

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 September 30, 2014

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)

212-739-7677

(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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

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

As of November 11, 2014, there were 34,138,431 shares of Algodon Wines & Luxury Development Group, Inc. common stock, \$0.01 par value issued and 34,134,020 outstanding.

**ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC.
AND SUBSIDIARIES
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**ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2014	December 31, 2013
	<u>(unaudited)</u>	
Assets		
Current Assets		
Cash	\$ 335,450	\$ 207,418
Accounts receivables, net	237,398	235,697
Accounts receivables - related parties, net	215,925	365,917
Advances and loans to registered representatives, net	308,020	207,748
Inventory	1,290,010	1,258,281
Prepaid expenses and other current assets, net	297,287	383,740
Total Current Assets	2,684,090	2,658,801
Property and equipment, net	6,844,808	8,523,546
Prepaid foreign taxes, net	706,321	944,051
Investment - related parties	299,786	318,195
Deposits	42,248	42,121
Total Assets	\$ 10,577,253	\$ 12,486,714
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 861,196	\$ 569,574
Current portion of accrued expenses	2,429,792	2,236,820
Current portion of accrued expenses - related parties	-	232,476
Deferred revenue	1,231,860	1,224,296
Loans payable	100,000	458,480
Loans payable - related parties	-	330,599
Current portion of convertible debt obligations	337,500	695,391
Current portion of convertible debt obligations - related parties	-	373,958
Current portion of other liabilities	1,124,011	11,681
Total Current Liabilities	6,084,359	6,133,275
Convertible debt obligations, non-current portion	-	384,012
Convertible debt obligations - related parties, non-current portion	-	426,042
Accrued expenses, non-current portion	-	64,027
Other liabilities, non-current portion	1,422,000	789,800
Total Liabilities	7,506,359	7,797,156
Commitments and Contingencies		
Stockholders' Equity		
Series A convertible preferred stock, par value \$0.01 per share; 11,000,000 shares authorized; 0 and 6,871,363 shares issued and outstanding and liquidation preference of \$0 and \$16,936,899 at September 30, 2014 and December 31, 2013, respectively.	-	68,713
Common stock, par value \$0.01 per share; 80,000,000 shares authorized; 33,520,170 and 23,761,436 shares issued and 33,515,759 and 23,757,025 shares outstanding as of September 30, 2014 and December 31, 2013, respectively.	335,201	237,614
Treasury stock, at cost, 4,411 shares at September 30, 2014 and December 31, 2013.	(14,070)	(14,070)
Additional paid-in capital	57,620,261	50,847,039
Accumulated other comprehensive loss	(7,885,431)	(6,202,701)
Accumulated deficit	(46,985,067)	(40,247,037)
Total Stockholders' Equity	3,070,894	4,689,558
Total Liabilities and Stockholders' Equity	\$ 10,577,253	\$ 12,486,714

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		For the nine months ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Sales	\$ 519,925	\$ 656,322	\$ 1,528,689	\$ 2,190,110
Cost of sales	<u>518,971</u>	<u>601,498</u>	<u>1,621,930</u>	<u>2,082,781</u>
Gross profit (loss)	<u>954</u>	<u>54,824</u>	<u>(93,241)</u>	<u>107,329</u>
Operating Expenses				
Selling and marketing	79,223	52,276	278,447	197,884
General and administrative	1,830,545	1,138,558	5,785,059	5,399,668
Depreciation and amortization	<u>77,254</u>	<u>121,201</u>	<u>219,376</u>	<u>391,162</u>
Total operating expenses	<u>1,987,022</u>	<u>1,312,035</u>	<u>6,282,882</u>	<u>5,988,714</u>
Loss from Operations	<u>(1,986,068)</u>	<u>(1,257,211)</u>	<u>(6,376,123)</u>	<u>(5,881,385)</u>
Other Expenses				
Interest expense, net	26,311	104,033	141,779	301,643
Loss on extinguishment of convertible debt	<u>709</u>	<u>66,889</u>	<u>220,128</u>	<u>262,636</u>
Total other expenses	<u>27,020</u>	<u>170,922</u>	<u>361,907</u>	<u>564,279</u>
Net Loss	(2,013,088)	(1,428,133)	(6,738,030)	(6,445,664)
Cumulative preferred stock dividends	<u>(66,888)</u>	<u>(260,041)</u>	<u>(672,766)</u>	<u>(704,694)</u>
Net Loss Attributable to Common Stockholders	<u>\$ (2,079,976)</u>	<u>\$ (1,688,174)</u>	<u>\$ (7,410,796)</u>	<u>\$ (7,150,358)</u>
Net Loss Per Share Attributable to Common Stockholders:				
Basic and Diluted	<u>\$ (0.06)</u>	<u>\$ (0.07)</u>	<u>\$ (0.28)</u>	<u>\$ (0.30)</u>
Weighted Average Number of Common Shares Outstanding:				
Basic and Diluted	<u>32,023,275</u>	<u>23,779,247</u>	<u>26,684,520</u>	<u>23,843,501</u>

See Notes to the Condensed Consolidated Financial Statements

**ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)**

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Net Loss	\$ (2,013,088)	\$ (1,428,133)	\$ (6,738,030)	\$ (6,445,664)
Other Comprehensive Loss				
Foreign currency translation adjustments	(159,745)	(758,378)	(1,682,730)	(1,728,335)
Total Comprehensive Loss	<u>\$ (2,172,833)</u>	<u>\$ (2,186,511)</u>	<u>\$ (8,420,760)</u>	<u>\$ (8,173,999)</u>

See Notes to the Condensed Consolidated Financial Statements

**ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC.
AND SUBSIDIARIES**
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014
(unaudited)

	Series A Convertible Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance - December 31, 2013	6,871,363	\$ 68,713	23,761,436	\$ 237,614	4,411	\$ (14,070)	\$ 50,847,039	\$ (6,202,701)	\$ (40,247,037)	\$ 4,689,558
Stock-based compensation:										
Common stock issued under 401(k) profit sharing plan	-	-	21,454	215	-	-	48,057	-	-	48,272
Options and warrants	-	-	-	-	-	-	570,061	-	-	570,061
Common stock issued for services	-	-	60,485	605	-	-	135,486	-	-	136,091
Common stock issued for exercised options	-	-	197,726	1,977	-	-	47,982	-	-	49,959
Series A convertible preferred stock issued for cash	2,130,734	21,307	-	-	-	-	4,879,370	-	-	4,900,677
Exchange of 12.5 % convertible notes for Series A convertible preferred stock	92,811	928	-	-	-	-	212,537	-	-	213,465
Exchange of 10 % convertible notes for Series A convertible preferred stock	384,161	3,842	-	-	-	-	879,729	-	-	883,571
Mandatory conversion of Series A preferred stock into Common Stock	(9,479,069)	(94,790)	9,479,069	94,790	-	-	-	-	-	-
Comprehensive loss:										
Net loss	-	-	-	-	-	-	-	-	(6,738,030)	(6,738,030)
Other comprehensive loss	-	-	-	-	-	-	-	(1,682,730)	-	(1,682,730)
Balance - September 30, 2014	<u>-</u>	<u>\$ -</u>	<u>33,520,170</u>	<u>\$ 335,201</u>	<u>4,411</u>	<u>\$ (14,070)</u>	<u>\$ 57,620,261</u>	<u>\$ (7,885,431)</u>	<u>\$ (46,985,067)</u>	<u>\$ 3,070,894</u>

