

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, 2015

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 16, 2015, there were 38,604,473 shares of Algodon Wines & Luxury Development Group, Inc. common stock, \$0.01 par value issued and 38,600,062 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

	<u>September 30,</u> <u>2015</u> <u>(unaudited)</u>	<u>December 31,</u> <u>2014</u>
Assets		
Current Assets		
Cash	\$ 372,091	\$ 442,725
Accounts receivables, net	254,116	292,840
Accounts receivables - related parties, net	500,318	265,111
Advances and loans to registered representatives, net	348,415	208,019
Inventory	1,477,430	1,487,166
Prepaid expenses and other current assets, net	435,364	454,996
Total Current Assets	<u>3,387,734</u>	<u>3,150,857</u>
Property and equipment, net	6,103,756	6,668,504
Prepaid foreign taxes, net	542,581	672,541
Investment - related parties	140,319	294,653
Deposits	64,249	42,269
Total Assets	<u>\$ 10,238,639</u>	<u>\$ 10,828,824</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 503,798	\$ 719,997
Accrued expenses, current portion	2,107,856	2,655,791
Deferred revenue	1,385,705	1,229,029
Loans payable	-	100,000
Convertible debt obligations	287,500	337,500
Other liabilities	1,122	5,884
Total Current Liabilities	<u>4,285,981</u>	<u>5,048,201</u>
Accrued expenses, non-current portion	257,981	-
Total Liabilities	<u>4,543,962</u>	<u>5,048,201</u>
Commitments and Contingencies		
Stockholders' Equity		
Series A convertible preferred stock, par value \$0.01 per share; 11,000,000 shares authorized; 902,670 shares available for issuance; 0 shares issued and outstanding at September 30, 2015 and December 31, 2014		-
Common stock, par value \$0.01 per share; 80,000,000 shares authorized; 38,604,473 and 35,745,831 shares issued and 38,600,062 and 35,741,420 shares outstanding as of September 30, 2015 and December 31, 2014, respectively	386,045	357,458
Additional paid-in capital	69,072,084	62,517,913
Accumulated other comprehensive loss	(7,903,558)	(7,770,214)
Accumulated deficit	(55,845,824)	(49,310,464)
Treasury stock, at cost, 4,411 shares at September 30, 2015 and December 31, 2014	(14,070)	(14,070)
Total Stockholders' Equity	<u>5,694,677</u>	<u>5,780,623</u>
Total Liabilities and Stockholders' Equity	<u>\$ 10,238,639</u>	<u>\$ 10,828,824</u>

See Notes to the Condensed Consolidated Financial Statements

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Sales	\$ 593,114	\$ 519,925	\$ 1,434,352	\$ 1,528,689
Cost of sales	(444,814)	(613,534)	(1,565,485)	(1,941,924)
Gross profit (loss)	148,300	(93,609)	(131,133)	(413,235)
Operating Expenses				
Selling and marketing	39,820	32,104	176,674	231,328
General and administrative	1,673,925	1,783,101	5,854,367	5,512,184
Depreciation and amortization	53,594	77,254	185,262	219,376
Total operating expenses	1,767,339	1,892,459	6,216,303	5,962,888
Loss from Operations	(1,619,039)	(1,986,068)	(6,347,436)	(6,376,123)
Other Expenses				
Interest expense, net	34,388	26,311	187,924	141,779
Loss on extinguishment of convertible debt	-	709	-	220,128
Total other expenses	34,388	27,020	187,924	361,907
Net Loss	(1,653,427)	(2,013,088)	(6,535,360)	(6,738,030)
Cumulative preferred stock dividends	-	(66,888)	-	(672,766)
Net Loss Attributable to Common Stockholders	\$ (1,653,427)	\$ (2,079,976)	\$ (6,535,360)	\$ (7,410,796)
Net Loss Per Share Attributable to Common Stockholders:				
Basic and Diluted	\$ (0.04)	\$ (0.06)	\$ (0.18)	\$ (0.28)
Weighted Average Number of Common Shares Outstanding:				
Basic and Diluted	38,592,564	32,023,275	37,342,916	26,684,520

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		For the nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net Loss	\$ (1,653,427)	\$ (2,013,088)	\$ (6,535,360)	\$ (6,738,030)
Other Comprehensive Loss				
Foreign currency translation adjustments	(115,931)	(159,745)	(133,344)	(1,682,730)
Total Comprehensive Loss	\$ (1,769,358)	\$ (2,172,833)	\$ (6,668,704)	\$ (8,420,760)

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, 2015
(unaudited)

	<u>Common Stock</u>		<u>Treasury Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
Balance -December 31, 2014	35,745,831	\$ 357,458	4,411	\$ (14,070)	\$62,517,913	\$ (7,770,214)	\$ (49,310,464)	\$ 5,780,623
Stock-based compensation:								
Common stock issued under 401(k) profit sharing plan	36,700	367	-	-	73,033	-	-	73,400
Options and warrants	-	-	-	-	865,474	-	-	865,474
Common stock issued for cash	2,821,942	28,220	-	-	5,615,664	-	-	5,643,884
Comprehensive loss:								
Net loss	-	-	-	-	-	-	(6,535,360)	(6,535,360)
Other comprehensive loss	-	-	-	-	-	(133,344)	-	(133,344)
Balance - September 30, 2015	<u>38,604,473</u>	<u>\$ 386,045</u>	<u>4,411</u>	<u>\$ (14,070)</u>	<u>\$69,072,084</u>	<u>\$ (7,903,558)</u>	<u>\$ (55,845,824)</u>	<u>\$ 5,694,677</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,	
	2015	2014
Cash Flows from Operating Activities		
Net loss	\$ (6,535,360)	\$ (6,738,030)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	937,317	570,061
Net realized and unrealized investment losses	170,210	18,409
Depreciation and amortization	185,262	343,353
Provision for uncollectible assets	80,401	(172,726)
Prepaid compensation amortization	3,083	(3,672)
Unrealized exchange rate loss on liabilities denominated in foreign currency	-	177,244
Loss on extinguishment of convertible debt	-	220,128
Other non-cash income, net	(15,876)	-
Decrease (increase) in assets:		
Accounts receivable	(292,076)	55,472
Inventory	(18,727)	(325,138)
Prepaid expenses and other current assets	(139,714)	8,985
Deposits	(22,284)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(359,577)	912,258
Deferred revenue	275,136	64,057
Other liabilities	(4,762)	(4,348)
Total Adjustments	798,393	1,864,083
Net Cash Used in Operating Activities	(5,736,967)	(4,873,947)
Cash Flows from Investing Activities		
Purchase of property and equipment	(369,873)	(645,331)
Net Cash Used in Investing Activities	(369,873)	(645,331)
Cash Flows from Financing Activities		
Proceeds from exercise of common stock options	-	49,959
Proceeds from issuance of loans payable	-	325,000
Repayments of loans payable	(100,000)	(318,846)
Repayments of convertible debt obligations	(50,000)	(729,022)
Proceeds from common stock offering	5,643,884	-
Proceeds from preferred stock offering	-	1,770,575
Proceeds from issuance of preferred stock	-	4,110,877
Net Cash Provided by Financing Activities	5,493,884	5,208,543
Effect of Exchange Rate Changes on Cash	542,322	438,767
Net (Decrease) Increase in Cash	(70,634)	128,032
Cash - Beginning of Year	442,725	207,418
Cash - End of Period	\$ 372,091	\$ 335,450

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,	
	2015	2014
Supplemental Disclosures of Cash Flow Information:		
Interest paid	\$ 128,171	\$ 471,103
Income taxes paid	\$ 20,550	\$ 66,846
Non-Cash Investing and Financing Activity		
Debt and interest converted to equity	\$ -	\$ 876,908
Common stock converted into preferred and retired	\$ -	\$ 94,790
Common stock issued to settle operational expenses	\$ -	\$ 136,091
Accrued stock based compensation converted to equity	\$ 73,401	\$ 48,272
Issuance of preferred stock previously subscribed	\$ -	\$ 789,800
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.

Through its subsidiaries, the Company currently operates Algodon Mansion (“TAR”), 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 (“AWE”) for subdivision of a portion of this property for residential development.

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 \$1,653,427 and \$6,535,360 during the three and nine months ended September 30, 2015, respectively and \$2,013,088 and \$6,738,030 during the three and nine months ended September 30, 2014, respectively. Cash used in operating activities was \$5,736,967 and \$4,873,947 for the nine months ended September 30, 2015 and 2014, 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 primarily through private placement offerings of equity for net proceeds of \$5,643,884 and \$5,881,452 for the nine months ended September 30, 2015 and 2014, respectively. During the nine months ended September 30, 2015 and 2014, the Company issued promissory notes for proceeds of \$0 and \$325,000, respectively. During the nine months ended September 30, 2015 and 2014, \$150,000 and \$1,047,868, respectively, of cash proceeds from financing were used to repay debt. In addition, during the nine months ended September 30, 2015, 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 until December 2015. 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, 2015, and for the three and nine months ended September 30, 2015 and 2014. The results of operations for the three and nine months ended September 30, 2015 are not necessarily indicative of the operating results for the full year. It is suggested that these unaudited condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2014, filed with the Securities and Exchange Commission ("SEC") on March 31, 2015. The condensed consolidated balance sheet as of December 31, 2014 has been derived from the Company's audited consolidated financial statements.

