BARTON BRANDS LTD /DE/
Form 424B3
December 06, 2007
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Filed Pursuant to Rule 424(b)(3)
Registration Number 333-147550

Prospectus

Constellation Brands, Inc.

Offer to Exchange

$700,000,000 aggregate principal amount of 7.25% Senior Notes due 2017,

which have been registered under the Securities Act,

for any and all outstanding, unregistered 7.25% Senior Notes due 2017

We are offering to exchange our registered 7.25% Senior Notes due 2017, or the exchange notes, for our currently outstanding, unregistered 7.25% Senior Notes due 2017, or the original notes. We sometimes refer to the original notes and the exchange notes in this prospectus collectively as the notes. The exchange notes are substantially identical in all material respects to the original notes, except that the exchange notes have been registered under the Securities Act of 1933, as amended, or the Securities Act, and, therefore, will not have any transfer restrictions, will bear a different CUSIP number from the original notes and will not entitle their holders to registration rights or rights to liquidated damages. The exchange notes will represent the same debt as the original notes, and we will issue the exchange notes pursuant to, and they will be entitled to the benefits of, the same indenture. We are making this exchange offer in order to satisfy certain contractual obligations.

Certain of our existing and future subsidiaries will guarantee the exchange notes on a senior unsecured basis to the extent and for so long as such entities, or the subsidiary guarantors, guarantee our senior credit facility. If we do not make scheduled payments on the exchange notes, the subsidiary guarantors will be required to make them for us. The exchange notes will rank equally in right of payment with all of our existing and future unsecured senior indebtedness, senior in right of payment to all of our existing and future senior subordinated indebtedness, and effectively subordinated in right of payment to our secured indebtedness, including all borrowings under our senior credit facility, to the extent of the value of the assets securing such indebtedness.

The principal terms of the exchange offer are as follows:

The exchange offer expires at 5:00 p.m., New York City time, on January 7, 2008 unless we extend it.

We will exchange all original notes that are validly tendered and not validly withdrawn prior to the expiration of the exchange offer.

You may withdraw tendered original notes at any time prior to the expiration of the exchange offer.

The exchange of exchange notes for original notes pursuant to the exchange offer will not be a taxable event for U.S. federal income tax purposes.

We will not receive any proceeds from the exchange offer.

No public market exists for the original notes or the exchange notes. We do not intend to apply for listing of the exchange notes on any securities exchange.

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. The letter of transmittal accompanying this prospectus states that, by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for original notes where the original notes were acquired by the broker-dealer as a result of market-making or other trading activities. We have agreed that, for a period of up to 180 days after the date of expiration of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

See Risk Factors beginning on page 11 for a discussion of certain risks that you should consider before deciding to tender your original notes in the exchange offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the exchange notes or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is December 6, 2007.

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We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained in this prospectus. You should rely only on the information contained in this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the registered securities to which it relates, nor does this prospectus constitute an offer to sell or a solicitation of an offer to buy securities in any jurisdiction to any persons to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus is accurate as of any date other than the date indicated on the front cover of this prospectus or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. You may read and copy any document we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain further information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our SEC filings are also available to the public over the Internet at the SEC s web site at *http://www.sec.gov*. Our common stock is listed on the New York Stock Exchange under the symbol STZ , and you may inspect our SEC filings at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

We have filed with the SEC a registration statement on Form S-4 under the Securities Act with respect to the exchange offer. This prospectus is part of that registration statement and, as permitted by the SEC s rules, does not contain all the information set forth in the registration statement. For further information you may refer to the registration statement and to the exhibits and schedules filed as part of the registration statement. You can review and copy the registration statement and its exhibits and schedules at the public reference facilities maintained by the SEC as described above. The registration statement, including its exhibits and schedules, is also available on the SEC s website.

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INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

In this prospectus, we incorporate by reference the information we file with the SEC, which means that we can disclose important information to you by referring to that information. The information incorporated by reference is considered to be an important part of this prospectus. Any statement in a document incorporated by reference in this prospectus will be deemed to be modified or superseded to the extent a statement contained in this prospectus or any other subsequently filed document that is incorporated by reference in this prospectus modifies or supersedes such statement. We incorporate by reference in this prospectus the following documents filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended, or the Exchange Act:

- Annual Report on Form 10-K for the year ended February 28, 2007, filed on April 30, 2007;
- Quarterly Report on Form 10-Q for the quarter ended May 31, 2007, filed on July 10, 2007;
- Quarterly Report on Form 10-Q for the quarter ended August 31, 2007, filed on October 10, 2007;
- Current Reports on Form 8-K filed on April 9, 2007 (two filings; in each case, Item 5.02 only), April 23, 2007, May 2, 2007, May 7, 2007 (Item 1.01 only), May 11, 2007 (Item 5.02 only), May 14, 2007, June 28, 2007 (of two filed that date, the report regarding appointment of new chief executive officer and only Item 5.02 thereof), July 31, 2007, October 4, 2007 (of two filed that date, the report regarding the appointment of a new director and only Item 5.02 thereof and Exhibit 99.1 thereto), November 14, 2007 (two filings; Item 1.01 and Exhibit 2.1 thereto and Item 2.05 only), November 20, 2007, and December 4, 2007;
- Definitive proxy statement for special meeting of stockholders to be held December 6, 2007, filed with the SEC on November 1, 2007; and
- All other documents filed by Constellation Brands pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this prospectus and until the expiration date of the exchange offer.

You may request a copy of these filings, except exhibits to such documents unless those exhibits are specifically incorporated by reference into this prospectus, at no cost, by writing or telephoning us at:

Constellation Brands, Inc.

370 Woodcliff Drive, Suite 300

Fairport, New York 14450

585-218-3600

Attention: David S. Sorce, Secretary

To obtain timely delivery of any of this information or our filings, you must make your request to us no later than five business days before the expiration date of the exchange offer. **The exchange offer will expire at 5:00 p.m., New York City time, on January 7, 2008, unless extended.** See The Exchange Offer for more information.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties, including those discussed under the caption Risk Factors. We develop forward-looking statements by combining currently available information with our beliefs and assumptions. These statements relate to future events, including our future performance, and often contain words such as may, should, could, expects, seeks to, anticipates, plans, believes, estimates, intends, predicts, projects, potential or continue or the negative of such terms and other co terminology. Forward-looking statements are inherently uncertain, and actual performance or results may differ materially and adversely from that expressed in, or implied by, any such statements. Consequently, you should recognize these statements for what they are and we caution you not to rely upon them as facts.

INDUSTRY DATA

Market positions and industry data discussed in this prospectus have been obtained or derived from the following industry and government publications: Adams Liquor Handbook; Adams Wine Handbook; Adams Beer Handbook; Adams Handbook Advance; The U.S. Wine Market: Impact Databank Review and Forecast; The U.S. Beer Market: Impact Databank Review and Forecast; The U.S. Spirits Market: Impact Databank Review and Forecast; Euromonitor; Australian Bureau of Statistics; Information Resources, Inc.; ACNielsen; Association for Canadian Distillers; AZTEC; and DISCUS. We have not independently verified these data. Unless otherwise noted, all references to market positions are based on unit volume.

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PROSPECTUS SUMMARY

The following summary contains basic information about this offering. It does not contain all of the information that is important to you. For a more complete understanding of this offering, we encourage you to read the entire document and the documents incorporated by reference. Unless we indicate otherwise, and except with respect to any description of the notes, the terms Company, we, us and our refer to Constellation Brands, Inc. together with its consolidated subsidiaries.

Constellation Brands, Inc.

We are a leading international producer and marketer of beverage alcohol with a broad portfolio of brands across the wine, spirits and imported beer categories. We have the largest wine business in the world and have a leading market position in each of our core markets, which include the United States, Canada, the United Kingdom, Australia and New Zealand. In the U.S., we are the largest multi-category (wine, spirits and imported beer) supplier of beverage alcohol. Our strong market positions make us a supplier of choice to our customers who include wholesale distributors, retailers, on-premise locations and government alcohol beverage control agencies.

With our broad product portfolio, we believe we are distinctly positioned to satisfy an array of consumer preferences across all beverage alcohol categories and price points. Many of our products are recognized leaders in their respective categories and geographic markets. Leading brands in our portfolio include Almaden, Arbor Mist, Vendange, Woodbridge by Robert Mondavi, Hardys, Goundrey, Nobilo, Kim Crawford, Alice White, Ruffino, Kumala, Robert Mondavi Private Selection, Rex Goliath, Toasted Head, Blackstone, Ravenswood, Estancia, Franciscan Oakville Estate, Inniskillin, Jackson-Triggs, Simi, Robert Mondavi Winery, Stowells, Blackthorn, Black Velvet, Mr. Boston, Fleischmann s, Paul Masson Grande Amber Brandy, Chi-Chi s, 99 Schnapps, Ridgemont Reserve 1792 and the Effen and SVEDKA vodka lines. We, through a joint venture with Grupo Modelo, S.A.B de C.V. (which we refer to as Crown Imports), import, market and sell Corona Extra, Corona Light, Pacifico, Modelo Especial, Negra Modelo, St. Pauli Girl and Tsingtao beers.

Since our founding in 1945 as a producer and marketer of wine products, we have grown through a combination of internal growth and acquisitions. Our internal growth has been driven by leveraging our existing portfolio of leading brands, developing new products, new packaging and line extensions, and focusing on the faster growing sectors of the beverage alcohol industry. We conduct our business through entities we wholly own as well as a variety of joint ventures with various other entities, both within and outside the U.S.

Corporate Information

Our principal executive offices are located at 370 Woodcliff Drive, Suite 300, Fairport, New York 14450, and our telephone number is 585-218-3600. We maintain a website at *www.cbrands.com*. Our website and the information contained on that site, or connected to that site, are not a part of this prospectus. We are a Delaware corporation that was incorporated on December 4, 1972, as the successor to a business founded in 1945. On September 19, 2000, we changed our name to Constellation Brands, Inc. from Canandaigua Brands, Inc.

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The Exchange Offer

On May 14, 2007, we completed an offering of $700,000,000 aggregate principal amount of the original notes in a transaction exempt from the registration requirements of the Securities Act. The original notes are guaranteed on a senior unsecured basis by the subsidiary guarantors. The exchange notes will be our obligations and will be entitled to the benefits of the indenture relating to the original notes. The exchange notes will also be guaranteed on a senior unsecured basis by the subsidiary guarantors. The form and terms of the exchange notes are substantially identical in all material respects to the form and terms of the original notes, except that the exchange notes:

- have been registered under the Securities Act and, therefore, will contain no restrictive legends or transfer restrictions;
- will bear a different CUSIP number from the original notes;
- will not have registration rights; and
- will not have the right to liquidated damages.

