

BROWN FORMAN CORP

FORM 10-Q (Quarterly Report)

Filed 12/7/1999 For Period Ending 10/31/1999

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Industry	Beverages (Alcoholic)
Sector	Consumer/Non-Cyclical
Fiscal Year	04/30

United States
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 OCTOBER 31, 1999

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. 1-123

BROWN-FORMAN CORPORATION

(Exact name of Registrant as specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

61-0143150
(IRS Employer
Identification No.)

850 Dixie Highway
Louisville, Kentucky
(Address of principal executive offices)

40210
(Zip Code)

(502) 585-1100
(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: December 1, 1999

Class A Common Stock (\$.15 par value, voting) 28,988,091 Class B Common Stock (\$.15 par value, nonvoting) 39,522,081

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

BROWN-FORMAN CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

(Dollars in millions, except per share amounts)

	Three Months Ended October 31,		Six Months Ended October 31,	
	1998	1999	1998	1999
	-----	-----	-----	-----
Net sales	\$ 572.5	\$ 643.0	\$1,014.1	\$1,080.3
Excise taxes	72.7	75.8	128.4	128.6
Cost of sales	211.6	244.7	369.5	397.2
	-----	-----	-----	-----
Gross profit	288.2	322.5	516.2	554.5
Advertising expenses	69.5	81.7	133.6	143.1
Selling, general, and administrative expenses	111.1	124.3	214.9	232.7
	-----	-----	-----	-----
Operating income	107.6	116.5	167.7	178.7
Interest income	1.5	2.5	2.5	4.7
Interest expense	3.2	4.2	5.7	8.1
	-----	-----	-----	-----
Income before income taxes	105.9	114.8	164.5	175.3
Taxes on income	38.6	41.9	60.0	64.0
	-----	-----	-----	-----
Net income	67.3	72.9	104.5	111.3
Less: Preferred stock dividend requirements	0.1	--	0.2	--
Preferred stock redemption premium	0.3	--	0.3	--
	-----	-----	-----	-----
Net income applicable to common stock	\$ 66.9	\$ 72.9	\$ 104.0	\$ 111.3
	=====	=====	=====	=====
Earnings per share				
- Basic and Diluted	\$ 0.97	\$ 1.06	\$ 1.51	\$ 1.62
	=====	=====	=====	=====
Shares (in thousands) used in the calculation of earnings per share				
- Basic	68,664	68,510	68,674	68,509
- Diluted	68,735	68,583	68,741	68,591
Cash dividends declared per common share	\$ 0.28	\$ 0.295	\$ 0.56	\$ 0.59
	=====	=====	=====	=====

See notes to the condensed consolidated financial statements.

BROWN-FORMAN CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET
(Dollars in millions)

	April 30, 1999	October 31, 1999 (Unaudited)
	-----	-----
Assets		

Cash and cash equivalents	\$ 171.2	\$ 114.8
Short-term investments	--	72.4
Accounts receivable, net	273.8	405.6
Inventories:		
Barreled whiskey	190.6	190.3
Finished goods	189.1	209.0
Work in process	89.3	96.8
Raw materials and supplies	55.9	53.9
	-----	-----
Total inventories	524.9	550.0
Other current assets	29.4	31.9
	-----	-----
Total current assets	999.3	1,174.7
Property, plant and equipment, net	348.0	357.5
Intangible assets, net	264.2	262.5
Other assets	123.9	131.4
	-----	-----
Total assets	\$1,735.4	\$1,926.1
	=====	=====
Liabilities		

Commercial paper	\$ 226.6	\$ 290.6
Accounts payable and accrued expenses	242.3	342.1
Current portion of long-term debt	17.8	0.2
Accrued taxes on income	--	5.0
Deferred income taxes	30.4	30.4
	-----	-----
Total current liabilities	517.1	668.3
Long-term debt	52.9	46.6
Deferred income taxes	137.2	110.2
Accrued postretirement benefits	56.7	58.1
Other liabilities and deferred income	54.0	53.9
	-----	-----
Total liabilities	817.9	937.1
Stockholders' Equity		

Common stock	10.3	10.3
Retained earnings	945.0	1,016.2
Cumulative translation adjustment	(8.0)	(7.9)
Treasury stock (490,000 and 486,066 Class B common shares at April 30 and October 31, respectively)	(29.8)	(29.6)
	-----	-----
Total stockholders' equity	917.5	989.0
	-----	-----
Total liabilities and stockholders' equity	\$1,735.4	\$1,926.1
	=====	=====

Note: The balance sheet at April 30, 1999, has been taken from the audited financial statements at that date, and condensed.

