obtain appropriate consents from the banking syndicate under its credit facility. The Company would anticipate funding this acquisition of assets through bank financing. The Company's proposed acquisition transactions with Heublein would be significant to the Company and would have a material impact on the Company's future results of operations. The proposed acquisition transactions with Heublein would significantly improve the Company's already strong position as the number two wine producer in the industry by virtue of adding to the Company's portfolio the Almaden and Inglenook wine brands, which the Company believes are currently the third and sixth largest selling wines in the United States. The Company views this acquisition as one that would enable the Company to further compete with leading brands in the table wine category of the wine business and increase the Company's presence in the varietal table wine category.

The following table sets forth, for the periods indicated, certain items in the Company's consolidated statements of income expressed as percentage of net sales:

<TABLE>

<S>	<C>		<C>	
	ThreeMonths Ended May 31,	1993	NineMonths Ended May 31,	1993
	1994	1993	1994	1993

Net Sales . . . . .	100.0%	100.0%	100.0%	100.0%
Cost of product sold . . . . .	72.3	69.6	71.2	69.7
Gross profit . . . . .	27.7	30.4	28.8	30.3
Selling, general and administrative expenses	17.8	19.5	19.4	19.7
Operating Income . . . . .	9.9	10.9	9.4	10.6
Interest expense, net . . . . .	2.9	2.1	2.9	2.2
Income before provision for income taxes	7.0	8.8	6.5	8.4
Provision for federal and state income taxes	2.7	3.2	2.5	3.2
Net income . . . . .	4.3%	5.6%	4.0%	5.2%

</TABLE>

Three Months Ended May 31, 1994 ("Third Quarter 1994") Compared to Three Months Ended May 31, 1993 ("Third Quarter 1993")

#### Net Sales

Net sales for the Company's Third Quarter 1994 increased to \$154.2 million from \$60.5 million for Third Quarter 1993, an increase of \$93.7 million, or approximately 155%. This increase resulted from the inclusion of Barton's net sales of \$67.8 million and \$33.1 million of net sales of Vintners' products during Third Quarter 1994. Excluding the impact of the Barton and Vintners Acquisitions, the Company's net sales decreased \$7.2 million, or 11.8%, when compared to the same period a year ago. This was principally due to a decrease in net sales of the Company's non-branded products, specifically grape juice concentrate, and to lower sales of the Company's dessert and sparkling wine brands.

#### Wine

For purposes of computing the comparative data for the Company's branded wine products set forth below, sales in the Third Quarter of 1994 of branded wine products acquired from Vintners have been compared with sales of Vintners' branded wine products during Third Quarter 1993 prior to the Vintners Acquisition.

Net sales and unit volume of the Company's branded wine products declined 6.8% and 6.5%, respectively, compared to the same period a year ago. These decreases were principally a result of an overall decline in net sales and unit volume of the Company's branded wine products.

Net sales and unit volume of the Company's varietal table wine brands for Third Quarter 1994 increased 4.4% and 6.1%, respectively, resulting primarily from increases in sales of varietal table wine brands acquired from Vintners. Net sales and unit volume of the Company's generic table wine brands for the same period were down 11.1% and 8.7%, respectively, principally due to lower sales of generic table wine brands acquired from Vintners. Net sales and unit volume of sparkling wine brands decreased 12.6% and 11.8%, respectively, due to a general decline in most of the Company's sparkling wine brands. Net sales and unit volume of the Company's dessert wine brands were down 4.2% and 6.4%, respectively, in Third Quarter 1994 versus the same period a year ago. The Company's net sales and unit volume of dessert wine brands, have declined over the last three years. These declines can be attributed to a general decline in dessert wine consumption in the United States. Notwithstanding this, net sales and unit volume of dessert wine brands acquired from Vintners increased in Third Quarter 1994 versus the same period a year ago.

The Company believes that the net sales and unit volume declines of brands acquired from Vintners reflect the effects of non-competitive pricing on certain brands which occurred prior to the Vintners Acquisition. The Company has implemented strategies to address this area which the Company believes has negatively impacted the operating results for brands acquired from Vintners.

