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WILLAMETTE VALLEY VINEYARDS INC
Form 10QSB/A
December 07, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB/A

Quarterly Report Pursuant to Section 13 or 15 (d) of the
Securities Exchange Act of 1934

For the Quarter Ended June 30, 2004

Commission File Number 0-21522

WILLAMETTE VALLEY VINEYARDS, INC.

(Exact name of registrant as specified in charter)

| | |
|-------------------------------------------------------------------|--------------------------------------------|
| Oregon | 93-0981021 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

8800 Enchanted Way, S.E., Turner, Oregon 97392
(503)-588-9463

(Address, including Zip code, and telephone number,
including area code, of registrant's principal executive offices)

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

Number of shares of common stock outstanding as of June 30, 2004
4,485,978 shares, no par value

Transitional Small Business Disclosure YES NO

Explanatory Note

As previously reported, in February and March 2004 the Alcohol and Tobacco Tax
and Trade Bureau of the U.S. Treasury Department audited the Company's excise
tax liability and payments for 2003, 2002 and 2001. This audit resulted in
additional excise taxes owing for those periods due principally to the
Company's incorrect application of the federal small winery tax credit. The

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Company originally recorded a liability as of December 31, 2003 and a related expense in the year then ended of the estimated excise taxes owing of \$80,000. The Company has restated its financial statements for the years ended December 31, 2003, 2002, and 2001 and the quarterly periods within each of those years to reflect the correct excise tax for each of the periods and to record the estimated interest and penalties with respect to the related estimated excise tax liability. Additional excise taxes of \$6,284 and \$12,568 and related interest and penalties of \$1,854 and \$3,708 have been recorded for the three and six month periods ended June 30, 2003, respectively.

In addition, the Company previously capitalized certain label and package design costs totaling \$71,528 and was amortizing them over a five year period through 2004. Amortization expense of \$3,600 for each of the three months ended June 30, 2004 and 2003 and \$7,200 for each of the six months ended June 30, 2004 and 2003 was included in selling, general and administrative expenses. It has been determined that such costs should be expensed as incurred. Accordingly, the Company has restated its financial statements for the three and six month periods ended June 30, 2004 and 2003 to adjust for the previously capitalized costs and related amortization.

In addition, the Company has restated its financial statements for the three and six months ended June 30, 2003 to reflect the reclassification of amortization of deferred gain arising from a sales-leaseback transaction from other income to an offset of the related lease expense included in selling, general and administrative expenses. The Company has also restated its financial statements for the three and six months ended June 30, 2003 to reflect the reclassification of an expense from other expense to cost of goods sold.

Additional detail regarding the restatement is included in Note 2 of the Notes to Financial Statements included in Part I, Item 1 and in Management's Discussion and Analysis of Financial Condition and Results of Operations under Restatement of Financial Information in Part I, Item 2, of this Form 10-QSB/A.

WILLAMETTE VALLEY VINEYARDS, INC. INDEX TO FORM 10-QSB/A

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PART 1 FINANCIAL INFORMATION
ITEM 1 Financial Statements

WILLAMETTE VALLEY VINEYARDS, INC.
Balance Sheet

| | June 30, 2004 (unaudited) (restated) | December 31, 2003 (restated) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|------------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 67,876 | \$ 213,681 |
| Accounts receivable trade, net | 616,206 | 796,836 |
| Inventories | 7,785,779 | 7,335,378 |
| Prepaid expenses and other current assets | 60,909 | 46,565 |
| Income taxes receivable | - | 83,911 |
| Deferred income taxes | 174,323 | 174,323 |
| Total current assets | 8,705,093 | 8,650,694 |
| Vineyard development cost, net | 1,700,671 | 1,698,970 |
| Inventories | 552,414 | 552,414 |
| Property and equipment, net | 4,551,972 | 4,698,915 |
| Notes receivable from officer and other | 68,374 | 66,134 |
| Debt issuance costs, net | 60,676 | 62,805 |
| Other assets | 200,688 | 201,220 |
| Total assets | \$15,839,888 ===== | \$15,931,152 ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Line of credit | \$ 1,034,407 | \$ 1,130,516 |
| Current portion of long-term debt | 250,291 | 250,291 |
| Accounts payable | 796,981 | 752,219 |
| Accrued expenses | 457,733 | 471,441 |
| Income taxes payable | 49,747 | - |
| Grapes payable | 514,293 | 669,714 |
| Total current liabilities | 3,103,452 | 3,274,181 |
| Long-term debt | 2,559,134 | 2,693,108 |
| Distributor obligation | 1,500,000 | 1,500,000 |
| Deferred rent liability | 120,390 | 108,995 |
| Deferred gain | 387,251 | 399,743 |
| Deferred income taxes | 295,285 | 295,285 |
| Total liabilities | 7,965,512 | 8,271,312 |
| Shareholders' equity | | |
| Common stock, no par value - 10,000,000 shares authorized, 4,485,978 and 4,479,478 shares issued and outstanding at June 30, 2004 and December 31, 2003 | 7,181,639 | 7,167,589 |
| Retained earnings | 692,737 | 492,251 |
| Total shareholders' equity | 7,874,376 | 7,659,840 |
| Total liabilities and shareholders' equity | \$15,839,888 ===== | \$15,931,152 ===== |