See notes to the condensed consolidated financial statements.

BROWN-FORMAN CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

(In millions; amounts in parentheses are reductions of cash)

	Six Months Ended	
	1998	1999
	-----	-----
Cash flows from operating activities:		
Net income	\$ 104.5	\$ 111.3
Adjustments to reconcile net income to net cash provided by (used for) operations:		
Depreciation	23.2	25.2
Amortization	4.7	5.1
Deferred income taxes	(15.5)	(20.3)
Other	(5.0)	(5.6)
Changes in assets and liabilities:		
Accounts receivable	(86.4)	(131.8)
Inventories	(35.5)	(27.9)
Other current assets	(1.2)	(2.5)
Accounts payable and accrued expenses	49.1	96.8
Accrued taxes on income	1.1	5.5
	-----	-----
Cash provided by operating activities	39.0	55.8
Cash flows from investing activities:		
Additions to property, plant, and equipment	(22.2)	(30.4)
Net purchases of short-term investments	--	(72.4)
Other	(7.2)	(9.1)
	-----	-----
Cash used for investing activities	(29.4)	(111.9)
Cash flows from financing activities:		
Net change in commercial paper	96.0	64.0
Reduction of long-term debt	(7.4)	(23.9)
Acquisition of treasury stock	(3.0)	--
Redemption of preferred stock	(12.1)	--
Dividends paid	(38.7)	(40.4)
	-----	-----
Cash provided by (used for) financing activities	34.8	(0.3)
	-----	-----
Net increase (decrease) in cash and cash equivalents	44.4	(56.4)
Cash and cash equivalents, beginning of period	78.3	171.2
	-----	-----
Cash and cash equivalents, end of period	\$ 122.7	\$ 114.8
	=====	=====

See notes to the condensed consolidated financial statements.

BROWN-FORMAN CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

In these notes, "we," "us," and "our" refer to Brown-Forman Corporation.

1. Condensed Consolidated Financial Statements

We prepared these unaudited condensed consolidated statements using our customary accounting practices as set out in our 1999 annual report on Form 10-K (the "1999 Annual Report"). We made all of the adjustments (which includes only normal, recurring adjustments) needed to present this data fairly.

We condensed or left out some of the information found in financial statements prepared according to generally accepted accounting principles ("GAAP"). You should read these financial statements together with the 1999 Annual Report, which does conform to GAAP.

2. Short-term Investments

Short-term investments are those with maturities of less than one year, but greater than three months, when purchased. These investments are readily convertible to cash and are stated at cost, which approximates fair value.

3. Inventories

We use the last-in, first-out method to determine the cost of almost all of our inventories. If the last-in, first-out method had not been used, inventories would have been \$110.1 million higher than reported as of April 30, 1999, and \$113.4 million higher than reported as of October 31, 1999.

4. Environmental

Along with other responsible parties, we face environmental claims resulting from the cleanup of several waste deposit sites. We have accrued our estimated portion of cleanup costs. We expect either the other responsible parties or insurance to cover the remaining costs. We do not believe that any additional costs we incur to satisfy environmental claims will have a material adverse effect on our financial condition or results of operations.

5. Contingencies

We get sued in the ordinary course of business. Some suits and claims seek significant damages. Many of them take years to resolve, which makes it difficult for us to predict their outcomes. We believe, based on our legal counsel's advice, that none of the suits and claims pending against us will have a material adverse effect on our financial condition or results of operations.

6. Earnings Per Share

Basic earnings per share is calculated using net income reduced by dividend requirements on preferred stock, divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated in the same manner, except that the denominator also includes additional common shares that would have been issued if outstanding stock options had been exercised during the period. The dilutive effect of outstanding stock options is determined by application of the treasury stock method.

