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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549**

**FORM 10-Q**

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

For the quarterly period ended March 31, 2018

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

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

(Exact name of registrant as specified in its charter)

Delaware

52-2158952

(State or other jurisdiction of incorporation or organization)

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

135 Fifth Avenue, 10th Floor  
New York, NY 10010

(Address of principal executive offices)

212-739-7700

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of May 14, 2018, there were 43,179,419 shares of common stock outstanding.

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

**Item 1. Financial Statements**

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

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
	<b>(unaudited)</b>	
<b>Assets</b>		
Current Assets		
Cash	\$ 320,568	\$ 358,303
Accounts receivable, net of allowance for doubtful accounts of \$3,163 and \$3,421 at March 31, 2018 and December 31, 2017, respectively	231,142	188,067
Accounts receivable - related parties, net of allowance for doubtful accounts of \$514,087 at each of March 31, 2018 and December 31, 2017	409,290	851,016
Advances and loans to employees	268,757	284,496
Inventory	1,433,712	1,388,666
Real estate lots held for sale	53,267	151,906
Prepaid expenses and other current assets	140,917	159,465
Total Current Assets	<u>2,857,653</u>	<u>3,381,919</u>
Property and equipment, net	4,455,735	4,532,890
Prepaid foreign taxes, net of reserve of \$364,719 and \$392,593 at March 31, 2018 and December 31, 2017, respectively	390,458	342,312
Investment - related parties	24,773	26,401
Deposits	61,284	61,284
Total Assets	<u>\$ 7,789,903</u>	<u>\$ 8,344,806</u>
<b>Liabilities, Temporary Equity and Stockholders' Deficiency</b>		
Current Liabilities		
Accounts payable	\$ 506,199	\$ 415,318
Accrued expenses, current portion	966,295	1,000,521
Deferred revenue	897,379	1,732,664
Loans payable, current portion, net of debt discount	351,610	256,724
Convertible debt obligations	1,239,704	20,000
Current portion of other liabilities	18,629	19,156
Total Current Liabilities	<u>3,979,816</u>	<u>3,444,383</u>
Accrued expenses, non-current portion	221,720	247,515
Other liabilities, non-current portion	9,996	11,474
Loans payable, non-current portion, net of debt discount	1,017,971	634,930
Total Liabilities	<u>5,229,503</u>	<u>4,338,302</u>
Commitments and Contingencies	-	-
Series B convertible redeemable preferred stock, par value \$0.01 per share, 902,670 shares authorized, 902,670 shares issued and outstanding at March 31, 2018 and December 31, 2017, respectively. Liquidation preference of \$9,465,054 at March 31, 2018	9,026,824	9,026,824
<b>Stockholders' Deficiency</b>		
Preferred stock, 11,000,000 shares authorized: Series A convertible preferred stock, par value \$0.01 per share; 10,097,330 shares authorized; no shares are available for issuance.	-	-
Common stock, par value \$0.01 per share; 80,000,000 shares authorized; 43,183,830 and 43,067,546 shares issued and 43,179,419 and 43,063,135 shares outstanding as of March 31, 2018 and December 31, 2017, respectively.	431,837	430,674
Additional paid-in capital	81,166,423	80,902,967
Accumulated other comprehensive loss	(11,081,419)	(10,795,810)
Accumulated deficit	(76,969,195)	(75,544,081)
Treasury stock, at cost, 4,411 shares at March 31, 2018 and December 31, 2017	(14,070)	(14,070)
Total Stockholders' Deficiency	<u>(6,466,424)</u>	<u>(5,020,320)</u>
Total Liabilities, Temporary Equity and Stockholders' Deficiency	<u>\$ 7,789,903</u>	<u>\$ 8,344,806</u>

See Notes to the Condensed Consolidated Financial Statements

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

	For the three months ended	
	March 31,	
	2018	2017
<b>Sales</b>	\$ 1,277,923	\$ 618,537
Cost of sales	(575,962)	(484,683)
Gross profit	701,961	133,854
<b>Operating Expenses</b>		
Selling and marketing	97,902	151,040
General and administrative	1,952,275	1,782,885
Depreciation and amortization	6,739	21,615
Total operating expenses	2,056,916	1,955,540
<b>Loss from Operations</b>	(1,354,955)	(1,821,686)
<b>Other Expense (Income)</b>		
Interest expense, net	70,159	81,856
Gain on sale of investment in subsidiary	-	(199,200)
Total other expense (income)	70,159	(117,344)
<b>Loss from Continuing Operations</b>	(1,425,114)	(1,704,342)
<b>Loss from Discontinued Operations</b>	-	(106,543)
<b>Net Loss</b>	\$ (1,425,114)	\$ (1,810,885)
Deemed dividend to Series B preferred stockholders	(155,791)	(3,053)
<b>Net Loss Attributable to Common Stockholders</b>	\$ (1,580,905)	\$ (1,813,938)
<b>Net loss per basic and diluted common share:</b>		
Loss from continuing operations	\$ (0.04)	\$ (0.04)
Loss from discontinued operations	-	-
<b>Net loss per common share</b>	\$ (0.04)	\$ (0.04)
<b>Weighted Average Number of Common Shares Outstanding:</b>		
Basic and Diluted	43,086,927	42,935,629

See Notes to the Condensed Consolidated Financial Statements

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

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Net Loss</b>	\$ (1,425,114)	\$ (1,810,885)
<b>Other Comprehensive Loss</b>		
Foreign currency translation adjustments	(285,609)	200,259
<b>Total Comprehensive Loss</b>	<b>\$ (1,710,723)</b>	<b>\$ (1,610,626)</b>

See Notes to the Condensed Consolidated Financial Statements

**ALGODON WINES & LUXURY DEVELOPMENT GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TEMPORARY EQUITY AND STOCKHOLDERS'**  
**DEFICIENCY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018**  
**(unaudited)**