See Notes to the Condensed Consolidated Financial Statements

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

	For the nine months ended September 30,	
	2014	2013
Cash Flows from Operating Activities		
Net loss	\$ (6,738,030)	\$ (6,445,664)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	570,061	2,559,174
Net realized and unrealized investment losses	18,409	26,815
Depreciation and amortization	343,353	529,594
Provision for uncollectable assets	(172,726)	(684,481)
Prepaid compensation amortization	(3,672)	(3,702)
Unrealized exchange rate loss on liabilities denominated in foreign currency	177,244	424,731
Loss on extinguishment of convertible debt	220,128	262,636
Other non-cash income	—	(27,484)
Decrease (increase) in assets:		
Accounts receivable	55,472	(24,980)
Inventory	(325,138)	(164,248)
Prepaid expenses and other current assets	8,985	79,752
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	912,258	908,372
Deferred revenue	64,057	(149,182)
Other current liabilities	(4,348)	(1,006)
Total Adjustments	<u>1,864,083</u>	<u>3,735,991</u>
Net Cash Used in Operating Activities	<u>(4,873,947)</u>	<u>(2,709,673)</u>
Cash Used in Investing Activities		
Purchase of property and equipment	(645,331)	(130,430)
Net Cash Used in Investing Activities	<u>(645,331)</u>	<u>(130,430)</u>
Cash Provided by Financing Activities		
Proceeds from exercise of common stock options	49,959	—
Proceeds from issuance of loans payable	325,000	908,498
Repayments of loans payable	(318,846)	(159,000)
Repayments of convertible debt obligations	(729,022)	(37,000)
Proceeds from equity offerings received prior to closing	1,770,575	581,000
Proceeds from issuance of preferred stock	4,110,877	1,469,500
Net Cash Provided by Financing Activities	<u>5,208,543</u>	<u>2,762,998</u>
Effect of Exchange Rate Changes on Cash	<u>438,767</u>	<u>243,243</u>
Net Increase in Cash	128,032	166,138
Cash - Beginning of Period	<u>207,418</u>	<u>114,763</u>
Cash - End of Period	<u>\$ 335,450</u>	<u>\$ 280,901</u>

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 nine months ended September 30,	
	2014	2013
Supplemental Disclosures of Cash Flow Information:		
Interest paid	\$ 471,103	\$ 80,237
Income taxes paid	\$ 66,846	\$ 30,810
Non-Cash Investing and Financing Activity		
Accrued stock based compensation converted to equity	\$ 48,272	\$ 78,128
Common stock converted into preferred stock and retired	\$ 94,790	\$ (1,111)
Debt and interest converted to equity	\$ 876,908	\$ 1,034,557
Issuance of preferred stock previously subscribed	\$ 789,800	\$ 298,050
Common stock issued to settle operational expenses	\$ 136,091	\$ —
Debt and interest converted to pending equity	\$ 668,103	\$ —

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. (“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, DPEC Capital, Inc. (“CAP”), and Algodon Europe, Ltd. AWLD also owns approximately 96.5% of Mercari Communications Group, Ltd. (“Mercari”), a public shell corporation that is current in its SEC reporting obligations and is a ready target for merger or sale. Mercari is a consolidated subsidiary of the Company and the noncontrolling interest is negligible.

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 of \$2,013,088 and \$6,738,030 during the three and nine months ended September 30, 2014, respectively and \$1,428,133 and \$6,445,664 during the three and nine months ended September 30, 2013, respectively. Cash used in operating activities was \$4,873,947 and \$2,709,673 for the nine months ended September 30, 2014 and 2013, 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 nine months ended September 30, 2014 and 2013 primarily through a private placement offering of equity for net proceeds of \$5,981,452 and \$2,050,000, respectively. During the nine months ended September 30, 2014 and 2013 the Company issued promissory notes for proceeds of \$325,000 (See Note 9 – Loans Payable) and \$908,498, respectively. During the nine months ended September 30, 2014 and 2013, \$1,147,868 and \$196,000 of cash proceeds from financing were used to repay debt. In addition, during the nine months ended September 30, 2014, the Company received \$49,959 of proceeds from the exercise of stock options. The Company presently has only enough cash on hand to sustain its operations on a month to month basis. 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 and notwithstanding any request the Company may make, the Company’s debt holders do not agree to convert their notes into equity or extend the maturity dates of their notes, 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 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 condensed consolidated financial statements of the Company as of September 30, 2014, and for the three and nine months ended September 30, 2014 and 2013. The results of operations for the three and nine months ended September 30, 2014 are not necessarily indicative of the operating results for the full year. It is suggested that these condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and related disclosures of the Company as of December 31, 2013 and 2012, included in Amendment No. 4 of the Company's Form 10 Registration Statement, filed with the Securities and Exchange Commission ("SEC") on October 23, 2014.

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. Such costs will be allocated to individual lots proportionately based on square meters and those allocated costs will be derecognized upon the sale of individual lots. Given that they are not currently in service, the assets are not currently 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 \$188,898 and \$135,335 at September 30, 2014 and December 31, 2013, respectively.

See Note 11 – Related Party Transactions – Liabilities for details associated with a liability concentration.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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:

	<u>September 30,</u>	
	<u>2014</u>	<u>2013</u>
Options	7,806,836	7,537,572
Warrants	957,848	843,225
Convertible instruments	<u>253,822</u>	<u>6,215,031</u>
Total potentially dilutive shares	<u>9,018,506</u>	<u>14,595,828</u>

Note that as of September 30, 2014, the Company had received \$2,538,678 of subscription deposits for the purchase of equity securities as of September 30, 2014 and is included in the non-current portion of other liabilities, received prior to the balance sheet date, and for which 1,176,600 common shares will be issued in fourth quarter 2014 upon closing of this private placement.

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

In May 2014, the FASB issued ASU 2014-09 "Revenue From Contracts With Customers" (Topic 606) ("ASU 2014-09") and the International Accounting Standards Board ("IASB") published its equivalent standard, International Financial Reporting Standard ("IFRS") 15, "Revenue from Contracts with Customers". These joint comprehensive new revenue recognition standards will supersede most existing revenue recognition guidance and are intended to improve and converge revenue recognition and related financial reporting requirements. The standard will require companies to review contract arrangements with customers and ensure all separate performance obligations are properly recognized in compliance with the new guidance. For public entities, the amendments are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. The standard allows for either "full retrospective" adoption, meaning the standard is applied to all periods presented, or "cumulative effect" adoption, meaning the standard is applied only to the most current period presented in the financial statements. The Company is currently assessing whether the adoption of the guidance will have a significant impact on its condensed consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12 "Compensation-Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period." ASU 2014-12 requires a reporting entity to treat a performance target that affects vesting and that could be achieved after the requisite service period as a performance condition. It is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. ASU 2014-12 may be adopted either prospectively for share-based payment awards granted or modified on or after the effective date, or retrospectively, using a modified retrospective approach. The modified retrospective approach would apply to share-based payment awards outstanding as of the beginning of the earliest annual period presented in the financial statements on adoption, and to all new or modified awards thereafter. The adoption of this guidance is not expected to have a significant impact on the Company's condensed consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, "Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern". The guidance, which is effective for annual reporting periods ending after December 15, 2016, extends the responsibility for performing the going-concern assessment to management and contains guidance on how to perform a going-concern assessment and when going-concern disclosures would be required under U.S. generally accepted accounting principles ("GAAP"). The Company does not believe adoption of this ASU will have a material effect on its financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's financial statements upon adoption.