7. Business Segment Information

	Three Months Ended		Six Months Ended	
	October 31,		October 31,	
	1998	1999	1998	1999
	-----	-----	-----	-----
Net sales:				
Wine and spirits	\$395.9	\$458.9	\$ 726.8	\$ 784.0
Consumer durables	176.6	184.1	287.3	296.3
	-----	-----	-----	-----
Consolidated net sales	\$572.5	\$643.0	\$1,014.1	\$1,080.3
	=====	=====	=====	=====
Operating income:				
Wine and spirits	\$ 82.9	\$ 87.6	\$ 146.1	\$ 151.7
Consumer durables	24.7	28.9	21.6	27.0
	-----	-----	-----	-----
	107.6	116.5	167.7	178.7
Interest expense, net	1.7	1.7	3.2	3.4
	-----	-----	-----	-----
Consolidated income before income taxes	\$105.9	\$114.8	\$ 164.5	\$ 175.3
	=====	=====	=====	=====

8. Comprehensive Income

Comprehensive income, which is defined as the change in equity from transactions and other events from nonowner sources, was as follows (in millions):

	Three Months Ended		Six Months Ended	
	October 31,		October 31,	
	1998	1999	1998	1999
	-----	-----	-----	-----
Net income	\$ 67.3	\$ 72.9	\$104.5	\$111.3
Foreign currency translation adjustment	1.8	0.6	5.0	0.1
	-----	-----	-----	-----
Comprehensive income	\$ 69.1	\$ 73.5	\$109.5	\$111.4
	=====	=====	=====	=====

9. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

10. New Accounting Pronouncement

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." Statement No. 133 requires that all derivatives be measured at fair value and recognized in the balance sheet as either assets or liabilities. Statement No. 133 also requires that changes in a 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 formal documentation, designation, and assessment of the effectiveness of derivatives that receive hedge accounting.

In June 1999, the FASB issued Statement No. 137, "Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133," which makes Statement No. 133 effective for fiscal years beginning after June 15, 2000. We plan to adopt Statement No. 133 as of May 1, 2001. The adoption is not expected to have a material impact on our consolidated financial statements.

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

You should read the following discussion and analysis along with our 1999 Annual Report. Note that the results of operations for the six months ended October 31, 1999, do not necessarily indicate what our operating results for the full fiscal year will be. In this Item, "we," "us," and "our" refer to Brown-Forman Corporation.

Risk Factors Affecting Forward-Looking Statements:

From time to time, we may make forward-looking statements related to our anticipated financial performance, business prospects, new products, and similar matters. We make several such statements in the discussion and analysis which follows, but we do not guarantee that the results indicated will actually be achieved.

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. To comply with the terms of the safe harbor, we note that the following non-exclusive list of important risk factors could cause our actual results and experience to differ materially from the anticipated results or other expectations expressed in those forward-looking statements:

Generally: We operate in highly competitive markets. Our business is subject to changes in general economic conditions, changes in consumer preferences, the degree of acceptance of new products, and the uncertainties of litigation. As our business continues to expand outside the United States, our financial results are more exposed to foreign exchange rate fluctuations and the health of foreign economies. Our operations could also be adversely impacted by incomplete or untimely resolution of the "Year 2000" issue.

Beverage Risk Factors: The U.S. beverage alcohol business is highly sensitive to tax increases; an increase in the federal excise tax (which we do not anticipate at this time) would depress our domestic beverage business. Our current outlook for our domestic beverage business anticipates continued success of Jack Daniel's Tennessee Whiskey, Southern Comfort, and our other core spirits brands. Current expectations for our foreign beverage business could prove to be optimistic if the U.S. dollar strengthens against other currencies or if economic conditions deteriorate in the principal countries to which we export our beverage products, including Germany, the United Kingdom, Japan, and Australia. The wine and spirits business, both in the United States and abroad, is also sensitive to political and social trends. Legal or regulatory measures against beverage alcohol (including its advertising and promotion) could adversely affect sales. Product liability litigation against the alcohol industry, while not currently a major risk factor, could become significant if new lawsuits were filed against alcohol manufacturers. Current expectations for our global beverage business may not be met if consumption trends do not continue to increase. Profits could also be affected if grain or grape prices increase.

Consumer Durables Risk Factors: Earnings projections for our consumer durables segment anticipate a continued strengthening of our Lenox and Hartmann businesses. These projections could be offset by factors such as poor consumer response to direct mail, a soft retail environment at outlet malls, further department store consolidation, or weakened demand for tableware, giftware and/or leather goods.