The following is a brief summary of the terms of the exchange offer. It likely does not contain all the information that is important to you. For a more complete description of the exchange offer, see The Exchange Offer.

The Exchange Offer	We are offering to exchange our exchange notes, which have been registered under the Securities Act, for a like principal amount of our currently outstanding, unregistered original notes. $700.0 million aggregate principal amount of our original notes are outstanding. Original notes may only be exchanged in integral multiples of $1,000 in principal amount. See The Exchange Offer Terms of the Exchange Offer.
Expiration of the Exchange Offer	The exchange offer will expire at 5:00 p.m., New York City time, on January 7, 2008, unless we decide to extend the expiration date.
Withdrawal Rights	You may withdraw your tender of original notes at any time before the exchange offer expires by following the withdrawal procedures that are described under The Exchange Offer Withdrawal of Tenders.
Registration Rights Agreement	The exchange offer is intended to satisfy your registration rights under the registration rights agreement we and the subsidiary guarantors entered into with the initial purchasers of the original notes. After the exchange offer is closed, we will no longer have an obligation to register the original notes, except under limited circumstances. Under the registration rights agreement, we are required to pay liquidated damages in the form of additional interest on the original notes in certain circumstances, including if the exchange offer registration statement is not declared effective by the SEC on or before 485 days after issuance of the original notes or if the exchange offer is not consummated within 525 days after issuance of the original notes. See The Exchange Offer Purpose of the Exchange Offer.

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Resale of Exchange Notes	Based on an interpretation by the staff of the SEC set forth in no-action letters issued to other parties unrelated to us, we believe that the exchange notes issued pursuant to the exchange offer in exchange for original notes may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that: you are acquiring the exchange notes in the ordinary course of your business; you have not engaged in, and do not intend to engage in, the distribution of the exchange notes (within the meaning of the Securities Act); you have no arrangement or understanding with any person to participate in the distribution of the exchange notes; you are not our affiliate, as defined in Rule 405 under the Securities Act. We do not intend to apply for listing of the exchange notes on any securities exchange or to seek approval for quotation through an automated quotation system. Accordingly, there can be no assurance that an active market will develop upon completion of the exchange offer or, if developed, that such market will be sustained or as to the liquidity of any market. Each broker-dealer that receives exchange notes for its own account in exchange for original notes that were acquired by that broker-dealer as a result of market-making or other trading activities must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. See Plan of Distribution.
Conditions to the Exchange Offer	The exchange offer is subject to certain customary conditions which we may amend or waive. The exchange offer is not conditioned upon any minimum principal amount of original notes being tendered. See The Exchange Offer Conditions to the Exchange Offer.
Procedures for Tendering Original Notes	If you wish to accept the exchange offer, you must transmit a properly completed and signed letter of transmittal, together with all other documents required by the letter of transmittal, including the certificate or certificates representing your original notes to be exchanged, to the exchange agent at the address set forth on the cover page of the letter of transmittal. These materials must be received by the exchange agent before 5:00 p.m., New York City time, on January 7, 2008, the expiration date of the exchange offer. In the alternative, you can tender your original notes by following the procedures for book-entry transfer, as described in this prospectus, prior to the expiration of the exchange offer. For more information on accepting the exchange offer and tendering your original notes, see The Exchange Offer Procedures for Tendering.

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Special Procedures for Beneficial Owners	If you are a beneficial owner of original notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your original notes in the exchange offer, you should contact the registered holder of the original notes promptly and instruct the registered holder to tender your notes on your behalf. If you wish to tender in the exchange offer on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your original notes, either arrange to have the original notes registered in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take a considerable amount of time and may not be able to be completed prior to the expiration date. See The Exchange Offer Procedures for Tendering.
Guaranteed Delivery Procedures	If you cannot deliver your original notes, the letter of transmittal or any other required documentation, or if you cannot comply with The Depository Trust Company s, or DTC s, Automated Tender Offer Program for transfer of book-entry interests, prior to the expiration date, you may tender your original notes according to the guaranteed delivery procedures set forth under The Exchange Offer Guaranteed Delivery Procedures.
Acceptance of the Original Notes and Delivery of the Exchange Notes	We will accept for exchange any and all original notes that you properly tender in the exchange offer prior to the expiration date of the exchange offer. We will issue and deliver the exchange notes promptly following the expiration date of the exchange offer. See The Exchange Offer Terms of the Exchange Offer.
Use of Proceeds	We will not receive any proceeds from the issuance of exchange notes pursuant to the exchange offer.
Material United States Federal Income Tax Consequences	We believe that the exchange of exchange notes for original notes pursuant to the exchange offer will not be a taxable event for United States federal income tax purposes, but you should consult your tax adviser about the tax consequences of the exchange offer. See Material United States Federal Income Tax Considerations.
Consequences of Failure to Exchange	All untendered original notes will continue to be subject to the restrictions on transfer set forth in the original notes and in the indenture governing the notes. In general, you may not offer or sell your original notes unless they are registered under the federal securities laws or sold in a transaction exempt from, or not subject to, the registration requirements of federal and applicable state securities laws. As a result of the restrictions on transfer and the availability of exchange notes, any remaining original notes are likely to be much less liquid than before the exchange offer. After the exchange offer is closed, we will no longer have an obligation to register the original notes, except in limited circumstances. See The Exchange Offer Consequences of Failure to Exchange.

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Exchange Agent	The Bank of New York Trust Company, N.A., the trustee under the indenture for the notes, is serving as the exchange agent in connection with the exchange offer. The address, telephone number and facsimile number of the exchange agent are listed in The Exchange Offer Exchange Agent and in the letter of transmittal.

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The Exchange Notes

The following is a brief summary of the principal terms of the exchange notes. For a more complete description of the terms of the exchange notes, see Description of the Exchange Notes. The exchange notes will have terms substantially identical in all material respects to the form and terms of the original notes, except that the exchange notes have been registered under the Securities Act and, therefore, will not be subject to certain transfer restrictions, will bear a different CUSIP number from the original notes and will not entitle their holders to registration rights or rights to liquidated damages.

Issuer	Constellation Brands, Inc.
Notes Offered	$700,000,000 aggregate principal amount of 7.25% Senior Notes due 2017.
Maturity Date	May 15, 2017.
Interest	Interest on the exchange notes will accrue from the last interest payment date on which interest was paid on the original notes surrendered in exchange for the exchange notes or, if no interest has been paid on the original notes, from May 14, 2007. Interest on the exchange notes will be payable at a rate of 7.25% per annum semi-annually in arrears on May 15 and November 15 of each year. No additional interest will be paid on original notes tendered and accepted for exchange.
Ranking	The exchange notes and the guarantees thereof will be our and our subsidiary guarantors general unsecured senior obligations and will: rank equally in right of payment to all of our and the subsidiary guarantors indebtedness and other obligations that are not, by their terms, expressly subordinated in right of payment to the notes and the guarantees; be senior in right of payment to any of our and the subsidiary guarantors future indebtedness and other obligations that are, by their terms, expressly subordinated in right of payment to the notes and the subsidiary guarantees; be effectively subordinated to all of our and the subsidiary guarantors senior secured indebtedness and other obligations (including our senior credit facility) to the extent of the value of the assets securing such obligations; and be effectively subordinated to all indebtedness and other liabilities of our subsidiaries that are not subsidiary guarantors. As of August 31, 2007, the original notes and guarantees thereof ranked effectively junior to approximately $2.39 billion of senior secured indebtedness and we had an additional $849.1 million of additional availability under the revolving portion of our senior credit facility.

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Optional Redemption	We may redeem the exchange notes, in whole or in part, at any time at a price equal to 100% of the aggregate principal amount, together with accrued and unpaid interest to the redemption date, plus a make whole premium. See Description of the Notes Optional Redemption.
Change of Control	If we experience specific kinds of changes of control, we must offer to repurchase all of the exchange notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date. See Description of the Notes Repurchase at the Option of Holders Upon a Change of Control.
Subsidiary Guarantees	Each of our existing and future subsidiaries will guarantee the exchange notes on a senior unsecured basis to the extent and for so long as such entities guarantee our senior credit facility.
Certain Covenants	The indenture governing the exchange notes contains covenants that, among other things, limit our ability and the ability of our subsidiaries to: incur liens; consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and enter into sale and leaseback transactions. These covenants will be subject to important exceptions, limitations and qualifications. See Description of the Notes Certain Covenants.
Absence of Public Market	The exchange notes are new securities for which there is currently no market. Although the initial purchasers in the private offering of the original notes have informed us that they currently intend to make a market in the exchange notes, they are not obligated to do so, and any such market-making activities may be discontinued at any time without notice. Accordingly, we cannot assure you as to the development or liquidity of any market for the exchange notes.
Risk Factors	You should carefully consider the information set forth in the section entitled Risk Factors and the other information included and incorporated by reference in this prospectus in deciding whether to participate in the exchange offer.

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RISK FACTORS

Your decision whether or not to participate in the exchange offer and own original notes or exchange notes will involve some degree of risk. You should be aware of, and carefully consider, the following risk factors, along with all of the other information provided or referred to in this prospectus, before deciding whether or not to participate in the exchange offer.

Risks Related to the Exchange Offer

If you fail to exchange your original notes, they will continue to be restricted securities and may become less liquid.

Original notes which you do not tender or we do not accept will, following the exchange offer, continue to be restricted securities, and you may not offer to sell them except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities law. Other than in connection with the exchange offer, we do not plan to register the original notes under the Securities Act. If you hold any original notes after the exchange offer is completed, you may experience difficulties selling them because of these restrictions on transfer.

Because we anticipate that most holders of original notes will elect to participate in the exchange offer, we expect that the liquidity of the market for any original notes remaining after the completion of the exchange offer will be substantially limited. Any original notes tendered and exchanged in the exchange offer will reduce the aggregate principal amount of the original notes outstanding. Following the exchange offer, if you did not tender your original notes you will not have any further registration rights, except in limited circumstances, and your original notes will continue to be subject to certain transfer restrictions.

You must comply with the exchange offer procedures in order to receive the exchange notes.