4. INVENTORY

Inventory at September 30, 2014 and December 31, 2013 is comprised of the following:

	September 30, December 31,	
	2014	2013
Vineyard in Process	\$ 153,154	\$ 242,726
Wine in Process	937,679	846,934
Finished Wine	144,836	93,094
Other	54,341	75,527
	<u>\$ 1,290,010</u>	<u>\$ 1,258,281</u>

ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC.
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5. NET CAPITAL REQUIREMENTS

The Company's subsidiary, CAP, as a registered broker-dealer, is subject to the SEC's Uniform Net Capital Rule 15c3-1 that requires the maintenance of minimum net capital. This requires that CAP maintain minimum net capital of \$5,000 and requires that the ratio of aggregate indebtedness, as defined, to net capital, shall not exceed 15 to 1.

As of September 30, 2014 and December 31, 2013, CAP's net capital exceeded the requirement by \$25,177 and \$38,271, respectively.

The Company had a percentage of aggregate indebtedness to net capital of approximately 240.7% and 56.7% as of September 30, 2014 and December 31, 2013, respectively.

Advances, dividend payments and other equity withdrawals are restricted by the regulations of the SEC, and other regulatory agencies are subject to certain notification and other provisions of the net capital rules of the SEC. The Company qualifies under the exemptive provisions of Rule 15c3-3 as the Company does not carry security accounts for customers or perform custodial functions related to customer securities.

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:

As of September 30, 2014	Level 1	Level 2	Level 3	Total
Warrants - Affiliates	\$ -	\$ -	\$ 299,786	\$ 299,786
As of December 31, 2013	Level 1	Level 2	Level 3	Total
Warrants - Affiliates	\$ -	\$ -	\$ 318,195	\$ 318,195

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6. INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS, continued

A reconciliation of Level 3 assets is as follows:

	Warrants	
Balance - December 31, 2013	\$ 318,195	
Unrealized loss	(18,409)	
Balance - September 30, 2014	\$ 299,786	
	September 30, 2014	December 31, 2013
Unrealized Gains Related to Investments at Fair Value	\$ 119,320	\$ 137,729

It is 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 total compensation expense (fair value) recorded related to these distributed warrants was \$0 for the three months and nine months ended September 30, 2014 and \$29,372 and \$64,150 for the three and nine months ended September 30, 2013, respectively, and is classified as general and administrative expense in the condensed consolidated statements of operations. Warrants retained by the Company's broker-dealer subsidiary are marked to market at each reporting date using the Black-Scholes option pricing model.

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 and other current liabilities, each of which approximate their fair values based upon their short term nature. The Company's other financial instruments include loans payable and convertible 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:

	September 30, 2014	December 31, 2013
Accrued compensation	\$ 1,928,648	\$ 1,529,951
Accrued taxes payable	196,133	182,890
Accrued interest	213,502	647,247
Other accrued expenses	91,510	173,235
Total	\$ 2,429,793	\$ 2,533,323

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7. ACCRUED EXPENSES, continued

The non-current portion of the above amounts represents accrued interest as of period end that was subsequently exchanged for equity securities prior to the release of the financial statements, which permitted the amounts to be classified as a non-current liability as of period end. See Note 11 – Related Party Transactions for the portion of accrued interest attributable to related parties.

8. CONVERTIBLE DEBT OBLIGATIONS

Convertible notes consist of the following:

	September 30, 2014			December 31, 2013		
	Principal	Interest [1]	Total	Principal	Interest [1]	Total
8% Convertible Notes	\$ 287,500	\$ 179,533	\$ 467,033	\$ 509,250	\$ 195,723	\$ 704,973
12.5% Convertible Notes	50,000	23,191	73,191	140,500	64,493	204,993
10% Convertible Notes	-	5,108	5,108	1,229,653	254,646	1,484,299
Total	<u>\$ 337,500</u>	<u>\$ 207,832</u>	<u>\$ 545,332</u>	<u>\$ 1,879,403</u>	<u>\$ 514,862</u>	<u>\$ 2,394,265</u>

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

During the nine months ended September 30, 2014, principal plus interest aggregating \$1,067,171 was repaid in cash, and principal plus interest aggregating \$876,908 was converted to 476,792 shares of Series A Preferred. The fair value of the equity securities issued exceeded the value of the extinguished debt (not converted pursuant to their original terms) by \$220,128, which was recorded as a loss on extinguishment.

During the nine months ended September 30, 2014 and 2013, the Company accrued \$95,146 and \$195,168 of interest expense, respectively, in connection with its convertible notes.

9. LOANS PAYABLE

Loans payable consist of notes payable to independent lenders and to a related party (see Note 11 – Related Party Transactions). Loans payable to independent lenders of \$458,480 at December 31, 2013, consist primarily of two notes payable to a single lender. The first note dated March 4, 2011, was in the amount of \$250,000, and bore interest at 8% per annum. The second note dated January 3, 2013, was in the amount of \$200,000 and bore interest at 10% per annum. Both notes and the related accrued interest were converted into a deposit for the purchase of Series A Preferred on April 25, 2014.

Loans payable of \$100,000 at September 30, 2014 consist of a single loan payable to an independent lender. Three loans aggregating \$325,000 were issued during the nine months ended September 30, 2014. The first loan in the amount of \$100,000, dated January 17, 2014, along with the related accrued interest, was converted into a deposit for the purchase of Series A Preferred on April 16, 2014. The second loan, in the amount of \$100,000 is dated March 7, 2014, bears interest at 8% and is payable on demand any time after March 6, 2015. The third loan, in the amount of \$125,000 was issued on July 25, 2014, and was converted to a deposit for the purchase of common stock as of September 11, 2014 and is included in the non-current portion of other liabilities received prior to the balance sheet date, and for which 62,500 common shares will be issued in the fourth quarter 2014 upon closing of the private placement.

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10. OTHER LIABILITIES

The current portion of other liabilities consists primarily of deposits for the purchase of the Company's common stock, received prior to the balance sheet date, and for which common shares will subsequently be issued.

The non-current portion of other liabilities represents deposits for the purchase of the Company's equity securities, received prior to the balance sheet date, and for which 618,261 Series A Preferred shares were issued on November 4, 2014. The shares of Series A Preferred Stock were immediately converted to common shares on a one-for-one basis (see Note 15 - Subsequent Events).

11. RELATED PARTY TRANSACTIONS

Assets

Accounts receivable – related parties of \$215,925 and \$365,917 at September 30, 2014 and December 31, 2013, respectively, represents the net realizable value of advances made to related, but independent, entities under common management.

See Note 6 – Investments and Fair Value of Financial Instruments.

Liabilities

The CEO and Chairman of the Company (the "CEO"), loaned the Company \$400,000 in April 2011 at a 6% interest rate and since then he has periodically advanced and withdrawn additional amounts. The principal balance due to the CEO as December 31, 2013, is included in a loans payable – related parties and the interest due is included in accrued expenses - related parties in the accompanying condensed consolidated balance sheet as of December 31, 2013. The loan and related interest was paid in full during the first six months of 2014.

Additionally, in 2011 and 2012 the CEO invested a total \$800,000 in the Company's offering of convertible promissory notes on the same terms as other investors, earning a 10% interest rate. The balances due to the CEO related to convertible promissory notes as of December 31, 2013 and are included in accrued expenses - related parties (interest) and convertible debt obligations - related parties (principal) in the accompanying condensed consolidated balance sheets. During the nine months ended September 30, 2014, principal and interest of \$373,958 and \$207,327 was repaid in cash, and the remaining principal of \$426,042 was converted into 231,545 shares of Series A Preferred.

