

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D. C. 20549

**FORM 10-Q**

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

For the quarterly period ended March 31, 2017

OR

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

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

Commission file number: 000-55209

**Algodon Wines & Luxury Development Group, Inc.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

52-2158952

(I.R.S. Employer Identification No.)

135 Fifth Avenue, 10th Floor  
New York, NY 10010  
(Address of principal executive offices)

212-739-7700  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Emerging growth company

Accelerated filer

Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

As of May 15, 2017, there were 42,974,812 shares of Algodon Wines & Luxury Development Group, Inc. common stock, \$0.01 par value issued and 42,970,401 outstanding.

**ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC. AND SUBSIDIARIES**  
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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC.  
AND SUBSIDIARIES  
Condensed Consolidated Balance Sheets

	March 31, 2017 (unaudited)	December 31, 2016
<b>Assets</b>		
Current Assets		
Cash	\$ 312,088	\$ 131,190
Accounts receivables, net	185,561	179,637
Accounts receivables - related parties, net	503,471	493,531
Advances and loans to employees	210,057	232,057
Inventory	1,282,977	1,186,189
Prepaid expenses and other current assets, net	275,031	105,429
Current assets of discontinued operations	207,617	208,154
Total Current Assets	2,976,802	2,536,187
Property and equipment, net	4,164,723	3,971,733
Prepaid foreign taxes, net	213,447	337,917
Investment - related parties	39,657	42,688
Deposits	61,284	61,284
Total Assets	<u>\$ 7,455,913</u>	<u>\$ 6,949,809</u>
<b>Liabilities and Temporary Equity and Stockholders' Equity</b>		
Current Liabilities		
Accounts payable	\$ 398,581	\$ 349,180
Accrued expenses	1,534,316	1,691,743
Deferred revenue	1,843,107	1,884,606
Loans payable	45,297	31,312
Debt obligations	147,500	162,500
Current portion of other liabilities	16,948	15,776
Current liabilities of discontinued operations	-	44,104
Total Current Liabilities	3,985,749	4,179,221
Accrued expenses, non-current portion	349,249	344,127
Loans payable, non-current portion	473,859	-
Total Liabilities	<u>4,808,857</u>	<u>4,523,348</u>
<b>Commitments and Contingencies</b>		
Series B convertible redeemable preferred stock, par value \$0.01 per share, 902,670 shares authorized, 155,200 and 0 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively.		
Liquidation preference of \$1,555,053 and \$0 at March 31, 2017 and December 31, 2016, respectively.	1,552,324	-
<b>Stockholders' Equity</b>		
Preferred stock, 11,000,000 shares authorized:		
Series A convertible preferred stock, par value \$0.01 per share; 10,097,330 shares authorized; 0 shares issued and outstanding	-	-
Common stock, par value \$0.01 per share; 80,000,000 shares authorized; 42,974,812 and 42,915,379 shares issued and 42,970,401 and 42,910,962 shares outstanding as of March 31, 2017 and December 31, 2016, respectively.	429,748	429,153
Additional paid-in capital	80,380,491	80,102,189
Accumulated other comprehensive loss	(10,258,983)	(10,459,242)
Accumulated deficit	(69,442,454)	(67,631,569)
Treasury stock, at cost, 4,411 shares at March 31, 2017 and December 31, 2016	(14,070)	(14,070)
Total Stockholders' Equity	<u>1,094,732</u>	<u>2,426,461</u>
Total Liabilities and Temporary Equity and Stockholders' Equity	<u>\$ 7,455,913</u>	<u>\$ 6,949,809</u>

See Notes to the Condensed Consolidated Financial Statements

**ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC.**  
**AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Operations**  
**(unaudited)**

	For the three months ended	
	March 31,	
	2017	2016
<b>Sales</b>	\$ 618,537	\$ 391,898
Cost of sales	(484,683)	(334,727)
Gross profit	133,854	57,171
<b>Operating Expenses</b>		
Selling and marketing	151,040	46,204
General and administrative	1,782,885	1,679,981
Depreciation and amortization	21,615	26,037
Total operating expenses	1,955,540	1,752,222
<b>Loss from Operations</b>	(1,821,686)	(1,695,051)
<b>Other Income (Expense)</b>		
Interest expense, net	(81,856)	(27,252)
Gain on sale of investment in subsidiary	199,200	-
Total other income (expense)	117,344	(27,252)
<b>Loss from Continuing Operations</b>	(1,704,342)	(1,722,303)
<b>Loss from Discontinued Operations</b>	(106,543)	(273,962)
<b>Net Loss</b>	\$ (1,810,885)	\$ (1,996,265)
Deemed dividend to Series B preferred stockholders	(3,053)	-
<b>Net loss attributable to common stockholders</b>	\$ (1,813,938)	\$ (1,996,265)
<b>Net loss per basic and diluted common share:</b>		
Loss from continuing operations	\$ (0.04)	\$ (0.04)
Loss from discontinued operations	\$ (0.00)	\$ (0.01)
<b>Net loss per common share</b>	\$ (0.04)	\$ (0.05)
<b>Weighted Average Number of Common Shares Outstanding:</b>		
Basic and Diluted	42,935,629	40,433,966

See Notes to the Condensed Consolidated Financial Statements

**ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC.  
AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Comprehensive Loss**  
**(unaudited)**

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Net Loss</b>	\$ (1,810,885)	\$ (1,996,265)
<b>Other Comprehensive Loss</b>		
Foreign currency translation adjustments	200,259	(405,723)
<b>Total Comprehensive Loss</b>	<u>\$ (1,610,626)</u>	<u>\$ (2,401,988)</u>

See Notes to the Condensed Consolidated Financial Statements

**ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC.**  
**AND SUBSIDIARIES**  
**Condensed Consolidated Statement of Changes in Temporary Equity And Stockholders' Equity**  
**(unaudited)**

	Series B Convertible Redeemable Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
<b>Balance - December 31, 2016</b>	-	\$ -	42,915,379	\$ 429,153	4,411	\$ (14,070)	\$ 80,102,189	\$ (10,459,242)	\$ (67,631,569)	\$ 2,426,461
Series B convertible redeemable preferred stock issued for cash	28,500	285,000	-	-	-	-	-	-	-	-
Common stock issued for cash, net of issuance costs of \$4,500	-	-	22,500	225	-	-	40,275	-	-	40,500
Exchange of 8% notes for Series B convertible redeemable preferred stock	126,700	1,267,324	-	-	-	-	-	-	-	-
Stock-based compensation: Common stock issued under 401(k) profit sharing plan	-	-	36,933	370	-	-	-73,498	-	-	73,868
Options and warrants	-	-	-	-	-	-	164,529	-	-	164,529
Comprehensive loss:	-	-	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	-	(1,810,885)	(1,810,885)
Other comprehensive loss	-	-	-	-	-	-	-	200,259	-	200,259
<b>Balance - March 31, 2017</b>	<u>155,200</u>	<u>\$ 1,552,324</u>	<u>42,974,812</u>	<u>\$ 429,748</u>	<u>4,411</u>	<u>\$ (14,070)</u>	<u>\$ 80,380,491</u>	<u>\$ (10,258,983)</u>	<u>\$ (69,442,454)</u>	<u>\$ 1,094,732</u>

See Notes to the Condensed Consolidated Financial Statements

**ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC.**  
**AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**(unaudited)**