We will only issue exchange notes in exchange for original notes that you timely and properly tender. Therefore, you should allow sufficient time to ensure timely delivery of the original notes, and you should carefully follow the instructions on how to tender your original notes set forth under The Exchange Offer Procedures for Tendering and in the letter of transmittal that accompanies this prospectus. Neither we nor the exchange agent are required to notify you of any defects or irregularities relating to your tender of original notes.

Some holders who exchange their original notes may be deemed to be underwriters and these holders will be required to comply with the registration and prospectus delivery requirements in connection with any resale transaction.

If you exchange your original notes in the exchange offer for the purpose of participating in a distribution of the exchange notes, you may be deemed to have received restricted securities and, if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

Risks Relating to the Company

Our indebtedness could have a material adverse effect on our financial health.

We have incurred substantial indebtedness to finance our acquisitions, including our expected acquisition of Beam Wine Estates, Inc. (Beam Wine Estates). In the future, we may incur substantial additional indebtedness to finance further acquisitions or for other purposes. Our ability to satisfy our debt obligations outstanding from time to time will depend upon our future operating performance. We do not have complete control over our future operating performance because it is subject to prevailing economic conditions, levels of interest rates and financial, business and other factors. We cannot assure you that our business will generate sufficient cash flow from operations to meet all of our debt service requirements and to fund our capital expenditure requirements.

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Our current and future debt service obligations and covenants could have important consequences to you. These consequences include, or may include, the following:

- Our ability to obtain financing for future working capital needs or acquisitions or other purposes may be limited;
- Our funds available for operations, expansion or distributions will be reduced because we will dedicate a significant portion of our cash flow from operations to the payment of principal and interest on our indebtedness;
- Our ability to conduct our business could be limited by restrictive covenants; and
- Our vulnerability to adverse economic conditions may be greater than less leveraged competitors and, thus, our ability to withstand competitive pressures may be limited.

Our senior credit facility and the indentures under which our debt securities have been issued contain restrictive covenants and provisions. These covenants and provisions affect our ability to grant additional liens, incur additional debt, sell assets, engage in changes of control, pay dividends, enter into transactions with affiliates, make investments and engage in certain other fundamental changes. Our senior credit facility also contains restrictions on our ability to make acquisitions and certain financial ratio tests, including a debt coverage ratio and an interest coverage ratio. These restrictions could limit our ability to conduct business. If we fail to comply with the obligations contained in the senior credit facility, our existing or future indentures or other loan agreements, we could be in default under such agreements, which could require us to immediately repay the related debt and also debt under other agreements that may contain cross-acceleration or cross-default provisions.

Our acquisition and joint venture strategies may not be successful.

We have made a number of acquisitions and we anticipate that we may, from time to time, acquire additional businesses, assets or securities of companies that we believe would provide a strategic fit with our business, including our expected acquisition of Beam Wine Estates. We will need to integrate acquired businesses with our existing operations. We cannot assure you that we will effectively assimilate the business or product offerings of acquired companies into our business or product offerings. Integrating the operations and personnel of acquired companies into our existing operations may result in difficulties and expense, disrupt our business or divert management s time and attention. Acquisitions involve numerous other risks, including potential exposure to unknown liabilities of acquired companies and the possible loss of key employees and customers of the acquired business. In connection with acquisitions or joint venture investments outside the U.S., we may enter into derivative contracts to purchase foreign currency in order to hedge against the risk of foreign currency fluctuations in connection with such acquisitions or joint venture investments, which subjects us to the risk of foreign currency fluctuations associated with such derivative contracts.

We have entered into joint ventures, including our joint venture with Grupo Modelo, S.A.B. de C.V. (Modelo), and we may enter into additional joint ventures. We share control of our joint ventures. Our joint venture partners may at any time have economic, business or legal interests or goals that are inconsistent with our goals or the goals of the joint venture. In addition, our joint venture partners may be unable to meet their economic or other obligations and we may be required to fulfill those obligations alone. Also, there are risks and uncertainties associated with establishing joint ventures including, among others, the joint venture s ability to operate its business successfully, the joint venture s ability to develop appropriate standards, controls, procedures and policies for the growth and management of the joint venture and the strength of the joint venture s relationships with its employees, suppliers and customers. Our failure or the failure of an entity in which we have a joint venture interest to adequately manage the risks associated with any acquisitions or joint ventures could have a material adverse effect on our financial condition or results of operations. We cannot assure you that any of our acquisitions or joint ventures will be profitable.

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Competition could have a material adverse effect on our business.

We are in a highly competitive industry and the dollar amount and unit volume of our sales could be negatively affected by our inability to maintain or increase prices, changes in geographic or product mix, a general decline in beverage alcohol consumption or the decision of wholesalers, retailers or consumers to purchase competitive products instead of our products. Wholesaler, retailer and consumer purchasing decisions are influenced by, among other things, the perceived absolute or relative overall value of our products, including their quality or pricing, compared to competitive products. Unit volume and dollar sales could also be affected by pricing, purchasing, financing, operational, advertising or promotional decisions made by wholesalers, state and provincial agencies, and retailers which could affect their supply of, or consumer demand for, our products. We could also experience higher than expected selling, general and administrative expenses if we find it necessary to increase the number of our personnel or our advertising or promotional expenditures to maintain our competitive position or for other reasons.

An increase in excise taxes or government regulations could have a material adverse effect on our business.

The U.S., the U.K., Canada, Australia and other countries in which we operate impose excise and other taxes on beverage alcohol products in varying amounts which have been subject to change. Significant increases in excise or other taxes on beverage alcohol products could materially and adversely affect our financial condition or results of operations. Many U.S. states have considered proposals to increase, and some of these states have increased, state alcohol excise taxes. In addition, federal, state, local and foreign governmental agencies extensively regulate the beverage alcohol products industry concerning such matters as licensing, trade and pricing practices, permitted and required labeling, advertising and relations with wholesalers and retailers. Certain federal and state or provincial regulations also require warning labels and signage. New or revised regulations or increased licensing fees, requirements or taxes could also have a material adverse effect on our financial condition or results of operations.

We rely on the performance of wholesale distributors, major retailers and chains for the success of our business.

In the U.S., we sell our products principally to wholesalers for resale to retail outlets including grocery stores, package liquor stores, club and discount stores and restaurants. In the U.K., Canada and Australia, we sell our products principally to wholesalers and directly to major retailers and chains. The replacement or poor performance of our major wholesalers, retailers or chains could materially and adversely affect our results of operations and financial condition. Our inability to collect accounts receivable from our major wholesalers, retailers or chains could also materially and adversely affect our results of operations and financial condition.

The industry is being affected by the trend toward consolidation in the wholesale and retail distribution channels, particularly in Europe and the U.S. If we are unable to successfully adapt to this changing environment, our net income, share of sales and volume growth could be negatively affected. In addition, wholesalers and retailers of our products offer products which compete directly with our products for retail shelf space and consumer purchases. Accordingly, wholesalers or retailers may give higher priority to products of our competitors. In the future, our wholesalers and retailers may not continue to purchase our products or provide our products with adequate levels of promotional support.

Our business could be adversely affected by a decline in the consumption of products we sell.

Since 1995, there have been modest increases in consumption of beverage alcohol in most of our product categories and geographic markets. There have been periods in the past, however, in which there were substantial declines in the overall per capita consumption of beverage alcohol products in the U.S. and other markets in which we participate. A limited or general decline in consumption in one or more of our product categories could occur in the future due to a variety of factors, including:

A general decline in economic conditions;

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Increased concern about the health consequences of consuming beverage alcohol products and about drinking and driving;

A general decline in the consumption of beverage alcohol products in on-premise establishments, such as may result from smoking bans;

A trend toward a healthier diet including lighter, lower calorie beverages such as diet soft drinks, juices and water products;

The increased activity of anti-alcohol groups; and

Increased federal, state or foreign excise or other taxes on beverage alcohol products.

In addition, our continued success depends, in part, on our ability to develop new products. The launch and ongoing success of new products are inherently uncertain especially with regard to their appeal to consumers. The launch of a new product can give rise to a variety of costs and an unsuccessful launch, among other things, can affect consumer perception of existing brands.

We generally purchase raw materials under short-term supply contracts, and we are subject to substantial price fluctuations for grapes and grape-related materials, and we have a limited group of suppliers of glass bottles.

Our business is heavily dependent upon raw materials, such as grapes, grape juice concentrate, grains, alcohol and packaging materials from third-party suppliers. We could experience raw material supply, production or shipment difficulties that could adversely affect our ability to supply goods to our customers. Increases in the costs of raw materials also directly affect us. In the past, we have experienced dramatic increases in the cost of grapes. Although we believe we have adequate sources of grape supplies, in the event demand for certain wine products exceed expectations, we could experience shortages.

The wine industry swings between cycles of grape oversupply and undersupply. In a severe oversupply environment, the ability of wine producers, including ourselves, to raise prices is limited, and, in certain situations, the competitive environment may put pressure on producers to lower prices. Further, although an oversupply may enhance opportunities to purchase grapes at lower costs, a producer s selling and promotional expenses associated with the sale of its wine products can rise in such an environment.

Glass bottle costs are one of our largest components of cost of product sold. In the U.S., Canada and Australia, glass bottles have only a small number of producers. Currently, one producer supplies most of our glass container requirements for our U.S. operations and another producer supplies substantially all of our glass container requirements for our Australian operations and a third producer supplies a majority of our glass container requirements for our Canadian operations. The inability of any of our glass bottle suppliers to satisfy our requirements could adversely affect our business.

Our operations subject us to risks relating to currency rate fluctuations, interest rate fluctuations and geopolitical uncertainty which could have a material adverse effect on our business.

We have operations in different countries throughout the world and, therefore, are subject to risks associated with currency fluctuations. As a result of our international acquisitions, we have significant exposure to foreign currency risk as a result of having international operations in Australia, Canada, New Zealand and the U.K. We are also exposed to risks associated with interest rate fluctuations. We manage our exposure to foreign currency and interest rate risks utilizing derivative instruments and other means to reduce those risks. We, however, could experience changes in our ability to hedge against or manage fluctuations in foreign currency exchange rates or interest rates and, accordingly, there can be no assurance that we will be successful in reducing those risks. We could also be affected by nationalizations or unstable governments or legal systems or intergovernmental disputes. These currency, economic and political uncertainties may have a material adverse effect on our results

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of operations, especially to the extent these matters, or the decisions, policies or economic strength of our suppliers, affect our global operations.