	Series B Convertible Redeemable Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficiency
	Shares	Amount	Shares	Amount	Shares	Amount				
	Shares	Amount	Shares	Amount	Shares	Amount				
<b>Balance - December 31, 2017</b>	902,670	\$9,026,824	43,067,546	\$430,674	4,411	\$(14,070)	\$80,902,967	\$ (10,795,810)	\$ (75,544,081)	\$ (5,020,320)
Stock-based compensation:										
Common stock issued under 401(k) profit sharing plan	-	-	116,284	1,163	-	-	80,236	-	-	81,399
Options and warrants	-	-	-	-	-	-	183,220	-	-	183,220
Comprehensive loss:										
Net loss	-	-	-	-	-	-	-	-	(1,425,114)	(1,425,114)
Other comprehensive loss	-	-	-	-	-	-	-	(285,609)	-	(285,609)
<b>Balance - March 31, 2018</b>	<u>902,670</u>	<u>\$9,026,824</u>	<u>43,183,830</u>	<u>\$431,837</u>	<u>4,411</u>	<u>\$(14,070)</u>	<u>\$81,166,423</u>	<u>\$ (11,081,419)</u>	<u>\$ (76,969,195)</u>	<u>\$ (6,466,424)</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 three months ended	
	March 31,	
	2018	2017
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (1,425,114)	\$ (1,810,885)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation:		
401(k) stock	20,446	18,017
Options and warrants	183,220	164,529
Net realized and unrealized investment losses	1,628	3,031
Depreciation and amortization	6,739	21,615
Amortization of debt discount	9,636	-
Provision for uncollectible assets	(27,874)	2,000
Prepaid compensation amortization	-	750
Gain on sale of investment in subsidiary	-	(199,200)
Decrease (increase) in assets:		
Accounts receivable	604,905	(11,713)
Inventory	(26,706)	(26,475)
Prepaid expenses and other current assets	(42,932)	7,301
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	225,147	(125,780)
Deferred revenue	(720,454)	(104,776)
Other liabilities	(527)	1,172
Total Adjustments	233,228	(249,529)
<b>Net Cash Used in Operating Activities</b>	<b>(1,191,886)</b>	<b>(2,060,414)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(233,544)	(99,699)
Proceeds from sale of investment in subsidiary	-	199,200
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(233,544)</b>	<b>99,501</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from loans payable	525,000	517,243
Repayments of loans payable	(26,053)	(32,158)
Proceeds from convertible debt obligations	1,219,704	1,260,000
Repayments of debt obligations	-	(15,000)
Proceeds from sale of Series B Preferred stock	-	285,000
Proceeds from common stock offering, net of issuance costs	-	40,500
<b>Net Cash Provided by Financing Activities</b>	<b>1,718,651</b>	<b>2,055,585</b>
<b>Effect of Exchange Rate Changes on Cash</b>	<b>(330,956)</b>	<b>86,226</b>
<b>Net (Decrease) Increase in Cash</b>	<b>(37,735)</b>	<b>180,898</b>
<b>Cash - Beginning of Period</b>	<b>358,303</b>	<b>131,190</b>
<b>Cash - End of Period</b>	<b>\$ 320,568</b>	<b>\$ 312,088</b>

See Notes to the Condensed Consolidated Financial Statements

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

	For the three months ended	
	March 31,	
	2018	2017
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Interest paid	\$ 45,786	\$ 42,897
Income taxes paid	\$ -	\$ -
<b>Non-Cash Investing and Financing Activity</b>		
Accrued stock based compensation converted to equity	\$ 81,399	\$ 73,868
Exchange of 8% notes for Series B preferred stock	\$ -	\$ 1,267,324

See Notes to the Condensed Consolidated Financial Statements



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

**1. ORGANIZATION**

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

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

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset amounts or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company incurred losses from continuing operations of \$1,425,114 and \$1,704,342 during the three months ended March 31, 2018 and 2017, respectively. The Company has an accumulated deficit of \$76,969,195 at March 31, 2018. Cash used in operating activities was \$1,191,886 and \$2,060,414 during the three months ended March 31, 2018 and 2017, respectively. Based upon projected revenues and expenses, the Company believes that it may not have sufficient funds to operate for the next twelve months. 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 continue to pursue its business objectives. The Company funded its operations during the three months ended March 31, 2018 and 2017 primarily through the proceeds from convertible debt obligations of \$1,219,704 and \$1,260,000, respectively, proceeds from loans payable of \$525,000 and \$517,243, respectively, proceeds from the sale of Series B Preferred stock of \$0 and \$285,000, respectively, and proceeds from the sale of common stock for net proceeds of \$0 and \$40,500, respectively. The Company repaid loans payable of \$26,053 and \$32,158 during the three months ended March 31, 2018 and 2017, respectively.

If the Company is not able to obtain additional sources of capital, it may not have sufficient funds to continue to operate the business for twelve months from the date these financial statements are issued. 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. Further, there is no assurance that these funds will be sufficient to enable the Company to attain profitable operations or continue as a going concern. To the extent that the Company is unsuccessful, the Company may need to curtail its operations and implement a plan to extend payables and reduce overhead until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful. Such a plan could have a material adverse effect on the Company’s business, financial condition and results of operations, and ultimately the Company could be forced to discontinue its operations, liquidate and/or seek reorganization in bankruptcy. These condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the unaudited condensed consolidated financial statements of the Company as of March 31, 2018, and for the three months ended March 31, 2018 and 2017. The results of operations for the three months ended March 31, 2018 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, 2017, filed with the Securities and Exchange Commission (“SEC”) on March 30, 2018. The condensed consolidated balance sheet as of December 31, 2017 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 assumptions of the Company include the valuation of equity instruments, the useful lives of property and equipment and reserves associated with the realizability of certain assets.

**Discontinued Operations**

The Company accounted for its decision to close down its broker-dealer subsidiary as discontinued operations in accordance with the guidance provided in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 360, “Accounting for Impairment or Disposal of Long-Lived Assets,” and ASC Topic 205, “Presentation of Financial Statements,” which require that only a disposal of a component of an entity, or a group of components of an entity, that represents a strategic shift that has, or will have, a major effect on the reporting entity’s operations and financial results shall be reported in the financial statements as discontinued operations. Accordingly, the results of operations for the broker dealer subsidiary during the periods presented are reclassified into separate line items in the statements of operations. There were no assets or liabilities of discontinued operations as of March 31, 2018 or December 31, 2017.