Use of Estimates

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

Segment Information

The FASB has established standards for reporting information on operating segments of an enterprise in interim and annual financial statements. The Company operates in one segment which is the business of real estate development in Argentina. The Company's chief operating decision-maker reviews the Company's operating results on an aggregate basis and manages the Company's operations as a single operating segment. Certain activities of the Company such as the U.S. Broker Dealer Operations, are considered a service or support division to the Company, by providing capital raising efforts, substantially to support the AWLD real estate development activities, and are not considered a business for segment purposes.

Reclassifications

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Foreign Currency Translation

The Company's functional and reporting currency is the United States dollar. The functional currencies of the Company's operating subsidiaries are their local currencies (United States dollar, Argentine peso and British pound). There has been a steady devaluation of the Argentine peso relative to the United States dollar in recent years. Assets and liabilities are translated into U.S. dollars at the exchange rate as of the balance sheet date (9.4154 and 8.5411 at September 30, 2015 and December 31, 2014, respectively) and revenue and expense accounts are translated at a weighted average exchange rate for the period or for the year then ended (8.9612 and 7.9740 for the nine months ended September 30, 2015 and 2014, respectively). Resulting translation adjustments are made directly to accumulated other comprehensive income. The Company engages in foreign currency denominated transactions with customers and suppliers, as well as between subsidiaries with different functional currencies.

A highly inflationary economy is defined as an economy with a cumulative inflation rate of approximately 100 percent or more over a three-year period. If a country's economy is classified as highly inflationary, the functional currency of the foreign entity operating in that country must be remeasured to the functional currency of the reporting entity. The official cumulative inflation rate for Argentina over the last three years approximated 44%, although the International Monetary Fund has concerns regarding the accuracy of the official data.

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 \$186,019 and \$135,098 at September 30, 2015 and December 31, 2014, respectively.

Comprehensive Loss

Comprehensive loss 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 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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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:

	September 30	
	2015	2014
Options	8,956,311	7,806,836
Warrants	1,350,895	957,848
Convertible Instruments	-	253,822
Total potentially dilutive shares	<u>10,307,206</u>	<u>9,018,506</u>

New Accounting Pronouncements

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory," which applies to inventory that is measured using first-in, first-out ("FIFO") or average cost. Under the updated guidance, an entity should measure inventory that is within scope at the lower of cost and net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Subsequent measurement is unchanged for inventory that is measured using last-in, last-out ("LIFO"). This ASU is effective for annual and interim periods beginning after December 15, 2016, and should be applied prospectively with early adoption permitted at the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of adopting this guidance.

4. INVENTORY

Inventory at September 30, 2015 and December 31, 2014 is comprised of the following:

	September 30,	December 31,
	2015	2014
Vineyard in Process	\$ 179,509	\$ 247,234
Wine in Process	1,092,095	990,923
Finished Wine	112,126	118,869
Other	93,700	130,140
	<u>\$ 1,477,430</u>	<u>\$ 1,487,166</u>

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

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, 2015 and December 31, 2014, CAP's net capital exceeded the requirement by \$95,027 and \$12,860, respectively.

The Company had a percentage of aggregate indebtedness to net capital of approximately 18% and 432% as of September 30, 2015 and December 31, 2014, 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.

ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC. AND SUBSIDIARIES
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6. INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS, continued

Investments – Related Parties at Fair Value:

<u>As of September 30, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Warrants- Affiliates	\$ -	\$ -	\$ 140,319	\$ 140,319

<u>As of December 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Warrants- Affiliates	\$ -	\$ -	\$ 294,653	\$ 294,653

A reconciliation of Level 3 assets is as follows:

	<u>Warrants</u>
Balance - December 31, 2014	\$ 294,653
Received	52,928
Allocated to employees as compensation	(37,052)
Unrealized loss	(170,210)
Balance - September 30, 2015	<u>\$ 140,319</u>

	<u>September 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
Accumulated unrealized (losses) gains related to investments at fair value	<u>\$ (32,173)</u>	<u>\$ 114,188</u>

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 Company recorded \$37,052 compensation expense (fair value) related to these distributed warrants for the three and nine months ended September 30, 2015. There was no compensation related to distributed warrants during the three and nine months ended September 30, 2014. Warrants retained by the Company's broker-dealer subsidiary are marked to market at each reporting date using the Black-Scholes option pricing model. Unrealized losses on affiliate warrants of \$29,772 and \$170,210 recorded during the three and nine months ended September 30, 2015, respectively, are included in revenues on the accompanying condensed consolidated statements of operations.

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6. INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS, continued

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

The current portion of accrued expenses is comprised of the following:

	<u>September 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
Accrued compensation & payroll taxes	\$ 1,574,720	\$ 2,003,866
Other taxes payable	224,597	186,559
Accrued interest	245,738	321,729
Other accrued expenses	62,801	143,637
Total	<u>\$ 2,107,856</u>	<u>\$ 2,655,791</u>

During May 2015, the Company entered into a payment plan, under which it agreed to pay its past due Argentine payroll tax obligations over a period of 36 months. The current portion of payments due under the plan is \$116,112, included in accrued compensation and payroll taxes above. The non-current portion of accrued expenses of \$257,981 represents payments under the plan that are scheduled to be paid after twelve months.

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8. CONVERTIBLE DEBT OBLIGATIONS

Convertible notes consist of the following:

	<u>September 30, 2015</u>			<u>December 31, 2014</u>		
	<u>Principal</u>	<u>Interest [1]</u>	<u>Total</u>	<u>Principal</u>	<u>Interest [1]</u>	<u>Total</u>
8% Convertible Notes	\$ 237,500	\$ 213,648	\$ 451,148	\$ 287,500	\$ 188,988	\$ 476,488
12.5% Convertible Notes	50,000	32,090	82,090	50,000	25,433	75,433
Total	<u>\$ 287,500</u>	<u>\$ 245,506</u>	<u>\$ 533,238</u>	<u>\$ 337,500</u>	<u>\$ 214,421</u>	<u>\$ 551,921</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, 2015, \$50,000 of principal was repaid in cash. The Company accrued interest expense of \$9,943 and \$31,317 during the three and nine months ended September 30, 2015 and \$24,541 and \$95,146 during the three and nine months ended September 30, 2014. The period for conversion of the convertible notes expired and as such, the convertible notes are no longer convertible.

9. LOANS PAYABLE

Loans payable of \$100,000 at December 31, 2014 consists of a note payable to a single independent lender. The note was dated March 7, 2014, bore interest at 8% per annum and was payable on demand. On April 21, 2015 the Company repaid the remaining principal and interest balances on this note of \$100,000 and \$11,233, respectively.

10. RELATED PARTY TRANSACTIONS

Receivables

Accounts receivable – related parties, net of \$500,318 and \$265,111 at September 30, 2015 and December 31, 2014, respectively, represents the net realizable value of advances made to related, but independent, entities under common management.

Investments

See Note 6 – Investments and fair value of financial instruments, for information related to investments in related parties.

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10. RELATED PARTY TRANSACTIONS, continued

Revenues

For three and nine months ended September 30, 2015, CAP recorded \$238,517 of private equity and venture capital fees arising from private placement transactions on behalf of a related, but independent, entity under common management. Of this amount, \$185,589 represent cash fees and \$52,928 represent fees in the form of warrants, which were recorded at fair value as of the grant date using the Black-Scholes option pricing model. No similar fees were earned during the three and nine months ended September 30, 2014.

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 \$39,196 and \$124,133 during the three and nine months ended September 30, 2015 and \$45,927 and \$131,523 during the three and nine months ended September 30, 2014, respectively.

The Company has an expense sharing agreement with a related, but independent entity to share expenses such as office space and other clerical services. The owners of more than 5% of that entity include (i) AWLD's chairman, and (ii) a more than 5% owner of AWLD. The entity owed \$401,482 and \$389,512 to the Company under the expense sharing agreement as of September 30, 2015 and December 31, 2014, respectively, of which \$347,000 and \$289,000, respectively, is deemed unrecoverable and written off.

Other Relationships

An investor and a greater than 5% stockholder of the Company is affiliated with a company that imports wines for AWE to the United States.

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11. BENEFIT CONTRIBUTION PLAN

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

A participant is always fully vested in their account, including the Company’s contribution. The Company recorded a charge associated with its contribution of \$6,108 and \$71,842 for three and nine months ended September 30, 2015, and \$23,730 and \$50,933, for three and nine months ended September 30, 2014, 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 \$2.00 per share during the nine months ended September 30, 2015 and \$2.25 per share during the nine months ended September 30, 2014).

12. STOCKHOLDERS’ EQUITY

Common Stock

During the nine months ended September 30, 2015, the Company issued 2,821,942 shares of common stock at \$2.00 per share for cash proceeds of \$5,643,884.

Accumulated Other Comprehensive Loss

The Company recorded foreign currency translation adjustments of \$(115,931) and \$(133,344) during the three and nine months ended September 30, 2015 and \$159,745 and \$1,682,730 during the three and nine months ended September 30, 2014, respectively, as accumulated other comprehensive loss.

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12. STOCKHOLDERS' EQUITY, continued

Warrants

During the three and nine months ended September 30, 2015, in connection with the sale of its equity securities, the Company issued five-year warrants to its subsidiary CAP, who acted as placement agent, to purchase 112,407 and 327,351 shares, respectively, of its common stock at \$2.00 per share. Similarly, during the three and nine months ended September 30, 2014 the Company issued five-year warrants for the purchase of 154 and 237,618 shares of Series A Preferred, respectively, at an exercise price of \$2.30 per share to CAP. CAP, in turn, awarded such warrants to its registered representatives and recorded \$80,259 and \$235,105 of stock-based compensation expense for three and nine months ended September 30, 2015 and \$0 and \$198,997, of stock-based compensation expense for three and nine months ended September 30, 2014, respectively, within general and administrative expense in the condensed consolidated statements of operations.