#### Imported Beer

Net sales and unit volume of the Company's beer brands for Third Quarter 1994 increased by 11.1% and 12.2%, respectively, when compared to Barton's net sales and unit volume for the same period a year ago. These increases resulted primarily from increased sales of the Company's Corona Extra brand and other Mexican beer brands, and increased sales of its Point brand, the Company's domestically produced beer.

On March 31, 1994, Barton Beers, Ltd., a wholly owned subsidiary of the Company, entered into a new agreement under which it will continue importing, marketing and distributing Corona Extra, Corona Light, Coronita, Negra Modelo, Modelo Especial and Pacifico Beers in the twenty-five primarily western states in the United States. The new agreement has a term of five years, ending December 31, 1998, and contains substantially similar provisions as the previous agreement, including certain performance criteria.

#### Spirits

Net sales of the Company's spirits case goods for Third Quarter 1994 decreased 3.2%, while unit volume was up 0.2%, as compared to Barton's net sales and unit volume for the same period a year ago. This decrease in net sales was primarily due to lower net sales of bourbon, Canadian and Scotch whiskeys, which was offset in large part by increased net sales of the Company's tequila, liqueur, gin and vodka brands.

#### Gross Profit

Gross profit increased to \$42.8 million in Third Quarter 1994 from \$18.4 million in Third Quarter 1993, an increase of \$24.4 million, or approximately 132%. This increase in gross profit resulted from the inclusion of Barton's and Vintners' operations into those of the Company. Gross profit as a percentage of net sales decreased to 27.7% in Third Quarter 1994 from 30.4% in Third Quarter 1993. The Company's gross margin decreased primarily as a result of the inclusion of Barton's and Vintners' operations into those of the Company.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to \$27.4 million in Third Quarter 1994 from \$11.8 million in Third Quarter 1993, an increase of \$15.6 million, or approximately 133%. This increase resulted from the additional selling, general and administrative expenses associated with the operations of Barton and Vintners and higher advertising and promotional spending on brands of the Company owned prior to the Barton and Vintners Acquisitions.

#### Interest Expense, Net

Interest expense, net increased to \$4.6 million in Third Quarter 1994 from \$1.3 million in Third Quarter 1993, an increase of \$3.3 million. This increase principally resulted from financing activities related to the Vintners Acquisition and the Barton Acquisition.

#### Net Income

Net income increased to \$6.7 million in Third Quarter 1994 from \$3.4 million in Third Quarter 1993, an increase of \$3.3 million, or 96.0%. This increase resulted primarily from the inclusion of the operations of Barton and Vintners into those of the Company.

Nine Months Ended May 31, 1994 ("Nine Months of Fiscal 1994")  
Compared to Nine Months Ended May 31, 1993 ("Nine Months of Fiscal 1993")

#### Net Sales

Net sales for the Nine Months of Fiscal 1994 increased to \$448.7 million from \$190.4 million for the Nine Months of Fiscal 1993, an increase of \$258.4 million, or approximately 136%. This increase resulted from the inclusion of Barton's net sales of \$186.5 million during the Nine Months of Fiscal 1994 and \$86.7 million of net sales of Vintners' products from October 15, 1993, the date of the Vintners Acquisition. Excluding the impact of the Barton and Vintners Acquisitions, the Company's net sales decreased \$14.8 million, or 7.8%, when compared to the same period a year ago. This was principally due to a decrease in net sales of the Company's non-branded products, specifically grape juice concentrate, and to lower sales of the Company's dessert wines.

#### Wine

For purposes of computing the comparative data for the Company's branded wine products set forth below, sales of branded wine products acquired from Vintners have been included in the Nine Months of Fiscal 1994 from October 15, 1993 (the date of the Vintners Acquisition) through May 31, 1994, and included for the same period during the Nine Months of Fiscal 1993 prior to the Vintners Acquisition.