**Segment Information**

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

**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). Argentine assets and liabilities are translated into U.S. dollars using the exchange rate at the balance sheet date (20.109 and 18.593 for the Argentine peso and 0.7135 and 0.7400 for the British pound at March 31, 2018 and December 31, 2017, respectively), and revenue and expense accounts are translated using a weighted average exchange rate for the period then ended (19.6682 and 15.6680 for the Argentine peso and 0.7186 and 0.8076 for the British pound for the three months ended March 31, 2018 and 2017, 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.

There has been a steady devaluation of the Argentine peso relative to the United States dollar in recent years, primarily due to inflation. 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. As of March 31, 2018, the Argentine economy has not been designated as highly-inflationary for accounting purposes. The Company is closely monitoring any developments in Argentina and is evaluating the potential impact on its consolidated financial statements if the Argentine economy is deemed to be highly inflationary.

**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 are 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, capitalized real estate development costs are currently not being depreciated. Land is an inexhaustible asset and is not 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 for which services are required to be provided in exchange for the award, usually the vesting period. The Company accounts for forfeitures as they occur.

**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 \$106,455 and \$146,952 at March 31, 2018 and December 31, 2017, respectively, of which \$57,852 and \$92,168, respectively, represents cash held in Argentine bank accounts.

**Comprehensive Income (Loss)**

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

**Revenue Recognition**

On January 1, 2018, the Company adopted ASC Topic 606, Revenue from Contracts with Customers. ASC Topic 606 provides a single comprehensive model to use in accounting for revenue arising from contracts with customers, and gains and losses arising from transfers of non-financial assets including sales of property and equipment, real estate, and intangible assets. The Company adopted ASC Topic 606 for all applicable contracts using the modified retrospective method, requires a cumulative-effect adjustment, if any, as of the date of adoption. The adoption of ASC Topic 606 did not have a material impact on the Company’s consolidated financial statements as of the date of adoption, and therefore a cumulative-effect adjustment was not required.

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

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

**Revenue Recognition, continued**

The Company earns revenues from the sale of real estate lot and sales of food and wine as well as hospitality, food & beverage, and other related services. The Company recognizes revenue when goods or services are transferred to customers in an amount that reflects the consideration which it expects to receive in exchange for those goods or services. In determining when and how revenue is recognized from contracts with customers, the Company performs the following five-step analysis: (i) identification of contract with customer; (ii) determination of performance obligations; (iii) measurement of the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The following table summarizes the revenue recognized in the Company's condensed consolidated statements of operations:

	<b>For The Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
Real estate sales	\$ 799,854	\$ -
Hotel room and events	223,568	263,949
Restaurants	90,097	90,269
Winemaking	139,396	222,828
Golf, tennis and other	25,008	41,491
	<b>\$ 1,277,923</b>	<b>\$ 618,537</b>

Revenue from real estate lot sales is recorded when the lot is deeded and legal ownership of the lot is transferred to the customer. Revenue from the sale of food, wine and agricultural products is recorded when the customer obtains control of the goods purchased. Revenues from hospitality and other services are recognized as earned at the point in time that the related service is rendered and the performance obligation has been satisfied.

The timing of the Company's revenue recognition may differ from the timing of payment by its customers. A receivable is recorded when revenue is recognized prior to payment and the Company has an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, the Company records deferred revenue until the performance obligations are satisfied. 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, advance deposits received for grapes and other agricultural products, and hotel deposits. Wine barrel and agricultural product advance deposits are recognized as revenues (along with any outstanding balance) when the product is shipped to the purchaser. Hotel deposits are recognized as revenue upon occupancy of rooms, or the provision of services.

During the three months ended March 31, 2018 the Company recognized approximately \$800,000 of revenues related to the sale of real estate lots which was included in deferred revenues as of December 31, 2017. For the three months ended March 31, 2018, the Company did not recognize any revenue related to performance obligations satisfied in previous periods. Contracts related to the sale of wine, agricultural products and hotel services have an original expected length of less than one year. The Company has elected not to disclose information about remaining performance obligations pertaining to contracts with an original expected length of one year or less, as permitted under the guidance.

As of March 31, 2018 and December 31, 2017, the Company had deferred revenue of \$837,937 and \$1,690,224, respectively, associated with real estate lot sale deposits, \$12,875 and \$0, respectively, related to advance deposits for wine barrel and agricultural products and had \$46,567 and \$42,440, respectively, of deferred revenue related to hotel deposits. Sales taxes and value added ("VAT") taxes collected from customers and remitted to governmental authorities are presented on a net basis within revenues in the condensed consolidated statements of operations.

**Net Loss per Common Share**

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

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

**Net Loss per Common Share, continued**

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

	<u>March 31,</u>	
	<u>2018</u>	<u>2017</u>
Options	10,312,926	7,979,265
Warrants	1,389,179	1,903,730
Series B convertible preferred stock	9,026,700	1,552,000
Total potentially dilutive shares <sup>(1)</sup>	<u>20,728,805</u>	<u>11,434,995</u>

(1) In addition, \$1,239,704 of convertible debt is convertible into common stock at a 10% discount to the price used for the sale of the of the Company's common stock in a future private placement offering.

**New Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), which increases the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 will require lessees to recognize a right-of-use (ROU) asset for its right to use the underlying asset and a lease liability for the corresponding lease obligation for leases with terms of more than twelve months. Both the ROU asset and lease liability will initially be measured at the present value of the future minimum lease payments over the lease term. Subsequent measurement, including the presentation of expenses and cash flows, will depend on the classification of the lease as either a finance or an operating lease. Accounting by lessors will remain largely unchanged from current U.S. GAAP. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those years, with early adoption permitted, and is to be applied as of the beginning of the earliest period presented using a modified retrospective approach. The Company is currently evaluating the impact that the provisions of ASU 2016-02 will have on the Company's consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments (Topic 230)" which provides guidance on the presentation and classification of certain cash receipts and cash payments in the statement of cash flows in order to reduce diversity in practice. The ASU is effective for interim and annual periods beginning after December 15, 2017 with early adoption permitted. The adoption of ASU 2016-15 did not have a material effect on the Company's condensed consolidated financial statements and related disclosures.