A summary of warrants activity during nine months ended September 30, 2015 is presented below:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life in Years	Intrinsic Value
Outstanding, December 31, 2014	1,069,674	\$ 2.26		
Issued	327,351	2.00		
Exercised	-	-		
Expired	(46,130)	1.59		
Outstanding, September 30, 2015	<u>1,350,895</u>	<u>\$ 2.24</u>	<u>2.9</u>	<u>\$ -</u>
Exercisable, September 30, 2015	<u>1,350,895</u>	<u>\$ 2.24</u>	<u>2.9</u>	<u>\$ -</u>

A summary of outstanding and exercisable warrants as of September 30, 2015 is presented below:

		Warrants Outstanding		Warrants Exercisable	
Exercise Price	Exercisable Into	Outstanding Number of Warrants	Weighted Average Remaining Life In Years	Exercisable Number of Warrants	
\$ 2.30	Preferred A	973,544	2.8	973,544	
\$ 2.00	Common	377,351	3.2	377,351	
	Total	<u>1,350,895</u>	<u>2.9</u>	<u>1,350,895</u>	

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12. STOCKHOLDERS' EQUITY, continued

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. The Company estimated forfeitures related to options at an annual rate of 5% for options outstanding at September 30, 2015.

On June 15, 2015, the Company granted five-year options to purchase an aggregate of 2,211,890 shares of common stock to employees, officers, directors and consultants of the Company, pursuant to the 2008 Plan. Options to purchase an aggregate of 2,201,890 shares had an exercise price of \$2.20 per share and an option to purchase 10,000 shares of common stock had an exercise price of \$3.30 per share. The options vest over a four year period with one-fourth vesting on June 8, 2016 and the remainder vesting quarterly thereafter and had an aggregate grant date value of \$1,409,900, of which, options granted to employees, officers and directors had an aggregate grant date fair value of \$1,251,384, which will be recognized ratably over the vesting period, while options granted to consultants had an aggregate grant date value of \$158,516, which will be re-measured on financial reporting dates and vesting dates until the service period is complete.

In applying the Black-Scholes option pricing model, the Company used the following weighted average assumptions:

	For The Three Months Ended		For The Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Risk free interest rate	n/a	1.11%	0.00%	1.11%
Expected term (years)	n/a	3.43	3.59	3.43
Expected volatility	n/a	46.4%	46.1%	46.4%
Expected dividends	n/a	0%	0%	0%
Forfeiture rate	n/a	5.0%	5.0%	5.0%

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12. STOCKHOLDERS' EQUITY, continued

Stock Options, continued

There were no options granted during the three months ended September 30, 2015. The weighted average grant date fair value per share of options granted during the nine months ended September 30, 2015 was \$0.64. 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.

During April 2015, in connection with certain employee separation agreements, the Company modified options to purchase an aggregate of 132,671 shares of common stock such that (a) previously vested options to purchase 68,671 shares of common stock will remain outstanding and exercisable until their original expiration dates notwithstanding the termination and (b) an unvested option to purchase 64,000 shares of common stock will become vested immediately and will remain outstanding and exercisable until its original expiration date notwithstanding the termination. The Company recorded incremental stock-based compensation expense of \$0 and \$40,300 during the three and nine months ended September 30, 2015, respectively, as a result of the modification of the options,

The Company recorded stock-based compensation expense related to stock option grants of \$178,946 and \$630,372 during the three and nine months ended September 30, 2015, respectively, and \$144,163 and \$371,064 during the three and nine months ended September 30, 2014, respectively, which is reflected as general and administrative expenses in the condensed consolidated statements of operations. As of September 30, 2015, there was \$2,033,810 of unrecognized stock-based compensation expense related to stock option grants that will be amortized over a weighted average period of 3.5 years, of which \$328,415 of unrecognized expense is subject to non-employee mark-to-market adjustments.

A summary of options activity during the nine months ended September 30, 2015 is presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Intrinsic Value
Outstanding, December 31, 2014	7,806,836	\$ 2.85		
Granted	2,211,890	2.20		
Exercised	-	-		
Expired	(643,836)	2.95		
Forfeited	(418,579)	2.52		
Outstanding, September 30, 2015	<u>8,956,311</u>	<u>\$ 2.70</u>	<u>3.1</u>	<u>\$ -</u>
Exercisable, September 30, 2015	<u>5,321,921</u>	<u>\$ 2.96</u>	<u>2.3</u>	<u>\$ -</u>

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12. STOCKHOLDERS' EQUITY, continued

Stock Options, continued

The following table presents information related to stock options at September 30, 2015:

<u>Options Outstanding</u>		<u>Options Exercisable</u>	
<u>Exercise Price</u>	<u>Outstanding Number of Options</u>	<u>Weighted Average Remaining Life In Years</u>	<u>Exercisable Number of Options</u>
\$ 2.20	2,201,890	-	-
\$ 2.48	4,873,000	3.1	3,450,500
\$ 3.85	10,000	-	-
\$ 3.85	25,000	2.7	25,000
\$ 3.85	1,846,421	0.8	1,846,421
	<u>8,956,311</u>	2.3	<u>5,321,921</u>

13. COMMITMENTS AND CONTINGENCIES

Legal Matters

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

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13. COMMITMENTS AND CONTINGENCIES, continued

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 to reflect the filing of certain personal federal tax liens. (All of the underlying tax liabilities were paid in full by Mr. Mathis in 2003 and the liens were released in 2003.) 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 applicable FINRA rules, the finding that Mr. Mathis acted willfully subjected him to a “statutory disqualification” would have prevented him from working in the securities industry. In accordance with FINRA rules, Mr. Mathis filed Form MC-400 with FINRA in September 2012, requesting that he be permitted to continue to work in the securities industry and in October 2014, FINRA’s Member Regulation Department recommended approval of the MC-400 application. On April 30, 2015, FINRA’s National Adjudicatory Council (NAC) agreed with the recommendation of Member Regulation and further approved the application so that Mr. Mathis can continue to work in the securities industry. At the time that FINRA provided notice of the NAC’s approval, it informed CAP that such approval would become effective at such time that the Securities and Exchange Commission issued an acknowledgement letter. On August 20, 2015, the Securities and Exchange Commission issued an acknowledgement letter to FINRA and as a result, the approval of Mr. Mathis’s MC-400 application is now effective.

Commitments

Lease

The Company leases office space in New York City under an operating lease which expired on August 31, 2015. During July, 2015, the Company entered into the second amendment of this lease (the Second Lease Amendment). Pursuant to the terms of the Second Lease Amendment, annual rent for the New York City office is increased from \$156,000 to \$217,800 effective September 1, 2015, and the lease is extended through August 31, 2020. Rent expense for this property was \$35,730 and \$100,055 for the three and nine months ended September 30, 2015 and \$32,292 and \$96,876 for the three and nine months ended September 30, 2014, respectively, net of expense allocation to affiliates.

Employment Agreement

On September 28, 2015, the Company entered into a new employment agreement with its Chief Executive Officer, Scott L. Mathis (the “Employment Agreement”). Among other things, the Employment Agreement provides for a three-year term of employment at an annual salary of \$401,700 (subject to a 3% cost-of-living adjustment per year), bonus eligibility, paid vacation and specified business expense reimbursements. The Employment Agreement may be terminated by the Company for cause or by Mr. Mathis for good reason, in accordance with the terms of the Employment Agreement.

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14. SUBSEQUENT EVENTS

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

Foreign Currency Exchange Rates

The Argentine Peso to United States Dollar exchange rate was 9.5769, 9.4154 and 8.5411 at November 11, 2015, September 30, 2015 and December 31, 2014, 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, 2014, 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 ("TAR"), 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 ("AWE") for subdivision of a portion of this property for residential development.

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

Recent Developments and Trends

Financings

During the three and nine months ended September 30, 2015, we raised, net of repayments, approximately \$0.1 and \$5.5 million, respectively, of new capital through the issuance of debt and equity, consisting primarily of proceeds from the issuance of common stock for cash.

Initiatives

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

Liquidity

As reflected in our condensed consolidated financial statements, we have generated significant losses which have resulted in a total accumulated deficit of approximately \$56 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, 2014 and 2013, stating that we have incurred significant losses and need to raise additional funds to meet our obligations and sustain our operations. Our ability to execute our business plan is dependent upon our generating cash flow and obtaining additional debt or equity capital sufficient to fund operations. If we are able to obtain additional debt or equity capital (of which there can be no assurance), we hope to acquire additional management as well as increase the marketing our products and continue the development of our real estate holdings.

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

Consolidated Results of Operations

Three months ended September 30, 2015 compared to three months ended September 30, 2014

Overview

We reported net losses of approximately \$1.7 and \$2.0 million for the three months ended September 30, 2015 and 2014, respectively, reflecting a decrease of \$0.3 million or 18%. The decrease in net loss is primarily due to a \$0.2 million decrease in cost of sales, as well as a \$0.1 decrease in general and administrative expenses recognized during the period.