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

| WILLAMETTE VALLEY VINEYARDS, INC. | | | | |
|--------------------------------------------------------------|-----------------------------|---------------------------|--------------|--------------|
| Statement of Operations | | | | |
| (unaudited) | | | | |
| | Three months ended June 30, | Six months ended June 30, | | |
| | 2004 | 2003 | 2004 | 2003 |
| | (restated) | (restated) | (restated) | (restated) |
| | ----- | ----- | ----- | ----- |
| Net revenues | | | | |
| Case revenue | \$ 2,096,773 | \$ 1,539,422 | \$ 3,931,383 | \$ 2,871,324 |
| Custom crush-facility lease- | | | | |
| bulk revenue | 7,041 | 8,640 | 16,057 | 163,815 |
| Total net revenues | 2,103,814 | 1,548,062 | 3,947,440 | 3,035,139 |
| Cost of sales | | | | |
| Case | 1,061,808 | 744,882 | 1,945,827 | 1,375,339 |
| Bulk | - | 6,324 | - | 121,611 |
| Total cost of sales | 1,061,808 | 751,206 | 1,945,827 | 1,496,950 |
| Gross margin | 1,042,006 | 796,856 | 2,001,613 | 1,538,189 |
| Selling, general and administrative expenses | 842,970 | 667,587 | 1,532,733 | 1,289,163 |
| Net operating income | 199,036 | 129,269 | 468,880 | 249,026 |
| Other income (expense) | | | | |
| Interest income | 1,346 | 1,313 | 2,548 | 2,627 |
| Interest expense | (75,440) | (87,254) | (151,822) | (175,218) |
| Other income (expense) | - | 1,076 | 14,538 | 26,999 |
| Net income before income taxes | 124,942 | 44,404 | 334,144 | 103,434 |
| Income tax | 49,977 | 18,200 | 133,658 | 42,216 |
| Net income | 74,965 | 26,204 | 200,486 | 61,218 |
| Retained earnings beginning of period | 617,772 | 353,537 | 492,251 | 318,523 |
| Retained earnings end of period | \$ 692,737 | \$ 379,741 | \$ 692,737 | \$ 379,741 |
| | ===== | ===== | ===== | ===== |
| Basic earnings per common share | \$.02 | \$.01 | \$.04 | \$.01 |
| Diluted earnings per common share | \$.02 | \$.01 | \$.04 | \$.01 |
| Weighted average number of basic common shares outstanding | 4,485,780 | 4,474,854 | 4,484,030 | 4,473,663 |
| Weighted average number of diluted common shares outstanding | 4,567,637 | 4,474,854 | 4,565,887 | 4,473,663 |

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

WILLAMETTE VALLEY VINEYARDS, INC. Statement of Cash Flows (unaudited)

| | Six months ended June 30, 2004 (restated) | 2003 (restated) |
|--------------------------------------------------------------------------------------|-------------------------------------------------|--------------------|
| | | |
| Cash flows from operating activities: | | |
| Net income | \$ 200,486 | \$ 61,218 |
| Reconciliation of net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 325,541 | 363,721 |
| Loss (gain) on disposal of fixed assets | 1,898 | (3,004) |
| Stock issued for compensation | 11,500 | 8,819 |
| Changes in assets and liabilities: | | |
| Accounts receivable trade | 180,630 | 66,817 |
| Inventories | (450,401) | 94,242 |
| Prepaid expenses and other current assets | (14,344) | 12,173 |
| Note receivable | (2,240) | (2,075) |
| Other assets | 532 | 1,457 |
| Accounts payable | 44,762 | (135,935) |
| Accrued expenses | (13,708) | 17,916 |
| Income taxes payable | 133,658 | (26,906) |
| Grape payables | (155,421) | (303,555) |
| Deferred rent liability | 11,395 | 11,396 |
| Deferred gain | (12,492) | (12,492) |
| Net cash provided by operating activities | 261,796 | 153,792 |
| Cash flows from investing activities; | | |
| Additions to property and equipment | (130,518) | (70,238) |
| Vineyard development expenditures | (40,462) | (6,057) |
| Proceeds from the sale of property and equipment | - | 15,128 |
| Investments | - | 1,000 |
| Net cash used in investing activities | (170,980) | (60,167) |
| Cash flows from financing activities: | | |
| Debt issuance costs | (9,088) | (12,710) |
| Net decrease in line of credit balance | (96,109) | (307,097) |
| Proceeds from stocks options exercised | 2,550 | - |
| Repayments of long-term debt | (133,974) | (129,565) |
| Net cash used in financing activities | (236,621) | (449,372) |
| Net decrease in cash and cash equivalents | (145,805) | (355,747) |
| Cash and cash equivalents: | | |
| Beginning of period | 213,681 | 632,183 |

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| | | |
|---------------|-----------|------------|
| End of period | \$ 67,876 | \$ 276,436 |
| | ===== | ===== |

The accompanying notes are an integral part of these financial statements.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1) BASIS OF PRESENTATION

The accompanying unaudited financial statements as of and for the three and six months ended June 30, 2004 and 2003, have been prepared in conformity with accounting principles generally accepted in the United States. The financial information as of December 31, 2003, is derived from the audited financial statements presented in the Willamette Valley Vineyards, Inc. (the "Company") Annual Report on Form 10-KSB/A for the year ended December 31, 2003. Certain information or footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying financial statements include all adjustments necessary (which are of a normal recurring nature) for the fair statement of the results of the interim periods presented. The accompanying financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2003, as presented in the Company's Annual Report on Form 10-KSB/A.

Operating results for the three and six months ended June 30, 2004, are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2004, or any portion thereof.

The Company has a single operating segment consisting of the retail, instate self-distribution and out of state sales departments. These departments have similar economic characteristics, offer comparable products to customers, and utilize similar processes for production and distribution.

Basic earnings per share are computed based on the weighted-average number of common shares outstanding each period. Diluted earnings per share are computed using the weighted average number of shares of common stock and dilutive common equivalent shares outstanding during the year. Common equivalent shares from stock options and other common stock equivalents are excluded from the computation when their effect is anti-dilutive. There were total common stock equivalent shares of 81,857 shares included in the computation of dilutive earnings per share for the three and six-month period ended June 30, 2004. Options to purchase shares of common stock outstanding at June 30, 2003 were not included in the computation of diluted earnings per share for the three and six-month period ended June 30, 2003 because the exercise prices were greater than fair value.