Net sales and unit volume of the Company's branded wine products for the Nine Months of Fiscal 1994 declined 6.4% and 7.4%, respectively, as compared to the same period a year ago. These decreases were due to lower sales of branded wine products acquired from Vintners and, to a lesser extent, to lower sales of the Company's branded wine products, exclusive of branded wine products acquired from Vintners.

Net sales and unit volume of the Company's varietal table wine brands for the Nine Months of Fiscal 1994 increased 4.0% and 7.5%, respectively, reflecting increases in substantially all of the Company's varietal table wine brands exclusive of varietal table wine brands acquired from Vintners which declined 12.1% and 2.6%, in net sales and unit volume, respectively. Net sales and unit volume of the Company's generic table wine brands for the same period were down 9.1% and 8.0%, respectively, principally due to lower sales of generic table wine brands acquired from Vintners. Net sales and unit volume of sparkling wine brands decreased 4.3% and 5.2%, respectively, principally due to a general decline in all of the Company's sparkling wine brands. Net sales and unit volume of the Company's dessert wine brands were down 10.2% and 12.5%, respectively, in Nine Months of Fiscal 1994 versus the same period a year ago. The Company's net sales and unit volume of dessert wine brands, have declined over the last three years. These declines can be attributed to a general decline in dessert wine consumption in the United States. During the Nine Months of Fiscal 1994, net sales of branded dessert wines constituted less than 12% of the Company's overall net sales. Notwithstanding this, net sales and unit volume of dessert wine brands acquired from Vintners increased in the Nine Months of Fiscal 1994 versus the same period a year ago.

#### Imported Beer

Net sales and unit volume of the Company's beer brands for the Nine Months of Fiscal 1994 increased by 11.9% and 12.7%, respectively, when compared to Barton's net sales and unit volume for the same period a year ago, which was prior to the Barton Acquisition. These increases resulted primarily from increased sales of the Company's Corona Extra brand and other Mexican beer brands, and increased sales of its St. Pauli Girl and Point brands. The Company's new agreement to continue to distribute Corona Extra and its other Mexican beer brands expires in December 1998. (See discussion under Imported Beer -- Third Quarter 1994 compared to Third Quarter 1993.)

#### Spirits

Net sales and unit volume of the Company's spirits case goods for the Nine Months of Fiscal 1994 were down 2.3% and up slightly, respectively, as compared to Barton's net sales and unit volume for the same period a year ago. This decrease in net sales was primarily due to lower net sales of the Company's aged whiskey (i.e., bourbon and Scotch brands), which was partially offset by increased net sales of the Company's liqueur, blended whiskey and Canadian whiskey brands. The Company also had increased net sales of its tequila brands.

#### Gross Profit

Gross profit increased to \$129.1 million in the Nine Months of Fiscal 1994 from \$57.6 million in the Nine Months of Fiscal 1993, an increase of \$71.5 million, or approximately 124%. This increase in gross profit resulted from the inclusion of Barton's and Vintners' operations into the Company's. Gross profit as a percentage of net sales decreased to 28.8% in the Nine Months of Fiscal 1994 from 30.3% in the Nine Months of Fiscal 1993. The Company's gross margin decreased primarily as a result of the inclusion of Barton's and Vintners' operations into the Company.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to \$87.1 million in the Nine Months of Fiscal 1994 from \$37.5 million in the Nine Months of Fiscal 1993, an increase of \$49.6 million, or approximately 132%. This increase resulted from the

additional selling, general and administrative expenses associated with the operations of Barton and Vintners and higher advertising and promotional spending on brands of the Company owned prior to the Barton and Vintners Acquisitions.

#### Interest Expense, Net

Interest expense, net increased to \$12.8 million in the Nine Months of Fiscal 1994 from \$4.2 million in the Nine Months of Fiscal 1993, an increase of \$8.6 million. This increase principally resulted from financing activities related to the Vintners Acquisition and the Barton Acquisition.