Results of Operations:
Second Quarter Fiscal 2000 Compared to Second Quarter Fiscal 1999

Here is a summary of our operating performance (expressed in millions, except percentage and per share amounts):

	Three Months Ended October 31,		Change
	1998	1999	
Net Sales:			
Wine & Spirits	\$395.9	\$458.9	16 %
Consumer Durables	176.6	184.1	4 %
Total	\$572.5	\$643.0	12 %
Gross Profit:			
Wine & Spirits	\$198.8	\$230.8	16 %
Consumer Durables	89.4	91.7	3 %
Total	\$288.2	\$322.5	12 %
Operating Income:			
Wine & Spirits	\$ 82.9	\$ 87.6	6 %
Consumer Durables	24.7	28.9	17 %
Total	\$107.6	\$116.5	8 %
Net Income	\$ 67.3	\$ 72.9	8 %
Earnings per Share - Basic and Diluted	\$ 0.97	\$ 1.06	9 %
Effective Tax Rate	36.5%	36.5%	

Sales and gross profit for our wine and spirits segment increased 16% for the quarter. The segment continued to perform well in the U.S. and in many important international markets, led by strong worldwide growth of Jack Daniel's. Southern Comfort worldwide revenue and gross profit also grew, mostly as a result of U.S. volume improvement. The company's wine brands continued to grow, as Korbel Champagne made substantial volume gains domestically in anticipation of the millennium celebration and Fetzer wine volumes improved globally. Operating income grew at a slower rate than sales and gross profit, reflecting a significant increase in advertising for the quarter as well as the effect of the acquisition of Sonoma-Cutrer Vineyards and investments in technology.

Revenues and gross profit for the quarter from our consumer durables segment increased 4% and 3%, respectively, primarily reflecting gains in sales of fine china, flatware and crystal to department stores, and continued growth for the segment's direct marketing businesses. Operating income grew 17% for the period, reflecting aggressive efforts to contain costs.

Results of Operations:
Six Months Fiscal 2000 Compared to Six Months Fiscal 1999

Here is a summary of our operating performance (expressed in millions, except percentage and per share amounts):

	Six Months Ended October 31,		Change
	1998	1999	
Net Sales:			
Wine & Spirits	\$ 726.8	\$ 784.0	8 %
Consumer Durables	287.3	296.3	3 %
Total	\$1,014.1	\$1,080.3	7 %
Gross Profit:			
Wine & Spirits	\$ 371.5	\$ 406.6	9 %
Consumer Durables	144.7	147.9	2 %
Total	\$ 516.2	\$ 554.5	7 %
Operating Income:			
Wine & Spirits	\$ 146.1	\$ 151.7	4 %
Consumer Durables	21.6	27.0	25 %
Total	\$ 167.7	\$ 178.7	7 %
Net Income	\$ 104.5	\$ 111.3	7 %
Earnings per Share - Basic and Diluted	\$ 1.51	\$ 1.62	7 %
Effective Tax Rate	36.5%	36.5%	

Sales and gross profit for the wine and spirits segment increased 8% and 9%, respectively, led by solid growth of Jack Daniel's and Korbel Champagne. First half results were also boosted by the impact of the April 1999 acquisition of Sonoma-Cutrer Vineyards. Operating income increased 4%, as gross profit gains were partially offset by brand-building and other investment activities.

Revenues and gross profit from the consumer durables segment increased 3% and 2%, respectively, primarily reflecting increased consumer demand for fine china dinnerware in the wholesale channel, as well as strong sales of collectible products. Operating income grew 25% due to effective management of costs and the closing of certain unprofitable stores and facilities.

Net interest expense increased slightly from last year, reflecting financing costs associated with the acquisition of Sonoma-Cutrer Vineyards.

As discussed in Note 8 to the accompanying condensed consolidated financial statements, we plan to adopt FASB Statement No. 133 as of May 1, 2001. The adoption is not expected to have a material impact on our consolidated financial statements.

Liquidity and Financial Condition

Cash and cash equivalents decreased by \$56.4 million during the six months ended October 31, 1999, as cash provided by operating activities was more than offset by cash used for investing and financing activities. Cash provided by operations totaled \$55.8 million, primarily reflecting net income before depreciation and amortization and an increase in accounts payable and accrued expenses during the period. These amounts were partially offset by the normal seasonal increase in accounts receivable and inventories as well as a continued partial liquidation of deferred income taxes in compliance with revised U.S. tax regulations. Cash of \$111.9 million was used for investing activities, consisting mostly of purchases of short-term investments as well as expenditures to expand and modernize our production facilities and enhance our information systems. Cash of \$0.3 million was used for financing activities, reflecting dividend payments offset by net borrowings during the period.

Dividends

The Board of Directors increased the quarterly cash dividend 5.1% from \$0.295 to \$0.31 per share on both Class A and Class B common stock, payable January 1, 2000. As a result, the indicated annual cash dividend per share rose from \$1.18 to \$1.24.