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (1,810,885)	\$ (1,996,265)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation:		
401(k) expense	18,017	16,616
Options and warrants	164,529	234,092
Vesting of restricted stock	-	291,667
Net realized and unrealized investment losses	3,031	24,098
Depreciation and amortization	21,615	26,037
Provision for uncollectible assets	2,000	(39,815)
Prepaid compensation amortization	750	750
Other non-cash income, net	-	(6,243)
Gain on sale of investment in subsidiary	(199,200)	-
Decrease (increase) in assets:		
Accounts receivable	(11,713)	(33,328)
Inventory	(26,475)	(130,847)
Prepaid expenses and other current assets	7,301	(128,363)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(125,780)	(138,410)
Deferred revenue	(104,776)	75,067
Other liabilities	1,172	(4,939)
Total Adjustments	(249,529)	186,382
<b>Net Cash Used in Operating Activities</b>	<b>(2,060,414)</b>	<b>(1,809,883)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(99,699)	(30,259)
Proceeds from sale of investment in subsidiary	199,200	-
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>99,501</b>	<b>(30,259)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from loans payable	517,243	34,701
Repayments of loans payable	(32,158)	-
Proceeds from convertible debt obligations	1,260,000	-
Repayments of debt obligations	(15,000)	(25,000)
Proceeds from sale of Series B Preferred stock	285,000	-
Proceeds from sale of common stock, net of issuance costs of \$4,500	40,500	2,851,610
<b>Net Cash Provided by Financing Activities</b>	<b>2,055,585</b>	<b>2,861,311</b>
Effect of Exchange Rate Changes on Cash	86,226	197,922
<b>Net Increase in Cash</b>	<b>180,898</b>	<b>1,219,091</b>
<b>Cash - Beginning of Period</b>	<b>131,190</b>	<b>110,645</b>
<b>Cash - End of Period</b>	<b>\$ 312,088</b>	<b>\$ 1,329,736</b>

See Notes to the Condensed Consolidated Financial Statements

**ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, continued**  
**(unaudited)**

	For the three months ended	
	March 31,	
	2017	2016
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Interest paid	\$ 42,897	\$ 3,484
Income taxes paid	\$ -	\$ -
<b>Non-Cash Investing and Financing Activity</b>		
Accrued stock based compensation converted to equity	\$ 73,868	\$ 76,750
Debt and interest converted to equity	\$ 1,267,324	\$ 75,433

See Notes to the Condensed Consolidated Financial Statements



**ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**1. ORGANIZATION**

Through its wholly-owned subsidiaries, Algodon Wines & Luxury Development Group, Inc. (the "Company", "Algodon Partners", "AWLD"), a Delaware corporation that was incorporated on April 5, 1999, currently invests in, develops and operates international real estate projects. The Company's wholly-owned subsidiaries are InvestProperty Group, LLC, Algodon Global Properties, LLC, and Algodon Europe, Ltd. Through its subsidiaries, the Company currently operates Algodon Mansion ("TAR"), a Buenos Aires-based luxury boutique hotel property and has redeveloped, expanded and repositioned an Argentine winery and golf resort property called Algodon Wine Estates ("AWE") for subdivision of a portion of this property for residential development.

Through December 31, 2016, AWLD's wholly owned subsidiary, DPEC Capital, Inc. ("CAP"), was a broker-dealer that provided brokerage securities trading; private equity and venture capital investments; and advisory and other financial services to customers, including AWLD and certain related affiliates (see Note 4 – Discontinued Operations).

AWLD also owned approximately 96.5% of Mercari Communications Group, Ltd. ("Mercari"), a public shell corporation that was current in its SEC reporting obligations. On December 20, 2016 AWLD entered into a Stock Purchase Agreement with a Purchaser, whereby the Purchaser agreed to purchase all of AWLD's shares or Mercari for \$260,000. The sale of Mercari stock was completed on January 20, 2017 and AWLD received net proceeds after expenses of \$199,200.

**2. GOING CONCERN AND MANAGEMENT'S LIQUIDITY PLANS**

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset amounts or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company incurred losses from continuing operations of \$1,704,342 and \$1,722,303 during the three months ended March 31, 2017 and 2016, respectively, and has an accumulated deficit of \$69,442,454 at March 31, 2017. Cash used in operating activities was \$2,060,414 and \$1,809,883 for the three months ended March 31, 2017 and 2016, respectively. The aforementioned factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company needs to raise additional capital in order to expand its business objectives. The Company funded its operations for the three months ended March 31, 2017 and 2016 primarily through private placement offerings of \$1,585,500 (net of offering costs of \$4,500) and \$2,851,610, respectively (See also Note 14 — Subsequent Events, related to proceeds from private placement offerings during April and May 2017). If the Company is not able to obtain additional sources of capital, it may not have sufficient funds to continue to operate the business for the next twelve months. Historically, the Company has been successful in raising funds to support its capital needs. Management believes that it will be successful in obtaining additional financing; however, no assurance can be provided that the Company will be able to do so. There is no assurance that these funds will be sufficient to enable the Company to attain profitable operations or continue as a going concern. To the extent that the Company is unsuccessful, the Company may need to curtail its operations and implement a plan to extend payables and reduce overhead until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful. Such a plan could have a material adverse effect on the Company's business, financial condition and results of operations, and ultimately the Company could be forced to discontinue its operations, liquidate and/or seek reorganization in bankruptcy. These condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the unaudited condensed consolidated financial statements of the Company as of March 31, 2017, and for the three months ended March 31, 2017 and 2016. The results of operations for the three months ended March 31, 2017 are not necessarily indicative of the operating results for the full year. It is suggested that these unaudited condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2016, filed with the Securities and Exchange Commission ("SEC") on March 31, 2017. The consolidated balance sheet as of December 31, 2016 has been derived from the Company's audited consolidated financial statements.

**Use of Estimates**

To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, the Company must make estimates and assumptions. These estimates and assumptions affect the reported amounts in the financial statements, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates and related assumptions made by the Company relate to the valuation of equity instruments, the useful lives of property and equipment and reserves associated with the realizability of certain assets.

**Discontinued Operations**

The Company accounted for its decision to close down its broker-dealer subsidiary, CAP, as discontinued operations in accordance with the guidance provided in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 360, "Accounting for Impairment or Disposal of Long-Lived Assets," and ASC Topic 205, "Presentation of Financial Statements," which require that only a disposal of a component of an entity, or a group of components of an entity, that represents a strategic shift that has, or will have, a major effect on the reporting entity's operations and financial results shall be reported in the financial statements as discontinued operations. Accordingly, the results of operations for CAP during the periods presented are reclassified into separate line items in the statements of operations. Assets and liabilities are also reclassified into separate line items on the related balance sheets for the periods presented.

**ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Segment Information**

The Financial Accounting Standards Board ("FASB") has established standards for reporting information on operating segments of an enterprise in interim and annual financial statements. The Company operates in one segment which is the business of real estate development in Argentina. The Company's chief operating decision-maker reviews the Company's operating results on an aggregate basis and manages the Company's operations as a single operating segment.

**Reclassifications**

Certain prior year balances have been reclassified in order to conform to current year presentation. These reclassifications have no effect on previously reported results of operations or loss per share.