Revenues

Revenues were approximately \$593,000 and \$520,000 during the three months ended September 30, 2015 and 2014, respectively, representing an increase of \$73,000 or 15%. Increases in revenues were primarily related to an increase in broker dealer revenues of approximately \$206,000 and increases in agricultural sales of approximately \$28,000 partially offset by a decrease in hotel and restaurant revenues of approximately \$68,000, primarily resulting from the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar, and by a decrease in wine sales of approximately \$84,000 and other revenues of \$9,000.

Gross loss

We generated gross profit of approximately \$148,000 during the three months ended September 30, 2015, compared to a gross loss of approximately \$94,000 for the three months ended September 30, 2014. The improvement in gross profit is primarily related to the increase in broker dealer revenues of approximately \$206,000, and improvements in gross profit related to hotel and restaurant sales, due to the reduction of staff and labor costs.

Selling and marketing expenses

Selling and marketing expenses were approximately \$40,000 and \$32,000 for the three months ended September 30, 2015 and 2014, respectively, representing an increase of \$8,000 or 24%. The increase is primarily related to promotional expenses incurred at AWE during the three months ended September 30, 2015.

General and administrative expenses

General and administrative expenses were approximately \$1.7 million and \$1.8 million for the three months ended September 30, 2015 and 2014, respectively, reflecting a decrease of \$0.1 million or 6%

Depreciation and amortization expense

Depreciation and amortization expense was approximately \$54,000 and \$77,000 during the three months ended September 30, 2015 and 2014, respectively, representing a decrease of \$23,000 or 31%. It should be noted that approximately an additional \$42,000 and \$56,000 of depreciation and amortization expense was capitalized to inventory during the three months ended September 30, 2015 and 2014, 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 \$34,000 and \$26,000 during the three months ended September 30, 2015 and 2014, respectively, representing an increase of \$8,000 or 31%, related to interest accrued on a tax payment plan. During May 2015 we entered into a tax payment plan, under which we agreed to pay certain Argentine tax obligations over a period of 36 months.

Loss on extinguishment of convertible debt

We recorded a \$709 loss on extinguishment of convertible debt during the three months ended September 30, 2014. During the three months ended September 30, 2014, convertible note holders received 1,536 shares of Series A Preferred in exchange for principal and interest totaling, in the aggregate, \$2,826. 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. There were no losses on extinguishment of debt recorded during the three months ended September 30, 2015.

Nine months ended September 30, 2015 compared to nine months ended September 30, 2014

Overview

We reported net losses of approximately \$6.5 and \$6.7 million for the nine months ended September 30, 2015 and 2014, respectively, reflecting a decrease in net losses of \$0.2 million or 3%.

Revenues

Revenues were approximately \$1.4 and \$1.5 million during the nine months ended September 30, 2015 and 2014, respectively, a decrease of \$0.1 million or 6%. Increases in broker dealer revenues were offset by decreases in wine, agricultural and hotel and restaurant revenues, primarily resulting from the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar.

Gross loss

We generated gross losses of approximately \$131,000 and \$413,000 for the nine months ended September 30, 2015 and 2014, respectively. The decrease in gross loss is primarily related to the increase in broker dealer revenues during the period and decreases in cost of sales related to restaurant and hotel revenues, due to reduction in staff and labor costs.

Selling and marketing expenses

Selling and marketing expenses were approximately \$177,000 and \$231,000, for the nine months ended September 30, 2015 and 2014, respectively, representing a decrease of \$54,000 or 24%. The decrease is primarily attributable to a June 2014 marketing function, as well as travel expenses incurred during September 2014 in connection with a private placement offering.

General and administrative expenses

General and administrative expenses were approximately \$5.9 and \$5.5 million for the nine months ended September 30, 2015 and 2014, respectively, representing an increase of \$0.4 million or 6%.

Depreciation and amortization expense

Depreciation and amortization expense was approximately \$185,000 and \$219,000 during the nine months ended September 30, 2015 and 2014, respectively, representing a decrease of \$34,000 or 16%. It should be noted that an additional \$132,000 and \$132,000 of depreciation and amortization expense was capitalized to inventory during the nine months ended September 30, 2015 and 2014, 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 \$188,000 and \$142,000 during the nine months ended September 30, 2015 and 2014, respectively, representing an increase of \$46,000 or 33%, related to interest accrued on a tax payment plan. During May 2015, we entered into a tax payment plan, under which we agreed to pay certain Argentine tax obligations over a period of 36 months.

Loss on extinguishment of convertible debt

We recorded loss on extinguishment of convertible debt of approximately \$220,000 during the nine months ended September 30, 2014. During the nine months ended September 30, 2014, principal and interest aggregating approximately \$877,000 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 approximately \$220,000, which was recorded as a loss on extinguishment.

Liquidity and Capital Resources

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

	September 30, 2015	December 31, 2014
Cash	\$ 372,091	\$ 442,725
Working capital (deficiency)	\$ (898,247)	\$ (1,897,344)

Based upon our working capital situation as of September 30, 2015, 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, 2015, we issued 2,821,942 shares of common stock at \$2.00 per share to accredited investors in a private placement transaction for gross proceeds of \$5,643,884. A portion of the proceeds from the sale of stock was used to repay \$150,000 of debt obligations, and to fund our existing operating deficits, legal and accounting expenses associated with being a public company, capital expenditures associated with our real estate development projects, enhanced marketing efforts to increase revenues and the general working capital needs of the business.

Availability of Additional Funds

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

Sources and Uses of Cash for the Nine Months Ended September 30, 2015 and 2014

Net Cash Used in Operating Activities

Net cash used in operating activities for the nine months ended September 30, 2015 and 2014 amounted to approximately \$5,737,000 and \$4,874,000, respectively. During the nine months ended September 30, 2015, the net cash used in operating activities was primarily attributable to the net loss of approximately \$6,535,000, adjusted for \$1,360,000 of net non-cash expenses, and \$562,000 of cash used to fund changes in the levels of operating assets and liabilities. 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, partially offset by \$1,153,000 of net non-cash expenses and by \$711,000 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, 2015 and 2014 amounted to approximately \$370,000 and \$645,000, 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, 2015 and 2014 amounted to approximately \$5,494,000 and \$5,209,000, respectively. For the nine months ended September 30, 2015, the net cash provided by financing activities resulted primarily from the offering of equity securities for net proceeds of approximately \$5,644,000, partially offset by the repayment of debt of \$150,000. 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 \$5,881,000, new borrowings of \$325,000 and proceeds from the exercise of common stock options of approximately \$50,000, partially offset by repayment of debt of approximately \$1,048,000.

Going Concern and Management's Liquidity Plans

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

Based on current cash on hand and subsequent activity as described herein, our cash-on-hand only allows us to operate our business operations through December 2015. 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, 2014 and 2013 consolidated financial statements.

Off-Balance Sheet Arrangements

None.

Contractual Obligations

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

Critical Accounting Policies and Estimates

There are no material changes from the critical accounting policies set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in our Annual Report on Form 10-K filed with the SEC on March 31, 2015. Please refer to that document for disclosures regarding the critical accounting policies related to our business.

New Accounting Pronouncements

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory," which applies to inventory that is measured using first-in, first-out ("FIFO") or average cost. Under the updated guidance, an entity should measure inventory that is within scope at the lower of cost and net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Subsequent measurement is unchanged for inventory that is measured using last-in, last-out ("LIFO"). This ASU is effective for annual and interim periods beginning after December 15, 2016, and should be applied prospectively with early adoption permitted at the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of adopting this guidance.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

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

Item 4: Controls and Procedures

Disclosure Controls and Procedures

Our management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer (who is our Principal Executive Officer) and our Chief Financial Officer (who is our Principal Financial Officer and Principal Accounting Officer), of the effectiveness of the design of our disclosure controls and procedures (as defined by Exchange Act Rules 13a-15(e) or 15d-15(e)) as of September 30, 2015, pursuant to Exchange Act Rule 13a-15(b). Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were not effective as of September 30, 2015.

The ineffectiveness of our disclosure controls and procedures was due to material weaknesses identified in our internal control over financial reporting, as described in our Annual Report on Form 10-K for the year ended December 31, 2014. See below for the remediation efforts undertaken as of September 30, 2015.

Material Weakness in Internal Control Over Financial Reporting and Status of Remediation Efforts

Our Annual Report on Form 10-K for the year ended December 31, 2014 does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the Company's registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 due to a transition period established by the rules of the Securities and Exchange Commission for newly public companies.

However, our management has determined that as of December 31, 2014, we had a material weakness in our internal control over financial reporting due to the fact that we did not have the appropriate resources with the resources to provide oversight over the timely preparation and review of schedules necessary for the preparation of our financial statements and to make certain U.S. GAAP accounting judgments. A material weakness is a control deficiency, or a combination of control deficiencies, such that there is a reasonable possibility that a material misstatement of interim or annual financial statements will not be prevented or detected on a timely basis. See our Form 10-K for the year ended December 31, 2014 for additional details.

Notwithstanding the existence of this material weakness described above, our management has concluded that the financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP. Our Chief Executive Officer and Chief Financial Officer have certified to their knowledge that this Quarterly Report on Form 10-Q does not contain any untrue statements of material fact or omit to state any 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 in this Quarterly Report. We have discussed this material weakness with our independent registered public accounting firm and our Audit Committee.