2) RESTATEMENT OF FINANCIAL INFORMATION

As previously reported, in February and March 2004 the Alcohol and Tobacco Tax and Trade Bureau of the U.S. Treasury Department audited the Company's excise tax liability and payments for 2003, 2002 and 2001. This audit resulted in an additional amount of excise tax owing for those periods due principally to the Company's incorrect application of the federal small winery tax credit. The Company originally recorded a liability as of December 31, 2003 and a related expense in the year then ended of the estimated excise taxes owing of \$80,000. The Company has restated its financial statements for the years ended December 31, 2003, 2002, and 2001 and the quarterly periods within each of those years to reflect the correct excise tax for each of the periods and to record the estimated interest and penalties with respect to the related estimated excise tax liability. Additional excise taxes of \$6,284 and \$12,568 and related interest and penalties of \$1,854 and \$3,708 have been recorded for the three

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and six month periods ended June 30, 2003, respectively.

In addition, the Company previously capitalized certain label and package design costs totaling \$71,528 and was amortizing them over a five year period through 2004. Amortization expense of \$3,600 for each of the three months ended June 30, 2004 and 2003 and \$7,200 for each of the six months ended June 30, 2004 and 2003 was included in selling, general and administrative expenses. It has been determined that such costs should be expensed as incurred. Accordingly, the Company has restated its financial statements for the three and six month periods ended June 30, 2004 and 2003 to adjust for the previously capitalized costs and related amortization.

The effect of these restatements was to increase net income by \$2,160 (\$- per share) and \$4,320 (\$- per share) for the three and six month periods ended June 30, 2004 and to decrease net income by \$3,127 (\$- per share) and by \$6,254 (\$- per share) for the three and six month periods ended June 30, 2003.

In addition, the Company has restated its financial statements for the three and six month periods ended June 30, 2003 to reflect the reclassification of an expense of \$29,423 from other expense to cost of goods sold and the reclassification of amortization of deferred gain arising from a sales-leaseback transaction of \$6,246 and \$12,492, respectively, from other income to an offset of the related lease expense included in selling, general and administrative expenses. There was no change to previously reported net income as a result of these reclassifications.

There was no change to previously reported cash provided by operating activities, cash used by investing activities or cash used by financing activities.

The following sets forth the effects of the aforementioned restatements to the Company's Balance Sheet at June 30, 2004 and December 31, 2003, and Statements of Operations for the three and six month periods ended June 30, 2004 and 2003.

June 30, 2004

| | As Reported | Adjustments | Restated |
|--------------------------------------------|---------------|-------------|---------------|
| Current assets | \$ 8,705,093 | \$ - | \$ 8,705,093 |
| Other assets | \$ 207,416 | \$ (6,728) | \$ 200,688 |
| Total assets | \$ 15,846,616 | \$ (6,728) | \$ 15,839,888 |
| Current liabilities | \$ 3,090,591 | \$ 12,861 | \$ 3,103,452 |
| Deferred income taxes | \$ 300,856 | \$ (5,571) | \$ 295,285 |
| Total liabilities | \$ 7,958,222 | \$ 7,290 | \$ 7,965,512 |
| Shareholders' equity | 7,888,394 | (14,018) | 7,874,376 |
| Total liabilities and Shareholders' equity | \$ 15,846,616 | \$ (6,728) | \$ 15,839,888 |

December 31, 2003

| | As Reported | Adjustments | Restated |
|----------------|---------------|-------------|---------------|
| Current assets | \$ 8,648,453 | \$ 2,241 | \$ 8,650,694 |
| Other assets | \$ 215,148 | \$ (13,928) | \$ 201,220 |
| Total assets | \$ 15,942,839 | \$ (11,687) | \$ 15,931,152 |

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| | | | |
|--------------------------------------------|---------------|-------------|---------------|
| Current liabilities | \$ 3,261,959 | \$ 12,222 | \$ 3,274,181 |
| Deferred income taxes | \$ 300,856 | \$ (5,571) | \$ 295,285 |
| Total liabilities | \$ 8,264,661 | \$ 6,651 | \$ 8,271,312 |
| Shareholders' equity | 7,678,178 | (18,338) | 7,659,840 |
| Total liabilities and Shareholders' equity | \$ 15,942,839 | \$ (11,687) | \$ 15,931,152 |

Three months ended June 30, 2004 (unaudited)

| | As Reported | Adjustments | Restated |
|---------------------------------------------|--------------|-------------|--------------|
| Net revenues | \$ 2,103,814 | \$ - | \$ 2,103,814 |
| Cost of sales | 1,061,808 | - | 1,061,808 |
| Gross margin | 1,042,006 | - | 1,042,006 |
| Selling general and administrative expenses | 846,570 | (3,600) | 842,970 |
| Net operating income | 195,436 | 3,600 | 199,036 |
| Other income (expense), net | (74,094) | - | (74,094) |
| Income before income taxes | 121,342 | 3,600 | 124,942 |
| Income tax | 48,537 | 1,440 | 49,977 |
| Net income | \$ 72,805 | \$ 2,160 | \$ 74,965 |

Six months ended June 30, 2004 (unaudited)

| | As Reported | Adjustments | Restated |
|---------------------------------------------|--------------|-------------|--------------|
| Net revenues | \$ 3,947,440 | \$ - | \$ 3,947,440 |
| Cost of sales | 1,945,827 | - | 1,945,827 |
| Gross margin | 2,001,613 | - | 2,001,613 |
| Selling general and administrative expenses | 1,539,933 | (7,200) | 1,532,733 |
| Net operating income | 461,680 | 7,200 | 468,880 |
| Other income (expense), net | (134,736) | - | (134,736) |
| Income before income taxes | 326,944 | 7,200 | 334,144 |
| Income tax | 130,778 | 2,880 | 133,658 |
| Net income | \$ 196,166 | \$ 4,320 | \$ 200,486 |

Three months ended June 30, 2003 (unaudited)

| | As Reported | Adjustments | Restated |
|---------------|--------------|-------------|--------------|
| Net revenues | \$ 1,554,346 | \$ (6,284) | \$ 1,548,062 |
| Cost of sales | 721,783 | 29,423 | 751,206 |
| Gross margin | 832,563 | (35,707) | 796,856 |