**Foreign Currency Translation**

The Company's functional and reporting currency is the United States dollar. The functional currencies of the Company's operating subsidiaries are their local currencies (United States dollar, Argentine peso and British pound). There has been a steady devaluation of the Argentine peso relative to the United States dollar in recent years. Assets and liabilities are translated into U.S. dollars at the balance sheet date (15.4096 and 15.9681 at March 31, 2017 and December 31, 2016, respectively) and revenue and expense accounts are translated at a weighted average exchange rate for the period or for the year then ended (15.6680 and 14.4089 for the three months ended March 31, 2017 and 2016, respectively). Resulting translation adjustments are made directly to accumulated other comprehensive income. The Company engages in foreign currency denominated transactions with customers and suppliers, as well as between subsidiaries with different functional currencies.

A highly inflationary economy is defined as an economy with a cumulative inflation rate of approximately 100 percent or more over a three-year period. If a country's economy is classified as highly inflationary, the functional currency of the foreign entity operating in that country must be remeasured to the functional currency of the reporting entity. The official cumulative inflation rate for Argentina over the last three years approximated 90.9%, although the International Monetary Fund has concerns regarding the accuracy of the official data.

**ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Property and Equipment**

Investments in property and equipment are recorded at cost. These assets are depreciated using the straight-line method over their estimated useful lives. Most of the Company's assets are located in Argentina and are subject to variation as a result of foreign currency translation.

The Company capitalizes internal vineyard improvement costs when developing new vineyards or replacing or improving existing vineyards. These costs consist primarily of the costs of the vines and expenditures related to labor and materials to prepare the land and construct vine trellises. Expenditures for repairs and maintenance are charged to operating expense as incurred. The cost of properties sold or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts at the time of disposal and resulting gains and losses are included as a component of operating income. Real estate development consists of costs incurred to ready the land for sale, including primarily costs of infrastructure as well as master plan development and associated professional fees. Given that they are not currently in service, the assets are currently not being depreciated.

**Stock-Based Compensation**

The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For employees and directors, the fair value of the award is measured on the grant date and for non-employees, the fair value of the award is generally re-measured on financial reporting dates and vesting dates until the service period is complete. The fair value amount of the shares expected to ultimately vest is then recognized over the period services are required to be provided in exchange for the award, usually the vesting period. The estimation of stock-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from original estimates, such amounts are recorded as a cumulative adjustment in the period estimates are revised. The Company considers many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience.

**Concentrations**

The Company maintains cash with major financial institutions. Cash held in US bank institutions is currently insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 at each institution. No similar insurance or guarantee exists for cash held in Argentina bank accounts. There were aggregate uninsured cash balances of \$125,098 and \$73,633 at March 31, 2017 and December 31, 2016, respectively.

**Comprehensive Income (Loss)**

Comprehensive income is defined as the change in equity of a business during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The guidance requires other comprehensive income (loss) to include foreign currency translation adjustments.

**ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Revenue Recognition**

The Company earns revenues from its real estate, hospitality, food & beverage, broker-dealer and other related services. Revenues from rooms, food and beverage, and other operating departments are recognized as earned at the time of sale or rendering of service. Cash received in advance of the sale or rendering of services is recorded as advance deposits or deferred revenue on the condensed consolidated balance sheets. Deferred revenues associated with real estate lot sale deposits are recognized as revenues (along with any outstanding balance) when the lot sale closes and the deed is provided to the purchaser. Other deferred revenues primarily consist of deposits accepted by the Company in connection with agreements to sell barrels of wine. These wine barrel deposits are recognized as revenues (along with any outstanding balance) when the barrel of wine is shipped to the purchaser. Sales taxes and value added ("VAT") taxes collected from customers and remitted to governmental authorities are presented on a net basis within revenues in the condensed consolidated statements of operations.

**Net Loss per Common Share**

Basic loss per common share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted loss per common share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding, plus the impact of common shares, if dilutive, resulting from the exercise of outstanding stock options and warrants and the conversion of convertible instruments.

The following securities are excluded from the calculation of weighted average dilutive common shares because their inclusion would have been anti-dilutive:

	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
Options	7,979,265	8,895,686
Warrants	1,903,730	1,480,564
Convertible instruments	1,552,000	-
Restricted shares of common stock	-	233,345
<b>Total potentially dilutive shares</b>	<b>11,434,995</b>	<b>10,609,595</b>

**ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**New Accounting Pronouncements**

The Company has implemented all new accounting standards that are in effect and may impact its condensed consolidated financial statements and does not believe that there are any other new accounting standards that have been issued that might have a material impact on its financial position or results of operations.

**4. DISCONTINUED OPERATIONS**

On November 29, 2016, the Company's Board of Directors determined that it was in the Company's best interest to close down CAP and the Company ceased its broker-dealer operations on December 31, 2016. On February 21, 2017, the Company's request to FINRA for Broker-Dealer Withdrawal ("BDW") became effective.

**Results of Discontinued Operations**

Summarized operating results of discontinued operations are presented in the following table:

	<b>For The Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Revenues	\$ -	\$ 51,505
Gross profit	\$ -	\$ 51,505
Operating expenses	\$ (106,558)	\$ (325,497)
Interest income	\$ 15	\$ 30
Loss from discontinued operations	\$ (106,543)	\$ (273,962)

Revenues from discontinued operations for the three months ended March 31, 2016 includes non-cash warrant revenues from affiliates of \$20,812, as well as unrealized losses on affiliate warrants of \$24,098.

Operating expenses from discontinued operations includes non-cash warrant and stock compensation totaling, in the aggregate, \$4,868 and \$108,874 for the three months ended March 31, 2017 and 2016, respectively.

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**4. DISCONTINUED OPERATIONS, continued**

Summarized assets and liabilities of discontinued operations are presented in the following table:

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Related party receivable	\$ 155,420	\$ 155,420
Prepaid expenses and other current assets	52,197	52,734
<b>Total current assets of discontinued operations</b>	<b>\$ 207,617</b>	<b>\$ 208,154</b>
Accounts payable and accrued expenses	\$ -	\$ 44,104
<b>Total current liabilities of discontinued operations</b>	<b>\$ -</b>	<b>\$ 44,104</b>

**5. INVENTORY**

Inventory at March 31, 2017 and December 31, 2016 is comprised of the following:

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Vineyard in Process	\$ 338,059	\$ 239,978
Wine in Process	811,078	741,158
Finished Wine	39,182	128,461
Other	94,658	76,592
	<b>\$ 1,282,977</b>	<b>\$ 1,186,189</b>

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**6. INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or developed by the Company. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

**Level 1** - Valued based on quoted prices at the measurement date for identical assets or liabilities trading in active markets. Financial instruments in this category generally include actively traded equity securities.

**Level 2** - Valued based on (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active; (c) inputs other than quoted prices that are observable for the asset or liability; or (d) from market corroborated inputs. Financial instruments in this category include certain corporate equities that are not actively traded or are otherwise restricted.

**Level 3** - Valued based on valuation techniques in which one or more significant inputs is not readily observable. Included in this category are certain corporate debt instruments, certain private equity investments, and certain commitments and guarantees.