The following table summarizes principal and interest owed to the CEO December 31, 2013. There were no loans payable to the CEO at September 30, 2014.

	December 31, 2013		
	Principal	Interest	Total
6% Note	\$ 266,663	\$ 51,432	\$ 318,095
10% Note	800,000	176,475	976,475
20% Note ^[1]	63,936	4,569	68,505
Total	<u>\$ 1,130,599</u>	<u>\$ 232,476</u>	<u>\$ 1,363,075</u>

[1] This note bore interest at 20% because it was denominated in Argentine pesos, which have been subject to significant devaluation in recent years. This note was repaid in full as of September 30, 2014.

The Company's indebtedness to its CEO represented 17% of total liabilities at December 31, 2013.

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11. RELATED PARTY TRANSACTIONS, continued

Revenues

CAP recorded private equity and venture capital fees of \$0 during the three and nine months ended September 30, 2014 and \$132,761 and \$287,708 during the three and nine months ended September 30, 2013, respectively, arising from private placement transactions on behalf of a related, but independent, entity under common management. For the three and nine months ended September 30, 2013, \$90,805 and \$196,073, respectively, represent cash fees and \$41,956 and \$91,635, respectively, represent fees in the form of warrants, which were recorded at fair market value as of the grant date using the Black-Scholes option pricing model.

Expense Sharing

On April 1, 2010, the Company entered into an agreement with a related, but independent, entity under common management, to share expenses such as office space, support staff and other operating expenses. General and administrative expenses were reduced by \$45,927 and \$131,523 during the three and nine months ended September 30, 2014 and \$21,427 and \$76,973 during the three and nine months ended September 30, 2013, respectively.

12. 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. The Company recorded a charge associated with its contribution of \$23,730 and \$50,933, for three and nine months ended September 30, 2014, and \$6,064 and \$25,083 for the three and nine months ended September 30, 2013, respectively. This charge is 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 the prior year obligations based on the fair market value of its common stock on the date the shares are issued (shares were issued at \$2.25 per share during the nine months ended September 30, 2014 and \$2.25 per share during the nine months ended September 30, 2013).

13. STOCKHOLDERS' EQUITY

Convertible Preferred Stock

The Company issued 2,130,734 shares of Series A Preferred at \$2.30 per share to accredited investors in a private placement transaction for gross proceeds of \$4,900,677, and convertible debt obligations aggregating \$876,908 were converted to 476,792 shares of Series A Preferred during the nine months ended September 30, 2014.

Status as a Reporting Company and Preferred Stock Conversion

On July 14, 2014, the Company's Registration Statement on Form 10 filed on May 14, 2014, as amended on July 3, 2014 and August 13, 2014, with the SEC became effective with the result that the Company became subject to the reporting requirements under Section 13 of the Securities Exchange Act of 1934. As a result, the 9,479,069 outstanding shares of Series A Preferred were automatically converted into 9,479,069 aggregate shares of common stock. Upon conversion, the investors are no longer eligible for dividends payments and all liquidation preferences were extinguished.

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13. STOCKHOLDERS' EQUITY, continued

Common Stock

In January 2014, the Company issued 10,485 shares of common stock to settle certain accounts payable for \$23,591 or an average of \$2.25 per share of common stock.

In February 2014, the Company issued 166,305 shares of common stock to settle cashless exercised options to purchase 566,946 shares of common stock at an exercise price of \$1.59 per share and 31,421 shares of common stock to settle an exercised option for a purchase price of \$49,959 or \$1.59 per share of common stock.

In March 2014, the Company issued 21,454 shares of common stock at \$2.25 per share to settle its 2013 obligation (an aggregate of \$48,272 representing the combination of employee contributions and Company matching contributions) to the Company's 401(k) profit-sharing plan.

On April 9, 2014, the Company engaged a financial advisor for a six month term (subject to immediate termination by either party) for consideration comprised of a \$15,000 cash fee (\$7,500 expense for the three months ended September 30, 2014) and the issuance of 50,000 shares of common stock.

Accumulated Other Comprehensive Loss

The Company recorded foreign currency translation adjustments of \$159,745 and \$1,682,730 during the three and nine months ended September 30, 2014 and \$758,378 and \$1,728,335 during the three and nine months ended September 30, 2013, respectively, as accumulated other comprehensive loss.

Warrants

The Company issued five-year warrants for the purchase of 154 and 237,618 shares of Series A Preferred during the three and nine months ended September 30, 2014 and five year warrants for the purchase of 44,830 and 133,251 shares of Series A Preferred during the three and nine months ended September 30, 2013, to its subsidiary DPEC Capital, Inc., who acted as placement agent in connection with the sale of Series A Preferred. The warrants had an exercise price of \$2.30 per share. DPEC Capital, Inc., in turn, awarded such warrants to its registered representatives and recorded \$0 and \$198,997, of stock-based compensation expense for three and nine months ended September 30, 2014 and \$37,724 and \$119,248 for three and nine months ended September 30, 2013, respectively, within general and administrative expense in the condensed consolidated statements of operations.

A summary of warrants activity during nine months ended September 30, 2014 is presented below:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Intrinsic Value
Outstanding, December 31, 2013	899,156	\$ 2.54		
Issued	237,618	\$ 2.30		
Exercised	-	-		
Expired	(178,926)	\$ 3.70		
Outstanding, September 30, 2014	<u>957,848</u>	<u>\$ 2.27</u>	<u>3.6</u>	<u>\$ 18,913</u>
Exercisable, September 30, 2014	<u>957,848</u>	<u>\$ 2.27</u>	<u>3.6</u>	<u>\$ 18,913</u>

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13. STOCKHOLDERS' EQUITY, continued

Warrants, continued

A summary of outstanding and exercisable warrants as of September 30, 2014 is presented below:

<u>Warrants Outstanding</u>		<u>Warrants Exercisable</u>		
<u>Exercise Price</u>	<u>Exercisable Into</u>	<u>Outstanding Number of Warrants</u>	<u>Weighted Average Remaining Life In Years</u>	<u>Exercisable Number of Warrants</u>
\$ 1.59	Common Stock	46,130	0.8	46,130
\$ 2.30	Common Stock	911,718	3.7	911,718
	Total	957,848	3.6	957,848

Stock Options

The Company has computed the fair value of options granted using the Black-Scholes option pricing model. There is currently no public trading market for the shares of AWLD common stock underlying the Company's 2008 Equity Incentive Plan (the "2008 Plan"). Accordingly, the fair value of the AWLD common stock 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.

On August 27, 2014, the Company granted five-year options to purchase an aggregate of 2,649,000 shares of common stock at an exercise price of \$2.48 to employees, officers, directors and consultants of the Company, pursuant to the 2008 Plan. The options vest as follows: (i) 550,000 shares vest over a five year period with one-fourth vesting on August 27, 2015 and the remainder vesting quarterly thereafter; (ii) 1,115,000 shares vest over a four year period with one-fourth vesting on August 27, 2015 and the remainder vesting quarterly thereafter; (iii) 1,000 shares vest over a four year period with one-fourth vesting on August 27, 2015 and the remainder vesting yearly thereafter; (iv) 483,000 shares vest over a one year period with one-fourth vesting on August 27, 2015 and the remainder vesting yearly thereafter; and (v) 500,000 shares vest over a four year period with one-sixteenth vesting on November 27, 2014 and the remainder vesting quarterly thereafter.