#### Net Income

Net income increased to \$18.0 million in the Nine Months of Fiscal 1994 from \$9.9 million in the Nine Months of Fiscal 1993, an increase of \$8.1 million, or approximately 81%. This increase resulted primarily from the inclusion of the operations of Barton and Vintners into those of the Company.

#### Financial Liquidity and Capital Resources

The Company's principal use of cash in its operating activities is for purchasing and carrying inventory of raw materials and finished goods. The Company's primary source of liquidity has historically been cash flow from operations, except during the annual fall grape harvest when the Company has relied on short-term borrowings. The annual grape crush normally begins in August and runs through November. 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 operations to repay its short-term borrowings. The Company believes that as a result of the Vintners Acquisition, and to a lesser extent, the Barton Acquisition, it will have increased short-term borrowing needs.

A description of the Company's credit facility and other indebtedness is provided in Note 5 to the Company's financial statements in Part 1 of this report.

#### Working Capital Requirements

As of May 31, 1994 the Company's Current Assets and Liabilities increased from August 31, 1993 due in large part to the Vintners Acquisition. Net of the effect of the Vintners Acquisition, but including changes since the date of that Acquisition, current assets decreased principally as a result of normal seasonal sales trends resulting in lower inventory levels. Current Liabilities similarly decreased due primarily to a decrease in accounts payable associated with the grape harvest offset by increased short-term borrowings to partially fund those payments. As of May 31, 1994, \$38 million was outstanding under the revolving loans under the Company's credit facility and approximately \$53 million was available to be drawn down by the Company.

As part of the consideration for Barton, the Company agreed to make payments to the former stockholders of Barton ("Barton Stockholders") of up to an aggregate of \$57.3 million which are payable to the Barton Stockholders over a three-year period upon the satisfaction of certain performance goals. The first payment of \$4.0 million was paid to the Barton Stockholders on December 31, 1993. The remaining payments are as follows: (i) up to \$28.3 million is to be made on December 30, 1994; (ii) up to \$10.0 million is to be made on November 30, 1995; and (iii) up to \$15.0 million is to be made on November 29, 1996. With respect to the performance goals for the December 30, 1994 payment, Barton has satisfied some but not all of the goals, creating an obligation of the Company to the Barton Stockholders of \$18.2 million. This amount has been accrued by the Company as of May 31, 1994. If Barton satisfies the remaining goals the entire \$28.3 million will be due the Barton Stockholders on December 30, 1994. Such payment obligations are secured in part by a \$28.2 million letter of credit issued under the Company's credit facility and are subject to acceleration in certain events. The Company will fund the payment due on December 30, 1994 through its credit facility.

As part of the acquisition of Vintners, the Company held back from the Cash Consideration approximately 10% of the then



estimated net current assets of Vintners purchased by the Company. Final determination of the net current asset amount is not expected to occur prior to the end of the Company's 1994 fiscal year. If the finally determined net current asset amount exceeds the closing estimate, \$8.4 million plus such excess will be paid by the Company. If the finally determined net current asset amount is less than the closing estimate, \$8.4 million minus the deficiency will be paid by the Company. See Note 5 to the Company's financial statements in Part 1 of this report. The Company expects that the amount to be paid will not exceed \$7.7 million. Such amount will be deposited into an escrow account established to reimburse the Company for any indemnification claims arising out of the Vintners Acquisition. As of May 31, 1994, no adjustment to the established escrow was required and the Final Net Current Asset Amount has not been determined.

On February 4, 1994, the Company paid \$5.1 million to Hiram Walker & Sons, Inc. for the extension of licenses to use the brand names Ten High Bourbon Whiskey, Lauder's Scotch Whisky, Northern Light Blended Canadian Whisky and certain other spirits brands, for varying periods, the longest of which terminates in 2116. This payment was funded from cash flows from operations. Capital expenditures for property, plant and equipment during fiscal 1994 are not expected to vary materially from amounts expended in fiscal 1993.