**Investments – Related Parties at Fair Value**

<b>As of March 31, 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Warrants- Affiliates	\$ -	\$ -	\$ 39,657	\$ 39,657
<b>As of December 31, 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Warrants- Affiliates	\$ -	\$ -	\$ 42,688	\$ 42,688

A reconciliation of Level 3 assets is as follows:

	<b>Warrants</b>
Balance - December 31, 2016	\$ 42,688
Unrealized loss	(3,031)
Balance - March 31, 2017	\$ 39,657

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Accumulated unrealized losses related to investments at fair value	\$ (56,403)	\$ (53,372)



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**6. INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS, continued**

It had been the Company's policy to distribute part or all of the warrants CAP earns through serving as placement agent on various private placement offerings for a related but independent entity under common management, to registered representatives or other employees who provided investment banking services. The Company recorded \$14,569 compensation expense (fair value) related to these distributed warrants for the three months ended March 31, 2016. There was no compensation recorded related distributed warrants for three months ended March 31, 2017. Warrants retained by the Company's broker-dealer subsidiary are marked to market at each reporting date using the Black-Scholes option pricing model. Unrealized losses on affiliate warrants of \$3,031 and \$24,098 recorded during the quarter ended March 31, 2017 and 2016, respectively, are included in revenues on the accompanying condensed consolidated statements of operations.

The fair value of the warrants was determined based on the Black-Scholes option pricing model, which requires the input of highly subjective assumptions, including the expected share price volatility. Given that such shares were not publicly-traded, the Company developed an expected volatility figure based on a review of the historical volatilities, over a period of time, of similarly positioned public companies within the industry.

The Company's short term financial instruments include cash, accounts receivable, advances and loans to registered representatives, accounts payable, accrued expenses, deferred revenue, other liabilities, loans payable and debt obligations. The carrying value of these instruments approximate fair value, as they bear terms and conditions comparable to market, for obligations with similar terms and maturities.

**7. ACCRUED EXPENSES**

Accrued expenses are comprised of the following:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Accrued compensation and payroll taxes	\$ 986,185	\$ 1,030,015
Accrued taxes payable	67,120	79,926
Accrued interest	279,610	270,761
Other accrued expenses	201,401	311,041
Accrued expenses, current	1,534,316	1,691,743
Accrued payroll tax obligations, non-current	349,249	344,127
Total accrued expenses	<u>\$ 1,883,565</u>	<u>\$ 2,035,870</u>

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**8. LOANS PAYABLE**

On November 7, 2016, the Company received a bank loan in the amount of \$33,300 (ARS \$500,000). The loan had no stated maturity date and bore interest at 10% per month, and interest payments are due monthly. The loan was paid in full on March 13, 2017. The Company paid interest of \$7,978 (ARS \$125,000) during the three months ended March 31, 2017.

On March 31, 2017, the Company received a bank loan in the amount of \$519,156 (ARS \$8,000,000). The loan bears interest at 24.18% per annum, and principal and interest will be paid in forty-two monthly installments beginning on October 1, 2017 and ending on March 1, 2021.

**9. DEBT OBLIGATIONS**

Between January 27, 2017 and February 27, 2017, the Company sold convertible promissory notes to accredited investors for total gross proceeds to the Company of \$1,260,000. The notes had a 90-day maturity, paid 8% annual interest and were convertible into the Company's Series B convertible preferred stock (the "Series B Preferred Stock") at a conversion price of \$10 per share, beginning fifteen days after being notified of the Series B Preferred Stock offering. On March 31, 2017, the \$1,260,000 of principal plus \$7,324 of accrued interest owed on the convertible promissory notes was converted into 126,700 shares of Series B Preferred Stock (See Note 12 -Stockholders' Equity).

The Company's outstanding debt obligations consist of principal remaining related to 8% convertible notes (the IPG Notes) that were issued during 2010. The conversion option on the IPG Notes expired in 2012, and the IPG Notes are no longer convertible into the Company's stock. The balance on the IPG Notes is as follows:

	<u>March 31, 2017</u>			<u>December 31, 2016</u>		
	<u>Principal</u>	<u>Interest [1]</u>	<u>Total</u>	<u>Principal</u>	<u>Interest [1]</u>	<u>Total</u>
IPG Notes	\$ 147,500	\$ 279,610	\$ 427,110	\$ 162,500	\$ 270,761	\$ 433,261

[1] Accrued interest is included as a component of accrued expenses on the condensed consolidated balance sheets.

During the three months ended March 31, 2017, the Company repaid \$15,000 of principal related to the IPG Notes.

During the three months ended March 31, 2017 and 2016, the Company accrued interest expense of \$8,849 and \$7,868, respectively, in connection with the IPG Notes.

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**10. RELATED PARTY TRANSACTIONS**

**Assets**

Accounts receivable – related parties, net of \$503,471 and \$493,531 at March 31, 2017 and December 31, 2016, respectively, represents the net realizable value of advances made to related, but independent, entities under common management, of which \$466,129 and \$372,456 respectively, represents amounts owed to the Company in connection with expense sharing agreements as described below.

**Investments**

See Note 6 – Investments and Fair Value of Financial Instruments, for information related to investments in related parties.

**Expense Sharing**

On April 1, 2010, the Company entered into an agreement with a related entity of which AWLD's CEO is Chairman and Chief Executive Officer, and AWLD's CFO is an executive officer, to share expenses such as office space, support staff and other operating expenses. The Company is entitled to receive reimbursement of \$58,683 and \$39,196 for expenses incurred during the three months ended March 31, 2017 and 2016, respectively, pursuant to this agreement. The entity owed \$455,073 and \$363,389, respectively, as of March 31, 2017 and December 31, 2016, under such and similar prior agreements. The amount owed to the Company at March 31, 2017, will be repaid through October 1, 2018, pursuant to a repayment schedule agreed upon by the Company and the related entity on March 24, 2017.

The Company has an expense sharing agreement with a related entity to share expenses such as office space and other clerical services. The owners of more than 5% of that entity include (i) AWLD's chairman, and (ii) a more than 5% owner of AWLD. The Company was entitled to receive reimbursement of \$3,990 and \$3,990 for expenses during the three months ended March 31, 2017 and 2016, respectively, pursuant to this agreement. The entity owed \$400,057 and \$396,067 to the Company under the expense sharing agreement as of March 31, 2017 and December 31, 2016, respectively, of which \$389,000 and \$387,000, respectively, is deemed unrecoverable and reserved.

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**11. BENEFIT CONTRIBUTION PLAN**

The Company sponsors a 401(k) profit-sharing plan ("401(k) Plan") that covers substantially all of its employees in the United States. The 401(k) Plan provides for a discretionary annual contribution, which is allocated in proportion to compensation. In addition, each participant may elect to contribute to the 401(k) Plan by way of a salary deduction.

A participant is always fully vested in their account, including the Company's contribution. For the three months ended March 31, 2017 and 2016, the Company recorded a charge associated with its contribution of \$18,017 and \$16,616, respectively. This charge has been included as a component of general and administrative expenses in the accompanying condensed consolidated statements of operations. The Company issues shares of its common stock to settle prior year's obligations based on the fair market value of its common stock on the date the shares are issued, (shares were issued at \$2.00 and \$2.50 per share for the three months ended March 31, 2017 and 2016, respectively.)

**12. STOCKHOLDERS' EQUITY**

**Amended and Restated Certification of Designation**

On February 28, 2017, the Company filed an Amended and Restated Certificate of Designation with the Secretary of State of the state of Delaware, decreasing the number of shares of the Company's preferred stock designated as Series A Convertible Preferred Stock to 10,097,330 shares.