The options had an aggregate grant date value of \$1,489,951, measured under the Black-Scholes option pricing model, using the following weighted average assumptions:

	<u>For the Three Months Ended September 30,</u>		<u>For the Nine Months Ended September 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Risk free interest rate	1.11%	n/a	1.11%	0.71%
Expected term (years)	3.43	n/a	3.43	3.09
Expected volatility	46.4%	n/a	46.4%	48.4%
Expected dividends	0%	n/a	0%	0%
Forfeiture rate	5.0%	5.0%	5.0%	5.0%

Options granted to employees, officers and directors had an aggregate grant date fair value of \$1,191,308, which will be recognized ratably over the vesting period. The consultant options had an aggregate grant date value of \$298,643 which will be re-measured on financial reporting dates and vesting dates until the service period is complete.

The weighted average estimated fair value of the stock options granted during the three and nine months ended September 30, 2014 was \$0.56 per share. There were no stock options granted during the three months ended September 30, 2013. The weighted average estimated fair value of the stock options granted during the nine months ended September 30, 2013 was \$0.67 per share.

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13. STOCKHOLDERS' EQUITY, continued

Stock Options, continued

During the three and nine months ended September 30, 2014, the Company recorded stock-based compensation expense related to stock option grants of \$144,163 and \$371,064, respectively, and \$122,304 and \$2,439,927 during the three and nine months ended September 30, 2013, respectively, which is reflected as general and administrative expenses in the condensed consolidated statements of operations. As of September 30, 2014, there was \$1,719,645 of unrecognized stock-based compensation expense related to stock option grants that will be amortized over a weighted average period of 3.2 years, of which \$307,000 of unrecognized expense is subject to non-employee mark-to-market adjustments.

A summary of options activity during the nine months ended September 30, 2014 is presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life (in years)	Intrinsic Value
Outstanding, December 31, 2013	7,136,236	\$ 2.85		
Granted	2,649,000	2.48		
Exercised	(598,367)	1.59		
Expired	(784,965)	2.67		
Forfeited	(595,068)	2.79		
Outstanding, September 30, 2014	<u>7,806,836</u>	<u>\$ 2.85</u>	<u>3.4</u>	<u>\$ 144,827</u>
Exercisable, September 30, 2014	<u>4,735,606</u>	<u>\$ 2.96</u>	<u>2.7</u>	<u>\$ 156,610</u>

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13. STOCKHOLDERS' EQUITY, continued

Stock Options, continued

The following table presents information related to stock options at September 30, 2014:

Range of Exercise Price	Options Outstanding		Options Exercisable		
	Weighted Average Exercise Price	Outstanding Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Exercisable Number of Options
\$1.59 - \$2.00	\$ 1.59	381,975	\$ 1.59	0.4	381,975
\$2.01 - \$2.50	\$ 2.48	5,279,000	\$ 2.48	3.8	2,661,250
\$2.51 - \$3.50	\$ 2.72	251,232	\$ 2.72	0.7	251,232
\$3.51 - \$4.50	\$ 3.85	1,859,000	\$ 3.85	1.8	1,436,770
\$4.51 - \$9.50	\$ 8.03	19,868	\$ 8.03	0.6	19,868
\$9.51 - \$41.78	\$ 33.94	15,761	\$ 33.94	0.6	15,761
\$1.59 - \$41.78	\$ 3.04	<u>7,806,836</u>	\$ 2.96	2.7	<u>4,766,856</u>

14. 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.

Regulatory Matters

In December 2007, the FINRA Office of Hearing Officers ("OHO") held that Mr. Mathis negligently failed to make certain disclosures on his Form U4 concerning personal tax liens, and willfully failed to make other required Form U4 disclosures regarding those tax liens. After several appeals regarding the willfulness finding, Mr. Mathis served a suspension, which was completed on September 4, 2012, and all fines have been paid.

Under FINRA's rules, the finding that Mr. Mathis was found to have acted willfully subjects him to a "statutory disqualification." This means that he might no longer be permitted to continue to work in the securities industry. In September 2012, Mr. Mathis submitted to FINRA an application on Form MC-400 in which he sought permission to continue to work in the securities industry, notwithstanding the fact that he is subject to a statutory disqualification. FINRA's Membership Regulation Department issued a recommendation in support of the application, and a hearing with respect to this application was held in Washington, D.C. on October 16, 2014 before a subcommittee of FINRA's Statutory Disqualification Committee. It is not known at this time when a final decision will be issued, as a number of steps in the review process still need to be completed. While a denial of that application would preclude Mr. Mathis from continuing to work at the Company's broker-dealer, he would still be able to continue performing his duties for the non-securities side of the business.

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14. COMMITMENTS AND CONTINGENCIES, continued

Pending Financial Disclosures

Mr. Mathis recently had three liens filed against him for unpaid taxes as disclosed on his Form U4. The majority of the tax owed by Mr. Mathis resulted from the sale of a portion of his shares in an affiliate, which Mr. Mathis liquidated in order to provide funds through a loan to the Company. Mr. Mathis entered into payment plans with the IRS and was fully compliant with those plans. Mr. Mathis has made full payment of the tax owed to New York State and no amounts are currently outstanding.

Commitments

The Company leases office space in New York City under an operating lease which expires on August 31, 2015. Rent expense for this property was \$32,292 and \$96,876 for the three and nine months ended September 30, 2014 and \$20,028 and \$101,376 for the three and nine months ended September 30, 2013, respectively, net of expense allocation to affiliates.

During July 2014, the Company executed a construction contract for an aggregate of approximately \$125,000 in order to expand the winery at Algodon Wine Estates.

15. 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

On November 4, 2014, the Company issued 618,261 shares of Series A Preferred stock at \$2.30 per share to accredited investors. Gross proceeds of \$1,422,000 related to the sale of the shares were received prior to the balance sheet date, and are included in other liabilities, non-current portion on the condensed consolidated balance sheet as of September 30, 2014. The shares of Series A Preferred Stock were immediately converted to common shares on a one-for-one basis.

As of September 30, 2014, the Company had received \$2,538,678 of subscription deposits for the purchase of common shares. This includes the conversion of a loan to a deposit for the purchase of common stock on September 11, 2014 in the amount of \$125,000 that was originally issued on July 25, 2014. Upon closing of this private placement in the fourth quarter of 2014, the Company will issue 1,176,600 additional shares of common stock.

Foreign Currency Exchange Rates

The Argentine Peso to United States Dollar exchange rate was 8.4449, 8.4630 and 6.5049 at October 31, 2014, September 30, 2014 and December 31, 2013, 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 financial statements as of December 31, 2013, 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.

Recent Developments and Trends

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.

Status as a Reporting Company and Preferred Stock Conversion

On July 14, 2014, our Registration Statement on Form 10 filed on May 14, 2014, as amended on July 3, 2014, August 13, 2014, September 12, 2014 and October 23, 2014, with the SEC became effective with the result that we became subject to the reporting requirements under Section 13 of the Securities Exchange Act of 1934. As a result, the 9,479,069 outstanding shares of Series A Convertible Preferred Stock (“Series A Preferred”) were automatically converted into 9,479,069 aggregate shares of common stock. No dividends associated with the Series A Preferred were declared by the Board of Directors

Financings

During the nine months ended September 30, 2014, we raised, net of repayments, approximately \$6.5 million of new capital through the issuance of debt and equity. This includes \$2,538,678 of subscription deposits for the purchase of common shares as of September 30, 2014 and is included in the non-current portion of other liabilities, received prior to the balance sheet date, and for which 1,176,600 common shares will be issued in fourth quarter 2014 upon closing of this private placement. We used the net proceeds from the closings of these private placement offerings for general working capital and capital expenditures.