We have a material amount of intangible assets, such as goodwill and trademarks, and if we are required to write-down any of these intangible assets, it would reduce our net income, which in turn could have a material adverse effect on our results of operations.

We have a significant amount of intangible assets, such as goodwill and trademarks. We adopted the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets, in its entirety, on March 1, 2002. Under SFAS No. 142, goodwill and indefinite lived intangible assets are no longer amortized, but instead are subject to a periodic impairment evaluation. Reductions in our net income caused by the write-down of any of these intangible assets could materially and adversely affect our results of operations.

The termination of our joint venture with Modelo relating to importing, marketing and selling imported beer could have a material adverse effect on our business.

On January 2, 2007, we participated in establishing and commencing operations of a joint venture with Modelo, pursuant to which Corona Extra and other brands in Modelo s Mexican beer portfolio are imported, marketed and sold by the joint venture in the U.S. (including the District of Columbia) and Guam along with certain other imported beer brands in their respective territories. Pursuant to the joint venture and related importation arrangements, the joint venture will continue for an initial term of 10 years, and renew in 10-year periods unless GModelo Corporation, a Delaware corporation and subsidiary of Diblo, S.A. de C.V., an entity owned 76.75% by Modelo and 23.25% by Anheuser-Busch, Inc., gives notice prior to the end of year seven of any term of its intention to purchase our interest we hold through our subsidiary, Barton Beers, Ltd. (Barton). The joint venture may also terminate under other circumstances involving action by governmental authorities, certain changes in control of us or Barton as well as in connection with certain breaches of the importation and related sub-license agreements, after notice and cure periods.

The termination of the joint venture by acquisition of Barton s interest or for other reasons noted above could have a material adverse effect on our business, financial condition or results of operations.

Class action or other litigation relating to alcohol abuse or the misuse of alcohol could adversely affect our business.

There has been increased public attention directed at the beverage alcohol industry, which we believe is due to concern over problems related to alcohol abuse, including drinking and driving, underage drinking and health consequences from the misuse of alcohol. Several beverage alcohol producers have been sued in several courts regarding alleged advertising practices relating to underage consumers. Adverse developments in these or similar lawsuits or a significant decline in the social acceptability of beverage alcohol products that results from these lawsuits could materially adversely affect our business.

We depend upon our trademarks and proprietary rights, and any failure to protect our intellectual property rights or any claims that we are infringing upon the rights of others may adversely affect our competitive position.

Our future success depends significantly on our ability to protect our current and future brands and products and to defend our intellectual property rights. We have been granted numerous trademark registrations covering our brands and products and have filed, and expect to continue to file, trademark applications seeking to protect newly-developed brands and products. We cannot be sure that trademark registrations will be issued with respect to any of our trademark applications. There is also a risk that we could, by omission, fail to timely renew a trademark or that our competitors will challenge, invalidate or circumvent any existing or future trademarks issued to, or licensed by, us.

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Contamination could harm the integrity or customer support for our brands and adversely affect the sales of our products.

The success of our brands depends upon the positive image that consumers have of those brands. Contamination, whether arising accidentally or through deliberate third-party action, or other events that harm the integrity or consumer support for those brands, could adversely affect their sales. Contaminants in raw materials purchased from third parties and used in the production of our wine and spirits products or defects in the distillation or fermentation process could lead to low beverage quality as well as illness among, or injury to, consumers of our products and may result in reduced sales of the affected brand or all of our brands.

An increase in the cost of energy could affect our profitability.

We have experienced significant increases in energy costs, and energy costs could continue to rise, which would result in higher transportation, freight and other operating costs. Our future operating expenses and margins will be dependent on our ability to manage the impact of cost increases. We cannot guarantee that we will be able to pass along increased energy costs to our customers through increased prices.

Our reliance upon complex information systems distributed worldwide and our reliance upon third party global networks means we could experience interruptions to our business services.

We depend on information technology to enable us to operate efficiently and interface with customers, as well as maintain financial accuracy and efficiency. If we do not allocate, and effectively manage, the resources necessary to build and sustain the proper technology infrastructure, we could be subject to transaction errors, processing inefficiencies, the loss of customers, business disruptions, or the loss of or damage to intellectual property through security breach. As with all large systems, our information systems could be penetrated by outside parties intent on extracting information, corrupting information or disrupting business processes. Such unauthorized access could disrupt our business and could result in the loss of assets.

Changes in accounting standards and taxation requirements could affect our financial results.

New accounting standards or pronouncements that may become applicable to us from time to time, or changes in the interpretation of existing standards and pronouncements, could have a significant effect on our reported results for the affected periods. We are also subject to income tax in the numerous jurisdictions in which we generate revenues. In addition, our products are subject to import and excise duties and/or sales or value-added taxes in many jurisdictions in which we operate. Increases in income tax rates could reduce our after-tax income from affected jurisdictions, while increases in indirect taxes could affect our products affordability and therefore reduce our sales.

Various diseases, pests and certain weather conditions could affect quality and quantity of grapes.

Various diseases, pests, fungi, viruses, drought, frosts and certain other weather conditions could affect the quality and quantity of grapes available, decreasing the supply of our products and negatively impacting profitability. We cannot guarantee that our grape suppliers will succeed in preventing contamination in existing vineyards or that we will succeed in preventing contamination in our existing vineyards or future vineyards we may acquire. Future government restrictions regarding the use of certain materials used in grape growing may increase vineyard costs and/or reduce production. Grape growing also requires adequate water supplies. A substantial reduction in water supplies could result in material losses of grape crops and vines, which could lead to a shortage of our product supply.

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Risks Relating to The Notes

The notes are unsecured and will be effectively subordinated to our secured debt.

The notes are not secured by any of our assets. As of August 31, 2007, we had $2.39 billion of secured debt and $849.1 million of unused commitments (taking into account issued and outstanding revolving letters of credit of approximately $33.9 million) under the revolving portion of our senior credit facility. Our obligations under our senior credit facility are secured by (i) first priority pledges of 100% of the ownership interests of certain of our U.S. subsidiaries and (ii) first priority pledges of 65% of the voting capital stock held by us of certain of our foreign subsidiaries. In addition, the indenture governing the notes permits us and our subsidiaries to incur significant amounts of additional debt that is secured by liens on our assets without equally and ratably securing the notes. If we become insolvent or are liquidated, or if payment under our secured debt is accelerated, the holders of our secured debt would be entitled to exercise the remedies available to a secured lender under applicable law and pursuant to the agreement governing such debt. In any such event, because the notes are not secured by any of our assets, it is possible that there would be no assets remaining from which claims of the holders of the notes could be satisfied following repayment of our secured debt or, if any such assets remained, such assets might be insufficient to satisfy such claims fully.

Our ability to make payments on the notes depends on our ability to receive dividends from our subsidiaries.

We are a holding company and conduct almost all of our operations through our subsidiaries. As of August 31, 2007, approximately 92% of our tangible assets were held by our subsidiaries. The capital stock and other ownership interests of our subsidiaries represent substantially all the assets of the holding company. Accordingly, we are dependent on the cash flows of our subsidiaries to meet our obligations, including the payment of the principal and interest on the notes. See Description of the Notes.

The notes are guaranteed, jointly and severally, by each of our subsidiaries that guarantee our senior credit facility. Holders of the notes will not have a direct claim on assets of subsidiaries that do not guarantee the notes. As of August 31, 2007, approximately $909.4 million of our net sales were from our subsidiaries that are not guarantors of the notes.

The subsidiary guarantees may be subject to challenge under fraudulent transfer laws.

Under U.S. bankruptcy law and comparable provisions of state fraudulent transfer laws, a court could subordinate or void any guarantee if it found that the guarantee was incurred with actual intent to hinder, delay or defraud creditors or the guarantor did not receive fair consideration or reasonably equivalent value for the guarantee and the guarantor was any of the following: (i) insolvent or was rendered insolvent because of the guarantee; (ii) engaged in a business or transaction for which its remaining assets constituted unreasonably small capital; or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay at maturity. To the extent any guarantee were to be voided as a fraudulent conveyance or held unenforceable for any other reason, holders of the notes would cease to have any claim in respect of such guarantor and would be solely our creditors and any guarantor whose guarantee was not voided or held unenforceable. In such event, the claims of the holders of the notes against the issuer of an invalid guarantee would be subject to the prior payment of all liabilities of such guarantor. There can be no assurance that, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the notes relating to any voided guarantee.

There may be no public market for the exchange notes and restrictions on transfer may significantly impair the liquidity of the notes.

The exchange notes are a new issue of securities, and there is currently no public market for the exchange notes. If a market for the exchange notes does develop, we also cannot assure you that you will be able to sell your exchange notes at a particular time or that the prices that you receive when you sell will be favorable. We

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also cannot assure you as to the level of liquidity of the trading market for the exchange notes. Future trading prices of the exchange notes will depend on many factors, including:

- our operating performance, prospects and financial condition or the operating performance, prospects and financial condition of companies in our industry generally;
- the interest of securities dealers in making a market for the exchange notes;
- prevailing interest rates; and
- the market for similar securities.

We do not intend to apply for listing of the exchange notes on any securities exchange or inclusion of the exchange notes on any automated quotation system. In addition, the market for non-investment grade debt has historically been subject to disruptions that have caused volatility in prices. If a market for the exchange notes develops, it is possible that the market for the exchange notes will be subject to disruptions and price volatility. Any disruptions may have a negative effect on holders of the exchange notes, regardless of our prospects and financial performance.

The subsidiary guarantees may be limited in duration.

Each subsidiary guarantor will guarantee our obligations under the notes only for so long as each subsidiary guarantor is a guarantor under our senior credit facility. If any or all of the subsidiary guarantees are released or terminated or no longer required under the senior credit facility, such subsidiary guarantee(s) will be released under the indenture. The indenture does not contain any covenants that materially restrict our ability to sell, transfer or otherwise dispose of our assets, including the capital stock and other ownership interests of our subsidiaries, or the assets of any of our subsidiaries, except as described under the caption Description of the Notes Limitations on Mergers, Consolidations, Etc. in this prospectus.

We may not be able to repurchase the notes upon a change of control.