Year 2000 Issue

Until recently, computer programs generally were written using two digits rather than four to define the applicable year. Accordingly, programs may recognize a date using "00" as the year 1900 instead of the year 2000. This problem may affect the company's information technology systems (IT systems), such as financial, order entry, inventory control and forecasting systems, and non-IT systems that contain computer chips, such as production equipment and security systems. It may also affect the technology systems of third party vendors and customers, and of governmental entities upon which the company's business ordinarily relies.

The Company is addressing the Year 2000 issues in three phases: assessment, design of appropriate remediation, and implementation. For our IT systems as well as our non-IT systems, we have completed the assessment and remediation design phases and have substantially completed the implementation phase, which consists of replacing or repairing non-compliant systems, testing the new systems and training employees to use them. In addition, we have assessed the Year 2000 preparedness of important customers and suppliers and are monitoring their remediation efforts.

The total cost of Year 2000 issues is currently estimated at \$22-23 million. Of the total estimated cost, we expect that approximately 60% will be attributable to new systems and thus capitalized. The other 40% will be expensed as incurred. All costs are expected to be funded through operating cash flows. Through October 31, 1999, we have incurred approximately \$22 million, of which \$13 million has been capitalized and \$9 million has been expensed.

We expect to manage the Year 2000 issues in a timely manner and, based on our efforts to date, we believe that substantial disruptions in our business operations due to Year 2000 non-compliance of our systems are unlikely. However, it is not possible to anticipate all possible future outcomes, especially since third parties are involved. Thus, there could be circumstances in which the company would be unable to process customer orders, produce or ship products, invoice customers, collect payments, receive customary governmental approvals or authorizations as they relate to our business, or perform other normal business activities. To address these risks, we have constructed contingency plans designed to mitigate potential disruptions in operations, including stockpiling raw materials and finished goods, identifying alternative sources of supplies, creating back-up order processing and invoicing procedures, and other appropriate measures.

The costs and risks described above represent management's best estimates. However, there can be no guarantee that these estimates will prove to be accurate. Actual results could differ significantly. If we do not successfully complete anticipated replacements and other remediation to our IT systems, if unanticipated disruptions in our non-IT systems occur, or if any of our significant vendors or customers do not successfully achieve Year 2000 compliance on a timely basis, our operations or financial results could be adversely affected in the future.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Since April 30, 1999, there have been no material changes in the company's interest rate, foreign currency and commodity price exposures, the types of derivative financial instruments used to hedge those exposures, or the underlying market conditions.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit Number -----	Exhibit -----
3(ii)	By-Laws (Article 2.1 amended to create a uniform mandatory retirement age of 70 for all directors).
27	Financial Data Schedule

(b) Reports on Form 8-K: None

SIGNATURES

As required by the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned authorized officer.

BROWN-FORMAN CORPORATION (Registrant)

Date: December 7, 1999

*By: /s/ Steven B. Ratoff
Steven B. Ratoff
Executive Vice President and
Chief Financial Officer
(On behalf of the Registrant and
as Principal Financial Officer)*

**BY-LAWS
OF
BROWN-FORMAN CORPORATION
AS AMENDED**

**ARTICLE I
STOCKHOLDERS**

SECTION 1.1 Annual Meetings. The annual meeting of the stockholders for the purpose of electing directors and for the transaction of such other business as may properly be brought before the meeting shall be held at such date, time and place either within or without the State of Delaware as may be designated by resolution of the Board of Directors, but no later than September 30 of each year.

SECTION 1.2 Special Meetings. Special meetings of the stockholders may be held upon call of a majority of the Board of Directors, Executive Committee, Chairman of the Board or President (and shall be called by the Chairman of the Board or the President at the request in writing of stockholders owning a majority of the outstanding shares of the corporation entitled to vote at the meeting) at such time and at such place within or without the State of Delaware as shall be fixed by the call for the meeting, and as may be stated in the notice setting forth such call.

SECTION 1.3 Notice of Meeting; Waiver of Notice. Notice of the time, place and purpose of every meeting of stockholders shall be mailed not less than ten (10) nor more than fifty (50) days next preceding the date of said meeting to each stockholder of record entitled to vote at the meeting, who shall have furnished a written address to the Secretary of the corporation for the purpose. Notice of any stockholders' meeting may be waived in writing by any stockholder entitled to vote at the meeting. Attendance of a person at a meeting of stockholders shall constitute a waiver of notice of such meeting, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice.

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

SECTION 1.5 Quorum. At each meeting of stockholders, except where otherwise provided by law or the certificate of incorporation or these by-laws, the holders of a majority of the outstanding shares of each class of stock entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum. In the absence of a quorum the stockholders so present may, by majority vote, adjourn the meeting from time to time in the manner provided by Section 1.4 of these by-laws until a quorum shall attend.