**Series B Preferred Stock**

On February 28, 2017, the Company filed a Certificate of Designation with the Secretary of State of the state of Delaware, designating 902,670 shares of the Company's preferred stock as Series B Convertible Redeemable Preferred Stock ("Series B") at a par value of \$0.01 per share.

The Series B stockholders are entitled to cumulative cash dividends at an annual rate of 8% of the Series B liquidation value, as defined, payable when, as and if declared by the Board of Directors. Each share of Series B is entitled the number of votes determined by dividing \$10 by the fair market value of the Company's common stock on the date that the Series B shares were issued, up to a maximum of ten votes per share of Series B. Cumulative dividends in arrears related to the Series B totaled \$3,053 as of March 31, 2017, and have not been declared by Board of Directors.

Each Series B share is convertible at the option of the holder into 10 shares of the Company's common stock and is automatically converted into common stock upon the uplisting of the Company's common stock to a national securities exchange. On the second anniversary of the termination of the Series B offering, the Company will redeem all then-outstanding shares of Series B shares at a price equal to the liquidation value per share, plus all unpaid accrued and accumulated dividends. As a result of this redemption feature, the Series B are classified as temporary equity.

During the quarter ended March 31, 2017, the Company sold 28,500 shares of Series B at \$10.00 per share for gross proceeds of \$285,000 and issued 126,700 of Series B in connection with the conversion of certain convertible promissory notes (see Note 9 – Debt Obligations).

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**12. STOCKHOLDERS' EQUITY, continued**

**Common Stock**

During the three months ended March 31, 2017, the Company issued 22,500 shares of common stock at \$2.00 per share for gross proceeds of \$45,000, and paid \$4,500 of placement agent fees related to this transaction.

**Accumulated Other Comprehensive Loss**

For three months ended March 31, 2017 and 2016, the Company recorded \$200,259 and \$(405,723), respectively, of foreign currency translation adjustment as accumulated other comprehensive income (loss).

**Warrants**

During the three months ended March 31, 2017 and 2016, in connection with the sale of its equity securities, the Company issued five-year warrants for the purchase of 2,250 shares of its common stock at \$2.00 per share, and 98,378 shares of its common stock at \$2.50 per share, respectively. CAP, in turn, awarded such warrants to its registered representatives and recorded \$1,105 and \$84,105, of stock-based compensation expense for three months ended March 31, 2017 and 2016, respectively, which is recorded within discontinued operations in the accompanying statements of operations (see Note 4 – Discontinued Operations).

A summary of warrants activity during the three months ended March 31, 2017 is presented below:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life in Years	Intrinsic Value
Outstanding, December 31, 2016	1,901,480	\$ 2.20		
Issued	2,250	2.00		
Exercised	-	-		
Cancelled	-	-		
Outstanding, March 31, 2017	<u>1,903,730</u>	<u>\$ 2.20</u>	<u>2.54</u>	<u>\$ -</u>
Exercisable, March 31, 2017	<u>1,903,730</u>	<u>\$ 2.20</u>	<u>2.54</u>	<u>\$ -</u>

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**12. STOCKHOLDERS' EQUITY, continued**

**Warrants, continued**

A summary of outstanding and exercisable warrants as of March 31, 2017 is presented below:

<b>Warrants Outstanding</b>			<b>Warrants Exercisable</b>	
<b>Exercise Price</b>	<b>Exercisable Into</b>	<b>Outstanding Number of Warrants</b>	<b>Weighted Average Remaining Life In Years</b>	<b>Exercisable Number of Warrants</b>
\$ 2.00	Common Stock	741,879	3.8	741,879
\$ 2.30	Preferred Stock	973,544	1.3	973,544
\$ 2.50	Common Stock	188,307	4.0	188,307
	Total	<u>1,903,730</u>		<u>1,903,730</u>

Warrants granted during the three months ended March 31, 2017 and 2016 had a weighted average grant date value of \$0.52 and \$1.03 per warrant share, respectively, and were valued using the Black-Scholes pricing model, with the following assumptions:

	<b>For the Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Risk free interest rate	1.92%	1.21% - 1.33%
Expected term (years)	5.00	5.00
Expected volatility	44.0%	46.0%
Expected dividends	0%	0%
Forfeiture rate	5.0%	5.0%

The expected term of warrants represents the contractual term of the warrant. Given that the Company's shares were not publicly traded through September 30, 2016, the Company developed an expected volatility based on a review of the historical volatilities, over a period of time equivalent to the contractual term of the warrant, of similarly positioned public companies within its industry. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the contractual term of the warrants.

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**13. STOCKHOLDERS' EQUITY, continued**

**Stock Options**

The Company has computed the fair value of options granted using the Black-Scholes option pricing model. Until September 23, 2016, there was no public trading market for the shares of AWLD common stock underlying the Company's 2001 Plan and 2008 Plan and 2016 Plan. Accordingly, the fair value of the AWLD common stock used to compute the fair value of options granted prior to September 2016 was estimated by management based on observations of the cash sales prices of AWLD equity securities. Forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. This estimate will be adjusted periodically based on the extent to which actual forfeitures differ, or are expected to differ, from the previous estimate, when it is material. The expected term of options granted to consultants represents the contractual term, whereas the expected term of options granted to employees and directors was estimated based upon the "simplified" method for "plain-vanilla" options. Given that the Company's shares are not publicly traded, the Company developed an expected volatility figure based on a review of the historical volatilities, over a period of time, of similarly positioned public companies within its industry. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the expected term of the options. The Company estimated forfeitures related to options at an annual rate of 5% for options outstanding at March 31, 2017. There were no stock options granted during the three months ended March 31, 2017 and 2016.

During the three months ended March 31, 2017 and 2016, the Company recorded stock-based compensation expense of \$163,424 and \$149,987, respectively, related to stock option grants, which is reflected as general and administrative expenses in the condensed consolidated statements of operations. As of March 31, 2017, there was \$1,424,705 of unrecognized stock-based compensation expense related to stock option grants that will be amortized over a weighted average period of 2.0 years, of which \$380,667 of unrecognized expense is subject to non-employee mark-to-market adjustments.

A summary of options activity during the three months ended March 31, 2017 is presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Term (Yrs)	Intrinsic Value
Outstanding, December 31, 2016	8,024,265	2.39		
Granted	-	-		
Exercised	-	-		
Expired	-	-		
Forfeited	(45,000)	(2.32)		
Outstanding, March 31, 2017	<u>7,979,265</u>	<u>\$ 2.39</u>	<u>2.5</u>	<u>\$ -</u>
Exercisable, March 31, 2017	<u>5,136,718</u>	<u>\$ 2.44</u>	<u>2.1</u>	<u>\$ -</u>

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**12. STOCKHOLDERS' EQUITY, continued**

**Stock Options, continued**

The following table presents information related to stock options at March 31, 2017:

<b>Options Outstanding</b>		<b>Options Exercisable</b>	
<b>Exercise Price</b>	<b>Outstanding Number of Options</b>	<b>Weighted Average Remaining Life In Years</b>	<b>Exercisable Number of Options</b>
\$ 2.20	3,041,890	3.7	1,061,573
2.48	4,827,375	1.9	3,971,395
3.30	10,000	3.4	3,750
3.50	25,000	1.5	25,000
3.85	75,000	0.3	75,000
	<u>7,979,265</u>	2.3	<u>5,136,718</u>

**13. COMMITMENTS AND CONTINGENCIES**

**Legal Matters**

The Company is involved in litigation and arbitrations from time to time in the ordinary course of business. The Company does not believe that the outcome of any such pending or threatened litigation will have a material adverse effect on its financial condition or results of operations. However, as is inherent in legal proceedings, there is a risk that an unpredictable decision adverse to the company could be reached. The Company records legal costs associated with loss contingencies as incurred. Settlements are accrued when, and if, they become probable and estimable.