Upon the occurrence of specific kinds of change of control events, each holder of notes will have the right to require us to repurchase all or any part of such holder s notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase. Our senior credit facility also provides that certain change of control events constitute a default. Any future credit agreement or other agreements relating to indebtedness to which we become a party may contain similar provisions. If we experience a change of control that triggers a default under our senior credit facility, such default could result in amounts outstanding under our senior credit facility being declared due and payable. We would be prohibited from purchasing the notes unless, and until, such time as our indebtedness under the senior credit facility was repaid in full. There can be no assurance that either we or our subsidiary guarantors would have sufficient financial resources available to satisfy all of our or their obligations under our senior credit facility and these notes in the event of a change of control. Our failure to purchase the notes as required under the indenture governing the notes would result in a default under the indenture, which could have material adverse consequences for us and the holders of the notes. See Description of the Notes Repurchase at the Option of Holders Upon a Change of Control.

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THE EXCHANGE OFFER

Purpose of the Exchange Offer

We sold the original notes to Banc of America Securities LLC and Citigroup Global Markets Inc., the initial purchasers, on May 14, 2007 in a transaction exempt from the registration requirements of the Securities Act. The initial purchasers resold the original notes to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to non-U.S. persons outside the United States pursuant to Regulation S under the Securities Act. Accordingly, the original notes may not be reoffered, resold or otherwise transferred unless registered under the Securities Act and any other applicable securities law or unless applicable exemptions from the registration and prospectus delivery requirements of the Securities Act and any such other securities laws are available.

In connection with the sale of the original notes, we and the subsidiary guarantors entered into a registration rights agreement with the initial purchasers of the original notes. The registration rights agreement requires us to register the exchange notes under the Securities Act and to offer to exchange the exchange notes for the original notes. We are effecting the exchange offer to comply with the registration rights agreement. Under the registration rights agreement, we and the subsidiary guarantors are obligated:

- to use our reasonable best efforts to file with the SEC a registration statement for the exchange offer and the exchange notes within 395 days after the date of issuance of the original notes;
- to use our reasonable best efforts to cause the exchange offer registration statement to be declared effective under the Securities Act not later than the 485th day after the date of issuance of the original notes;
- to use our reasonable best efforts to keep the exchange offer open for not less than 30 days, or longer if required by applicable law or otherwise extended by us at our option, after the date on which notice of the exchange offer is mailed to the holders of the outstanding notes; and
- to use our reasonable best efforts to cause the exchange offer to be consummated no later than 525 days after the date of issuance of the original notes.

Shelf Registration

In the registration rights agreement, we agreed to file a shelf registration statement if:

- we are not permitted to effect the exchange offer as contemplated by this prospectus because of any change in law or applicable interpretations of the law by the staff of the SEC;
- the exchange offer is not consummated within 525 days after the date of issuance of the original notes;
- any holder of original notes is prohibited by law or SEC policy from participating in the exchange offer or does not receive freely tradable exchange notes (other than due solely to the status of such holder as an affiliate of us or any subsidiary guarantor); or
- the initial purchaser so requests with respect to original notes that have, or that are reasonably likely to be determined to have, the status of unsold allotments in an initial distribution.

In any such event, we will file with the SEC promptly, but no later than (a) the 395th day after the date of issuance of the original notes, or (b) the 60th day after any such filing obligation arises, whichever is later, a shelf registration statement to cover resales of transfer restricted securities by those holders who satisfy various conditions relating to the provision of information in connection with the shelf registration statement.

If a shelf registration statement is required, we will use our reasonable best efforts to keep the shelf registration statement continuously effective, in order to permit the prospectus included therein to be lawfully delivered by holders of relevant outstanding notes, for a period of two years from the date of its effectiveness or such shorter period that will terminate when all notes covered by it have been sold or disposed of or can be sold pursuant to Rule 144(k) under the Securities Act.

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The McGuire Employment Agreement did not include any stock based compensation for Mr. McGuire.

Jonathan Pfohl. Mr. Pfohl was appointed as our Chief Financial Officer on March 4, 2013. On June 12, 2014, Mr. Pfohl was terminated without cause by the then Board. Mr. Pfohl returned to the Company on June 25, 2014 as Chief Financial Officer.

On March 31, 2015, the Company entered into an employment agreement with Mr. Pfohl (the "Pfohl Employment Agreement"). The terms of the Pfohl Employment Agreement are summarized below.

The Pfohl Employment Agreement provides that, subject to earlier termination as provided in the agreements, Mr. Pfohl's employment as President and Chief Executive Officer will be for a term of three years, expiring on March 31, 2018. Upon expiration of the initial term, and subject to earlier termination as provided in the agreement, the Pfohl Employment Agreement will be automatically extended for successive one year renewal periods.

The Pfohl Employment Agreement provides that Mr. Pfohl will receive an annual base salary of $200,000, subject to periodic review and increase by the Compensation Committee of the Company's Board of Directors, in its discretion. In addition, Mr. Pfohl will receive a performance-based cash bonus under the Company's then-existing incentive bonus plan, the performance and other criteria applicable to which will be established and determined in accordance with such plan. In order to receive his bonus, Mr. Pfohl must be employed at the time the bonus is paid.

The Pfohl Employment Agreement also provides Mr. Pfohl with certain other compensation and benefits, including eligibility to participate in all employee benefit plans and programs made available from time to time to the Company's executive and management employees, paid time off, and reimbursement of reasonable and necessary out-of-pocket business, travel and entertainment expenses.

Under the Pfohl Employment Agreement, Mr. Pfohl is entitled to receive severance benefits if his employment is terminated under certain circumstances. In this regard, if Mr. Pfohl's employment is terminated by the Company without "Cause" (as defined in the Pfohl Employment Agreement), by Mr. Pfohl for "Good Reason" (as defined in the Pfohl Employment Agreement), other than for Cause in the 12 months following a "Change in Control" (as defined in the Pfohl Employment Agreement), he will be entitled to the following severance benefits: (i) a cash payment equal to 1.0x base salary if Mr. Pfohl has been employed for 24 months, but only .5x base salary if employed for less than 24 months, payable in a lump sum or ratably on a monthly basis over the 12-month period following termination; (ii) a pro rata portion, in cash, of the annual performance bonus Mr. Pfohl would have earned for the fiscal year in which termination occurs if his employment had not ceased; and (iii) payment of accrued vacation time pursuant to Company

policy and reimbursement for expenses incurred through the date of termination, and accrued benefits through the Company's benefit plans and programs.

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If Mr. Pfohl's employment is terminated by the Company for Cause or if Mr. Pfohl voluntarily terminates his employment, he will be entitled to continue to participate in the Company's medical benefit plans to the extent required by law, and the Company will promptly pay Mr. Pfohl his accrued salary and vacation pay, reimbursement for expenses incurred through the date of termination, and accrued benefits through the Company's benefit plans and programs.

If Mr. Pfohl's employment is terminated by reason of death or disability, he or his estate will be entitled to continue to participate in the Company's medical benefit plans to the extent required by law, and the Company will promptly pay Mr. Pfohl or his estate his accrued salary and vacation pay, reimbursement for expenses incurred through the date of termination, and accrued benefits through the Company's benefit plans and programs. In the case of disability, Mr. Pfohl will also be entitled to a pro rata portion, in cash, of the annual performance bonus he would have earned for the fiscal year in which termination occurs if his employment had not ceased.

Mr. Pfohl is bound by noncompetition provisions that restrict him from competing with the Company (with certain exceptions) for 12 months following the termination of his employment with the Company. Mr. Pfohl is also subject to non-solicitation restrictions with respect to Company customers and employees for a 24-month period. Finally, Mr. Pfohl is subject to confidentiality provisions protecting the Company's confidential business information from unauthorized disclosure.

The Pfohl Employment Agreement did not include any stock based compensation for Mr. Pfohl.

Former Executive Officer

Michael W. McMahon In connection with his appointment as our Chief Executive Officer effective on February 1, 2013, Michael W. McMahon entered into an employment letter with us (the “McMahon Employment Letter”) that superseded the employment letter and change of control agreement he had previously entered into in connection with his employment as our Chief Operating Officer. Under the McMahon Employment Letter, Mr. McMahon was paid a base annual salary of $249,999, subject to potential increases in connection with an annual salary review by the Board.

On June 11, 2014, Mr. McMahon was terminated without cause by the then Board. Effective September 25, 2014 we entered into a Severance Agreement and General Release (the “Severance Agreement”) with Mr. McMahon pursuant to which we agreed to (i) pay Mr. McMahon a severance salary of $4,167 per month for 30 months starting from the date of his termination, (ii) grant Mr. McMahon Common Stock valued at 50% of Mr. McMahon’s base annual salary ($125,000), based on a stock price of $0.30, (iii) pay Mr. McMahon $2,000 per month for reimbursement of medical, dental, vision and Company-paid deductible insurance coverage for 13 months starting from the date of his

termination, and (iv) award Mr. McMahon 100,000 restricted shares of Common Stock as a replacement for his vested options. These payments and benefits under the Severance Agreement are in final settlement of all wages and other payments owed to him, and any and all claims under the McMahon Employment Letter and in consideration of a release from Mr. McMahon of any claims against us arising in connection with the McMahon Employment Letter. Mr. McMahon received regular salary payments pursuant to the McMahon Employment Letter through his last day of employment with the Company.

Under the McMahon Employment Letter, Mr. McMahon was entitled during his term of employment to participate in all employee benefit plans and programs available to similarly situated employees (subject to eligibility) that we have in force from time to time, and was entitled to 20 days paid vacation each calendar year. Mr. McMahon was also entitled to options, granted on February 2, 2013 pursuant to the 2012 Share Incentive Plan, to purchase a total of 1,500,000 shares of Common Stock at $0.93 per share (the closing price of our Common Stock on the date of grant), which vested as follows: options to purchase 271,250 shares vested immediately upon commencement of employment; and options to purchase 234,375 shares vested upon the six-month anniversary of his start date.

Mr. McMahon’s Employment Letter provided that if Mr. McMahon’s employment was terminated for any reason other than for “Cause” (as defined in the McMahon Employment Letter) or his voluntary resignation, in exchange for a general release by Mr. McMahon of us and our officers, directors, employees, Stockholders, and agents from liability, as well as one-year non-solicitation and non-competition covenants from Mr. McMahon, Mr. McMahon would have been entitled to receive, for 12 months following his date of termination, (i) his base salary plus (ii) $2,000 per month to offset his potential medical, dental and life insurance expenses and any premiums required under COBRA comparable state law, each paid in accordance with our payroll and benefit policies. In addition, we would also have (also in exchange for a general release by Mr. McMahon of us and our officers, directors, employees, Stockholders, and agents from liability) (1) extended the period during which Mr. McMahon may exercise his option with respect to any portion or all of his vested options to purchase shares to within 12 months following his date of separation, and (2) agreed not to exercise any right of repurchase. The McMahon Employment Letter provided that the options would have been exercisable for five years from the vesting date, subject to approval of the Board, provided that no options could have been exercised after 10 years following the date of grant. Mr. McMahon would have also remained subject to the terms of our proprietary information and inventions agreement.