Argentina's Technical Default and the Impact of Austere Fiscal Policy on Economic Growth

After the economic crisis in 2002, the Argentine government has maintained a policy of fiscal surplus. To be able to repay its debt, the Argentine government may be required to continue adopting austere fiscal measures that could adversely affect economic growth.

In 2005 and 2010, Argentina restructured over 91% of its sovereign debt that had been in default since the end of 2001. Some of the creditors who did not participate in the 2005 or 2010 exchange offers continued their pursuit of a legal action against Argentina for the recovery of debt.

In April 2010, a New York court granted an attachment over reserves of the Argentine Central Bank in the United States requested by creditors of Argentina on the basis that the Central Bank was its alter ego. In subsequent court rulings Argentina was ordered to pay \$1.33 billion to hedge fund creditors who refused to participate in the debt restructuring along with those who did. In February 2014, Argentina filed an appeal to the U.S. Supreme Court seeking to reverse these lower court decisions but the U.S. Supreme Court declined to consider Argentina's appeal.

A U.S. Court of Appeals blocked the most recent debt payment made by Argentina in June 2014 because it was improperly structured, giving Argentina through the end of July 2014 to find a way to pay to fulfill its obligations. On or about July 30, 2014, credit rating agencies Fitch and S&P declared Argentina to be in "selective default" after a U.S. judge blocked trustee Bank of New York Mellon from making payments to Argentine bond holders, after Argentina deposited the \$539 million in funds due to bond holders with the trustee. The court's reason for blocking the payments was due to Argentina failing to reach an agreement with a group of hedge funds that are holding out for better terms on old Argentine defaulted debt. In August 2014, Argentina filed a petition with the International Court of Justice against the United States alleging that U.S. courts have violated its sovereignty with respect to payments to Argentina's creditors. In order for the suit to proceed, the U.S. would have to consent to jurisdiction, which may be unlikely. At the end of October 2014, Argentina defaulted on a separate class of bonds after failing to complete an interest payment, which could lead to demands for accelerated payment.

As a result of Argentina's defaults and its aftermath of litigation, the government may not have the financial resources necessary to implement reforms and foster economic growth, which, in turn, could have a material adverse effect on the country's economy and, consequently, our businesses and results of operations. Furthermore, Argentina's inability to obtain credit in international markets could have a direct impact on our own ability to access international credit markets to finance our operations and growth.

There can be no assurance that the Argentine government will not truly default (as opposed to the current technical default) on its obligations under its bonds if it experiences another economic crisis. A new default by the Argentine government could lead to a new recession, higher inflation, restrictions on Argentine companies to access financing and funds, limit the operations of Argentine companies in the international markets, higher unemployment and social unrest, which would negatively affect our financial condition, results of operations and cash flows.

Limitations on Foreign Ownership of Argentine Rural Land

In December 2011, the Argentine Congress passed Law 26.737 (Regime for Protection of National Domain over Ownership, Possession or Tenure of Rural Land) limiting foreign ownership of rural land, even when not in border areas, to a maximum of 15 percent of all national, provincial or departmental productive land. Every non-Argentine national must request permission from the National Land Registry of Argentina in order to acquire non-urban real property.

As approved, the law has been in effect since February 28, 2012 but is not retroactive. Furthermore, the general limit of 15 percent ownership by non-nationals must be reached before the law is applicable and each provincial government may establish its own maximum area of ownership per non-national.

In the Mendoza province, the maximum area allowed per type of production and activity per non-national is as follows: Mining—25,000 hectares (61,776 acres), cattle ranching—18,000 hectares (44,479 acres), cultivation of fruit or vines—15,000 hectares (37,066 acres), horticulture—7,000 hectares (17,297 acres), private lot—200 hectares (494 acres), and other—1,000 hectares (2,471 acres). A hectare is a unit of area in the metric system equal to approximately 2.471 acres. However, these maximums will only be considered if the total 15 percent is reached. Although currently, the area under foreign ownership in Mendoza is approximately 8.6 percent, this law may apply to the Company in the future, and could affect the Company's ability to acquire additional real property in Argentina. Currently we own Argentine rural land through two legal entities, including one that owns 780 hectares (1,880 acres) and another that owns 54 hectares (130 acres) in the Mendoza province.

As reflected in our condensed consolidated financial statements we have generated significant losses which have results in a total accumulated deficit of \$47 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, 2013 and 2012, 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. 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 (including acquiring additional capital), our stockholders may lose their entire investment in us. 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.

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.

Consolidated Results of Operations

Three months ended September 30, 2014 compared to three months ended September 30, 2013

Overview

We reported net losses of approximately \$2.0 million and \$1.4 million for the three months ended September 30, 2014 and 2013, respectively, reflecting an increase of approximately \$0.6 million or 41%. The increase in net loss is primarily due to a \$0.7 million increase in general and administrative expenses, as described below.

Revenues

Revenues were approximately \$520,000 and \$656,000 during the three months ended September 30, 2014 and 2013, respectively, reflecting a decrease of \$136,000 or 20%. Decreases in revenues primarily resulted from the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar during 2014.

Gross profit

We generated a gross profit of approximately \$1,000 during the three months ended September 30, 2014, compared to a gross profit of \$55,000 during the three months ended September 30, 2013. Cost of sales, which consists of raw materials, direct labor and indirect labor associated with our business activities, decreased to approximately \$519,000 for the three months ended September 30, 2014, from \$601,000 for the three months ended September 30, 2013, primarily due to the reduction in revenues. We have realized gross losses primarily related to golf, tennis and restaurant sales, reflecting the worsening economic conditions in Argentina.

Selling and marketing expenses

Selling and marketing expenses were approximately \$79,000 and \$52,000, for the three months ended September 30, 2014 and 2013, respectively, representing an increase of \$27,000 or 52%. The increase is primarily attributable to increased travel expenses incurred in connection with our private placement offering during the three months ended September 30, 2014.

General and administrative expenses

General and administrative expenses were approximately \$1.8 million and \$1.1 million for the three months ended September 30, 2014 and 2013, respectively, representing an increase of \$0.7 million or 64%. The increase is primarily related to increased personnel and increases in professional fees incurred by the company in order to fulfill our responsibilities as a public company.

Depreciation and amortization expense

Depreciation and amortization expense was approximately \$77,000 and \$121,000 during the three months ended September 30, 2014 and 2013, respectively, representing a decrease of \$44,000 or 36%. It should be noted that approximately \$56,000 and \$49,000 of additional depreciation and amortization expense is included within cost of sales during the three months ended September 30, 2014 and 2013, respectively. Most of our property and equipment is located in Argentina and the gross cost being depreciated declined year-over-year due to the devaluation of the Argentine peso relative to the United States dollar.

Interest expense, net

Interest expense was approximately \$26,000 and \$104,000 during the three months ended September 30, 2014 and 2013, respectively, representing a decrease of \$78,000 or 75%, related to the reduction of debt during 2014.

Loss on extinguishment of convertible debt

Loss on extinguishment of convertible debt was approximately \$700 and \$67,000 during the three months ended September 30, 2014 and 2013, respectively. The extinguishment losses resulted from the excess of the fair market value of the issued Series A Preferred over the carrying value of the exchanged convertible notes that was not pursuant to the original terms of the convertible notes. The total shares of Series A Preferred received by exchanging convertible note holders was 1,536 and 154,179 in the three months ended September 30, 2014 and 2013, respectively.