**Commitments**

The Company leases office space in New York City under an operating lease which expires on August 31, 2020. Rent expense for this property was \$51,781 and \$69,962 for the three months ended March 31, 2017 and 2016, respectively, net of expense allocation to affiliates.



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**14. SUBSEQUENT EVENTS**

Management has evaluated all subsequent events to determine if events or transactions occurring through the date the condensed consolidated financial statements were issued, require adjustment to or disclosure in the condensed consolidated financial statements.

**Equity Transactions**

Between April 1, 2017 and May 8, 2017, the Company issued 36,500 shares of Series B convertible preferred stock for cash proceeds of \$365,000.

**Foreign Currency Exchange Rates**

The Argentine peso to United States dollar exchange rate was 15.4883, 15.4096 and 15.9681 at May 9, 2017, March 31, 2017 and December 31, 2016, respectively.

## Item 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto included herein. In connection with, and because we desire to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward looking statements in the following discussion and elsewhere in this report and in any other statement made by, or on our behalf, whether or not in future filings with the Securities and Exchange Commission. Forward-looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward looking statements made by, or on our behalf. Words such as "anticipate," "estimate," "plan," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions are used to identify forward-looking statements. We disclaim any obligation to update forward-looking statements.*

*The independent registered public accounting firm's report on the Company's consolidated financial statements as of December 31, 2016, and for each of the years in the two-year period then ended, includes a "going concern" explanatory paragraph, that describes substantial doubt about the Company's ability to continue as a going concern.*

*Unless the context requires otherwise, references in this document to "AWLD", "we", "our", "us" or the "Company" are to Algodon Wines & Luxury Development Group, Inc. and its subsidiaries.*

### Overview

We are an integrated, lifestyle related real estate development company, capitalizing on our unique brand of affordable luxury, branded as "Algodon", to create a diverse set of interrelated products and services. Our wines, hotels and real estate ventures, currently concentrated in Argentina, offer a blend of high-end, luxury and adventures products. We hope to further broaden the reach and depth of our services to strengthen and cement the reach of our brand. Ultimately, we intend to further expand and grow our business by combining unique and promising opportunities with our brand and clientele.

Through our subsidiaries, we currently operate Algodon Mansion, a Buenos Aires-based luxury boutique hotel property and we have redeveloped, expanded and repositioned a winery and golf resort property called Algodon Wine Estates for subdivision of a portion of this property for residential development.

Investment in foreign real estate requires consideration of certain risks typically not associated with investing in the United States. Such risks include, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the United States or foreign governments, United States and foreign withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries, political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability in foreign nations or changes in laws which affect foreign investors.

## Recent Developments and Trends

### *Financings*

During the three months ended March 31, 2017, we raised, net of repayments, approximately \$2.1 million of new capital through the issuance of debt and equity, consisting primarily of proceeds from the issuance of convertible debt and loans payable, as well as proceeds from the issuance of Series B preferred stock and common stock for cash. Between April 1, 2017 and May 8, 2017 we received cash proceeds of \$365,000 related to the sale of Series B preferred stock. We used the net proceeds from these debt and equity issuances for general working capital and capital expenditures.

### *Initiatives*

We have implemented a number of initiatives designed to expand revenues and control costs. Revenue enhancement initiatives include expanding marketing, investment in additional winery capacity and developing new real estate development revenue sources. Cost reduction initiatives include investment in equipment that will decrease our reliance on subcontractors, plus outsourcing and restructuring of certain functions. Our goal is to become more self-sufficient and less dependent on outside financing.

### *Liquidity*

As reflected in our condensed consolidated financial statements, we have generated significant losses which have resulted in a total accumulated deficit of approximately \$69 million, raising substantial doubt that we will be able to continue operations as a going concern. Our independent registered public accounting firm included an explanatory paragraph in their report for the years ended December 31, 2016 and 2015, stating that we have incurred significant losses and need to raise additional funds to meet our obligations and sustain our operations. Our ability to execute our business plan is dependent upon our generating cash flow and obtaining additional debt or equity capital sufficient to fund operations. If we are able to obtain additional debt or equity capital (of which there can be no assurance), we hope to acquire additional management as well as increase the marketing our products and continue the development of our real estate holdings.

Our business strategy may not be successful in addressing these issues and there can be no assurance that we will be able to obtain any additional capital. If we cannot execute our business plan on a timely basis (including acquiring additional capital), our stockholders may lose their entire investment in us, because we may have to delay vendor payments and/or initiate cost reductions, which would have a material adverse effect on our business, financial condition and results of operations, and we could ultimately be forced to discontinue our operations, liquidate and/or seek reorganization under the U.S. bankruptcy code.

## Consolidated Results of Operations

### Three months ended March 31, 2017 compared to three months ended March 31, 2016

#### Overview

We reported net losses of approximately \$1.8 million and \$2.0 million for the three months ended March 31, 2017 and 2016, respectively.

#### Revenues

Revenues from continuing operations were approximately \$619,000 and \$392,000 during the three months ended March 31, 2017 and 2016, respectively, representing an increase of \$227,000 or 58%. Increases of approximately \$194,000 in wine sales, \$51,000 in hotel and restaurant revenues, and \$23,000 in other revenues were partially offset by the \$41,000 decrease from the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar in the first quarter of 2017 compared to the same quarter in 2016.

#### Gross profit

We generated gross profit of approximately \$134,000 for the three months ended March 31, 2017 as compared to a gross profit of approximately \$57,000 for the three months ended March 31, 2016, representing an increase of \$77,000 or 135%. Cost of sales, which consists of raw materials, direct labor and indirect labor associated with our business activities, increased by approximately \$150,000 from \$335,000 for the three months ended March 31, 2016 to \$485,000 for the three months ended March 31, 2017. The increase in cost of sales results principally from the increase in revenues during the period. The increase in gross profit is primarily impacted by increases in hotel and restaurant revenues, for which labor costs are relatively fixed.

#### Selling and marketing expenses

Selling and marketing expenses were approximately \$151,000 and \$46,000 for the three months ended March 31, 2017 and 2016, respectively, representing an increase of \$105,000 or 228%, which is primarily the result of stockholders' events held during the first quarter of 2017 and other marketing efforts in order to promote the Algodon Brand, partially offset by a \$3,000 decrease resulting from the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar in the first quarter of 2017 compared to the same quarter in 2016.

#### General and administrative expenses

General and administrative expenses were approximately \$1,783,000 and \$1,680,000 for the three months ended March 31, 2017 and 2016, respectively, representing an increase of \$103,000 or 6%. Increases resulting from charges to reserve for potentially unrealizable assets, as well as increased corporate headcount, were partially offset by a \$28,000 decrease from the impact of the fluctuations in exchange rate of the Argentine peso to the United States dollar during the period.