Outstanding Equity Awards at Fiscal Year-End

The following table summarizes the outstanding equity award holdings held by our named executive officers at March 31, 2015. At March 31, 2015, there were no outstanding equity awards to any either of our named executive officers.

Outstanding Equity Awards at 2015 Fiscal Year-End

Name	Option awards Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Gerald McGuire	—	—	$—	—
Jonathan M. Pfohl	—	—	$—	—

Director Compensation

The following table shows the compensation paid to individuals who served on our Board of Directors, none of whom are named executive officers, during the fiscal year ended March 31, 2015.

Name	Fees Earned or Paid in Cash ($)(1)	Option Awards ($)(2)	All Other Compensation ($)	Total ($)
Edward S. Adams	$ 1,250	$ —	$ —	$ 1,250
James Korn	—	—	—	—
Karl Leaverton	—	—	—	—
Bruce Likly	—	—	—	—
Robert C. Linares	1.250	—	—	1,250
Bernard M. McPheely	—	—	—	—
Lewis Smoak	—	—	—	—
Theodorus Strous	1,250	—	—	1,250
Ben Wolkowitz	—	—	—	—

(1) Includes board meeting and executive committee fees.

(2) There were no option awards outstanding to any of directors at March 31, 2015.

After the change in our Board of Directors on June 23, 2014, our directors did not receive any compensation for serving on the board during the fiscal year ended March 31, 2015.

Compensation Committee Interlocks and Insider Participation

During the fiscal year ended March 31, 2015, the following individuals served on our Board of Directors: Edward S. Adams, Bruce Likly, James Korn, Karl Leaverton, Robert C. Linares, Gerald McGuire, Bernard M. McPheely, Lewis Smoak, Theodorus Strous and Ben Wolkowitz. Messrs. Adams, Linares and Strous resigned from the Board on June 23, 2014.

Mr. McPheely joined the Board on June 23, 2014 and previously served on the Board from August 13, 2012 until he resigned on May 13, 2013. In addition to serving on the Board of Directors, Mr. McGuire serves as the President and Chief Executive officer of the Company. No other director who served on our Board during the fiscal year ended March 31, 2015 is a former or current officer of the Company, or has other interlocking relationships, as defined by the SEC.

Related Party Transactions

During the fiscal year ended March 31, 2015, five directors of the Company participated in the Company’s private placement stock offering. Karl Leaverton purchased 333,333 shares for $100,000, Bruce Likly purchased 375,000 shares for $112,500, Lewis Smoak purchased 666,666 shares for $200,000, Bern McPheely purchased 133,333 shares for $40,000, and Ben Wolkowitz purchased 158,333 shares for $47,500.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of October 16, 2015, the beneficial ownership of the outstanding Common Stock by: (i) the persons or groups known to us to be the beneficial owners of more than 5% percent of the outstanding Common Stock; (ii) each of our named executive officers and current directors; and (iii) our directors and executive officers as a group. Unless otherwise indicated, each of the Stockholders named in the table below has sole voting and dispositive power with respect to such shares of Common Stock.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)(2)		Percentage of Beneficial Ownership	
Directors and Named Executive Officers				
James Korn 411 University Ridge, Suite D, Greenville, SC 29601	—		—	%
Karl Leaverton 411 University Ridge, Suite D, Greenville, SC 29601	333,333		0.5	%
Bruce Likly 411 University Ridge, Suite D, Greenville, SC 29601	800,500		1.3	%
Gerald McGuire 411 University Ridge, Suite D, Greenville, SC 29601	800,000	(3)	1.3	%
Bernard McPheely 411 University Ridge, Suite D, Greenville, SC 29601	817,935	(4)	1.3	%
Jonathan Pfohl 411 University Ridge, Suite D, Greenville, SC 29601	535,000	(3)	0.8	%
Lewis Smoak 411 University Ridge, Suite D, Greenville, SC 29601	1,026,666		1.6	%
Ben Wolkowitz *411 University Ridge, Suite D, Greenville, SC 29601*	158,333		0.2	%
All directors and named executive officers as a group (8 persons)	4,471,767		7.0	%
Other 5% Stockholders Edwards S. Adams	3,790,000	(5)	5.9	%

287 E. 6th Street, Suite 140, St. Paul, MN 55101

Michael R. Monahan 4824 Thomas Avenue S, Minneapolis, MN 55410	3,756,188	(5)	5.9	%

(1) Includes shares for which the named person has sole voting and investment power, has shared voting and investment power, or holds in an IRA or other retirement plan and shares held by the named person's spouse.

(2) For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares of common stock which that person has the right to acquire within 60 days following March 31, 2015. For purposes of computing the percentage of outstanding shares of common stock held by each person or group of persons named above, any shares which that person or persons has or have the right to acquire within 60 days following March 31, 2015, is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

(3) Represents restricted stock granted company executive officers that vests on July 1, 2018.

(4) Mr. McPheely owns 817,935 common shares issued through the Bernard M. McPheely Revocable Trust u/a DTD May 25, 2011.

(5) Based on information contained in Schedule 13D filed with the SEC on February 13, 2015.

Securities Authorized for Issuance under Equity Compensation Plans

The following table summarizes the sole equity compensation plan under which shares of the Company's common stock may be issued as of March 31, 2015.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column (a))
Equity compensation plans approved by security holders	—	—	—
Equity compensation plans not approved by security holders:			
2012 Share Incentive Plan	232,500	$ 0.35	4,767,500
Total	232,500	$ 0.35	4,767,500

The 2012 Share Incentive Plan was adopted by the Board on May 7, 2012. The 2012 Share Incentive Plan permits the granting of stock options, stock appreciation rights, restricted or unrestricted stock awards, phantom stock, performance awards, other stock-based awards, or any combination of the foregoing. Up to 5,000,000 shares of Common Stock are authorized for issuance pursuant to awards granted under the 2012 Share Incentive Plan to the Company's directors, officers, employees and consultants providing bona fide services to or for the Company.

PROPOSAL NO. 1:

ELECTION OF DIRECTORS

Our directors are elected annually by the Stockholders and serve until his or her successor is elected and qualified, unless he or she resigns or is removed earlier. Our current directors are:

James A. Korn

Karl V. Leaverton

Bruce M. Likly

Gerald A. McGuire

Bernard M. McPheely

Lewis T. Smoak

Benjamin Wolkowitz

The directors will be elected by a plurality of the votes cast at the meeting. Stockholders do not have cumulative voting rights with respect to the election of directors.

If you submit a proxy but do not specify how you would like it to be voted, Mr. McGuire and Mr. Pfohl will vote your proxy to elect Messrs. Korn, Leaverton, Likly, McGuire, McPheely, Smoak and Wolkowitz. If any of these nominees are unable or fail to accept nomination or election (which we do not anticipate), Mr. McGuire and Mr. Pfohl will vote instead for a replacement to be recommended by the Board, unless you specifically instruct otherwise in the proxy.

Set forth below is certain information about our directors, including information regarding their business experience for at least the past five years, the names of other publicly-held companies where they currently serve as a director or served as a director during the past five years, and additional information about the specific experience, qualifications, attributes, or skills that led to the Board’s conclusion that such person should serve as a director of the Company.

JAMES A. KORN. James Korn is a non-executive director of the Company. Mr. Korn currently serves as the Chief Executive Officer of Temp-Air, Inc., a leading manufacturer of temporary industrial and commercial HVAC equipment. Prior to Temp-Air, Mr. Korn was the Chief Legal Officer of Deephaven Capital Management, a $4 billion dollar multi-strategy hedge fund in Minneapolis, Minnesota. As an attorney in private practice at Fredrikson & Byron, a 260-attorney law firm based in Minneapolis, Mr. Korn developed extensive experience in both mergers and acquisitions and in corporate finance. Mr. Korn received his B.A. in economics, magna cum laude, from Providence College and his J.D., cum laude, from the University of Minnesota Law School. Mr. Korn has served as CEO of Temp-Air, Inc. since 2007. Mr. Korn's business and legal experience qualifies him to serve as a director.

KARL V. LEAVERTON. Karl Leaverton is a non-executive director of the Company and was appointed to the Board on June 23, 2014. Most recently, from April 2012 to July 12, 2013 when it was sold, Mr. Leaverton was the President/Chief Executive Officer and a director of Seattle Northwest Securities Corporation, a broker-dealer specializing in public finance investment banking, sales and trading of fixed income and asset management (acquired by Piper Jaffray in July, 2013). Karl has been the Chairman of SNW Asset Management Corporation since July 2012, a fixed income portfolio manager with about $2.5 billion in assets under management. He has also been the principal of Blakely Management Company LLC from 1993 to present, providing business and management consulting for various companies and disciplines. Mr. Leaverton is the former President of the Private Client Group of RBC Wealth Management (January 2006 to April 2009), with management responsibility for more than 2,300 advisors and assets under administration in excess of $200 billion in assets. Karl has more than 30 years of financial services experience. He earned a BS in Chemical Environmental Science from the University of Puget Sound and completed the course work for a BA in Economics. He earned a Master of Science degree in Infrastructure Management from Stanford University. Mr. Leaverton's business acumen and experience in finance led us to the conclusion that he should serve as a director of the Company.

BRUCE M. LIKLY. Bruce Likly serves as non-executive vice-chairman of the Board. Mr. Likly brings more than 25 years of technology, communications and management experience to Scio. Having begun his career at IBM and worked to help grow Sun Microsystems from $1 Billion in sales to more than $10 Billion, Mr. Likly has spent the last decade as Principal at Kovak-Likly Communications where his team helps companies develop and implement strategic sales, marketing and communications plans. This work previously included assisting Apollo Diamond, the company whose assets Scio Diamond Technology Corporation acquired in 2011. Mr. Likly's marketing and business experience qualifies him to serve as a director.