SECTION 1.6 Voting. Each stockholder entitled to vote at any meeting shall have one vote in person or by proxy for each share of stock held by him which has voting power upon the matter in question at the time. At all elections of directors, the voting shall be by ballot and a majority of the votes cast shall elect. Except where a date shall have been fixed as a record date for the determination of the stockholders entitled to vote as hereinafter provided, no share of stock shall be voted on at any election of directors which shall have been transferred on the books of the corporation within twenty (20) days next preceding such election.

SECTION 1.7 Record Date. The Board of Directors may fix in advance a date, not exceeding forty (40) days preceding the date of any meeting of stockholders, or the date for the payment of any dividend or distribution, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, or entitled to receive payment of any such dividend or distribution, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, and in such case only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to notice of, and to vote at such meeting, or to receive payment of such dividend or distribution, or to receive such allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid.

SECTION 1.8 Organization. Meetings of stockholders shall be presided over by the Chairman of the Board, if any, or in his absence by the President, or in their absence by a Vice President, or in the absence of the foregoing persons, by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

**ARTICLE II
BOARD OF DIRECTORS**

SECTION 2.1 Number; Qualification. The Board of Directors of the Corporation shall consist of not less than three (3) nor more than seventeen (17) persons, who shall hold office until the Annual Meeting of the Stockholders next ensuing after their election, and until their respective successors are elected and shall qualify. The number of Directors to serve from time to time shall be fixed by the Board of Directors subject to being changed by the stockholders at any Annual Meeting of Stockholders. Directors need not be stockholders. Directors shall retire from the

Board upon attaining age 70.

SECTION 2.2 Vacancies. Vacancies in the Board of Directors shall be filled by a majority of the remaining directors, and the directors so chosen shall hold office until the next annual election and until their successors shall be duly elected and shall qualify.

SECTION 2.3 Meetings. Meetings of the Board of Directors shall be held at such place within or without the State of Delaware as may from time to time be fixed by resolution of the Board or as may be specified in the call of any meeting. Regular meetings of the Board of Directors shall be held at such times as may from time to time be fixed by resolution of the Board, and special meetings may be held at any time upon call of the Executive Committee, the Chairman of the Board, if any, the President or a majority of the Board by telephonic or telegraphic notice duly given to each director not less than three days before the meeting or written notice sent or mailed to each director not less than five days before the meeting. Such notice shall state the time and place of the meeting, but need not specify the purpose thereof. A meeting of the Board may be held without notice immediately after the annual meeting of stockholders at the same place at which such meeting is held. Notice need not be given of regular meetings of the Board held at the time fixed by resolution of the Board. Meetings may be held at any time without notice if all directors are present or if those not present waive notice of the meeting in writing. At all meetings of the Board of Directors one-third of the entire Board of Directors shall constitute a quorum for the transaction of business and the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. Meetings of the Board of Directors shall be presided over by the Chairman of the Board, if any, or in his absence by the President, or in their absence by a chairman chosen at the meeting and the chairman of the meeting may appoint any person to act as secretary of the meeting.

SECTION 2.4 Informal Action by Directors. Any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

SECTION 2.5 Executive Committee. The Board of Directors may, by resolution or resolutions, passed by a majority of the whole Board, designate an Executive Committee to consist of the Chief Executive Officer and two or more of the directors as the Board may from time to time determine. In addition, the Board of Directors may appoint persons who are not directors of the Corporation as associate non-voting members of the Executive Committee. The Executive Committee shall have and may exercise, when the Board is not in session, all the powers of the Board of Directors in the management of the business and affairs of the corporation, and shall have power to authorize the seal of the corporation to be affixed to all papers which may require it; but the Executive Committee shall not have power to fill vacancies in the Board, or to change the membership of or fill the vacancies on the said Committee, or to make or amend the By-laws of the corporation. The Board shall have power at any time to change the membership of the Executive Committee, to fill vacancies in it, or to dissolve it. The Executive Committee may make such rules for the conduct of its business and may appoint such committees and assistants as it shall from time to time deem necessary. A majority of the members of the Executive Committee shall constitute a quorum.

SECTION 2.6 Other Committees. The Board of Directors may by resolution designate one or more other committees which committees shall have and may exercise such powers as the Board of Directors shall by resolution provide.