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

**New Accounting Pronouncements, continued**

On February 22, 2017, the FASB issued ASU 2017-05, ‘Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Topic 610-20)’, which requires that all entities account for the derecognition of a business in accordance with ASC 810, including instances in which the business is considered in substance real estate. The ASU is effective for annual periods, and interim periods therein, beginning after December 15, 2017. The adoption of the provisions of ASU 2017-05 did not have a material impact on the Company’s condensed consolidated financial statements and related disclosures.

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718); Scope of Modification Accounting. The amendments in this ASU provide guidance that clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. If the value, vesting conditions or classification of the award changes, modification accounting will apply. The guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The adoption of ASU 2017-09 did not have a material impact on the Company’s condensed consolidated financial statements and related disclosures.

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

**4. DISCONTINUED OPERATIONS**

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

**Results of Discontinued Operations**

There were no results of discontinued operations during the three months ended March 31, 2018. Results of discontinued operations during the three months ended March 31, 2017 are as follows.

	<b>For The Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
Revenues	\$ -	\$ -
Gross profit	\$ -	\$ -
Operating expenses	\$ -	\$ (106,558)
Interest income (expense)	\$ -	\$ 15
Loss from discontinued operations	\$ -	\$ (106,543)

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**5. INVENTORY**

Inventory at March 31, 2018 and December 31, 2017 is comprised of the following:

	<u>March 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Vineyard in process	\$ 433,513	\$ 349,458
Wine in process	832,821	865,762
Finished wine	38,529	63,964
Other	128,849	109,482
	<u>\$ 1,433,712</u>	<u>\$ 1,388,666</u>

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

The Company holds certain affiliate warrants earned by the broker-dealer subsidiary prior to its discontinuation of operations, which are marked to market at each reporting date using the Black-Scholes option pricing model. The Company recorded unrealized losses on the affiliate warrants of \$1,628 and \$3,031 during the quarter ended March 31, 2018 and 2017, respectively, which are included in revenues on the accompanying condensed consolidated statements of operations

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.



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

**Investments – Related Parties at Fair Value**

<u>As of March 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Warrants- Affiliates	\$ -	\$ -	\$ 24,773	\$ 24,773
<u>As of December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Warrants- Affiliates	\$ -	\$ -	\$ 26,401	\$ 26,401

A reconciliation of Level 3 assets is as follows:

<u>Warrants</u>	
Balance - December 31, 2017	\$ 26,401
Unrealized loss	(1,628)
Balance - March 31, 2018	<u>\$ 24,773</u>

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Accumulated unrealized (losses) gains related to investments at fair value	\$ (42,075)	\$ (40,447)

**7. ACCRUED EXPENSES**

Accrued expenses are comprised of the following:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Accrued compensation and payroll taxes	\$ 444,337	\$ 463,604
Accrued taxes payable	40,279	63,550
Accrued interest	271,813	255,481
Other accrued expenses	209,866	217,886
Accrued expenses, current	966,295	1,000,521
Accrued payroll tax obligations, non-current	221,720	247,515
Total accrued expenses	<u>\$ 1,188,015</u>	<u>\$ 1,248,036</u>

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**8. LOANS PAYABLE**

On March 31, 2017, the Company received a bank loan in the amount of \$519,156 (ARS \$8,000,000) (the “2017 Loan”). The 2017 Loan bears interest at 24.18% per annum and is due on March 1, 2021. Principal and interest will be paid in forty-two monthly installments beginning on October 1, 2017 and ending on March 1, 2021. The Company incurred interest expense of \$26,508 on this loan during the three months ended March 31, 2018.

On August 19, 2017, the Company purchased 845 hectares of land adjacent to its existing property at AWE. The Company paid \$100,000 at the date of purchase and executed a note payable in the amount of \$600,000 (the “Land Loan”) with a stated interest rate of 0% and with quarterly payments of \$50,000 beginning on December 18, 2017 and ending August 18, 2021. At the date of purchase, the Company took possession of the property, with full use and access, but will not receive the deed to the property until after \$400,000 of the purchase price has been paid. The Company imputed interest on the note at 7% per annum and recorded a discounted note balance of \$517,390 on August 19, 2017. Amortization of the note discount in the amount of \$9,636 for the three months ended March 31, 2018 is recorded as interest expense on the accompanying condensed consolidated statements of operations. The balance on the note was \$489,243, net of debt discount of \$60,757 on March 31, 2018, of which \$121,274 (net of discount of \$28,726) is included in loans payable, net, current and \$367,968 (net of discount of \$32,032) is included in loans payable, net, non-current in the accompanying condensed consolidated balance sheets.

On January 25, 2018 the Company received a bank loan in the amount of \$525,000 (the “2018 Loan”), denominated in U.S. dollars. The 2018 Loan bears interest at 6.75% per annum and is due on January 25, 2023. Principal and interest will be paid in 60 equal monthly installments of \$10,311, beginning on February 23, 2018. The Company incurred interest expense of \$5,769 on this loan during the three months ended March 31, 2018. As of March 31, 2018, accrued interest of \$2,953 remained outstanding.