We are already in the process of remediating the material weakness and developing a plan for management's annual assessment of internal control over financial reporting as provided under Section 404 of the Sarbanes-Oxley Act of 2002. Our remediation efforts thus far have included hiring additional personnel with financial reporting and operational experience, software and systems upgrading for the multicurrency reporting, changes to processes and procedures to strengthen closing process and enhance controls and efficiency. Our independent registered public accounting firm has not assessed the effectiveness of our internal control over financial reporting and will not be required to provide an attestation report on the effectiveness of our internal control over financial reporting so long as we qualify as an emerging growth company or until we are no longer a non-accelerated filer as defined in Rule 12b-2 under the Exchange Act, whichever is later, which may increase the risk that weaknesses or deficiencies in our internal control over financial reporting go undetected.

Changes in Internal Control over Financial Reporting

Except for the remediation efforts described above, during the nine months ended September 30, 2015, there were no changes in our internal controls over financial reporting, or in other factors that could significantly affect these controls, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations of Controls

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

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time AWLD and its subsidiaries and affiliates are subject to litigation and arbitration claims incidental to its business. Such claims may not be covered by its insurance coverage, and even if they are, if claims against AWLD and its subsidiaries are successful, they may exceed the limits of applicable insurance coverage. 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 regulatory matter, a number of completed customer arbitrations and customer complaints, and a lien.

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.

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 to reflect the filing of certain personal federal tax liens. (All of the underlying tax liabilities were paid in full by Mr. Mathis in 2003 and the liens were released in 2003.) 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 applicable FINRA rules, the finding that Mr. Mathis acted willfully subjected him to a “statutory disqualification” would have prevented him from working in the securities industry. In accordance with FINRA rules, Mr. Mathis filed Form MC-400 with FINRA in September 2012, requesting that he be permitted to continue to work in the securities industry and in October 2014, FINRA’s Member Regulation Department recommended approval of the MC-400 application. On April 30, 2015, FINRA’s National Adjudicatory Council (NAC) agreed with the recommendation of Member Regulation and further approved the application so that Mr. Mathis can continue to work in the securities industry. At the time that FINRA provided notice of the NAC’s approval, it informed CAP that such approval would become effective at such time that the Securities and Exchange Commission issued an acknowledgement letter. On August 20, 2015, the Securities and Exchange Commission issued an acknowledgement letter to FINRA and as a result, the approval of Mr. Mathis’s MC-400 application is now effective.

Mr. Mathis currently has one lien 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 Hollywood Burger Holdings, Inc., which Mr. Mathis liquidated in order to provide funds through a loan to the Company. Mr. Mathis has entered into payment plans with the IRS and is fully compliant with those plans. Mr. Mathis has made full payment of the tax owed to New York State and currently no amounts are outstanding with regard to taxes owed to New York State.

Item 1A. Risk Factors

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, we are not required to provide information required by this Item. However, our current risk factors are set forth in our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on March 31, 2015.

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

During the three months ended September 30, 2015, the Company issued 72,700 shares of its common stock at \$2.00 per share to accredited investors in a private placement transaction for gross proceeds of \$145,400. Commissions in the form of cash of \$14,540 and 7,270 warrants to purchase common stock at \$2.00 per share valued at \$6,106 were paid to DPEC Capital, Inc., the Company’s registered broker dealer subsidiary in connection with these share issuances. DPEC Capital, Inc., in turn, awarded such warrants to its registered representatives. The investors and registered representatives 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. No general solicitation was used in this offering. A Form D was filed with the SEC on July 14, 2014 with amended Forms D filed with the SEC on each of September 15, 2014 and June 17, 2015.

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⁾
10.1	Employment Agreement by and between Algodon Wines & Luxury Development Group, Inc. dated September 28, 2015*
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.*
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.*
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S. C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.**
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

(1) Incorporated by reference from the Company's Registration of Securities Pursuant to Section 12(g) on Form 10 dated May 14, 2014
* Filed herewith
** Furnished and not filed herewith

SIGNATURES

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

Date: November 16, 2015

ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC.

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

By: /s/ Maria I. Echevarria
Maria I. Echevarria
Chief Financial Officer and Chief Operating Officer

Employment Agreement

This Agreement is made as of the 28th day of September 2015 (the "Effective Date"), by and between ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC., a Delaware corporation located at 135 Fifth Avenue, 10th Floor, New York, New York 10010 (the "Company"), and SCOTT L. MATHIS, an individual residing at 8 Union Square South, Apt. 2A, New York, New York 10003 ("Executive"). The Company and Executive are hereinafter referred to collectively as the "Parties" or individually as a "Party."

Recitals

1. The Parties previously entered into an Employment Agreement, dated as of January 1, 2003 (hereinafter the "Initial Employment Agreement"). The term of employment set forth in the Initial Employment Agreement was extended numerous times and, prior to the effective date of this Agreement, has remained in force. Due to the changes at the Company in the intervening years, both in terms of the nature and scope of its operations and changes in Executive's responsibilities, the Company and the Executive mutually agree that they should enter into a new and updated agreement that will in its entirety supersede and replace the Initial Employment Agreement.

2. As with the Initial Employment Agreement, the Company continues to desire to secure for itself the expertise, knowledge and experience of Executive with respect to the Company's business, in an executive capacity as set forth herein. Except where expressly provided otherwise, references herein to the "Company" shall be deemed to include the Company's operating subsidiaries.

3. As with the Initial Employment Agreement, Executive is willing to work for the Company in such an executive capacity on the terms and conditions set forth in this new and updated agreement (referred to hereinafter as the "Agreement").

NOW, THEREFORE, in consideration of the terms, covenants, conditions and agreements set forth hereinbelow, Executive and the Company agree to the following:

Agreement

1. Employment.

The Company hereby employs Executive, and Executive hereby accepts employment from the Company, upon the terms and conditions provided herein.

2. Executive's Duties.

a) Executive hereby agrees to serve the Company faithfully and honestly and to use his reasonable best efforts and abilities as Chief Executive Officer and Chairman of the Board of Directors of the Company and its principal operating subsidiaries. Executive shall be based in the Company's principal executive offices which are currently located at 135 Fifth Avenue, 10th Floor, New York, New York 10010. Executive shall report to the Board of Directors of the Company (hereinafter the "Board") and his responsibilities shall include the performance of the duties customarily associated with the positions of Chief Executive Officer and Chairman and such other duties of a nature commensurate with such positions as may be assigned to him from time to time by the Board. Executive agrees to relocate to Buenos Aires, Argentina to the extent the Company's Board of Directors determines that it would be in the best interests of the Company to relocate its principal executive offices to that city.

b) With the approval of the Board, Executive may work on matters or for companies unrelated to the Company. However, in the event Executive pursues such other endeavors with the requisite approval, a pro rata adjustment in Executive's base salary shall be required. This would mean that should Executive spend 10% of his working time on matters unrelated to the Company, his base salary will be reduced by 10%.

c) Except where otherwise expressly indicated or where evident from the context, any reference in this Agreement to the "Board" shall be understood to include any duly constituted committee or sub-committee of the Board, and that where matters addressed herein require Board approval, such approval requires a majority vote of the members of the Board excluding Executive.

3. Term.

The Company shall continue the employment of Executive, and Executive shall continue performing services for the Company, for a term of three years commencing on the Effective Date and ending on the third anniversary of the Effective Date (the "Initial Term"). Any extension of this agreement beyond the Initial Term shall only be made in a signed written amendment to this Agreement following negotiations between Executive and the Board. For purposes of this Agreement, the terms "Employment Period" or "Term" shall mean the Initial Term and all extensions thereof, if any, and the term "Expiration Date" shall refer to any date that this Agreement, whether or not extended, is set to expire.

4. Salary; Expenses; Benefits; Limits on Sale of Company Stock.

Subject to the provisions of this Agreement, the Company shall pay and provide the following compensation and other benefits to Executive during the Employment Period as compensation for all services rendered hereunder.

a) Base Salary. In consideration for all services rendered by Executive to the Company (including serving as a member of the Board of Directors or any committee thereof), commencing as of the Effective Date, the Company hereby agrees to pay compensation to Executive an annual base salary ("Base Salary") at the rate of \$401,700 for the first year, to be paid in accordance with the Company's prevailing payroll practices for its executive officers as are in effect from time to time (but in no event less frequently than monthly). Executive's Base Salary shall increase each year by 3%, as a cost-of-living adjustment.

b) No Commissions or Override. In recognition of the Base Salary and the other consideration provided for herein, commencing with the Effective Date, Executive shall not be paid any additional compensation that, but for this Agreement, he might receive, such as stock brokerage commissions (including placement agency fees) or commissions earned from the sale of lots at the AWE project. Executive shall also not be paid any overrides based on the productivity or success of other employees of the Company or one of its affiliates, except with express written approval from the Board.

c) Director's Fees. To the extent Executive remains employed as Chief Executive Officer, he shall not during such time be entitled to receive additional cash compensation in the form of director's fees paid to other members of the Board, if any. However, subject to Board approval, Executive is entitled to receive equal grants of stock options, or other non-cash equity awards, that are granted generally to members of the Board.

d) Stock Options and Other Awards. Any awards of restricted stock or stock options pursuant to the Company's 2008 Equity Incentive Plan (or any similar plan established after the Effective Date) shall be made in the discretion of the Company's Board of Directors, with Executive agreeing to abstain from any vote relating thereto.

e) Reimbursement of Expenses. The Company shall reimburse Executive in accordance with the Company's policies in effect from time to time for travel, entertainment and other expenses incurred by Executive in the performance of his duties and responsibilities hereunder. In addition, the Company shall reimburse Executive for the following expenses: (i) legal expenses incurred in connection with his employment with the Company; (ii) use of home office; (iii) up to 25% of telephone cost relating to his home office; (iv) internet connection at his home office; (v) mobile phone; and (vi) up to \$1,000.00 per month for automobile-related expenses, including insurance and parking. Within fifteen days following the end of every month, Executive shall direct the Company's Chief Financial Officer to submit to the Board a schedule setting forth in appropriate detail all expenses for which Executive has requested reimbursement during the preceding quarter. The Board shall have authority to disapprove any expenses found not to be incurred substantially for business-related purposes.

f) Disability Insurance. Executive may obtain at Company expense a disability insurance policy. The Company's obligation hereunder shall be limited to payment of a premium not to exceed \$10,000.00 per calendar year. The Company shall be obligated to keep this policy in force during the Term of this Agreement. Proceeds under such policy shall be payable to the Company for any period in which the Company continues paying Base Salary to Executive as provided herein.

g) Life insurance. Should the Company elect to obtain at its expense key man life insurance on Executive's life, such that the Company would be the policy's designated beneficiary, Executive shall in good faith cooperate to provide the information necessary to obtain any such insurance policy, including any required medical examination. Additionally, Executive shall have the right to use up to \$5,000 of the funds authorized in the previous sub-section to pay for a disability insurance policy to pay the premium of a life insurance policy whose beneficiary is selected by Executive.