The Company believes that cash flow from operations and revolving loans available under its credit facility will provide sufficient funds to meet all of its anticipated short and long-term debt service obligations and the major cash requirements described above. The Company is not aware of any potential impairment to its liquidity and believes that the revolving loans available under its credit facility and cash flow from operations will provide adequate resources to satisfy its existing working capital, liquidity and anticipated capital expenditure requirements for at least the next four fiscal quarters. In connection with any acquisition of assets from Heublein, as described in Note 8 to the Company's financial statements in Part I of this report, the Company would be required to refinance, or obtain appropriate consents from the banking syndicate under, its credit facility. The Company anticipates funding this acquisition of assets through bank financing.

Financing Activities

During the nine months ended May 31, 1994, the Company completed the acquisition of Vintners. The cash portion of the purchase price was funded by revolving loans associated with the 1993 harvest and a \$130 million subordinated bank loan (the "Subordinated Bank Loan"). On December 27, 1993, the public offering and sale of the Company's 8.75% Senior Subordinated Notes (the "Notes") was completed, the proceeds of which, together with additional borrowings under the Company's credit facility, were used to repay in full the Subordinated Bank Loan. A description of the Notes is set forth in Note 5 to the Company's financial statements in Part 1 of this report. Such description is qualified in its entirety by reference to the complete text of the Indenture covering the Notes, a copy of which has been filed with the Securities and Exchange Commission.

In addition, the Company called its 7% Convertible Subordinated Debentures Due 2011 for redemption on November 19, 1993. Prior to such redemption substantially all of the convertible debentures were converted into shares of the Company's Class A Common Stock.

## PART II - OTHER INFORMATION

### Item 6. Exhibits and Reports on Form 8-K

- (a) See Index to Exhibits located on Page \_\_\_ of this Report.
- (b) There were no Reports on Form 8-K filed with the Securities and Exchange Commission during the quarter ended May 31, 1994.

## 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 WINE COMPANY, INC.

Dated: July 7, 1994 By:/s/ Richard Sands  
Richard Sands, President and  
Chief Executive Officer

Dated: July 7, 1994 By:/s/ Lynn K. Fetterman  
Lynn K. Fetterman, Senior  
Vice President, Chief  
Financial Officer and  
Secretary (Principal  
Financial Officer and  
Principal Accounting Officer)

SUBSIDIARIES

Batavia Wine Cellars, Inc.

Dated: July 7, 1994 By:/s/ Richard Sands  
Richard Sands, Vice President

Dated: July 7, 1994 By:/s/ Lynn K. Fetterman  
Lynn K. Fetterman, Secretary  
and Treasurer (Principal  
Financial Officer and  
Principal Accounting Officer)

Bisceglia Brothers Wine Co.

Dated: July 7, 1994 By:/s/ Richard Sands  
Richard Sands, Vice President

Dated: July 7, 1994 By:/s/ Lynn K. Fetterman  
Lynn K. Fetterman, Secretary  
(Principal Financial Officer  
and Principal Accounting  
Officer)

California Products Company

Dated: July 7, 1994 By:/s/ Richard Sands  
Richard Sands, Vice President

Dated: July 7, 1994 By: /s/ Lynn K. Fetterman  
Lynn K. Fetterman, Secretary  
(Principal Financial Officer  
and Principal Accounting  
Officer)

Guild Wineries & Distilleries, Inc.

Dated: July 7, 1994 By: /s/ Chris Kalabokes  
Chris Kalabokes, Chief  
Executive Officer

Dated: July 7, 1994 By:/s/ Lynn K. Fetterman  
Lynn K. Fetterman, Secretary  
and Treasurer (Principal  
Financial Officer and  
Principal Accounting Officer)

Tenner Brothers, Inc.

Dated: July 7, 1994 By:/s/ Richard Sands  
Richard Sands, Vice President

Dated: July 7, 1994

By:/s/ Lynn K. Fetterman  
Lynn K. Fetterman, Secretary  
(Principal Financial Officer  
and Principal Accounting  
Officer)

Widmer's Wine Cellars, Inc.