ARTICLE III OFFICERS

SECTION 3.1 Election. The Board of Directors, as soon as may be after the election held in each year, shall choose a Chairman of the Board and/or a President of the corporation, one or more Vice Presidents (with such classifications as the Board may determine), a Secretary and a Treasurer, and may if it so determines choose one or more Vice Chairmen of the Board. The Board of Directors may also from time to time appoint such Assistant Secretaries, Assistant Treasurers and such other officers, agents and employees as it may deem proper. The Chairman of the Board, Vice Chairman of the Board, and the President shall be chosen from among the directors, and the Board of Directors shall designate either the President or the Chairman of the Board to be the Chief Executive Officer of the Corporation. Any two or more offices, except that of the Chief Executive Officer and Secretary, may be held by the same person.

SECTION 3.2 Term; Removal. The term of office of all officers shall be one year or until their respective successors are elected and shall qualify; but any officer may be removed from office at any time by the affirmative vote of a majority of the members of the Board then in office. Any vacancy occurring in any office of the corporation by death, resignation, removal or otherwise may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

SECTION 3.3 Powers and Duties. Subject to the limitations as the Board of Directors or the Executive Committee may from time to time prescribe, the officers of the corporation shall each have such powers and duties as generally pertain to the respective offices, as well as such powers and duties as from time to time may be conferred by the Board of Directors or by the Executive Committee. The Treasurer and the Assistant Treasurers may be required to give bond for the faithful discharge of their duties, in such sum and with such surety as the Board of Directors may prescribe.

ARTICLE IV FUNDS OF THE CORPORATION

All moneys of the corporation, or under its charge, deposited in any bank or other place of deposit, shall be deposited to the credit of the corporation in its corporate name, in such institutions, and shall be subject to withdrawal upon such signatures, as may from time to time be prescribed by resolution of the Board of Directors.

**ARTICLE V
CERTIFICATES OF STOCK**

SECTION 5.1 Certificates. The interest of each stockholder of the corporation shall be evidenced by a certificate or certificates for shares of stock in such form as the Board of Directors may from time to time prescribe. The shares of stock of the corporation shall be transferable on the books of the corporation by the holder thereof in person or by his attorney upon surrender for cancellation of a certificate or certificates representing the same, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed and with such proof of authenticity of the signature as the corporation or its agents may reasonably require.

SECTION 5.2 Signatures. The certificates of stock shall be signed by the Chairman of the Board or the President or a Vice President and by the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer (except that where any such certificate is signed by a transfer agent and by a registrar, the signatures of any such Chairman of the Board, President, Vice President, Secretary, Treasurer, Assistant Secretary or Assistant Treasurer may be facsimile, engraved or printed), and shall be countersigned and registered in such manner, if any, as the Board of Directors may by resolution prescribe. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers of the corporation, whether because of death, resignation or otherwise, before such certificate or certificates have been delivered by the corporation, such certificate or certificates may nevertheless be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures have been used thereon had not ceased to be such officer or officers of the corporation.

SECTION 5.3 Lost, Stolen or Destroyed Certificates. No certificate for shares of stock in the corporation shall be issued in place of any certificate alleged to have been lost, stolen or destroyed, except upon production of such evidence of such loss, theft or destruction and upon delivery to the corporation of a bond of indemnity in such amount, upon such terms and secured by such surety, as the Board in its discretion may require.

**ARTICLE VI
CORPORATE BOOKS**

The books of the corporation, except the original or duplicate stock ledger, shall be kept at the office of the Company at Louisville, Kentucky; or at such other place or places as the Board of Directors may from time to time designate.

**ARTICLE VII
FISCAL YEAR**

The fiscal year of the corporation shall begin on the 1st day of May in each year and shall end on the 30th day of April of each year, and may be changed from time to time by resolution of the Board of Directors.

**ARTICLE VIII
CORPORATE SEAL**

The corporate seal of this Company shall be circular in form and shall bear the name of the corporation and the words "Incorporated Delaware 1933."

**ARTICLE IX
INDEMNITY**

The Board of Directors may by resolution provide that the corporation shall indemnify to the extent authorized by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, his testator or intestate is or was a director, officer or employee of the corporation or serves or served any other enterprise as a director, officer or employee at the request of the corporation.

**ARTICLE X
AMENDMENTS**

The By-laws of the corporation, regardless of whether made by the stockholders or by the Board of Directors, may be amended, added to or repealed at any meeting of the Board of Directors or of the stockholders, provided notice of the proposed change is given in the notice of the meeting.