5. Annual Bonus.

Executive shall be eligible to receive an annual bonus (the "Annual Bonus") for 2015, 2016 and 2017 to be determined by the Board (or any duly constituted committee thereof), in the exercise of its discretion, to be based on corporate profitability (using EBITDA as one possible measure of profitability), stock price, AWE lot sales, cash flow, or such other criteria as may be determined by the Board. The amount of any Annual Bonus, if any is granted, shall be limited to 100% of Executive's Base Salary, and shall be paid, if at all, within 30 days of the date that the annual audit of the Company's financial condition is completed. The Annual Bonus shall be prorated for any period of service less than a full calendar year during the calendar year in which this Agreement expires; provided, however, that if Executive's employment is terminated by the Company (or any successor thereto) for Cause (as defined below) or Executive resigns from his employment other than with Good Reason (as defined below) before the date on which the relevant Annual Bonus is to be paid, Executive shall not receive any portion of such Annual Bonus.

6. Restrictions on Sale of Company Stock.

a) Public company. Subject at all times to the limits set forth in SEC Rule 144 and to any lock-up arrangements imposed by the underwriters on a public offering or pursuant to any other legal or regulatory restrictions or requirements relating thereto, commencing on the one year anniversary of the date that the Company's common stock becomes transferable on any exchange or over-the-counter market (hereinafter a "Triggering Event"), Executive shall be entitled to sell up to 33.33% of the shares of Company common stock (and preferred stock if converted to common) which he owns in each 12-month period commencing on the first anniversary of the Triggering Event. The amount which can be sold in each twelve-month period shall be determined as of the first business day of such period.

b) Private company. To the extent the Company is not a publicly-held company, for the duration of this Agreement, including any extensions thereof, Executive shall not in any calendar year sell or convey actual or beneficial ownership of more than 25% of the Company common and preferred stock which he owns, subject to any legal or regulatory restrictions or requirements relating thereto.

c) Calculation of shares. For purposes of calculating the maximum number of shares that Executive can sell pursuant to this section, the number of shares owned shall not include any unexercised stock options or warrants then beneficially owned by Executive (but shall include all shares acquired from the exercise of such options or warrants).

d) Board approval. Any proposed sale of shares by Executive, as authorized by this section, shall be submitted in writing to the Board for review and approval, which approval shall not be unreasonably withheld. Such approval shall be deemed to have been approved if not rejected in writing by a majority of the Board within fifteen (15) days after Executive requests such approval.

e) Effect of Change of Control. Upon the occurrence of a Change of Control (as defined herein), all restrictions on Executive's ability to sell shares beneficially owned by him set forth in this section (other than those imposed pursuant to law or regulation) shall terminate.

7. Executive and other Employee Benefits.

a) Executive Benefits. During the Employment Period, Executive shall be included, to the extent eligible thereunder, in all employee benefit plans, programs and arrangements (including, without limitation, any plans, programs or arrangements providing for retirement benefits, profit sharing, disability benefits, health and life insurance or vacation and paid holidays) that shall be established by the Company for, or made available to, its senior executives.

b) AWE Property. During such time that Executive owns a home at AWE, and such home is used by or available to the Company as a model home or for other marketing and sales purposes, the Company shall pay the regular, recurring expenses associated with such home, including but not limited to: (i) monthly maintenance fees charged by a homeowners' association or other entity charged with general property maintenance; and (ii) membership fees associated with AWE amenities (golf, tennis, etc.). The amount paid or reimbursed by the Company pursuant to this section shall be reduced on a pro rata basis to the extent Executive uses such home for personal purposes, such as for personal vacation or making the home available for non-business purposes.

c) Vacation. Executive shall be entitled to annual paid vacation during the Employment Period consistent with standard Company practices applicable to senior executives.

8. [INTENTIONALLY OMITTED]

9. Termination of Employment.

Subject to the notice and other provisions of this Section 9, the Company shall have the right to terminate Executive's employment hereunder, and Executive shall have the right to resign, at any time for any reason or for no stated reason.

a) Termination for Cause or Resignation Without Good Reason. If, prior to the expiration of the Term, Executive's employment is terminated by the Company for Cause (as defined below) or Executive resigns for any reason other than with Good Reason (as defined below), Executive shall be entitled to payment of (i) any unpaid pro rata portion of the Base Salary through and including the date of termination or resignation, (ii) payment in lieu of accrued unused vacation days as described in Section 7 above, (iii) any unreimbursed expenses under Sections 4 and 7 above, and (iv) any other benefits accrued, but unpaid, under programs described under Section 7 above. Except to the extent required by applicable law, Executive shall have no right under this Agreement or otherwise to receive any other compensation or to participate in any other plan, program or arrangement after the date of such termination or resignation.

b) "Cause" shall mean: (i) any act or omission that constitutes a breach by Executive of any of his material obligations under the Agreement, which is not cured within 30 days of written notice thereof from the Company; (ii) the continued failure or refusal of Executive to perform the duties required of him as an Executive of the Company after notice of such failure or refusal has been provided to Executive and not cured within 30 days thereafter ; (iii) any material misuse or misappropriation by Executive of property or assets of the Company, or any breach of a confidentiality agreement relating to information concerning the Company; (iv) Executive's conviction of a felony (other than minor vehicular or traffic offenses which may be considered felonies in some jurisdictions); (v) any other misconduct by Executive which is materially injurious to the financial condition or business reputation of the Company; or (vi) any legal or regulatory sanction that materially limits Executive's ability to perform hereunder. Notwithstanding the foregoing, in the event Executive's duties hereunder have been materially changed without his consent, it shall not be a breach of this Agreement by Executive or otherwise constitute Cause for Executive to fail to perform such materially changed duties. Any termination of Executive by the Company for any reason or in any manner other than for "Cause" as defined above, shall be deemed to be a termination without Cause.

c) "Good Reason" shall mean: (i) any breach of this Agreement by the Company, which is not cured within 30 days of written notice from Executive; (ii) the assignment of Executive, without Executive's consent, to a position, responsibilities or duties of a lesser title, position or status, or lesser degree of responsibility than Executive's title, position, status or responsibilities specified herein, including, without limitation, a change in reporting structure; (iii) the relocation of the Company's principal executive offices outside the metropolitan New York area or Buenos Aires, Argentina; (iv) any requirement by the Company that Executive be based anywhere other than the Company's principal executive offices, without Executive's consent; or (v) the assignment of Executive, without his consent, to undertake responsibilities or perform functions or activities, inconsistent with his obligations to the Company, or any request to perform, act or undertake responsibilities which do or could result in the violation, breach or non-compliance with any law or regulation, ethical or professional licensing standard or requirement, or this Agreement.

d) Notice and Date of Termination for Cause or with Good Reason.

(i) Termination of Executive's employment by the Company for Cause shall be communicated by delivery to Executive of a written notice from the Company, stating that Executive has been terminated for Cause, specifying the particulars thereof and the effective date of such termination.

(ii) Termination by Executive of his employment for Good Reason shall be communicated by delivery to the Company of a written notice from Executive, specifying the particulars thereof and the effective date of such termination.

(iii) The date of any other resignation by Executive or termination by the Company shall be the date specified in a written notice of resignation from Executive to the Company, or in a written notice of termination from the Company to Executive, as applicable, at least thirty (30) days prior to the effective date of such termination.