The Company’s loans payable are summarized below:

	<u>March 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Gross Principal Amount</u>	<u>Debt Discount</u>	<u>Loans Payable, Net of Debt Discount</u>	<u>Gross Principal Amount</u>	<u>Debt Discount</u>	<u>Loans Payable, Net of Debt Discount</u>
2018 Loan	\$ 517,602	\$ -	\$ 517,602	\$ -	\$ -	\$ -
2017 Loan	362,737	-	362,737	412,047	-	412,047
Land Loan	550,000	(60,758)	489,242	550,000	(70,393)	479,607
Total Loans Payable	1,430,339	(60,758)	1,369,581	962,047	(70,393)	891,654
Less: current portion	380,336	(28,726)	351,610	287,838	(31,114)	256,724
Loans Payable, non-current	<u>\$ 1,050,003</u>	<u>\$ (32,032)</u>	<u>\$ 1,017,971</u>	<u>\$ 674,209</u>	<u>\$ (39,279)</u>	<u>\$ 634,930</u>

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**9. CONVERTIBLE DEBT OBLIGATIONS**

During an offering that ended on September 30, 2010, the Company issued convertible notes with an interest rate of 8% and an amended maturity date of March 31, 2011 (the “2010 Debt Obligations”). During the three months ended March 31, 2018 and 2017, the Company incurred interest expense of \$9,153 and \$8,849 on the 2010 Debt Obligations. As of December 31, 2017, the entire principal balance owed on the 2010 Debt Obligations has been repaid, however, accrued interest of \$264,635 and \$255,481 remained outstanding as of March 31, 2018, and December 31, 2017, respectively. Accrued interest on the 2010 Debt Obligations is not convertible.

On December 31, 2017, the Company sold a convertible promissory note in the amount of \$20,000 to an accredited investor. From February 2, 2018 through March 22, 2018, the Company sold additional convertible promissory notes in the aggregate principal amount of \$1,219,704 (together, the “Convertible Notes”). The Convertible Notes mature 90 days from the date of issuance, bear interest at 8% per annum and are convertible into the Company’s common stock at a 10% discount to the price used for the sale of the Company’s common stock in the Company’s next private placement offering. The terms of the conversion option resulted in a contingent beneficial conversion feature which will be recognized when the private placement offering commences and the contingency is resolved. The Company incurred interest expense of \$4,225 on this loan during the three months ended March 31, 2018.

The Company’s debt obligations are summarized below:

	<b>March 31, 2018</b>			<b>December 31, 2017</b>		
	<b>Principal</b>	<b>Interest [1]</b>	<b>Total</b>	<b>Principal</b>	<b>Interest [1]</b>	<b>Total</b>
Debt Obligations	\$ -	\$ 264,635	\$ 264,635	\$ -	\$ 255,481	\$255,481
Convertible Debt	1,239,704	4,225	1,243,929	20,000	-	20,000
	<u>\$1,239,704</u>	<u>\$ 268,860</u>	<u>\$1,508,564</u>	<u>\$ 20,000</u>	<u>\$ 255,481</u>	<u>\$275,481</u>

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

**10. RELATED PARTY TRANSACTIONS**

**Assets**

Accounts receivable – related parties of \$409,290 and \$851,016 at March 31, 2018 and December 31, 2017, respectively, represent the net realizable value of advances made to related, but independent, entities under common management, of which \$184,000 and \$724,591 respectively, represents amounts owed to the Company in connection with expense sharing agreements as described below.

**Investments**

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

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**10. RELATED PARTY TRANSACTIONS, continued**

**Expense Sharing**

On April 1, 2010, the Company entered into an agreement with a related entity, of which AWLD's CEO is Chairman and Chief Executive Officer and AWLD's CFO is an executive officer, to share expenses such as office space, support staff and other operating expenses. The Company is entitled to receive reimbursement of \$69,829 and \$58,683 for expenses incurred during the three months ended March 31, 2018 and 2017, respectively, pursuant to this agreement. The entity owed \$184,000 and \$724,591, respectively, as of March 31, 2018 and December 31, 2017, under this agreement. The amount owed to the Company is being repaid in installments through October 1, 2018, pursuant to a repayment schedule agreed upon by the Company and the related entity on March 24, 2017.

The Company also had an expense sharing agreement with a different related entity to share expenses such as office space and other clerical services, which was terminated on August 2017. The owners of more than 5% of that entity include (i) AWLD's Chairman, and (ii) a more than 5% owner of AWLD. The Company was entitled to receive reimbursement of \$3,990 for expenses during the three months ended March 31, 2017, pursuant to this agreement. The entity owed \$396,116 to the Company under the expense sharing agreement as of March 31, 2018 and December 31, 2017, of which the entire balance is deemed unrecoverable and reserved.

**11. BENEFIT CONTRIBUTION PLAN**

The Company sponsors a 401(k) profit-sharing plan ("401(k) Plan") that covers substantially all of its employees in the United States. The 401(k) Plan provides for a discretionary annual contribution, which is allocated in proportion to compensation. In addition, each participant may elect to contribute to the 401(k) Plan by way of a salary deduction. A participant is always fully vested in their account, including the Company's contribution. For the three months ended March 31, 2018 and 2017, the Company recorded a charge associated with its contribution of \$20,446 and \$18,017, respectively. This charge has been included as a component of general and administrative expenses in the accompanying condensed consolidated statements of operations. The Company issues shares of its common stock to settle prior year's obligations based on the fair market value of its common stock on the date the shares are issued (shares were issued at \$0.70 and \$2.00 per share for the three months ended March 31, 2018 and 2017, respectively).

**12. TEMPORARY EQUITY AND STOCKHOLDERS' DEFICIENCY**

**Series B Preferred Stock**

The Series B stockholders are entitled to cumulative cash dividends at an annual rate of 8% of the Series B liquidation value (equal to face value of \$10 per share), as defined, payable when, as and if declared by the Board of Directors. Cumulative dividends earned by the Series B stockholders were \$155,791 and \$3,053 for the three months ended March 31, 2018 and 2017, respectively. Cumulative unpaid dividends in arrears related to the Series B totaled \$438,354 and \$284,564 as of March 31, 2018 and December 31, 2017, respectively.

**Common Stock**

During March 2018, the Company issued 116,284 shares of common stock at \$0.70 per share to settle its 2017 obligation, (an aggregate of \$81,399) representing the Company's 401(k) matching contributions) to the Company's 401(k) profit-sharing plan.

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**12. TEMPORARY EQUITY AND STOCKHOLDERS' DEFICIENCY, continued**

**Accumulated Other Comprehensive Income (Loss)**

For three months ended March 31, 2018 and 2017, the Company recorded \$(285,609) and \$200,259, respectively, of foreign currency translation adjustment as accumulated other comprehensive income (loss).