GERALD A. McGUIRE. Gerald McGuire is the President, Chief Executive Officer and a director of the Company. Mr. McGuire brings over 25 years of semiconductor industry experience to Scio. The semi-conductor industry is expected to be a strong growth area for Scio in the years ahead. Mr. McGuire was most recently a Senior Vice President and General Manager of the Low-Voltage and Mid Power Analog Business at Fairchild Semiconductor. Prior to Fairchild Semiconductor, Mr. McGuire was the VP/GM of the Digital Signal Processing business at Analog Devices. He spent 23 years at Analog Devices in various technical, marketing and business roles. His specialties include: product marketing and branding, product development and strategy. Mr. McGuire has spent his career determining what global customers want and how to deliver it. From 2007 to 2010, Mr. McGuire served as Vice President of the Digital Signal Processing Division of Analog Devices, a global DSP and embedded processor business From 2010 to 2013, Mr. McGuire was Senior VP of the Low Voltage and Mid Power Analog Business Unit of Fairchild Semiconductor, a global power semiconductor business.

BERNARD M. McPHEELY. Bern McPheely serves as non-executive chairman of the Board. Mr. McPheely recently retired in December 2012 as President of Hartness International after more than 35 years of service. A leader in total solutions to the packaging industry, Hartness provides equipment globally to more than 100 countries. From startup and under Bern's guidance, Hartness was profitable every quarter since 1982. He spearheaded short and long term strategic planning, including four major company-wide transformations to reposition the Hartness value proposition, product portfolio and go-to-market strategy. Bern negotiated and executed the sale of Hartness to ITW (Illinois Tool Works) and was responsible for shepherding the transition from a family owned business to a public company. He has also been responsible for successful synergistic acquisitions. From 2000-2002 Bern was chairman of the PMMI ($6 billion member packaging association) and currently is on the Board of Directors of Dorner Manufacturing Corp. in Hartland Wisconsin. Bern was honored by Start Magazine as one of the top ten "CEO Visionaries Who Ignite Technology" and has briefed President Clinton and cabinet members on the state of US business. Bern previously worked with the US Department of Commerce. A graduate of The Thunderbird Graduate School of International Management, Bern also received his undergraduate degree from Albion College in Albion Michigan. Mr. McPheely was a member of the Board from August 13, 2012 until Mr. McPheely resigned from the Board on May 13, 2013. Mr. McPheely's business experience qualifies him to serve as a director.

LEWIS T. SMOAK. Lewis Smoak is a non-executive director of the Company. Mr. Smoak is a founding partner of Ogletree, Deakins, Nash, Smoak & Stewart, which he helped establish in 1977. He has served on the law firm's Board and Compensation and Pension Committees for more than 45 years during which time the firm grew from 16 to more than 700 attorneys and two offices to 46. He has extensive experience in the development and implementation of positive labor relations programs for clients in all regions of the country, including compliance with employment, labor, safety, and environmental laws. He is among the one percent of U.S. lawyers listed in The Best Lawyers in America, and has also been selected by his peers for inclusion in the ABA's College of Labor and Employment Lawyers, and Chambers USA Leading Lawyers in America. Mr. Smoak is the author of three comprehensive nationwide labor relations studies in the construction industry. He has served on the Greenville (president) and South Carolina State Chambers of Commerce Board of Directors. He has served since 2002 as a member of South Carolina BIPEC's Board and its Executive Committee since 2004. He served as Chairman of the Board of Supermarket Radio Network and negotiated its sale to Pop Radio and Heritage Media. He currently serves as chairman of the board of Zumur, LLC, a start-up internet search engine for consumer products He focuses community efforts on early childhood education issues, including service on United Way's Success by Six Board, and chairing both Greenville County (2001-2003) and the State of South Carolina's First Steps for School Readiness Board of Trustees (2003-2014).

For his work in early childhood education, he was recognized and received the 2006 Ellis Island Medal of Honor. Mr. Smoak's legal expertise as a practicing attorney qualifies him to serve as a director.

BENJAMIN WOLKOWITZ. Ben Wolkowitz is a non-executive director of the Company. Mr. Wolkowitz has had an extensive career in finance and economics. Most recently he headed Madison Financial Technology Partners, a consulting firm that advised technology companies on how to position their products for the financial services industry. Previously he was a Managing Director at Morgan Stanley where he had several assignments in the Fixed Income Division over a sixteen-year career including running their financial futures brokerage operation, and a significant portion of the Fixed Income sales force. He also was the head of Fixed Income Research and prior to retiring, he managed a portfolio of Morgan Stanley invested technology companies. Before the New York phase of his career Mr. Wolkowitz was with the Board of Governors of the Federal Reserve System where he was in charge of Financial Studies, a department in the Division of Research and Statistics responsible for analyzing and advising Governors of the Board on financial markets and financial institutions. Mr. Wolkowitz had previously taught at Tulane University in the economics department and he was also a consultant to the Urban Institute in Washington, D.C. He has written and lectured extensively on both theoretical and applied topics in economics and finance in addition to co-authoring a book, Bank Capital. Mr. Wolkowitz has a BA cum laude from Queens College and a PhD in economics from Brown University. Currently he is a Town Council Member, Madison N.J. and a member of the Advisory Board of the Great Swamp Watershed Association. Mr. Wolkowitz's financial experience qualifies him to serve as a director.

Vote Required

To be elected as a director at the Annual Meeting, each candidate for election must receive a plurality of the votes cast by the Stockholders present in person or represented by proxy at the Annual Meeting. A plurality vote means that the director nominee with the most affirmative votes in favor of his or her election to a particular directorship will be elected to that directorship.

The Board recommends that you vote FOR the election of each of James Korn, Karl Leaverton, Bruce Likly, Gerald McGuire, Bern McPheely, Lewis Smoak and Ben Wolkowitz as directors of the Company.

PROPOSAL NO. 2:

RATIFICATION OF APPOINTMENT OF

OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTANT

Although we are not required to seek Stockholder ratification on the selection of our accountants, we believe obtaining Stockholder ratification is desirable. In the event the appointment of Cherry Bekaert LLP is not ratified by the required vote, we will re-evaluate the engagement of our independent auditors. Even if the Stockholders do ratify the appointment, our Board has the discretion to appoint a different independent registered public accounting firm at any time during the year if we believe that such a change would be in the best interest of the Company and our Stockholders. We expect that representatives from Cherry Bekaert LLP will attend the meeting with an opportunity to make a statement, if desired, and will be available to respond to appropriate questions from Stockholders.

Audit and Related Fees.

The following table shows the fees that we incurred for services performed in Fiscal 2015 and 2014:

	Fiscal Year Ended March 31,	
	2015	2014
Audit Fees	$ 112,204	$ 80,000
Audit-Related Fees	—	—
Tax Fees	8,575	7,500
All Other Fees	—	—
Total	$ 120,779	$ 87,500

Audit Fees. This category includes the aggregate fees billed for professional services rendered by the independent auditors during Fiscal 2015 and 2014 for the audit of the Company’s annual financial statements, quarterly reports on Form 10-Q, and SEC registration statements.

Audit Related Fees. This category includes the aggregate fees billed for professional services rendered by the independent auditors during the Company’s 2015 and 2014 fiscal years for other audit related services.

Tax Fees. This category includes aggregate fees billed for professional services rendered by the independent auditors during the Company's 2015 and 2014 fiscal years for preparation of tax returns and related advisory services.

Oversight of Accountants; Approval of Accounting Fees. The Company's Audit Committee approved the accounting services and fees reflected in the table for the fiscal year ended March 31, 2015. For the prior fiscal year, the fees were approved by the whole Board of Directors, and none of the services were performed by individuals who were not employees.

Vote Required

If a quorum is present at the Annual Meeting, this proposal will be approved if the votes cast in favor of the proposal exceed the votes cast against the proposal.

The Board recommends that Stockholders vote "FOR" the ratification of the appointment of Cherry Bekaert LLP as our independent registered public accounting firm.

PROPOSAL NO. 3:

ADVISORY VOTE ON EXECUTIVE COMPENSATION

In accordance with Section 14A of the Securities Exchange Act of 1934 (the "**Exchange Act**") (which was added by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**")) and the related rules of the SEC, we are including in this Proxy Statement a separate resolution to enable our Stockholders to approve, on a discretionary and non-binding basis, the compensation of our named executive officers.

This proposal, commonly known as a "say-on-pay" proposal, gives our Stockholders the opportunity to express their views on our named executive officers' compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this Proxy Statement. Accordingly, you may vote on the following resolution at the Annual Meeting:

"Resolved, that the Stockholders approve, on an advisory basis, the compensation of the Company's named executive officers as disclosed in the Company's compensation tables and the related narrative disclosure in the Company's Proxy Statement."

This vote is advisory, and therefore nonbinding. In considering their vote, Stockholders are encouraged to read the the compensation tables disclosed above and the related narrative disclosure. The Board expects to take into account the outcome of the vote when considering future executive compensation decisions to the extent it can determine the cause or causes of any significant negative voting results.

Our executives want to create a successful company. We believe that our compensation program rewards sustained performance that is aligned with long-term stockholder interests.

Vote Required

If a quorum is present at the Annual Meeting, this proposal will be approved if the votes cast in favor of the proposal exceed the votes cast against the proposal.

The Board of Directors recommends that you vote FOR the approval, on an advisory basis, of the compensation of our named executive officers.

PROPOSAL 4:

ADVISORY VOTE ON THE FREQUENCY OF

A FUTURE ADVISORY VOTE ON EXECUTIVE COMPENSATION

In addition to providing Stockholders with the opportunity to cast an advisory vote on executive compensation, in accordance with the requirements of Section 14A of the Exchange Act (which was added by the Dodd-Frank Act) and the related rules of the SEC, we are including in this proxy statement a separate resolution to enable our Stockholders to recommend, on a discretionary and non-binding basis, whether a non-binding stockholder vote on executive compensation should occur every one, two or three years.

After careful consideration, the Board believes that a frequency of "every year" for the advisory vote on executive compensation is the optimal interval for conducting and responding to a "say on pay" vote. We believe that this frequency is appropriate as an annual vote would provide the Company with sufficient time to engage with Stockholders to understand and respond to the "say-on-pay" vote results. Stockholders who have concerns about executive compensation during the interval between "say on pay" votes are welcome to bring their specific concerns to the attention of the Board. Please refer to section titled "*Communications with the Board*" beginning on page 23 for information about communicating with the Board.

The proxy card and the Internet submission procedures each provide Stockholders with the opportunity to choose among four options (holding the vote every one, two or three years, or abstaining) and, therefore, Stockholders will not be voting to approve or disapprove the Board's recommendation.

Although this advisory vote on the frequency of the "say on pay" vote is nonbinding, the Board will take into account the outcome of the vote when considering the frequency of future advisory votes on executive compensation.