#### *Depreciation and amortization expense*

Depreciation and amortization expense was approximately \$22,000 and \$26,000 during the three months ended March 31, 2017 and 2016, respectively, representing a decrease of \$4,000 or 15%. It should be noted that an additional \$28,000 and \$23,000 of depreciation and amortization expense was included in cost of sales during the three months ended March 31, 2017 and 2016, respectively.

#### *Interest expense, net*

Interest expense was approximately \$82,000 and \$27,000 during the three months ended March 31, 2017 and 2016, respectively, representing an increase of \$55,000 or 204% related to the issuance of debt during 2016.

#### *Gain on sale of investment in subsidiary*

AWLD owned approximately 96.5% of Mercari Communications Group, Ltd. ("Mercari"), a public shell corporation current in its SEC reporting obligations. On December 20, 2016, we entered into a Stock Purchase Agreement with a Purchaser, whereby the Purchaser agreed to purchase all of our shares of Mercari for \$260,000. The sale of Mercari stock was completed on January 20, 2017 and we received net proceeds after expenses of \$199,200.

#### *Loss from discontinued operations*

On November 29, 2016, our Board of Directors determined that it was in the Company's best interest to close down DPEC Capital and we ceased our broker-dealer operations December 31, 2016. On February 21, 2017, our request to FINRA for Broker-Dealer Withdrawal ("BDW") became effective. Loss from discontinued operations during the three months ended March 31, 2016 represents approximately \$51,000 of private placement fees earned, offset by \$325,000 of general and administrative expenses incurred, by the broker-dealer operations. Loss from discontinued operations during the three months ended March 31, 2017 consist primarily of expenses incurred to wind down the broker-dealer operations.

#### **Liquidity and Capital Resources**

We measure our liquidity a variety of ways, including the following:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Cash	\$ 312,088	\$ 131,190
Working Capital (Deficiency)	\$ (1,008,947)	\$ (1,643,034)

Based upon our working capital situation as of March 31, 2017, we require additional equity and/or debt financing in order to sustain operations. These conditions raise substantial doubt about our ability to continue as a going concern.

We have relied primarily on debt and equity private placement offerings to third party independent, accredited investors to sustain operations. During the three months ended March 31, 2017, we received proceeds of \$1,260,000 from the issuance of convertible debt (which was subsequently converted to Series B convertible preferred stock), issued 22,500 shares of common stock at \$2.00 per share to accredited investors in a private placement transaction for gross proceeds of \$45,000, and issued 28,500 shares of Series B convertible preferred stock at \$10.00 per share to accredited investors in a private placement transaction for gross proceeds of \$285,000. We also received approximately \$517,000 of proceeds from a bank loan. Between April 1, 2017 and May 8, 2017, we received cash proceeds of \$365,000 in connection with the sale of series B convertible preferred stock.

The proceeds from these financing activities were used to fund our existing operating deficits, legal and accounting expenses associated with being a public company, capital expenditures associated with our real estate development projects, enhanced marketing efforts to increase revenues and the general working capital needs of the business.

#### *Availability of Additional Funds*

As a result of the above developments, we have been able to sustain operations. However, we will need to raise additional capital in order to meet our future liquidity needs for operating expenses, capital expenditures for the winery expansion and to further invest in our real estate development. If we are unable to obtain adequate funds on reasonable terms, we may be required to significantly curtail or discontinue operations.

#### *Sources and Uses of Cash for the Three months ended March 31, 2017 and 2016*

##### *Net Cash Used in Operating Activities*

Net cash used in operating activities for the three months ended March 31, 2017 and 2016 amounted to approximately \$2,060,000 and \$1,810,000, respectively. During the three months ended March 31, 2017, the net cash used in operating activities was primarily attributable to the net loss of approximately \$1,811,000 adjusted for approximately \$210,000 of net non-cash expenses, partially offset by the gain on the sale of investment in a subsidiary of \$(199,200) and approximately \$260,000 of cash used by changes in the levels of operating assets and liabilities. During the three months ended March 31, 2016, the net cash used in operating activities was primarily attributable to the net loss of approximately \$1,996,000 adjusted for approximately \$547,000 of net non-cash expenses, and approximately \$361,000 of cash used in by changes in the levels of operating assets and liabilities.

##### *Net Cash Used in Investing Activities*

Net cash provided by (used in) investing activities for the three months ended March 31, 2017 and 2016 amounted to approximately \$100,000 and \$(30,000), respectively. Cash provided by investing activities during the three months ended March 31, 2017 consisted of \$199,000 proceeds from the sale of our investment in a subsidiary, offset by \$100,000 cash used for the purchase of property and equipment during the period. Cash used in investing activities during the three months ended March 31, 2016 was primarily related to the purchase of property and equipment.

##### *Net Cash Provided by Financing Activities*

Net cash provided by financing activities for the three months ended March 31, 2017 and 2016 amounted to approximately \$2,056,000 and \$2,861,000, respectively. For the three months ended March 31, 2017, the net cash provided by financing activities resulted primarily from the offering of equity securities for net proceeds of approximately \$326,000 and new borrowings of \$1,777,000, less repayments of approximately \$47,000. For the three months ended March 31, 2016, the net cash provided by financing activities resulted primarily from the offering of equity securities for net proceeds of approximately \$2,852,000 and new borrowings of \$35,000, less repayments of \$25,000.

### **Going Concern and Management's Liquidity Plans**

The accompanying condensed consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. As discussed in Note 2 to the accompanying condensed consolidated financial statements, we have not achieved a sufficient level of revenues to support our business and development activities and have suffered substantial recurring losses from operations since our inception, which conditions raise substantial doubt that we will be able to continue operations as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments that might be necessary if we were unable to continue as a going concern.

Based on current cash on hand and subsequent activity as described herein, we may not have sufficient funds to operate our business operations for the next twelve months. While we are exploring opportunities with third parties and related parties to provide some or all of the capital we need over the short and long terms, we have not entered into any external agreement to provide us with the necessary capital. Historically, the Company has been successful in raising funds to support our capital needs. If we are unable to obtain additional financing on a timely basis, we may have to delay vendor payments and/or initiate cost reductions, which would have a material adverse effect on our business, financial condition and results of operations, and ultimately we could be forced to discontinue our operations, liquidate and/or seek reorganization under the U.S. bankruptcy code. As a result, our auditors have issued a going concern opinion in conjunction with their audit of our December 31, 2016 and 2015 consolidated financial statements.

### **Off-Balance Sheet Arrangements**

None.

### **Contractual Obligations**

As a smaller reporting company, we are not required to provide the information requested by paragraph (a)(5) of this Item.

### **Critical Accounting Policies and Estimates**

There are no material changes from the critical accounting policies set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in our Annual Report on Form 10-K filed with the SEC on March 31, 2017. Please refer to that document for disclosures regarding the critical accounting policies related to our business.

### **New Accounting Pronouncements**

We have implemented all new accounting standards that are in effect and may impact our condensed consolidated financial statements and we do not believe that there are any other new accounting standards that have been issued that might have a material impact on our financial position or results of operations.

**Item 3. Quantitative and Qualitative Disclosure About Market Risk**

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, we are not required to provide information required by this Item.