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| | | | |
|---------------------------------------------|-----------|------------|-----------|
| Selling general and administrative expenses | 676,422 | (8,835) | 667,587 |
| Net operating income | 156,141 | (26,872) | 129,269 |
| Other income (expense), net | (107,199) | 22,334 | (84,865) |
| Income before income taxes | 48,942 | (4,538) | 44,404 |
| Income tax | 19,611 | (1,411) | 18,200 |
| Net income | \$ 29,331 | \$ (3,127) | \$ 26,204 |

Six months ended June 30, 2003(unaudited)

| | As Reported | Adjustments | Restated |
|---------------------------------------------|--------------|-------------|--------------|
| Net revenues | \$ 3,047,707 | \$ (12,568) | \$ 3,035,139 |
| Cost of sales | 1,467,527 | 29,423 | 1,496,950 |
| Gross margin | 1,580,180 | (41,991) | 1,538,189 |
| Selling general and administrative expenses | 1,306,833 | (17,670) | 1,289,163 |
| Net operating income | 273,347 | (24,321) | 249,026 |
| Other income (expense), net | (160,837) | 15,245 | (145,592) |
| Income before income taxes | 112,510 | (9,076) | 103,434 |
| Income tax | 45,038 | (2,822) | 42,216 |
| Net income | \$ 67,472 | \$ (6,254) | \$ 61,218 |

3) STOCK BASED COMPENSATION

The Company accounts for the employee and director stock options in accordance with provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees. Pro forma disclosures as required under SFAS No. 123, Accounting for Stock Based Compensation, and as amended by SFAS No. 148, Accounting for Stock Based Compensation - Transition and Disclosure, are presented below.

Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant date for awards consistent with the provisions of SFAS No. 123, the Company's net earnings would have been reduced to the pro forma amounts indicated as follows for the three and six months ended June 30:

| | Three months ended June 30, | | Six months ended June 30, | |
|--------------------------------------------------------------------------------|-----------------------------|-------------|---------------------------|-------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| | (restated) | (restated) | (restated) | (restated) |
| Net income, as reported | \$ 74,965 | \$ 26,204 | \$ 200,486 | \$ 61,218 |
| Add stock-based employee compensation expense included in reported net income, | | | | |

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| | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|------------|-----------|
| net of related tax effects | - | - | 11,500 | 8,819 |
| Deduct total stock based employee compensation expense determined under fair value based method for all awards, net of related tax effects | (5,124) | (5,948) | (18,033) | (20,715) |
| Pro forma net income | \$ 69,841 | \$ 20,256 | \$ 193,953 | \$ 49,322 |
| Earnings per share: | | | | |
| Basic - | | | | |
| as reported | \$ 0.02 | \$ 0.01 | \$ 0.04 | \$ 0.01 |
| Basic - | | | | |
| pro forma | \$ 0.02 | \$ - | \$ 0.04 | \$ 0.01 |
| Diluted - | | | | |
| as reported | \$ 0.02 | \$ 0.01 | \$ 0.04 | \$ 0.01 |
| Diluted - | | | | |
| pro forma | \$ 0.02 | \$ - | \$ 0.04 | \$ 0.01 |

For purposes of disclosure, the Black-Scholes option pricing model was used to calculate fair values for stock options granted. The estimated fair value of the options is amortized to expense over the options' vesting period.

4) INVENTORIES BY MAJOR CLASSIFICATION ARE SUMMARIZED AS FOLLOWS:

| | June 30, 2004 (unaudited) | December 31, 2003 |
|----------------------------------------------------------------------------|---------------------------------|------------------------------|
| Winemaking and packaging materials | \$ 140,181 | \$ 80,886 |
| Work-in-progress (costs relating to unprocessed and/or bulk wine products) | 2,136,742 | 1,982,469 |
| Finished goods (bottled wines and related products) | 6,061,270 | 5,824,437 |
| | <u>8,338,193</u> | <u>7,887,792</u> |
| Less: amounts designated for distributor | (552,414) | (552,414) |
| Current inventories | <u>\$ 7,785,779</u> ===== | <u>\$ 7,335,378</u> ===== |

5) PROPERTY AND EQUIPMENT CONSIST OF THE FOLLOWING:

| | June 30, 2004 (unaudited) | December 31, 2003 |
|----------------------------------------|---------------------------------|----------------------|
| Land and improvements | \$ 984,256 | \$ 976,838 |
| Winery building and hospitality center | 4,647,272 | 4,577,467 |

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| | | |
|-------------------------------|--------------|--------------|
| Equipment | 4,979,294 | 4,933,329 |
| | 10,610,822 | 10,487,634 |
| Less accumulated depreciation | (6,058,850) | (5,788,719) |
| | \$ 4,551,972 | \$ 4,698,915 |

6) SUBSEQUENT EVENTS:

None.

ITEM 2

Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statement:

This Management's Discussion and Analysis of Financial Condition and Results of Operation and other sections of this Form 10-QSB/A contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks and uncertainties that are based on current expectations, estimates and projections about the Company's business, and beliefs and assumptions made by management. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and variations of such words and similar expressions are intended to identify such forward-looking statements. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements due to numerous factors, including, but not limited to: availability of financing for growth, availability of adequate supply of high quality grapes, successful performance of internal operations, impact of competition, changes in wine broker or distributor relations or performance, impact of possible adverse weather conditions, impact of reduction in grape quality or supply due to disease, impact of governmental regulatory decisions, and other risks detailed below as well as those discussed elsewhere in this Form 10-QSB/A and from time to time in the Company's Securities and Exchange Commission filings and reports. In addition, such statements could be affected by general industry and market conditions and growth rates, and general domestic economic conditions.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The Management's Discussion and Analysis of Financial Condition and Results of Operations presented below reflects the effects of the restatement of our financial statements for the three and six months ended June 30, 2004 and 2003 and as of June 30, 2004 and December 31, 2003 as discussed in Note 2 to the financial statements.