**Warrants**

A summary of warrants activity during the three months ended March 31, 2018 is presented below:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Life in Years</u>	<u>Intrinsic Value</u>
Outstanding, December 31, 2017	1,465,296	2.17		
Issued	-	-		
Exercised	-	-		
Expired	(76,117)	2.30		
Outstanding, March 31, 2018	<u>1,389,179</u>	<u>\$ 2.17</u>	<u>2.2</u>	<u>\$ -</u>
Exercisable, March 31, 2018	<u>1,389,179</u>	<u>\$ 2.17</u>	<u>2.2</u>	<u>\$ -</u>

A summary of outstanding and exercisable warrants as of March 31, 2018 is presented below:

<u>Warrants Outstanding</u>			<u>Warrants Exercisable</u>	
<u>Exercise Price</u>	<u>Exercisable Into</u>	<u>Outstanding Number of Warrants</u>	<u>Weighted Average Remaining Life in Years</u>	<u>Exercisable Number of Warrants</u>
\$ 2.00	Common Stock	741,879	2.8	741,879
\$ 2.30	Common Stock	458,993	1.1	458,993
\$ 2.50	Common Stock	188,307	3.0	188,307
	Total	<u>1,389,179</u>		<u>1,389,179</u>

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**12. TEMPORARY EQUITY AND STOCKHOLDERS' DEFICIENCY, continued**

**Stock Options**

On February 14, 2018, the Company granted five-year options for the purchase of 1,304,328 shares of the Company's common stock under the 2016 Plan, which options for the purchase of common stock were granted to certain employees of the Company. The options had an exercise price of \$0.77 per share and vest 25% at the first anniversary of date of grant, with the remaining shares vesting ratably on a quarterly basis over the following three years. The options had an aggregate grant date fair value of \$610,985, which will be recognized ratably over the vesting period. The company has computed the fair value of options granted using the Black-Scholes option pricing model. Assumptions used in applying the Black-Scholes option pricing model are as follows: risk free interest rate of 2.56%, expected term of 5 years, expected volatility of 43.5%, and expected dividends of 0.00%. There were no stock options granted during the three months ended March 31, 2017.

During the three months ended March 31, 2018 and 2017, the Company recorded stock-based compensation expense of \$183,220 and \$163,424, respectively, related to stock option grants, which is reflected as general and administrative expenses in the accompanying condensed consolidated statements of operations. As of March 31, 2018, there was \$1,900,595 of unrecognized stock-based compensation expense related to stock option grants that will be amortized over a weighted average period of 2.5 years, of which \$515,369 of unrecognized expense is subject to non-employee mark-to-market adjustments.

A summary of options activity during the months ended March 31, 2018 and December 31, 2017 is presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Term (Yrs)	Intrinsic Value
Outstanding, December 31, 2017	9,234,265	\$ 2.18		
Granted	1,304,328	0.77		
Exercised	-	-		
Expired	-	-		
Forfeited	-	-		
Outstanding, March 31, 2018	<u>10,538,593</u>	<u>\$ 2.01</u>	<u>2.3</u>	<u>\$ -</u>
Exercisable, March 31, 2018	<u>6,474,016</u>	<u>\$ 2.40</u>	<u>1.3</u>	<u>\$ -</u>

The following table presents information related to stock options at March 31, 2018:

Options Outstanding		Options Exercisable	
Exercise Price	Outstanding Number of Options	Weighted Average Remaining Life in Years	Exercisable Number of Options
\$ 0.77	1,304,328	4.9	-
\$ 1.10	1,395,000	4.6	-
\$ 2.20	3,031,890	2.5	1,982,356
\$ 2.48	4,772,375	0.8	4,459,785
\$ 3.30	10,000	2.2	6,875
\$ 3.50	25,000	0.2	25,000
	<u>10,538,593</u>	<u>1.3</u>	<u>6,474,016</u>

**13. COMMITMENTS AND CONTINGENCIES**

**Legal Matters**

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

**Commitments**

The Company leases office space in New York City under an operating lease which expires on August 31, 2020. Rent expense for this property was \$56,892 and \$51,781 for the three months ended March 31, 2018 and 2017, respectively, net of expense allocation to affiliates.

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**14. SUBSEQUENT EVENTS [OPEN]**

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 accompanying condensed consolidated financial statements.

**Convertible Debt**

From April 2 through April 26, 2018, the Company sold additional convertible promissory notes in the aggregate principal amount of \$1,087,326. The convertible promissory notes mature 90 days from the date of issuance, bear interest at 8% per annum and are convertible into the Company's common stock at a 10% discount to the price used for the sale of the Company's common stock in the Company's next private placement offering.

**Foreign Currency Exchange Rates**

The Argentine peso to United States dollar exchange rate was 20.241, 20.109 and 18.593 at May 11, March 31, 2018 and December 31, 2017, respectively.

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

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

*The independent registered public accounting firm's report on the Company's consolidated financial statements as of December 31, 2017, and for each of the years in the two-year period then ended, includes a "going concern" explanatory paragraph, that describes substantial doubt about the Company's ability to continue as a going concern.*

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

### **Overview**

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

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

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



## **Recent Developments and Trends**

### *Financings*

During the three months ended March 31, 2018, we raised, net of repayments, approximately \$1.7 million of new capital through the issuance of debt, consisting primarily of proceeds from the issuance of convertible debt and loans payable. We used the net proceeds from these debt issuances for general working capital and capital expenditures.

### *Initiatives*

We have implemented a number of initiatives designed to expand revenues and control costs. Revenue enhancement initiatives include expanding marketing, investment in additional winery capacity and developing new real estate development revenue sources. Cost reduction initiatives include investment in equipment that will decrease our reliance on subcontractors, as well as 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 accompanying condensed consolidated financial statements, we have generated significant losses which have resulted in a total accumulated deficit of approximately \$77.0 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, 2017 and 2016, 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 of our products and continue the development of our real estate holdings.

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

## Consolidated Results of Operations

### *Three months March 31, 2018 compared to three months ended March 31, 2017*

#### *Overview*

We reported net losses of approximately \$1.4 million and \$1.8 million for the three months ended March 31, 2018 and 2017, respectively.