(iv) All notices required by this section shall be made in accordance with the notice provisions set forth in Section 17(e) hereof.

e) Termination Without Cause or for Good Reason. If, prior to the expiration of the Term, the Company terminates Executive's employment without Cause or Executive terminates his employment with Good Reason, Executive shall be entitled to all payments and benefits referred to in Section 9(a) hereof. In addition, the Company shall pay to Executive a severance payment consisting of (i) an amount equal to his current Base Salary for a period of twelve (12) months (such 12-month period hereinafter referred to as the "Severance Period"), plus (ii) all of the benefits or payments in respect of such benefits as set forth in Section 7(a) above for the Severance Period (collectively, the (the "Severance Amount"). The Severance Amount shall be payable, other than for benefits which continue but for which no actual payment to Executive is required, to Executive at such times as they would ordinarily be paid had Executive remained employed by the Company, or in a lump sum payment, at the discretion of the Company.

f) Death Prior to the Expiration of Severance Period. In the event of Executive's death after a termination without Cause or for Good Reason, but prior to the expiration of the Severance Period, the Severance Amount shall be paid or continue to be provided, as applicable, to Executive's estate.

g) Termination Due to Disability. In the event of Executive's Disability (as hereinafter defined), the Company shall continue to provide his compensation and other benefits as described in Section 7 and its subsections for a period measured from the date, after using any available sick leave, that the Disability commences, and continuing until (i) the Disability ceases or (ii) until Executive's employment hereunder is terminated, whichever is less; provided, however, that during any period of Disability the Company shall only have the right to terminate Executive's employment, upon ten days' written notice, if, after expending any available sick leave, such Disability continues for a period of six months. Notwithstanding anything contained in this Agreement to the contrary, if Executive's employment should terminate due to Disability that continues for more than six months, Executive shall be entitled to (A) payment of his Base Salary and benefits under Section 7(a) above, for a period equal to an additional six months thereafter, and (B) any unreimbursed expenses under Section 4(e) above. As used in this Agreement, the term "Disability" shall mean a physical or mental incapacity that substantially prevents Executive from performing his duties hereunder.

h) Death. Other than severance benefits payable to Executive under Section 9(g) above, no salary or benefits shall be provided or continued under this Agreement following the date of Executive's death except as provided in this paragraph. In the event of Executive's death, any unpaid Base Salary earned by Executive up to the date of death, and payment in lieu of accrued unused vacation days, shall be paid to Executive's estate within 30 days of Executive's death. Unreimbursed expenses due Executive under Section 4(e) above shall be paid at the same time. Notwithstanding the foregoing, should Executive's death occur during the Employment Period, the Company shall within ninety days of Executive's death make a payment equal to six months of Executive's then-current Base Salary to Executive's estate, less the amount of any proceeds paid to Executive's estate from any Company-paid life insurance policy on Executive's life in effect at the time of death.

i) Calculation of Base Salary to be Paid Upon Termination. The calculation of any Base Salary to be paid pursuant to the provisions relating to termination shall take into account any reduction in Base Salary resulting from Executive's outside work unrelated to the Company's business, as set forth in Sections 2(b) and 14(b) of this Agreement.

10. Effect of Change of Control.

a) New Term of Employment. Notwithstanding anything to the contrary in this Agreement, upon a Change of Control (as defined herein), the Company (or its successor) shall continue the employment of Executive, and Executive shall continue performing services for the Company, for a period of two years commencing on the date of the Change of Control (the "New Employment Period").

b) Acceleration of Options, etc. Notwithstanding anything to the contrary in any applicable option agreement, upon a Change of Control, all outstanding stock options (or any form of equity-based award) granted by the Company or any of its affiliates to Executive shall become fully vested and immediately exercisable on the date of the Change of Control, unless the Board of Directors in office prior to the announcement of the potential Change of Control determines otherwise, in which case such options shall be accorded no less favorable treatment than is generally accorded to other Company employees. Notwithstanding the foregoing, the vesting date of such options or equity-based awards shall not accelerate if the Change of Control results in control passing to any person or entity or group of persons or entities led, managed, organized or directed by Executive.

c) Amounts Owed. Upon a change of control, any accrued and unpaid salary or bonus owed to Executive shall be paid, and any funds loaned by Executive to Company shall be repaid.

11. Definition of Change of Control.

“Change of Control” shall mean:

a) Prior to a public offering via registered sale pursuant to the Securities Act of 1933, as amended, of the Company’s common stock (“Registered Offering”), unless at such time the Company is a publicly-reporting company under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and has a class of securities that trade on a public stock exchange or a recognized over-the counter market,

(i) the merger of the Company with or into another corporation as a result of which Executive shall own less than 15% of the outstanding common stock (on a fully diluted basis, assuming exercise of all options and warrants, whether or not then exercisable) of the surviving company (or parent thereof);

(ii) the sale of all or substantially all of the assets of the Company to an entity not controlled by Executive; or

(iii) the sale (in a single transaction or series of related transactions, provided that Executive is not a party directly or indirectly in any such transaction(s)), of shares of capital stock of the Company to any person or entity as a result of which Executive shall own (directly or indirectly) less than 15% of the outstanding Common Stock (on a fully diluted basis, assuming exercise of all options and warrants, whether or not then exercisable); provided, however, that a public offering (initial or otherwise) or other corporate financing event shall not under any circumstances be deemed to constitute a Change of Control; and

b) Following either the date of a Registered Offering or the date when the Company becomes a publicly-reporting company under the Exchange Act and has a class of securities that trade on a public stock exchange or a recognized over-the counter market,

(i) when a “person” (as defined in Section 3(a)(9) of the Exchange Act), including a “group” (as defined in Section 13(d) of the Exchange Act), either directly or indirectly becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act) of 20% or more of either (1) the Company’s then outstanding Common Stock or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors; provided, however, that the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from the Company; (2) any acquisition by the Company; or (3) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; provided further, however, that there shall not be a Change of Control under this provision if Executive continues to be the beneficial owner of 20% or more of the class of the Company’s securities the acquisition of which would have otherwise constituted a Change of Control;

(ii) when, during any period of twelve consecutive months during the Employment Period, the individuals who, at the beginning of such period, constitute the Board (the “Company Incumbent Directors”), cease for any reason other than death to constitute at least a majority thereof; provided, however, that a director who was not a director at the beginning of such 12-month period shall be deemed to be a Company Incumbent Director if such director was elected by, or on the recommendation of or with the approval of at least two-thirds of the directors of the Company, who then qualified as Company Incumbent Directors;

(iii) when the stockholders of the Company approve a reorganization, merger or consolidation of the Company without the consent or approval of a majority of the Company Incumbent Directors;

(iv) the consummation of a reorganization, merger or consolidation of the Company with or into another entity or any other corporate reorganization, if more than 60% of the combined voting power of the continuing or surviving entity’s securities outstanding immediately after such reorganization, merger or consolidation is owned by persons who were not stockholders of the Company immediately prior to such reorganization, merger, consolidation; or

(v) the sale or other disposition of all or substantially all of the assets of the Company.

12. Covenant Not To Compete: Confidential Information.

a) During the Employment Period, Executive shall not work for, provide services to, or receive compensation in any form from any firm (excluding all subsidiaries and affiliates of the Company) that is engaged in business that competes with one or more of the Company's principal businesses, including but not limited to, on the one hand, real estate, hotel, or resort development firms, and on the other hand, financial services firms including any broker-dealer, investment bank, or financial advisor, in any way.

b) In the event Executive's employment with the Company is terminated for any reason, Executive shall not upon leaving the Company make any effort to exploit, pursue, develop or proceed (or cause any other person or entity to do so) with any transaction or project that was being analyzed, considered, developed or negotiated by or on behalf of the Company for a period of not less than twelve months following such termination.

c) Executive agrees to receive Confidential Information (as hereinafter defined) of the Company in confidence, and not to disclose to others, assist others in the application of, or use for his own gain or that of another, such information, or any part thereof, unless and until it has become public knowledge or has come into the possession of Executive or such others by legal and equitable means or is required to be disclosed by law or judicial or administrative order. Executive further agrees that, upon termination of his employment with the Company, he will return to the Company all documents, records and notebooks containing Confidential Information and similar repositories of Confidential Information, including copies thereof, then in Executive's possession, whether prepared by him or others. For purposes of this section, Confidential Information shall mean information disclosed to Executive or known by Executive as a consequence of or through his employment by the Company, not generally known in the industry(ies) in which the Company is or may become engaged, about the Company's business, development rights or projects under development, products, processes and services and, in each case, which the Company treats as confidential or proprietary. Executive's obligations under this section shall survive any termination or expiration of this Agreement and Executive's employment hereunder, until two years after such termination or expiration.

d) The provisions of this Section 12 are hereby limited by the provisions of Section 14 hereof, relating to Hollywood Burger Holdings, Inc.

13. Non-Solicitation.

a) In the event Executive's employment with the Company is terminated for any reason, Executive shall not, for a one year period following such termination, be permitted to solicit, induce, or attempt to persuade any employees or consultants of the Company, who at the time of such termination (or within ninety days prior thereto) were employed by, or provided consulting services to, the Company, to terminate their relationship with the Company and work with Executive elsewhere.

b) In the event Executive's employment with the Company terminates for any reason, Executive will not solicit or cause the solicitation of, for a period of one year from the date of termination, any of the brokerage or investment banking clients or prospective clients of the Company's broker-dealer subsidiary that Executive served or whose names became known to Executive while in the employ of the Company; provided however, Executive shall be permitted to solicit those brokerage or investment banking clients known to Executive prior to joining the Company.