Overview

Revenues increased in the three and six months ended June 30, 2004 compared to the prior year period, particularly in the six month period where total revenue increased 30%. This was due primarily to increased sales through the Bacchus Fine Wines and out of state sales departments. While total costs of sales and selling, general and administrative expenses also increased in both the three and six months periods, net operating income increased approximately 54% for the three months ended June 30, 2004 and 88% for the six months ended June 30, 2004, compared in each case to the prior year period. Net income before taxes

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increased 181% and 223% for the three and six month periods ended June 30, 2004 compared to the prior year periods and earnings per share doubled in the three month period ended June 30, 2004 and quadrupled in the six month period ended June 30, 2004 compared to the prior year period. This was due entirely to the increase in our net revenue for those periods.

We expect revenues to increase in the future because of the continued growth of Bacchus Fine Wines. We also expect total costs of sales and selling, general and administrative expense to increase.

The Company has hired a viticulture consultant to improve vineyard care and increase wine quality. The winemaker and vineyard manager have spent one day each week with her this quarter, resulting in a number of vineyard improvements including using straw under the vine rows to increase natural soil nutrition and as well as using other organic methods of improving vine health. These activities have resulted in higher per acre costs. We believe these higher costs will be offset by increased quality of grapes, which should result in our wines demanding premium pricing, and increasing revenues.

The gross margin is higher than expected, elevating profitability. As our distribution in Oregon of wines produced by others grows, we expect this gross margin to fall. Therefore, we believe conclusions should not be drawn by this Quarter's favorable gross margin.

Also in this quarter, the Company favorably resolved its review of invoices to the out-of-state distribution network and bill-backs received by this network and credits taken against Company invoices by this network. This review resulted in the reduction of sample and sales allowance expenses and thereby providing a one time increase in profitability in this quarter.

As a result of the Sarbanes-Oxley Act and accompanying regulations relating to public company financial reporting, we are expecting to incur significantly greater costs, including accounting, legal and consulting fees in the future. We anticipate these fees will reduce the Company's profitability in future periods.

Revenues from Bacchus Fine Wines, the Company's wholesale wine distribution department, increased 54% in the 2nd Quarter of 2004 compared to the same period in 2003. At the same time, expenses attributable to Bacchus' operations increased at a higher rate (68%) and exceeded planned expenses for the three months ended June 30, 2004 compared to the prior year period. We believe we are in an infrastructure building stage, which will be supported by increased sales in the future, thereby spreading these new fixed costs over greater volume and increasing profitability. Sales of Company produced products through Bacchus Fine Wines increased 8% and sales of products produced by other wineries increased 570% in the three months ended June 30, 2004 compared to the prior year period.

Out-of-state sales to distributors increased 36% for the three months ended June 30, 2004 compared to the prior year period with lower selling costs than in the comparable prior year period, as well as budget. The unusual sale of the remaining stock of 2002 Pinot gris to United Airlines for its First Class Cabin wine service on international and transcontinental flights in the three months ended June 30, 2004 contributed to these positive results. This same wine was named in USA Today as one of the top white wines of summer, in an article written March 26, 2004, titled, "The Pours of Summer". We believe the Company will need to increase sales expenses, in particular out-of-state travel to distributor markets, to increase retail and restaurant account calls to remain competitive with other wine producers. These additional costs could reduce future profitability.

Retail revenues were down 6% in the three months ended June 30, 2004 compared

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to the prior year period due primarily to lower direct sales made by the Company's key customer sales representatives. Staff turnover with vacancies in these positions is the primary reason for these lower sales. Higher tasting room sales in the three months ended June 30, 2004 compared to the prior year period did not completely offset the direct sale revenue reductions. Results have improved at the Tualatin winery as compared to the prior year since we leased a portion of the facility to our former head winemaker which generated rent income of \$6,909 and \$15,924, respectively for the three and six months ended June 30, 2004.

The Company's wines continued to receive strong reviews from prominent reviewers. Willamette Valley Vineyards 2003 Pinot gris received an "Exceptional" rating from renowned wine critic Dan Berger and was awarded the "Sweepstakes White" wine, one of the top awards from among 1,600 wines submitted at the Long Beach Grand Cru.

RESULTS OF OPERATIONS

Revenue

The Company's revenues are summarized as follows:

| | Three months ended June 30, 2004 | 2003 (restated) | Six months ended June 30, 2004 | 2003 (restated) |
|--------------------------------------|-------------------------------------|------------------------------|-----------------------------------|------------------------------|
| | _____ | _____ | _____ | _____ |
| Tasting Room Sales and Rental Income | \$ 331,363 | \$ 351,414 | \$ 659,122 | \$ 647,081 |
| On-site and off-site festivals | 11,766 | 21,826 | 61,735 | 64,997 |
| In state sales | 1,171,162 | 758,465 | 2,072,989 | 1,348,997 |
| Out of state sales | 649,470 | 478,770 | 1,246,648 | 926,806 |
| Bulk wine/ Misc. sales | 7,041 | 8,640 | 16,057 | 163,815 |
| Total Revenue | <u>2,170,802</u> | <u>1,619,115</u> | <u>4,056,551</u> | <u>3,151,696</u> |
| Less Excise Taxes | 66,988 | 71,053 | 109,111 | 116,557 |
| Net Revenue | <u>\$ 2,103,814</u> ===== | <u>\$ 1,548,062</u> ===== | <u>\$ 3,947,440</u> ===== | <u>\$ 3,035,139</u> ===== |

Tasting room and retail sales, and rental income for the three months ending June 30, 2004 decreased 6% to \$331,363 in 2004 from \$351,414 for the comparable period in 2003. For the six months ended June 30, 2004 sales increased 2% over the comparable prior year period. Tasting room and retail sales decreased during the second quarter of 2004 due in part to staff turnover and vacancies in key customer sales.