Dated: July 7, 1994

By:/s/ Richard Sands  
Richard Sands, Vice President

Dated: July 7, 1994

By:/s/ Lynn K. Fetterman  
Lynn K. Fetterman, Secretary  
(Principal Financial Officer  
and Principal Accounting  
Officer)

Barton Incorporated

Dated: July 7, 1994

By:/s/ Richard Sands  
Richard Sands, Vice President

Dated: July 7, 1994

By:/s/ Raymond E. Powers  
Raymond E. Powers, Executive  
Vice President (Principal  
Financial Officer and  
Principal Accounting Officer)

Barton Brands, Ltd.

Dated: July 7, 1994

By:/s/ Richard Sands  
Richard Sands, Vice President

Dated: July 7, 1994

By:/s/ Raymond E. Powers  
Raymond E. Powers, Executive  
Vice President (Principal  
Financial Officer and  
Principal Accounting Officer)

Barton Beers, Ltd.

Dated: July 7, 1994

By:/s/ Richard Sands  
Richard Sands, Vice President

Dated: July 7, 1994

By:/s/ Raymond E. Powers  
Raymond E. Powers, Executive  
Vice President (Principal  
Financial Officer and  
Principal Accounting Officer)

Barton Brands of California, Inc.

Dated: July 7, 1994

By:/s/ Richard Sands  
Richard Sands, Vice President

Dated: July 7, 1994

By:/s/ Raymond E. Powers  
Raymond E. Powers, Executive  
Vice President (Principal  
Financial Officer and  
Principal Accounting Officer)

Barton Brands of Georgia, Inc.

Dated: July 7, 1994

By:/s/ Richard Sands  
Richard Sands, Vice President

Dated: July 7, 1994

By:/s/ Raymond E. Powers  
Raymond E. Powers, Executive  
Vice President (Principal  
Financial Officer and  
Principal Accounting Officer)

Barton Distillers Import Corp.

Dated: July 7, 1994 By:/s/ Richard Sands  
Richard Sands, Vice President

Dated: July 7, 1994 By:/s/ Raymond E. Powers  
Raymond E. Powers, Executive  
Vice President (Principal  
Financial Officer and  
Principal Accounting Officer)

Barton Financial Corporation

Dated: July 7, 1994 By:/s/ Norman Goldstein  
Norman Goldstein, President

Dated: July 7, 1994 By:/s/ Raymond E. Powers  
Raymond E. Powers, Vice  
President (Principal  
Financial Officer and  
Principal Accounting Officer)

Stevens Point Beverage Co.

Dated: July 7, 1994 By:/s/ Richard Sands  
Richard Sands, Vice President

Dated: July 7, 1994 By: /s/ Raymond E. Powers  
Raymond E. Powers, Executive  
Vice President (Principal  
Financial Officer and  
Principal Accounting Officer)

Monarch Wine Company, Limited Partnership

Dated: July 7, 1994 By:/s/ Richard Sands  
Richard Sands, Vice President  
Barton Management, Inc.,  
General Partner

Dated: July 7, 1994 By:/s/ Raymond E. Powers  
Raymond E. Powers, Executive  
Vice President, Barton  
Management, Inc., General  
Partner (Principal Financial  
Officer and Principal  
Accounting Officer)

Barton Management, Inc.

Dated: July 7, 1994 By:/s/ Richard Sands  
Richard Sands, Vice President

Dated: July 7, 1994 By:/s/ Raymond E. Powers  
Raymond E. Powers, Executive  
Vice President (Principal  
Financial Officer and  
Principal Accounting Officer)

Vintners International Company, Inc.

Dated: July 7, 1994 By:/s/ Richard Sands  
Richard Sands, President

Dated: July 7, 1994 By:/s/ Lynn K. Fetterman  
Lynn K. Fetterman, Secretary  
and Treasurer (Principal  
Financial Officer and  
Principal Accounting Officer)

INDEX TO EXHIBITS

(2) Plan of acquisition, reorganization, arrangement, liquidation or succession.