You may cast your vote on your preferred voting frequency by choosing the option of one year, two years or three years or abstain from voting when you vote in response to the resolution set forth below.

"Resolved, that the option of once every one year, two years or three years that receives the highest number of votes cast for this resolution will be determined to be the preferred frequency with which the Company is to hold a Stockholder vote to approve, on an advisory basis, the compensation of the named executive officers, as disclosed at the time.

Vote Required

Generally, if a quorum is present at the Annual Meeting, the vote of shares of Common Stock cast in favor of a proposal must exceed the votes cast against the proposal in order to approve matters presented to the Stockholders. However, because the vote is advisory and non-binding, if none of the frequency options receive a majority of the votes cast, the option receiving the greatest number of votes will be considered the frequency recommended by the Stockholders.

The Board of Directors recommends that you vote FOR the approval, on an advisory basis, of the option of "every year" for holding a future advisory vote on executive compensation.

INCORPORATION BY REFERENCE;

WHERE TO FIND MORE INFORMATION

The SEC allows us to incorporate by reference information into this Proxy Statement, which means that we can disclose important information to you by referring you to another document that we filed separately with the SEC. Information in this Proxy Statement updates and, in some cases, supersedes information incorporated by reference from documents that we have filed with the SEC prior to the date of this Proxy Statement, while information that we file later with the SEC will automatically update and, in some cases, supersede the information in this Proxy Statement.

The following documents and information previously filed with the SEC are incorporated by reference into this Proxy Statement:

·our Annual Report on Form 10−K/A for Fiscal 2015, filed with the SEC on July 29, 2015.

Our 2015 Annual Report on Form 10-K/A for Fiscal 2015, which includes our audited consolidated financial statements for Fiscal 2015, accompanies this Proxy Statement. We will provide, without charge, additional copies of our 2015 Annual Report to any Stockholder upon receipt of a written request, addressed to us at:

Scio Diamond Technology Corporation

411 University Ridge, Suite D

Greenville, SC 29601

Attention: Investor Relations

Our 2015 Annual Report is also available electronically at
http://investors.sciodiamond.com/investors/financial-information/annual-reports/default.aspx

OTHER MATTERS

The Board knows of no items of business to be brought before the Annual Meeting other than as described above. If any other items of business should properly come before the Annual Meeting, it is the intention of the persons named in the enclosed proxy card to vote such proxies in accordance with their best judgment with respect to any such items. Discretionary authority for them to do so is contained in the enclosed proxy card.

COMMUNICATIONS WITH THE BOARD

The Board welcomes communications from Stockholders. Generally, Stockholders who have questions or concerns should contact our Investor Relations department at (864) 751-4880 or via electronic mail at *investorrelations@sciodiamond.com*. Stockholders and other interested parties may contact any member (or all members) of the Board, the non-management directors as a group, any committee of the Board or any chairperson of any such committee by mail or electronic mail. To communicate with the Board, any individual director, the non-management group or any committee of directors by mail, correspondence should be addressed to the Board or any such individual directors or group or committee of directors by either name or title and sent to Scio Diamond Technology Corporation, Attention Investor Relations, 411 University Ridge, Suite D, Greenville, SC 29601. To communicate with any of our directors electronically, Stockholders should send an email addressed to the Board or any such individual directors or group or committee of directors by either name or title to *investorrelations@sciodiamond.com*.

All communications received as set forth in the preceding paragraph will be opened by the Investor Relations department for the sole purpose of determining whether the contents represent a message to our directors. The Investor Relations department will forward copies of all correspondence that, in the opinion of the Investor Relations department, deal with the functions of the Board or its committees or that it otherwise determines requires the attention of any member, group or committee of the Board.

STOCKHOLDER PROPOSALS FOR THE 2016 ANNUAL MEETING OF STOCKHOLDERS

Under the rules and regulations of the SEC, Stockholder proposals intended to be presented in our proxy statement for the annual meeting of Stockholders to be held in 2016 must be received at our principal executive offices at 411 University Ridge, Suite D, Greenville, SC 29601, no later than July 2, 2016 in order to be considered for inclusion in our proxy statement for such meeting. Upon receipt of any proposal, the Company will determine whether or not to include the proposal in the proxy statement in accordance with applicable regulations governing the solicitation of proxies. In order to be considered for inclusion in our proxy statement, the proposal must comply in all respects with the rules and regulations of the SEC and our Bylaws.

SCIO DIAMOND TECHNOLOGY CORPORATION

Proxy for the Annual Meeting of Stockholders, December 2, 2015.

This Proxy is solicited on behalf of the Board of Directors

for the Annual Meeting of Stockholders

to be held on December 2, 2015, at 4:00 p.m. Eastern time,

at the Global Trade Park, 200 Fairforest Way, Greenville, SC 29607

The undersigned, revoking all prior Proxies, hereby appoints Gerald McGuire and Jonathan Pfohl, and each of them, with full power of substitution in each, the Proxies of the undersigned to represent the undersigned and vote all Common Shares of the undersigned in Scio Diamond Technology Corporation at the Annual Meeting of Stockholders to be held on December 2, 2015, and any adjournments or postponements thereof upon the matters stated on the reverse side and in the manner designated on the reverse side of this card.

Your vote is important. You may vote your proxy in accordance with the instructions on the reverse side. If you do not submit a proxy or attend the meeting and vote in person, shares that you own directly cannot be voted.

(Continued and to be signed on the reverse side)

PLEASE DETACH ALONG PERFORATED LINE AND MAIL IN THE ENVELOPE PROVIDED.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:

The Notice and Proxy Statement and Annual Report on Form 10-K are available at

http://www.viewproxy.com/ScioDiamond/2015

Please mark your votes like this x

The Board of Directors recommends you vote FOR the following:

1. To elect seven directors to serve on the Company's Board of Directors until the 2016 Annual Meeting of Stockholders:

Nominees:	**FOR ALL**	**WITHHOLD AUTHORITY FOR ALL**	**FOR ALL EXCEPT**
01 James A. Korn 02 Karl V. Leaverton 03 Bruce M. Likly 04 Gerald A. McGuire 05 Bernard M. McPheely 06 Lewis T. Smoak 07 Benjamin Wolkowitz	¨	¨	¨

The Board of Directors recommends you vote FOR proposals 2 and 3, and for "1 Year" on proposal 4:

2. To approve, on an advisory basis, the compensation of the Company's named executive officers

¨ FOR ¨ AGAINST ¨ ABSTAIN

3. To ratify the appointment of Cherry Bekaert LLP as the Company's independent registered public accountant for the fiscal year ending March 31, 2016

¨ FOR ¨ AGAINST ¨ ABSTAIN

4. To approve, on an advisory basis, the frequency of holding a future advisory vote on executive compensation

¨ 1 YR ¨ 2 YRS ¨ 3 YRS ¨ ABSTAIN

Instructions: To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below.

NOTE: THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE DIRECTORS OF THE COMPANY, FOR PROPOSALS 2 AND 3, AND FOR THE APPROVAL, ON AN ADVISORY BASIS, OF THE OPTION OF "EVERY YEAR" ADVISORY VOTE ON EXECUTIVE COMPENSATION, AND ACCORDING TO THE JUDGMENT OF THE PROXIES WITH RESPECT TO ANY OTHER MATTER THAT MAY BE PROPERLY BROUGHT BEFORE THE ANNUAL MEETING.

	Yes	**No**
Please indicate if you plan to attend this meeting.	¨	¨

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Date: _____,
2015

CONTROL NUMBER

Signature

Signature (if held jointly)

PLEASE DETACH ALONG PERFORATED LINE AND MAIL IN THE ENVELOPE PROVIDED.

CONTROL NUMBER

PROXY VOTING INSTRUCTIONS

Please have your 11 digit control number ready when voting by Internet or Telephone

INTERNET

Vote Your Proxy on the Internet:

Go to www.cesvote.com

TELEPHONE

Vote Your Proxy by Phone:

Call 1 (888) 693-8683

MAIL

Vote Your Proxy by Mail:

Have your proxy card available when you access the above website. Follow the prompts to vote your shares.	Use any touch-tone telephone to vote your proxy. Have your proxy card available when you call. Follow the voting instructions to vote your shares.	Mark, sign, and date your proxy card, then detach it, and return it in the postage-paid envelope provided.

PLEASE DO NOT RETURN THE PROXY CARD IF YOU ARE VOTING ELECTRONICALLY

Dear Shareholder,

Fiscal 2015 was one of immense change at Scio. Virtually all aspects of our organization and business experienced change and improvement as we positioned the company to capture a share of the emerging gem and industrial markets for lab-grown diamonds.

We achieved many key milestones in FY 2015:

- Reached a settlement between the Adams Board and the Save Scio Group
- Installed a new and independent Board of Directors
- Brought in a new CEO from the semiconductor industry
- Established new governance principles
- Raised capital to double production capacity
- Developed an investment relationship to support further expansion
- Established a joint venture with the intent to move into the fancy pink diamond market
- Completed product development of fancy pink diamonds
- Introduced Scio's first gem retail sales program with Helzberg Diamonds
- Began product development cycle of white diamonds
- Created and deployed a new web site to inform shareholders and customers

Production improved in both the size and number of crystals, as measured by pink diamond rough produced in FY 2015. Our average crystal size increased to greater than 3.5 carats and production pink yields rose by 125% percent. Early sales in the pink gem market validated our financial model and verified excellent gross margin in this segment. While sales of our pink gems were slower than anticipated, we are in a good position to supply high quality pink rough as this market segment develops.

Toward the end of the year, with the pink development completed, we shifted our focus to white diamond recipes. Our targets are near colorless grades without treatment after growth, three to five carat crystals and high yields.

Awareness of lab-grown diamonds as an alternative to mined diamonds continues to grow, as does the market for lab-grown diamonds, which was estimated by Frost and Sullivan's 2014 market assessment at 50 percent compound annual growth through 2018. Optically, chemically and physically identical to mined diamonds, our diamonds offer advantages of cost, as well as ecological friendliness for the socially conscious. Many consumers are finding lab-grown diamonds to be a viable choice for their diamond purchases.

The potential market opportunity for Scio remains substantial. Completing the white diamond product development and further developing the fancy pink diamond market are the keys to our turning the corner in FY 2016.

On behalf of our Board of Directors, employees and partners, thank you for your continued support.

Sincerely,

Bernard McPheely

Chairman of the Board of Directors

Gerald McGuire

President and Chief Executive Officer