**Item 4: Controls and Procedures*****Disclosure Controls and Procedures***

Our management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer (who is our Principal Executive Officer) and our Chief Financial Officer (who is our Principal Financial Officer and Principal Accounting Officer), of the effectiveness of the design of our disclosure controls and procedures (as defined by Exchange Act Rules 13a-15(e) or 15d-15(e)) as of March 31, 2017, pursuant to Exchange Act Rule 13a-15(b). Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2017.

***Changes in Internal Control over Financial Reporting***

During the fiscal quarter ended March 31, 2017, there were no changes in our internal controls over financial reporting, or in other factors that could significantly affect these controls, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

***Inherent Limitations of Controls***

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and all fraud. Controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or deterioration in the degree of compliance with the policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.



## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings**

From time to time AWLD and its subsidiaries and affiliates are subject to litigation and arbitration claims incidental to its business. Such claims may not be covered by its insurance coverage, and even if they are, if claims against AWLD and its subsidiaries are successful, they may exceed the limits of applicable insurance coverage

### **Item 1A. Risk Factors**

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, we are not required to provide information required by this Item. However, our current risk factors are set forth in our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on March 31, 2017.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

#### **Issuances of Shares, Options and Warrants**

On January 7, 2017, the Company issued 25,000 common shares at \$2.00 per share to accredited investors for cash proceeds of \$50,000, and paid DPEC Capital Inc. cash commissions in the amount of \$5,000 and warrants to purchase 2,500 shares of common stock at an exercise price of \$2.00 per share. DPEC Capital, Inc., in turn, awarded such warrants to its registered representatives. For this sale of securities, no general solicitation was used and the Company relied on the exemption from registration available under Section 4(a)(2) and Rule 506(b) of Regulation D promulgated under the Securities Act with respect to transactions by an issuer not involving any public offering. A Form D was filed with the SEC on October 8, 2015 and an amended Form D was filed on December 8, 2016.

On or about January 17, 2017, at the request of the investor, the Company cancelled 2,500 shares of its common stock previously issued to one accredited investor and refunded the investor the full purchase price of the securities, which was \$5,000. Warrants to purchase 250 shares of common stock and commissions in the amount of \$500 were returned by DPEC Capital, Inc. to the Company.

During the three months ended March 31, 2017, the Company issued 28,500 shares of Series B convertible preferred stock at \$10 per share to accredited investors for cash proceeds of \$285,000, and issued 126,700 shares of Series B convertible preferred stock to accredited investors upon the conversion principal and interest, totaling, in the aggregate, \$1,267,234. For this sale of securities, no general solicitation was used and the Company relied on the exemption from registration available under Section 4(a)(2) and Rule 506(b) of Regulation D promulgated under the Securities Act with respect to transactions by an issuer not involving any public offering. A Form D was filed with the SEC on April 7, 2017.

On March 31, 2017, the Company issued 36,933 shares of common stock at \$2.00 per share to employees for the year ended December 31, 2016 of the 401(k) profit sharing plan and issued 30,700 shares of common stock at \$2.50 per share to employees for the year ended December 31, 2015 of the 401(k) profit sharing plan. For these sales of securities, no general solicitation was used and the Company relied on the exemption from registration available under Section 4(a)(2) and Rule 506(b) of Regulation D promulgated under the Securities Act with respect to transactions by an issuer not involving any public offering.

Other than previously reported, there have been no unregistered sales of equity securities during the three month period ended March 31, 2017.

In connection with the same offering of Series B convertible preferred stock, between April 1, 2017 and May 8, 2017, the Company issued 36,500 shares of Series B convertible preferred stock for cash proceeds of \$365,000. For this sale of securities, no general solicitation was used and the Company relied on the exemption from registration available under Section 4(a)(2) and Rule 506(b) of Regulation D promulgated under the Securities Act with respect to transactions by an issuer not involving any public offering. A Form D was filed with the SEC on April 7, 2017.

**Item 3. Defaults upon Senior Securities**

None.

**Item 4. Mine and Safety Disclosure**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

The following is a complete list of exhibits filed as part of this Form 10-Q. Exhibit numbers correspond to the numbers in the Exhibit Table of Item 601 of Regulation S-K.

<b>Exhibit</b>	<b>Description</b>
2.1	Stock Purchase Agreement between the Company and China Concentric Capital Group, Inc., dated December 20, 2016 <sup>(2)</sup>
2.2	First Amendment to the Stock Purchase Agreement between the Company and China Concentric Capital Group, Inc., dated January 17, 2016 <sup>(2)</sup>
2.3	Escrow Agreement between the Company, China Concentric Capital Group, Inc., and J.M. Walker & Associates, dated December 16, 2016 <sup>(2)</sup>
2.4	First Amendment to the Escrow Agreement between the Company, China Concentric Capital Group, Inc., and J.M. Walker & Associates, dated January 17, 2017 <sup>(2)</sup>
3.1	Amended and Restated Certificate of Incorporation filed September 30, 2013 <sup>(1)</sup>
3.2	Amended and Restated Bylaws <sup>(1)</sup>
4.1	Amended and Restated Certificate of Designation of the Series A Preferred filed September 30, 2013 <sup>(1)</sup>
4.2	Amendment No. 1 to the Amended and Restated Certificate of Designation of Series A Convertible Preferred Stock, dated February 28, 2017 <sup>(3)</sup>
4.3	Certificate of Designation of Series B Convertible Preferred Stock, dated February 28, 2017 <sup>(3)</sup>
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.*
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.*
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S. C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.**
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*
(1)	Incorporated by reference from the Company's Registration of Securities Pursuant to Section 12(g) on Form 10 dated May 14, 2014.
(2)	Incorporated by reference to the Company's Annual Report on Form 10-K filed on March 31, 2017.
(3)	Incorporated by reference from the Company's Current Report on Form 8-K, filed on March 2, 2017.
*	Filed herewith.
**	Furnished and not filed herewith.

**SIGNATURES**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 15, 2017

**ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC.**

By: /s/ Scott L. Mathis

Scott L. Mathis  
Chief Executive Officer

By: /s/ Maria Echevarria

Maria Echevarria  
Chief Financial Officer and Chief Operating Officer



**CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

I, Scott L. Mathis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Algodon Wines & Luxury Development Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 15, 2017

By: /s/ Scott L. Mathis

Name: Scott L. Mathis

Title: Chief Executive Officer

(Principal Executive Officer)

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**CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

I, Maria Echevarria, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Algodon Wines & Luxury Development Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 15, 2017

By: /s/ Maria Echevarria  
Name: Maria I. Echevarria  
Title: Chief Financial Officer  
(Principal Executive Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. §1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Algodon Wines & Luxury Development Group, Inc. (the "Company's Quarterly Report") on Form 10-Q for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Scott L. Mathis, as Chief Executive Officer and principal executive officer and Maria I. Echevarria, as Chief Financial Officer and principal financial officer of the Company hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of the undersigned's knowledge and belief, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

*/s/ Scott L. Mathis*

\_\_\_\_\_  
Scott L. Mathis  
Chief Executive Officer and Principal Executive Officer

Dated: May 15, 2017

*/s/ Maria I. Echevarria*

\_\_\_\_\_  
Maria I. Echevarria  
Chief Financial Officer and Principal Financial Officer

Dated: May 15, 2017

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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