- (a) Asset Sale Agreement between Vintners International Company, Inc. and Canandaigua Wine Company, Inc. dated September 14, 1993 (including a list briefly identifying the contents of all omitted exhibits and schedules thereto), is incorporated herein by reference to Exhibit 2(a) to the Company's Current Report on Form 8-K, dated October 15, 1993.
- (b) Amendment dated as of October 14, 1993 to Asset Sale Agreement dated as of September 14, 1993 by and between Vintners International Company, Inc. and Canandaigua Wine Company, Inc., is incorporated herein by reference to Exhibit 2(b) to the Company's Current Report on Form 8-K, dated October 15, 1993.
- (c) Amendment No. 2 dated as of January 18, 1994 to Asset Sale Agreement dated as of September 14, 1993 by and between Vintners International Company, Inc. and Canandaigua Wine Company, Inc. is incorporated herein by reference to Exhibit 2.1 to the Registrants' Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 1994.
- (d) Amendment No. 1 dated as of October 15, 1993 to Amendment and Restatement dated as of June 29, 1993 among Canandaigua Wine Company, Inc., its Subsidiaries and certain banks for which The Chase Manhattan Bank (National Association) acts as agent (including a list briefly identifying the contents of all omitted exhibits and schedules thereto), is incorporated herein by reference to Exhibit 2(c) to the Company's Current Report on Form 8-K, dated October 15, 1993.
- (e) Senior Subordinated Loan Agreement dated as of October 15, 1993 among Canandaigua Wine Company, Inc., its Subsidiaries and certain banks for which The Chase Manhattan Bank (National Association) acts as agent (including a list briefly identifying the contents of all omitted exhibits and schedules thereto), is incorporated herein by reference to Exhibit 2(d) to the Company's Current Report on Form 8-K, dated October 15, 1993.

(4) Instruments defining the rights of security holders, including indentures.

- (a) Indenture dated as of December 27, 1993 among Canandaigua Wine Company, Inc., its Subsidiaries and Chemical Bank (filed as Exhibit 4.1 to the Registrants' Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 1993 and incorporated herein by reference).

(10) Material Contracts

- (a) The Canandaigua Wine Company, Inc. Stock Option and Stock Appreciation Right Plan (filed as Appendix B of the Canandaigua Wine Company, Inc. Definitive Proxy Statement dated December 23, 1987 and incorporated herein by reference).
- (b) Amendment No. 1 to the Canandaigua Wine Company, Inc. Stock Option and Stock Appreciation Right Plan (filed as Exhibit 10.1 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1992 and incorporated herein by reference).
- (c) Amendment No. 2 to the Canandaigua Wine Company, Inc. Stock Option and Stock Appreciation Right Plan (filed as Exhibit 28 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 1992 and incorporated herein by reference).
- (d) Amendment No. 3 to the Canandaigua Wine Company, Inc. Stock Option and Stock Appreciation Right Plan (filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993 and incorporated herein by reference).
- (e) Amendment No. 4 to the Canandaigua Wine Company, Inc.

Stock Option and Stock Appreciation Right Plan (filed as Exhibit 10.1 to the Registrants' Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 1993 and incorporated herein by reference).