#### *Revenues*

Revenues from continuing operations were approximately \$1,278,000 and \$619,000 during the three months ended March 31, 2018 and 2017, respectively, representing an increase of \$659,000 or 106%. Increases resulted primarily from real estate lot revenues which were partially offset by the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar in the three months ended March 31, 2018 compared to the three months ended March 31, 2017.

#### *Gross Profit*

We generated a gross profit of approximately \$702,000 for the three months ended March 31, 2018 as compared to a gross profit of approximately \$134,000 for the three months ended March 31, 2017, representing an increase of \$568,000 or 424%. Cost of sales, which consists of real estate lots, raw materials, direct labor and indirect labor associated with our business activities, increased by approximately \$91,000 from \$485,000 for the three months ended March 31, 2017 to \$576,000 for the three months ended March 31, 2018. Improvement in gross profit is primarily the result of the sale real estate lot sales in Argentina, which we recognized during 2018.

#### *Selling and marketing expenses*

Selling and marketing expenses were approximately \$98,000 and \$151,000 for the three months ended March 31, 2018 and 2017, respectively, representing a decrease of \$53,000 in 2018, primarily resulting from a shareholder marketing event held in the first quarter of 2017.

#### *General and administrative expenses*

General and administrative expenses were approximately \$1,952,000 and \$1,783,000 for the three months ended March 31, 2018 and 2017, respectively, representing an increase of \$169,000 or 9%. Increases in administrative support expenses and travel expenses were partially offset by the decline in the value of the Argentine peso vis-à-vis the U.S. dollar for the three months ended March 31, 2018 compared to the three months ended March 31, 2017.

### *Depreciation and amortization expense*

Depreciation and amortization expense was approximately \$7,000 and \$22,000 during the three months ended March 31, 2018 and 2017, respectively, representing a decrease of \$15,000 or 68%. It should be noted that an additional \$37,000 and \$28,000 of depreciation and amortization expense was charged to inventory during the three months ended March 31, 2018 and 2017, respectively. The decrease in depreciation expense is primarily related to an \$8,000 true up to accumulated depreciation during the three months ended March 31, 2018, as well as the impact of the decline in the value of the Argentine peso vis-à-vis the U.S dollar, as most of our property and equipment is located in Argentina.

### *Interest expense, net*

Interest expense, net was approximately \$70,000 and \$82,000 during the three months ended March 31, 2018 and 2017, respectively, representing a decrease of \$12,000 or 15%. This decrease was a result of a decrease in the average outstanding principal balance of convertible debt outstanding during the period, as most of the debt issued during the three months ended March 31, 2018 was issued late in the quarter. Interest expense was also impacted by the decline in the value of the Argentine peso vis-à-vis the U.S. dollar in the three months ended March 31, 2018 compared to the three months ended March 31, 2017. This was partially offset by an increase in interest expense incurred by our Argentine subsidiaries as a result of higher average debt balances during the three months ended March 31, 2018 as compared to the three months ended March 31, 2017.

### **Liquidity and Capital Resources**

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

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Cash	\$ 320,568	\$ 358,303
Working Capital (Deficiency)	\$ (1,122,163)	\$ (62,464)

Based upon our working capital deficiency as of March 31, 2018, we require additional equity and/or debt financing in order to sustain operations. These conditions raise substantial doubt about our ability to continue as a going concern.

We have relied primarily on debt and equity private placement offerings to third party independent, accredited investors to sustain operations. During the three months ended March 31, 2018, we received proceeds of approximately \$1,220,000 from the issuance of convertible debt. We also received approximately \$525,000 of proceeds from a bank loan.

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

### ***Availability of Additional Funds***

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

### ***Sources and Uses of Cash for the Three months ended March 31, 2018 and 2017***

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

Net cash used in operating activities for the three months ended March 31, 2018 and 2017 amounted to approximately \$1,192,000 and \$2,060,000, respectively. During the three months ended March 31, 2018, the net cash used in operating activities was primarily attributable to the net loss of approximately \$1,425,000, adjusted for approximately \$194,000 of net non-cash expenses, and approximately \$39,000 of cash provided by changes in the levels of operating assets and liabilities. During the three months ended March 31, 2017, the net cash used in operating activities was primarily attributable to the net loss of approximately \$1,811,000 adjusted for approximately \$210,000 of net non-cash expenses, partially offset by the gain on the sale of investment in a subsidiary of \$(199,200) and approximately \$260,000 of cash used by changes in the levels of operating assets and liabilities.

#### ***Net Cash (Used in) Provided by Investing Activities***

Net cash (used in) provided by investing activities for the three months ended March 31, 2018 and 2017 amounted to approximately (\$234,000) and \$100,000, respectively. Cash used in investing activities during the three months ended March 31, 2018 was resulted entirely from the purchase of property and equipment. Cash provided by investing activities during the three months ended March 31, 2017 consisted of \$199,200 proceeds from the sale of our investment in a subsidiary, offset by approximately \$100,000 cash used for the purchase of property and equipment during the period.

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

Net cash provided by financing activities for the three months ended March 31, 2018 and 2017 amounted to approximately \$1,719,000 and \$2,056,000, respectively. For the three months ended March 31, 2018, the net cash provided by financing activities resulted primarily from approximately \$1,220,000 of proceeds from convertible debt obligations and approximately \$525,000 of proceeds from the issuance of loans payable. For the three months ended March 31, 2017, the net cash provided by financing activities resulted primarily from the offering of equity securities for net proceeds of approximately \$326,000 and new borrowings of approximately \$1,777,000, less repayments of approximately \$47,000.