On-site and off-site festival sales for the three months ended June 30, 2004 decreased 46% to \$11,766 from \$21,826 compared to the prior year period, and decreased 5% for the six months ended June 30, 2004 compared to the prior year period. These decreases are due primarily to the continuing focus away from on-site and off-site events, in favor of telephone, mail order and retail sales.

Sales in the state of Oregon, through the Company's independent sales force and through direct sales from the winery, increased 54% to \$1,171,162 in the three months ended June 30, 2004 from \$758,465 as compared to the prior year period. Sales through the Company's independent sales force alone for the three months

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ended June 30, 2004 increased 60% to \$949,675 from \$593,566 from the comparable prior year period. The Company's direct instate sales to our largest customer increased 153% to \$193,067 from \$76,328 in the three months ended June 30, 2004 compared to the prior year period. These increases are largely the result of the improved sales management and broader product lines presented through the development of Bacchus Fine Wines.

Out-of-state sales in the three months ended June 30, 2004 increased 36% to \$649,470 from \$478,770 compared to the prior year period. During the six months ended June 30, 2004, sales increased 35% compared to the prior year period. The higher sales are a result of increased promotional allowances offered to distributors by the Company that are resulting in higher depletions by the Company's distributors.

Excise taxes

The Company's excise taxes decreased in the three months ended June 30, 2004 to \$66,988 from \$71,053 compared to the prior year period, and decreased to \$109,111 from \$116,557 for the six months ended June 30, 2004 compared to the prior year period. This was due primarily to the Company's efforts to manage production levels to receive the full benefit of the federal small winery tax credit.

Restatement of Financial Information

As previously reported, in February and March 2004 the Alcohol and Tobacco Tax and Trade Bureau of the U.S. Treasury Department audited the Company's excise tax liability and payments for 2003, 2002 and 2001. This audit resulted in an additional amount of excise tax owing for those periods due principally to the Company's incorrect application of the federal small winery tax credit. The Company originally recorded a liability as of December 31, 2003 and a related expense in the year then ended of the estimated excise taxes owing of \$80,000. The Company has restated its financial statements for the years ended December 31, 2003, 2002, and 2001 and the quarterly periods within each of those years to reflect the correct excise tax for each of the periods and to record the estimated interest and penalties with respect to the related estimated excise tax liability. Additional excise taxes of \$6,284 and \$12,568 and related interest and penalties of \$1,854 and \$3,708 have been recorded for the three and six month periods ended June 30, 2003, respectively.

In addition, the Company previously capitalized certain label and package design costs totaling \$71,528 and was amortizing them over a five year period through 2004. Amortization expense of \$3,600 for each of the three months ended June 30, 2004 and 2003 and \$7,200 for each of the six months ended June 30, 2004 and 2003 was included in selling, general and administrative expenses. It has been determined that such costs should be expensed as incurred. Accordingly, the Company has restated its financial statements for the three and six month periods ended June 30, 2004 and 2003 to adjust for the previously capitalized costs and related amortization.

The effect of these restatements was to increase net income by \$2,160 (\$- per share) and \$4,320 (\$- per share) for the three and six month periods ended June 30, 2004 and to decrease net income by \$3,127 (\$- per share) and by \$6,254 (\$- per share) for the three and six month periods ended June 30, 2003.

In addition, the Company has restated its financial statements for the three and six month periods ended June 30, 2003 to reflect the reclassification of an expense of \$29,423 from other expense to cost of goods sold and the reclassification of amortization of deferred gain arising from a sales-leaseback transaction of \$6,246 and \$12,492, respectively, from other income to an offset of the related lease expense included in selling, general and administrative expenses. There was no change to previously reported net income

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as a result of these reclassifications.

There was no change to previously reported cash provided by operating activities, cash used by investing activities or cash used by financing activities.

The following sets forth the effects of the aforementioned restatements to the Company's Balance Sheet at June 30, 2004 and December 31, 2003, and Statements of Operations for the three and six month periods ended June 30, 2004 and 2003.

June 30, 2004

| | As Reported | Adjustments | Restated |
|--------------------------------------------|---------------|-------------|---------------|
| Current assets | \$ 8,705,093 | \$ - | \$ 8,705,093 |
| Other assets | \$ 207,416 | \$ (6,728) | \$ 200,688 |
| Total assets | \$ 15,846,616 | \$ (6,728) | \$ 15,839,888 |
| Current liabilities | \$ 3,090,591 | \$ 12,861 | \$ 3,103,452 |
| Deferred income taxes | \$ 300,856 | \$ (5,571) | \$ 295,285 |
| Total liabilities | \$ 7,958,222 | \$ 7,290 | \$ 7,965,512 |
| Shareholders' equity | 7,888,394 | (14,018) | 7,874,376 |
| Total liabilities and Shareholders' equity | \$ 15,846,616 | \$ (6,728) | \$ 15,839,888 |

December 31, 2003

| | As Reported | Adjustments | Restated |
|--------------------------------------------|---------------|-------------|---------------|
| Current assets | \$ 8,648,453 | \$ 2,241 | \$ 8,650,694 |
| Other assets | \$ 215,148 | \$ (13,928) | \$ 201,220 |
| Total assets | \$ 15,942,839 | \$ (11,687) | \$ 15,931,152 |
| Current liabilities | \$ 3,261,959 | \$ 12,222 | \$ 3,274,181 |
| Deferred income taxes | \$ 300,856 | \$ (5,571) | \$ 295,285 |
| Total liabilities | \$ 8,264,661 | \$ 6,651 | \$ 8,271,312 |
| Shareholders' equity | 7,678,178 | (18,338) | 7,659,840 |
| Total liabilities and Shareholders' equity | \$ 15,942,839 | \$ (11,687) | \$ 15,931,152 |