- (f) Amendment No. 5 to the Canandaigua Wine Company, Inc. Stock Option and Stock Appreciation Right Plan (filed as Exhibit 10.1 to the Registrants' Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 1994 and incorporated herein by reference.)
- (g) Employment Agreement between Barton Incorporated and Ellis M. Goodman dated as of October 1, 1991 as amended by Amendment to Employment Agreement between Barton Incorporated and Ellis M. Goodman dated as of June 29, 1993 (filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993 and incorporated herein by reference).
- (h) Barton Incorporated Management Incentive Plan (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993 and incorporated herein by reference).
- (i) Ellis M. Goodman Split Dollar Insurance Agreement (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993 and incorporated herein by reference).
- (j) Barton Brands, Ltd. Deferred Compensation Plan (filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993 and incorporated herein by reference).
- (k) Marvin Sands Split Dollar Insurance Agreement (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993 and incorporated herein by reference).
- (l) Amendment and Restatement dated as of June 29, 1993 of Credit Agreement among Canandaigua Wine Company Inc., its Subsidiaries and certain banks for which The Chase Manhattan Bank (National Association) acts as agent (filed as Exhibit 2(b) to the Company's Current Report on Form 8-K dated June 29, 1993 and incorporated herein by reference).
- (m) Amendment No. 1 dated as of October 15, 1993 to Amendment and Restatement dated as of June 29, 1993 of Credit Agreement among Canandaigua Wine Company, Inc., its Subsidiaries and certain banks for which The Chase Manhattan Bank (National Association) acts as agent (filed as Exhibit 2(c) to the Company's Current Report on Form 8-K dated October 15, 1993 and incorporated herein by reference).
- (n) Senior Subordinated Loan Agreement dated as of October 15, 1993 among Canandaigua Wine Company, Inc., its Subsidiaries and certain banks for which The Chase Manhattan Bank (National Association) acts as Agent (filed as Exhibit 2(d) to the Company's Current Report on Form 8-K dated October 15, 1993 and incorporated herein by reference).

- (11) Statement re computation of per share earnings.

Computation of per share earnings is set forth in Exhibit 11 on page \_\_\_ of this Report.

- (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.

Not applicable.

(99) Additional Exhibits.

Not applicable.

<TABLE>

EXHIBIT 11

CANANDAIGUA WINE COMPANY, INC. AND SUBSIDIARIES

COMPUTATION OF NET INCOME PER COMMON SHARE

FOR THE QUARTERS ENDED MAY 31, 1994 AND MAY 31, 1993

<S>	<C>	<C>	<C>	<C>
	May 31, 1994	May 31, 1994	May 31, 1993	May 31, 1993
Net Income per common equivalent share:	Primary	Fully Diluted	Primary	Fully Diluted
Net income available to common shares	\$6,655,429	\$6,655,429	\$3,391,513	\$3,391,513
Adjustments:				
Assumed exercise of convertible debt	-----	-----	-----	651,000
Net income available to common and common equivalent shares	\$6,655,429	\$6,655,429	\$3,391,513	\$4,042,513
Shares:				
Weighted average common shares outstanding	15,983,282	15,983,282	11,659,081	11,659,081
Adjustments:				
(1) Assumed exercise of stock options	152,438	152,438	-----	-----
(2) Assumed exercise of convertible debt	-----	-----	-----	3,293,085
(3) Assumed exercise of incentive stock options	226,107	226,107	137,816	137,816
Total shares	16,361,827	16,361,827	11,796,897	15,089,982
Net income per common share	\$.41	\$.41	\$.29	\$.27

CANANDAIGUA WINE COMPANY, INC. AND SUBSIDIARIES

COMPUTATION OF NET INCOME PER COMMON SHARE

FOR THE NINE MONTHS ENDED MAY 31, 1994 AND MAY 31, 1993

<S>	<C>	<C>	<C>	<C>
	May 31, 1994	May 31, 1994	May 31, 1993	May 31, 1993
Net Income per common equivalent share:	Primary	Fully Diluted	Primary	Fully Diluted
Net income available to common shares	\$18,049,875	\$18,049,875	\$9,947,064	\$9,947,064
Adjustments:				
Assumed exercise of convertible debt	-----	419,517	-----	1,953,000



Net income available to common and common equivalent shares	\$18,049,875	\$18,469,392	\$9,947,064	\$11,900,064
Shares:				
Weighted average common shares outstanding	15,234,372	15,234,372	11,644,791	11,644,791
Adjustments:				
(1) Assumed exercise of stock options	129,241	135,370	-----	-----
(2) Assumed exercise of convertible debt	-----	725,909	-----	3,293,085
(3) Assumed exercise of incentive stock options	226,715	234,315	130,389	130,389
Total shares	15,590,328	16,329,966	11,775,180	15,068,265
Net income per common share	\$1.16	\$1.13	\$.84	\$.79

</TABLE>