Nine months ended September 30, 2014 compared to nine months ended September 30, 2013

Overview

We reported net losses of approximately \$6.7 million and \$6.4 million for the nine months ended September 30, 2014 and 2013, respectively, reflecting an increase of \$0.3 million or 5%. The increase in the net loss is primarily due to a \$0.4 million increase in general and administrative expenses.

Revenues

Revenues were approximately \$1.5 million and \$2.2 million during the nine months ended September 30, 2014 and 2013, respectively, representing a decrease of \$0.7 million or 31%. Decreases in wine, agricultural and hotel and restaurant revenues primarily resulted from the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar during 2014.

Gross profit

We generated a gross loss of approximately \$93,000 for the nine months ended September 30, 2014 as compared to a gross profit of approximately \$107,000 for the nine months ended September 30, 2013. Cost of sales, which consists of raw materials, direct labor and indirect labor associated with our business activities, decreased to approximately \$1.6 million for the nine months ended September 30, 2014, from \$2.1 million for the nine months ended September 30, 2013. The decrease in gross profits is primarily the result of deteriorating revenues and a rise in gross losses realized related to the golf, tennis and restaurant activities, reflecting the worsening economic conditions in Argentina.

Selling and marketing expenses

Selling and marketing expenses were approximately \$278,000 and \$198,000 for the nine months ended September 30, 2014 and 2013, respectively, an increase of \$80,000 or 41%. The increase is primarily attributable to a June 2014 marketing function, as well as travel costs incurred in connection with our private placement offering during the third quarter of 2014.

General and administrative expenses

General and administrative expenses were approximately \$5.8 million and \$5.4 million for the nine months ended September 30, 2014 and 2013, respectively, representing an increase of \$0.4 million or 7%. A decrease in stock based compensation of approximately \$2 million was offset by increases resulting from (i) increases in professional fees, commissions expenses and travel and entertainment expenses of \$0.7 million, \$0.2 million and \$0.2 million, respectively; (ii) an increase in tax expense of \$0.7 million due primarily to a 2013 reversal of reserves; (iii) an increase of \$0.2 million in compensation expense related to increased personnel, and (iv) an increase of \$0.2 million in foreign exchange rate losses related to lot sale deposits denominated in United States dollars, due to the devaluation of the peso.

Depreciation and amortization expense

Depreciation and amortization expense was approximately \$219,000 and \$391,000 during the nine months ended September 30, 2014 and 2013, respectively, representing a decrease of \$172,000 or 44%. It should be noted that approximately \$132,000 and \$83,000 of additional depreciation and amortization expense is included within cost of sales during the nine months ended September 30, 2014 and 2013, respectively. Most of our property and equipment is located in Argentina and gross cost being depreciated declined year-over-year due to the devaluation of the Argentine peso relative to the United States dollar.

Interest expense, net

Interest expense was approximately \$142,000 and \$302,000 during the nine months ended September 30, 2014 and 2013, respectively, representing a decrease of \$160,000 or 53%, related to the reduction (exchange or repayment) of debt during 2014.

Loss on extinguishment of convertible debt

Loss on extinguishment of convertible debt was approximately \$220,000 and \$263,000 during the nine months ended September 30, 2014 and 2013, respectively, representing a decrease of \$43,000 or 16%. The extinguishment losses resulted from the excess of the fair market value of the issued Series A Preferred over the carrying value of the exchanged convertible. The total shares of Series A Preferred received by exchanging convertible note holders was 476,972 and 563,997 in the nine months ended September 30, 2014 and 2013, respectively

Liquidity and Capital Resources

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

	September 30, 2014	December 31, 2013
Cash	\$ 335,450	\$ 207,418
Working Capital Deficiency	\$ (3,705,591)	\$ (3,474,474)

Based upon our working capital situation as of September 30, 2014, 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. These offerings were conducted by our wholly-owned subsidiary DPEC Capital, Inc. ("CAP"). Additionally, from time to time, we secured individual, direct loans from our CEO and other shareholders.

During the nine months ended September 30, 2014, we issued 2,130,734 shares of Series A Preferred at \$2.30 per share to accredited investors in a private placement transaction for gross proceeds of \$4,900,677.

We raised \$2,538,678 of subscription deposits for the purchase of common shares as of September 30, 2014 which is included in the non-current portion of other liabilities, received prior to the balance sheet date, and for which 1,176,600 common shares will be issued in fourth quarter 2014 upon closing of this private placement.

The proceeds from these financing activities were used to fund our existing operating deficits, legal and accounting expenses in preparation of 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.

On July 14, 2014, the Company's Registration Statement on Form 10 filed on May 14, 2014, as amended on July 3, 2014, August 13, 2014, September 12, 2014 and October 23, 2014 with the SEC became effective with the result that we became subject to the reporting requirements under Section 13 of the Securities Exchange Act of 1934. As a result, the 9,479,069 outstanding shares of Series A Preferred were automatically converted into 9,479,069 aggregate shares of common stock. Upon the conversion of the Series A Preferred to common stock, all cumulative dividends were cancelled, and all liquidation preferences were extinguished.

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 Nine months Ended September 30, 2014 and 2013

Net Cash Used in Operating Activities

Net cash used in operating activities for the nine months ended September 30, 2014 and 2013 amounted to approximately \$4,874,000 and \$2,710,000, respectively. During the nine months ended September 30, 2014, the net cash used in operating activities was primarily attributable to the net loss of approximately \$6,738,000, adjusted for approximately \$1,153,000 of net non-cash expenses, and \$711,000 of cash provided by changes in the levels of operating assets and liabilities. During the nine months ended September 30, 2013, the net cash used in operating activities was primarily attributable to the net loss of approximately \$6,446,000 adjusted for approximately \$3,087,000 of net non-cash expenses, and \$649,000 of cash provided by changes in the levels of operating assets and liabilities.

Net Cash Used in Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2014 and 2013 amounted to approximately \$645,000 and \$130,000, respectively, and was primarily related to the purchase of property and equipment.

Net Cash Provided by Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2014 and 2013 amounted to approximately \$5,209,000 and \$2,763,000, respectively. For the nine months ended September 30, 2014, the net cash provided by financing activities resulted primarily from the offering of equity securities for net proceeds of approximately \$5,981,000 and new borrowings of \$325,000, partially offset by repayment of debt of approximately \$1,148,000, as well as proceeds from the cash exercise of options for the purchase of 31,241 shares of the Company's common stock at \$1.59, per share for approximately \$50,000. For the nine months ended September 30, 2013, the net cash provided by financing activities resulted primarily from the offering of equity securities for net proceeds of approximately \$2,051,000 and new borrowings, net of repayments, of approximately \$712,000.

Going Concern and Management's Liquidity Plans

The accompanying 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 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, our cash-on-hand only allows us to operate our business operations on a month-to-month basis. 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, 2013 and 2012 consolidated financial statements.

Off-Balance Sheet Arrangements

None.

Contractual Obligations

Not applicable.

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 Amendment No. 4 to the General Form for Registration of Securities Pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934 on Form 10, and as filed with the SEC on October 23, 2014. Please refer to that document for disclosures regarding the critical accounting policies related to our business.

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

As of September 30, 2014, management conducted an evaluation under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company’s Internal Control Over Financial Reporting based on the framework set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and SEC guidance on conducting such assessments by smaller reporting companies and non-accelerated filers. Based on that assessment, management (with the participation of our Chief Executive Officer and Chief Financial Officer) concluded that, during the period covered by this report, such internal controls were effective.