Three months ended June 30, 2004 (unaudited)

| | As Reported | Adjustments | Restated |
|---------------------------------------------|--------------|-------------|--------------|
| Net revenues | \$ 2,103,814 | \$ - | \$ 2,103,814 |
| Cost of sales | 1,061,808 | - | 1,061,808 |
| Gross margin | 1,042,006 | - | 1,042,006 |
| Selling general and administrative expenses | 846,570 | (3,600) | 842,970 |
| Net operating income | 195,436 | 3,600 | 199,036 |

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| | | | |
|--------------------------------|-----------|----------|-----------|
| Other income (expense), net | (74,094) | - | (74,094) |
| Income before income taxes | 121,342 | 3,600 | 124,942 |
| Income tax | 48,537 | 1,440 | 49,977 |
| Net income | \$ 72,805 | \$ 2,160 | \$ 74,965 |

Six months ended June 30, 2004 (unaudited)

| | As Reported | Adjustments | Restated |
|------------------------------------------------|--------------|-------------|--------------|
| Net revenues | \$ 3,947,440 | \$ - | \$ 3,947,440 |
| Cost of sales | 1,945,827 | - | 1,945,827 |
| Gross margin | 2,001,613 | - | 2,001,613 |
| Selling general and administrative expenses | 1,539,933 | (7,200) | 1,532,733 |
| Net operating income | 461,680 | 7,200 | 468,880 |
| Other income (expense), net | (134,736) | - | (134,736) |
| Income before income taxes | 326,944 | 7,200 | 334,144 |
| Income tax | 130,778 | 2,880 | 133,658 |
| Net income | \$ 196,166 | \$ 4,320 | \$ 200,486 |

Three months ended June 30, 2003 (unaudited)

| | As Reported | Adjustments | Restated |
|------------------------------------------------|--------------|-------------|--------------|
| Net revenues | \$ 1,554,346 | \$ (6,284) | \$ 1,548,062 |
| Cost of sales | 721,783 | 29,423 | 751,206 |
| Gross margin | 832,563 | (35,707) | 796,856 |
| Selling general and administrative expenses | 676,422 | (8,835) | 667,587 |
| Net operating income | 156,141 | (26,872) | 129,269 |
| Other income (expense), net | (107,199) | 22,334 | (84,865) |
| Income before income taxes | 48,942 | (4,538) | 44,404 |
| Income tax | 19,611 | (1,411) | 18,200 |
| Net income | \$ 29,331 | \$ (3,127) | \$ 26,204 |

Six months ended June 30, 2003 (unaudited)

| | As Reported | Adjustments | Restated |
|---------------|--------------|-------------|--------------|
| Net revenues | \$ 3,047,707 | \$ (12,568) | \$ 3,035,139 |
| Cost of sales | 1,467,527 | 29,423 | 1,496,950 |
| Gross margin | 1,580,180 | (41,991) | 1,538,189 |

Selling general and administrative

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| | | | |
|--------------------------------|-----------|------------|-----------|
| expenses | 1,306,833 | (17,670) | 1,289,163 |
| | ----- | ----- | ----- |
| Net operating income | 273,347 | (24,321) | 249,026 |
| Other income (expense), net | (160,837) | 15,245 | (145,592) |
| | ----- | ----- | ----- |
| Income before income taxes | 112,510 | (9,076) | 103,434 |
| Income tax | 45,038 | (2,822) | 42,216 |
| | ----- | ----- | ----- |
| Net income | \$ 67,472 | \$ (6,254) | \$ 61,218 |
| | ===== | ===== | ===== |

Gross Margin

As a percentage of net revenue, gross margin decreased to 50% in the three months ended June 30, 2004 as compared to 51% in the comparable prior year period. Gross margin for the six months ended June 30, 2004 and the comparable prior year period was approximately 51%. While the Company is continuing its focus on, and improved distribution of, higher margin products, as well as continuing to reduce grape and production costs, we anticipate the Company's increased representation of brands other than its own through its Oregon sales force will further erode the gross margins due to the lower margins associated with selling those brands.

Selling, General and Administrative Expense

Selling, general and administrative expenses increased to \$842,970 in the three months ended June 30, 2004 from \$667,587 in the comparable prior year period. Selling, general and administrative expenses increased to \$1,532,733 for the six months ended June 30, 2004 from \$1,289,163 for the comparable prior year period. As a percentage of net revenue from winery operations, selling, general and administrative expenses decreased to 40% in the three months ended June 30, 2004 from 43% in the comparable prior year period, and to 39% in the six months ended June 30, 2004 from 42% in the comparable prior year period, primarily as a result of increased revenues.

Interest Income, Other Income and Expense

Interest income increased to \$1,346 for the three months ended June 30, 2004 from \$1,313 for the comparable prior year period. Interest expense decreased to \$75,440 for the three months ended June 30, 2004 compared to \$87,254 in the comparable prior year period. Interest income decreased to \$2,548 the six months ended June 30, 2004 compared to \$2,627 for the comparable prior year period. Interest expense decreased to \$151,822 for the six months ended June 30, 2004 compared to \$175,218 in the comparable prior year period. Interest costs were lower primarily due to less debt outstanding during the period.

The Company's other income is summarized as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|------------------------------------|-----------------------------|--------------------|---------------------------|--------------------|
| | 2004 | 2003 (restated) | 2004 | 2003 (restated) |
| | ----- | ----- | ----- | ----- |
| Gain on Tualatin bare land sale | \$ - | \$ - | \$ - | \$ 3,004 |
| Farm Credit interest rebate | - | - | 14,504 | 22,617 |
| Miscellaneous rebates | - | 1,076 | 34 | 1,378 |

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| | | | | | | | | | |
|--------------|----|---|----|-------|----|--------|----|--------|--|
| Other income | | | | | | | | | |
| (expense) | \$ | - | \$ | 1,076 | \$ | 14,538 | \$ | 26,999 | |

Income Taxes

As the Company experienced a net profit for the three and six months ended June 30, 2004, we accrued \$49,977 in income tax expense for the three months ended June 30, 2004, making the total accrued \$133,658 for the six months ended June 30, 2004. The Company's estimated tax rate for the three and six months ended June 30, 2004 was 40 percent.