14. Ownership and Participation in Hollywood Burger Holdings, Inc.

a) The Company acknowledges that Executive (through an entity which he owns, Mathis Ventures, LLC) is the principal shareholder of Hollywood Burger Holdings, Inc. (hereinafter "HBH"), a corporation that is legally separate and distinct from the Company. Executive's stock and equity holdings in HBH and in Mathis Ventures, LLC are understood to be owned in their entirety by Executive and the Company shall have no claim with respect thereto.

b) The Company acknowledges that Executive is the Chief Executive Officer of HBH, and that he spends up to 10% of his working time dealing with HBH business. Executive shall take all necessary measures to ensure that the business of HBH does not exceed 10% of his working time. However, to further incentivize Executive to focus his efforts to enhance the Company's short term profitability and its long term prospects, should the amount of working time spent by Executive on HBH business exceed 10%, Executive's Base Salary shall be reduced dollar for dollar by the amount he is paid by HBH. Notwithstanding the foregoing or anything to the contrary set forth above in Section 2(b), Executive shall be permitted to continue to serve as Chairman of the HBH Board of Directors, or otherwise to remain on that company's Board, without diminution of his Base Salary.

c) The Company acknowledges that any intellectual or other property that Executive develops or acquires which relates to the business of HBH is the property of Executive even if developed on premises maintained by the Company or by using equipment or other property or facilities belonging to the Company.

d) In conjunction with the foregoing, to the extent the Company provides or makes available any goods or services to HBH, or permits HBH to use Company facilities or utilize Company employees in HBH business, the Company and Executive will take all necessary and appropriate measures to ensure that HBH pays prices and/or rates in connection therewith that reflect arms-length, fair market pricing. The amounts paid by HBH, if any, shall be evaluated by a senior officer of the Company on a periodic basis and adjusted as necessary to comply with the provisions of this section. Executive shall ensure that such evaluations are provided to the Company's Board at least once every six months, or more frequently if there are any material changes in the amounts paid by HBH.

e) To the extent there is any conflict between the provisions of this Section 14 and the provisions of Sections 12 and 13 hereof, the provisions of Section 14 shall control. As such, the Company has no right to any information or business developed by Executive for or on behalf of HBH, regardless of where, how and when developed. With respect to the solicitation of Company employees, upon the termination or expiration of this Agreement, Executive shall have the right solicit Company employees to work for HBH (or any affiliate thereof related to its core restaurant business) on a full-time basis as long as such employees provided services to HBH on an ongoing basis during the preceding twelve months.

15. Rights and Remedies Upon Breach.

a) Executive acknowledges and agrees that a violation of any of the restrictive covenants contained in this Agreement shall cause irreparable harm to the Company and the Company shall be entitled to specific performance of this Agreement or an injunction without proof of special damages. If Executive breaches any of the provisions of Sections 12 and 13 (the "Restrictive Covenants"), the Company shall have the following rights and remedies, each of which shall be independent of the other and severally enforceable, and all of which shall be in addition to, and not in lieu of, any other rights and remedies available to the Company at law or equity:

(i) The right and remedy to have the Restrictive Covenants specifically enforced by any court or arbitration panel of competent jurisdiction including, without limitation, the right to entry against Executive of restraining orders and injunctions, preliminary, mandatory, temporary and permanent, without proof of special damages, against actual violations, and whether or not then continuing, of such covenants, it being acknowledged and agreed that any such breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company; and

(ii) The right and remedy to require Executive to account for and pay over to the Company all compensation or profits derived or received by Executive in connection with any transactions constituting a breach of the Restrictive Covenants.

b) Subject to the provisions pertaining to arbitrability of disputes, nothing contained in this Agreement shall limit the rights and remedies, at law or in equity, of the Company or Executive in the event of a breach by any Party of any of its or his obligations pursuant to this Agreement.

16. Indemnification; Insurance.

a) In serving as an officer and director of the Company, and thereafter, Executive shall be entitled to rely upon the rights to indemnification provided in Article X of the Company's Amended and Restated Certificate of Incorporation, a copy of which has been provided to Executive. During the term of this Agreement, and for any subsequent period in which Executive shall continue to be entitled to indemnification as therein provided, the Company shall not make any change in this Article X that would adversely affect Executive's rights thereunder. Notwithstanding the foregoing, the Company shall, in any event, indemnify Executive to the fullest extent permitted by law. Moreover, Executive shall also be entitled to coverage under the Company's directors' and officers' liability insurance policy, to the extent the Company maintains such coverage during the Employment Period.

b) Should the Company determine to obtain a life insurance policy for Executive in which the Company would be beneficiary, Executive shall take all steps reasonably required to obtain such policy.

17. Miscellaneous Provisions.

a) Entire Agreement, etc. This Agreement contains all of the representations, warranties, and agreements of the Parties hereto with respect to the subject matter hereof, and all prior understandings, representations, and warranties (whether oral or written) with respect to such matters are superseded. This Agreement may not be amended, modified, waived, discharged, or terminated except by an instrument in writing signed by the Party or an executive officer of a corporate Party against whom enforcement of the change, waiver, discharge, or termination is sought.

b) Governing Law; Dispute Resolution Provision. This Agreement and the legal relations between the Parties hereto will be governed by and construed in accordance with the laws of the State of New York without reference to the principles of conflict of laws. If a dispute arises out of or relates to this contract, or the breach thereof, and if the dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Procedures. In the event that any controversy or claim arising out of or relating to this contract, or the breach thereof, cannot be resolved by mediation, such dispute shall be settled by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules. Such arbitration shall be convened in New York, New York. The arbitrator(s) shall have the right and power to award to the prevailing party in any dispute, controversy or claim arising under this Agreement, recovery of any or all costs of the arbitration, interest on any amount awarded, as well as attorneys' fees and expenses. Judgment upon the award rendered may be entered in any court having jurisdiction thereof. Notwithstanding the foregoing, to the extent any dispute relates to the business of DPEC Capital, Inc., or any other broker-dealer subsidiary of the Company, such dispute shall be heard before a duly constituted panel of arbitrators before the FINRA Office of Dispute Resolution.

c) Attorneys' Fees; Expenses. In the event of any dispute or litigation arising out of, relating to or in connection with this Agreement, the prevailing Party shall be entitled to reasonable attorneys' fees and costs, to be paid by the losing Party. With respect to the execution and delivery of this Agreement, each Party shall bear its own expenses except that the Company shall reimburse Executive for his actual out-of-pocket legal expenses in an amount not to exceed \$5,000.

d) Assignment. This Agreement shall inure to the benefit of and be binding on the successors, assigns, heirs and legal representatives, as the case may be, of each of the Parties hereto. Except as expressly provided herein, no assignment of this Agreement or any rights hereunder shall be effective without the written consent of the other Party.

e) Notices. Any notices or other communications required or permitted hereunder will be deemed given (i) upon receipt if delivered by messenger, (ii) upon receipt if delivered by overnight courier service; or (iii) five business days after such notice is mailed by certified mail, return receipt requested, postage prepaid. Such notices shall only be effective if sent to each Party at the address set forth on the first page of this Agreement, or to such other address as any Party shall designate by notice duly given hereunder.

f) Survival of Representations and Warranties. The representations and warranties of the Parties herein shall survive the execution of this Agreement.

g) Further Assurances. Each of the Parties hereto agrees to execute such instruments and take such further action, if any, as may be reasonably requested by any other Party hereto in order to assure such requesting Party of the rights and benefits intended by this Agreement, it being understood that the expense of any such action shall be borne by the Party requesting the same.

h) Non-Waiver. The failure or refusal of either Party to insist upon the strict performance of any provision of this Agreement or to exercise any right in any one or more instances or circumstances shall not be construed as a waiver or relinquishment of such provision or right, nor shall such failure or refusal be deemed a custom or practice contrary to such provision or right.

i) Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted. In lieu of such illegal, invalid, or unenforceable provision, any court or duly constituted arbitration panel shall be empowered to substitute as a part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provisions as may be legal, valid and enforceable.

j) Construction. The provisions of this Agreement shall be deemed prepared jointly by the Parties hereto with the intent that no provision hereof is to be strictly construed against any Party by reason of the preparation or negotiation of this Agreement.

k) Headings. The headings of the various sections and paragraphs of this Agreement are inserted for convenience of reference only and do not constitute a part of this Agreement.

l) Counterparts. This Agreement may be executed in two or more counterparts and in duplicate originals, each of which will be considered one and the same agreement. Machine-duplicated and/or facsimile or electronically scanned copies of the Agreement, disclosing affixed signatures to other copies, may be relied upon as prima facie evidence of the fact of counterpart execution. If executed in duplicate, each duplicate copy shall be as valid as an original copy. No distinction shall be made between an originally typed document and machine-copies and/or facsimile or electronically scanned documents, provided that the copies disclose the signatures of the Parties.

[Signatures appear on the following page]

IN WITNESS WHEREOF, the Parties hereto have set their signatures as of the date first above written.

ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC.

By:

Name: Julian Beale
Title: Director

By:

Name: Peter Lawrence
Title: Director

EXECUTIVE:

SCOTT L. MATHIS

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

I, Scott L. Mathis, certify that:

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

November 16, 2015

/s/ Scott L. Mathis

Name: Scott L. Mathis
Title: Chief Executive Officer
(Principal Executive Officer)

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

I, Maria I. Echevarria, certify that:

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

November 16, 2015

/s/ Maria I. Echevarria

Name: Maria I. Echevarria
Title: Chief Financial Officer and Chief Operating Officer
(Principal Financial and Accounting Officer)

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

In connection with the Quarterly Report of Algodon Wines & Luxury Development Group, Inc. (the “CompanyThe Company’s Quarterly Report”) on Form 10-Q for the period ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Scott L. Mathis, as Chief Executive Officer and principal executive officer and Maria I. Echevarria, as Chief Financial Officer and principal financial officer of the Company hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of the undersigned’s knowledge and belief, that:

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

/s/ Scott L. Mathis

Scott L. Mathis
Chief Executive Officer and Principal Executive Officer

Dated: November 16, 2015

/s/ Maria I. Echevarria

Maria I. Echevarria
Chief Financial Officer and Principal Financial Officer

Dated: November 16, 2015

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