CERTIFICATION

The undersigned, Secretary of BROWN-FORMAN CORPORATION, hereby certifies that the foregoing seven printed pages contain a true and complete copy of the By-laws of said corporation, as amended from time to time.

By: /s/ Michael B. Crutcher

Dated: November 18, 1999
Louisville, Kentucky

EMERGENCY BY-LAWS

ARTICLE I

These emergency by-laws shall be effective and operative during any emergency resulting from an attack on the United States or on a locality in which the corporation conducts its business or customarily holds meetings of its Board of Directors or its stockholders, or during any nuclear or atomic disaster, or during the existence of any catastrophe, or other similar emergency condition, as a result of which a quorum of the Board of Directors or a standing committee thereof cannot be readily convened for action.

ARTICLE II BOARD OF DIRECTORS

SECTION 1. A meeting of the Board of Directors, or a committee thereof, may be called by any director or officer by the giving of three (3) days' notice only to such of the directors as it may be feasible to reach at that time and by such means as may be feasible at the time, including publications and radio. The notice shall state the time and place of the meeting, but need not specify the purpose thereof.

SECTION 2: A quorum shall consist of any three (3) directors; and in addition to duly elected directors the officers listed in the following Section 4 hereof shall be eligible as directors to constitute a quorum.

SECTION 3: To the extent required to constitute a quorum at any meeting of the Board of Directors, the officers of the corporation who are present shall be deemed, in order of rank and within the same rank in order of seniority, directors for such meeting. If, within the same rank two or more officers' date of election as such officer is the same, seniority shall be determined on the basis of length of service with the corporation.

SECTION 4: Persons holding the following offices shall, in the order named, and to the extent required to provide a quorum at any meeting of the Board of Directors, be deemed directors for such meeting:

Chairman of the Board Vice Chairman of the Board President
Executive Vice President Senior Vice President Vice President Secretary
Treasurer
Assistant Vice President Assistant Secretary Assistant Treasurer

ARTICLE III

If, during any such emergency, any officer shall be rendered incapable of discharging his duties, the authority, duties and functions of such officer shall be assumed by the person next in line of authority, as shown on the then currently effective organization chart of the corporation; provided, that no person assuming the authority, duties and functions of an officer shall be entitled to act as director, as provided in Article II hereof, unless he shall have been duly elected as an officer or director.

ARTICLE IV

The Board of Directors may at any meeting change the head office or designate several alternative head offices or regional offices of the corporation or authorize officers so to do.

ARTICLE V

No officer or director or employee acting in accordance with any of the provisions of these emergency by-laws shall be liable except for willful misconduct.

ARTICLE VI

To the extent they are not inconsistent with these Emergency By-Laws, the By-Laws of the corporation shall remain in effect at all times. Upon the termination of the emergency described in Article I hereof, these Emergency By-Laws shall cease to be operative.

ARTICLE 5

This schedule contains summary financial information extracted from the company's October 31, 1999 Quarterly Report Form 10-Q and is qualified in its entirety by reference to such financial statements.

MULTIPLIER: 1,000,000

PERIOD TYPE	6 MOS	
FISCAL YEAR END	APR 30 2000	
PERIOD END	OCT 31 1999	
CASH	115	
SECURITIES	72	
RECEIVABLES	406 ¹	
ALLOWANCES	0	1
INVENTORY	550	
CURRENT ASSETS	1,175	
PP&E	781	
DEPRECIATION	423	
TOTAL ASSETS	1,926	
CURRENT LIABILITIES	668	
BONDS	47	
PREFERRED MANDATORY	0	
PREFERRED	0	
COMMON	10	
OTHER SE	979	
TOTAL LIABILITY AND EQUITY	1,926	
SALES	1,080	
TOTAL REVENUES	1,080	
CGS	526 ²	
TOTAL COSTS	526 ²	
OTHER EXPENSES	0	
LOSS PROVISION	0	
INTEREST EXPENSE	8	
INCOME PRETAX	175	
INCOME TAX	64	
INCOME CONTINUING	111	
DISCONTINUED	0	
EXTRAORDINARY	0	
CHANGES	0	
NET INCOME	111	
EPS BASIC	1.62 ³	
EPS DILUTED	1.62 ⁴	

¹ Accounts receivable is shown net of allowance for doubtful accounts. Allowance for doubtful accounts has not changed materially from the April 30, 1999 balance.

² Includes excise taxes of \$129 million.

³ Represents Basic EPS, calculated in accordance with SFAS No. 128.

⁴ Represents Diluted EPS, calculated in accordance with SFAS No. 128.

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