Liquidity and Capital Resources

At June 30, 2004, the Company had a working capital balance of \$5.6 million and a current ratio of 2.82:1. At December 31, 2003, the Company had a working capital balance of \$5.4 million and a current ratio of 2.65:1. The Company had a cash balance of \$67,876 at June 30, 2004.

Total cash provided by operating activities in the six months ended June 30, 2004 was \$261,796 compared to \$153,792 in the prior year period. Cash provided by operating activities in the six months ended June 30, 2004 was comprised of net income of \$200,486 plus depreciation of \$325,541 less changes in assets and liabilities and other non-cash charges of \$264,231. Cash provided by operating activities in the six months ended June 30, 2003 was comprised of net income of \$61,218 plus depreciation of \$363,721 less changes in assets and liabilities and other non-cash charges of \$271,147.

Total cash used in investing activities in the six months ended June 30, 2004 was \$170,980 compared to \$60,167 in the prior year period. Cash used in investing activities comprised of property and equipment additions and vineyard development costs.

Total cash used in financing activities in the six months ended June 30, 2004 was \$236,621 compared to \$449,372 in the prior year period. Cash used in financing activities was primarily comprised of payments on the long term debt (2004 \$133,974 and 2003 \$129,565) and payments on the line of credit (2004 \$96,109 and 2003 \$307,097).

At June 30, 2004, the line of credit balance was \$1,034,407 compared to \$1,130,516 on December 31, 2003. The Company's loan agreement with GE Commercial Distribution Finance Corporation contains certain restrictive financial covenants with respect to total equity, debt-to-equity and debt coverage, which must be maintained by the Company on a quarterly basis. As of June 30, 2004, the Company was in compliance with all of the financial covenants.

As of June 30, 2004, the Company had a total long-term debt balance of \$2,809,425 owed primarily to Farm Credit Services. This debt was used to finance the Hospitality Center, invest in winery equipment to increase the Company's winemaking capacity, complete the storage facility, and purchase Tualatin Vineyards.

At June 30, 2004, the Company owed \$514,293 on grape contracts. A large portion is owed to a single grape grower, which will be paid as the wine made from those grapes is sold.

The Company believes that cash flow from operations and funds available under credit facilities will be sufficient to meet the Company's liquidity requirements for the next 12 months.

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Critical Accounting Policies:

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, collection of accounts receivable, valuation of inventories, and amortization of vineyard development costs. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. A description of our critical accounting policies and related judgments and estimates that affect the preparation of our financial statements is set forth in our Annual Report on Form 10-KSB/A for the year ended December 31, 2003.

ITEM 3

Controls and Procedures

a) We carried out an evaluation, under the supervision and with the participation of the Chief Executive Officer, Chief Financial Officer and other management personnel, of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934 as of June 30, 2004. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer initially concluded that our disclosure controls and procedures as of June 30, 2004 were effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Securities and Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

As described in Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations under Restatement of Financial Information and in Note 2 of the Notes to Financial Statements included in Part I, Item 1, subsequent to the issuance of the Company's financial statements for the year ended December 31, 2003, the Company's management determined it was necessary to restate the Company's financial statements as of and for the years ended December 31, 2003, 2002, and 2001 and for each of the quarterly periods within each of those years for the following: a) the Company's incorrect application of the federal small winery tax credit, b) capitalization and subsequent amortization of certain label and package design costs that should have been expensed in the period incurred, c) revision in classification of the amortization of deferred gain from a sales-leaseback from other income to selling, general and administrative expenses, and d) revision in classification of an expense in other expense to cost of goods sold.

In connection with restating the Company's financial statements as provided in this report, the Chief Executive Officer, Chief Financial Officer and other management personnel re-evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by the report and as of the date of this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective at a reasonable assurance level.

Management and the Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, identified and communicated to the Audit Committee certain matters relating to the Company's internal controls and procedures over its financial reporting for excise taxes during the periods under review

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that are considered a material weakness (as defined in Public Company Accounting Oversight Board Standard No. 2). In response thereto, the Company has performed a review of its excise tax calculation and reporting procedures and has put additional controls in place over the calculation and reporting of excise taxes to ensure that they are accurately measured and reported in the appropriate reporting period. We believe these changes to our disclosure controls and procedures will be adequate to provide reasonable assurance that the objectives of our disclosure controls and procedures will be met. The Company has also implemented enhanced supervisory review procedures related to the preparation of our financial statements, including the process used to initially classify transactions, to ensure that amounts are appropriately classified in accordance with generally accepted accounting principles and classified consistently between reporting periods.

The Company does not expect that its disclosure controls and procedures will prevent all error and all fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The Company considered these limitations during the development of its disclosure controls and procedures, and will continually reevaluate them to ensure they provide reasonable assurance that such controls and procedures are effective.

b) There were no changes in the Company's internal control procedures over financial reporting that occurred during the period ended June 30, 2004 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting, except as noted above.

PART II. OTHER INFORMATION

Item 1

Exhibits and Reports on Form 8-K.

a) The exhibits filed herewith are listed in the Exhibit Index following the signature page of this report.

b) No reports on Form 8-K were filed during the three months ended June 30, 2004.

ITEM 5

Other Information

Non-Audit Fees:

The Audit Committee of the Board Of Directors has approved the following non-audit services, which are being performed by PricewaterhouseCoopers, our independent accountants, during the calendar year ending December 31, 2004:

- Income tax advisory services related to: income tax returns; acquisitions

SIGNATURES

Pursuant to the requirements of the Security Exchange Act of 1934, as amended,

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the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WILLAMETTE VALLEY VINEYARDS, INC.

Date: December 6, 2004 By /s/ James W. Bernau
James W. Bernau
President

Date: December 6, 2004 By /s/ Sean M. Cary
Sean M. Cary
Controller

EXHIBIT INDEX

Exhibit

31.1 Certification by James W. Bernau pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

31.2 Certification by Sean M. Cary pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.