This quarterly report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the Company's independent registered public accounting firm due to a transition period established by the rules of the Securities and Exchange Commission for newly public companies.

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. Additionally, as participants in the heavily-regulated securities industry, CAP and its associated persons have been named as respondents in certain regulatory proceedings

Certain Regulatory Matters and Customer Arbitrations

Scott Mathis, Chairman of the Board of Directors of AWLD and Chief Executive Officer of AWLD, is a registered representative associated with CAP. The report available on *Broker Check* at www.finra.org reflects a number of disclosure events, including one pending regulatory matter, a number of completed customer arbitrations and customer complaints, and three liens and judgments.

CAP has eight disclosure events as reported to FINRA, available on *Broker Check* at www.finra.org.

Customer Arbitrations and Complaints

There are no pending customer arbitrations or complaints pertaining to DPEC Capital or any of its associated persons.

Pending Financial Disclosures

Mr. Mathis recently had three liens filed against him for unpaid taxes as disclosed on his Form U4. The majority of tax owed by Mr. Mathis resulted from the sale of a portion of his shares in an affiliate, which Mr. Mathis liquidated in order to provide funds through a loan to the Company. Mr. Mathis entered into payment plans with the IRS and was fully compliant with those plans. Mr. Mathis has made full payment of the tax owed to New York State and no amounts are currently outstanding.

Further information about the disclosures reported by DPEC Capital and by Mr. Mathis is available from Broker Check at www.finra.org.

The Company and its management are not aware of any other regulatory or legal proceedings or investigations involving the Company, any of its subsidiaries or affiliates, or any of their respective officers, directors or employees.

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 Amendment No. 4 to the General Form for Registration of Securities Pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934 on Form 10 as filed with the SEC on October 23, 2014, which risk factors are incorporated herein by this reference.

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

Share Issuances

In July, 2014, an accredited investor converted \$2,286 of its 10% convertible note into 1,536 shares of Series A Preferred at a conversion price of \$1.84 per share. On July 14, 2014, all outstanding shares of Series A Preferred were automatically converted into shares of common stock on a 1:1 basis. For this sale of securities, 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. An initial Form D was filed with the SEC by the Company on October 11, 2012.

On November 4, 2014, the Company issued 618,261 shares of Series A Preferred stock at \$2.30 per share to accredited investors. Gross proceeds of \$1,422,000 related to the sale of the shares were received prior to the balance sheet date, and are included in other liabilities on the condensed consolidated balance sheet as of September 30, 2014. The shares of Series A Preferred Stock were immediately converted to common shares on a one-for-one basis. For this sale of securities, 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. An initial Form D was filed with the SEC by the Company on October 11, 2012.

As of September 30, 2014, the Company had received \$2,538,678 of subscription deposits for the purchase of common shares. This includes the conversion of a loan to a deposit for the purchase of common stock on September 11, 2014 in the amount of \$125,000 that was originally issued on July 25, 2014. Upon closing of this private placement in the fourth quarter of 2014, the Company will issue 1,176,600 additional shares of common stock. For this sale of securities, 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 July 14, 2014 and an amended Form D was filed with the SEC on September 15, 2014.

Option Grants and Warrant Issuances

On August 27, 2014, the Company granted five-year options to purchase an aggregate of 2,649,000 shares of common stock at an exercise price of \$2.48 to employees, directors, officers and consultants of the Company, pursuant to the Company's 2008 Equity Incentive Plan. The options vest as follows: (i) 550,000 shares vest over a five year period with one-fourth vesting on August 27, 2015 and the remainder vesting quarterly thereafter; (ii) 1,115,000 shares vest over a four year period with one-fourth vesting on August 27, 2015 and the remainder vesting quarterly thereafter; (iii) 1,000 shares vest over a four year period with one-fourth vesting on August 27, 2015 and the remainder vesting yearly thereafter; (iv) 483,000 shares vest over a one year period with one-fourth vesting on August 27, 2015 and the remainder vesting yearly thereafter; and (v) 500,000 shares vest over a four year period with one-sixteenth vesting on November 27, 2014 and the remainder vesting quarterly thereafter. No general solicitation was used in this offering. For these sales of securities, the Company relied on the exemption from registration available under Section 4(a)(2) of the Securities Act with respect to transactions by an issuer not involving any public offering.

In September 2014, in connection with the sale of Series A Preferred, the Company issued five-year warrants to its subsidiary DPEC Capital, Inc., who acted as placement agent, to purchase 154 shares, of Series A Preferred at an exercise price of \$2.30 per share. DPEC Capital, Inc., in turn, awarded such warrants to its registered representatives who all had sufficient knowledge and experience in financial, investment and business matters to be capable of evaluating the merits and risks of investment in the Company and able to bear the risk of loss. For this sale of securities, 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. An initial Form D was filed with the SEC by the Company on October 11, 2012. On July 14, 2014, all outstanding shares of Series A Preferred were automatically converted into shares of common stock on a 1:1 basis.

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.

Exhibit	Description
3.1	Amended and Restated Certificate of Incorporation filed September 30, 2013 ⁽¹⁾
3.2	Amended and Restated Bylaws ⁽¹⁾
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.*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S. C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.*
32.2	Certification of 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*

* Filed herewith.

(1) Incorporated by reference from the Company's Registration of Securities Pursuant to Section 12(g) on Form 10 dated May 14, 2014.

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: November 14, 2014

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

By: /s/ Scott L. Mathis
Scott L. Mathis
Chief Executive Officer

By: /s/ Mark G. Downey
Mark G. Downey
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 Principal Accounting 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)) 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) [Omitted pursuant to Exchange Act Rule 13a-14 of the Securities Exchange Act of 1934]
 - (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.
5. [Omitted pursuant to Exchange Act Rule 13a-14 of the Securities Exchange Act of 1934]:
 - (a) [Omitted pursuant to Exchange Act Rule 13a-14 of the Securities Exchange Act of 1934]
 - (b) [Omitted pursuant to Exchange Act Rule 13a-14 of the Securities Exchange Act of 1934].

Dated: November 14, 2014

Signature: /s/ Scott L. Mathis
Scott L. Mathis
Chief Executive Officer & Principal Executive Officer

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

I, Mark G. Downey, 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 Principal Executive 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)) 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) [Omitted pursuant to Exchange Act Rule 13a-14 of the Securities Exchange Act of 1934]
 - (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.
5. [Omitted pursuant to Exchange Act Rule 13a-14 of the Securities Exchange Act of 1934]:
 - (a) [Omitted pursuant to Exchange Act Rule 13a-14 of the Securities Exchange Act of 1934]
 - (b) [Omitted pursuant to Exchange Act Rule 13a-14 of the Securities Exchange Act of 1934].

Dated: November 14, 2014

Signature: /s/ Mark G. Downey
Mark G. Downey
Chief Financial Officer, Principal Financial Officer and Chief Operating Officer

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

I, Scott L. Mathis, Chief Executive Officer of Algodon Wines & Luxury Developments Group, Inc. (the Company), certify, that pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code:

1. The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (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: November 14, 2014

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

I, Mark G. Downey, Chief Financial Officer and Chief Operating Officer of Algodon Wines & Luxury Developments Group, Inc. (the Company), certify, that pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code:

1. The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (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/ Mark G. Downey

Mark G. Downey

Chief Financial Officer, Principal Financial Officer and Chief Operating Officer

Dated: November 14, 2014