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

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

Based on current cash on hand and subsequent activity as described herein, we may not have sufficient funds to operate our business operations for the next twelve months. While we are exploring opportunities with third parties and related parties to provide some or all of the capital we need over the short and long terms, we have not entered into any external agreement to provide us with the necessary capital. Historically, the Company has been successful in raising funds to support our capital needs. If we are unable to obtain additional financing on a timely basis, we may have to delay vendor payments and/or initiate cost reductions, which would have a material adverse effect on our business, financial condition and results of operations, and ultimately, we could be forced to discontinue our operations, liquidate and/or seek reorganization under the U.S. bankruptcy code. As a result, our auditors have issued a going concern opinion in conjunction with their audits of our December 31, 2017 and 2016 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**

#### **Revenue Recognition**

On January 1, 2018, we adopted ASC Topic 606, Revenue from Contracts with Customers. ASC Topic 606 provides a single comprehensive model to use in accounting for revenue arising from contracts with customers, and gains and losses arising from transfers of non-financial assets including sales of property and equipment, real estate, and intangible assets. We adopted ASC Topic 606 for all applicable contracts using the modified retrospective method, which requires a cumulative-effect adjustment, if any, as of the date of adoption. The adoption of ASC Topic 606 did not have a material impact on our consolidated financial statements as of the date of adoption, and therefore a cumulative-effect adjustment was not required.

We earn revenues from the real estate lot sales and sale of food and wine as well as hospitality, food & beverage, and other related services. We recognize revenue when goods or services are transferred to customers in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. In determining when and how revenue is recognized from contracts with customers, we perform the following five-step analysis: (i) identification of contract with customer; (ii) determination of performance obligations; (iii) measurement of the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) we satisfy each performance obligation.

The following table summarizes the revenue recognized in our condensed consolidated statements of operations:

	<b>For The Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
Real estate sales	\$ 799,854	\$ -
Hotel room and events	223,568	263,949
Restaurants	90,097	90,269
Winemaking	139,396	222,828
Golf, tennis and other	25,008	41,491
	<u>\$ 1,277,923</u>	<u>\$ 618,537</u>

Revenue from real estate lot sales is recorded when the lot is deeded and legal ownership of the lot is transferred to the customer. Revenue from the sale of food, wine and agricultural products is recorded when the customer obtains control of the goods purchased. Revenues from hospitality and other services are recognized as earned at the point in time that the related service is rendered and the performance obligation has been satisfied.

The timing of our revenue recognition may differ from the timing of payment by our customers. A receivable is recorded when revenue is recognized prior to payment and we have an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, we record deferred revenue until the performance obligations are satisfied. 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 us in connection with agreements to sell barrels of wine, and advance deposits received for grapes and other agricultural products, and hotel deposits. Wine barrel and agricultural product advance deposits are recognized as revenues (along with any outstanding balance) when the product is shipped to the purchaser. Hotel deposits are recognized as revenue upon occupancy of rooms, or the provision of services.

During the three months ended March 31, 2018 we recognized approximately \$800,000 of revenues related to the sale of real estate lots which were included in deferred revenues as of December 31, 2017. For the three months ended March 31, 2018, we did not recognize any revenue related to performance obligations satisfied in previous periods. Contracts related to the sale of wine, agricultural products and hotel services have an original expected length of less than one year. We have elected not to disclose information about remaining performance obligations pertaining to contracts with an original expected length of one year or less, as permitted under the guidance.

As of March 31, 2018 and December 31, 2017, we had deferred revenue of \$837,937 and \$1,690,224, respectively, associated with real estate lot sale deposits, and \$12,875 and \$0, respectively, related to advance deposits for wine barrel and agricultural products, and we had \$46,567 and \$42,440, respectively, of deferred revenue related to hotel deposits. 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.

There are no other material changes from the critical accounting policies, estimates and new accounting pronouncements 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 30, 2018. Please refer to that document for disclosures regarding the critical accounting policies related to our business.

#### *New Accounting Pronouncements*

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

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers,” (“ASU 2014-09”). ASU 2014-09 supersedes the revenue recognition requirements in ASC 605 — Revenue Recognition (“ASC 605”) and most industry-specific guidance throughout ASC 605. The standard requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 was revised in July 2015 to be effective for interim periods beginning on or after December 15, 2017 and should be applied on a transitional basis either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application. In 2016, FASB issued additional ASUs that clarify the implementation guidance on principal versus agent considerations (ASU 2016-08), on identifying performance obligations and licensing (ASU 2016-10), and on narrow-scope improvements and practical expedients (ASU 2016-12) as well as on the revenue recognition criteria and other technical corrections (ASU 2016-20). These new standards became effective for on January 1, 2018 and were adopted using the modified retrospective method. The adoption of ASC Topic 606 did not have a material impact on our condensed consolidated financial statements as of the date of adoption, and therefore a cumulative-effect adjustment was not required.



In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments (Topic 230)” which provides guidance on the presentation and classification of certain cash receipts and cash payments in the statement of cash flows in order to reduce diversity in practice. The ASU is effective for interim and annual periods beginning after December 15, 2017 with early adoption permitted. The adoption of ASU 2016-15 did not have a material effect on our condensed consolidated financial statements and related disclosures.

On February 22, 2017, the FASB issued ASU 2017-05, ‘Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Topic 610-20)”, which requires that all entities account for the derecognition of a business in accordance with ASC 810, including instances in which the business is considered in substance real estate. The ASU is effective for annual periods, and interim periods therein, beginning after December 15, 2017. The adoption of the provisions of ASU 2017-05 did not have a material impact on our condensed consolidated financial statements and related disclosures.

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718); Scope of Modification Accounting. The amendments in this ASU provide guidance that clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. If the value, vesting conditions or classification of the award changes, modification accounting will apply. The guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The adoption of ASU 2017-09 did not have a material impact on our condensed consolidated financial statements and related disclosures.

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

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

### **Item 4: Controls and Procedures**

#### ***Disclosure Controls and Procedures***

Our management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer (who is our Principal Executive Officer) and our Chief Financial Officer (who is our Principal Financial Officer and Principal Accounting Officer), of the effectiveness of the design of our disclosure controls and procedures (as defined by Exchange Act Rules 13a-15(e) or 15d-15(e)) as of March 31, 2018, pursuant to Exchange Act Rule 13a-15(b). Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2018.

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

During the three months ended March 31, 2018, there were no changes in our internal controls over financial reporting, or in other factors that could significantly affect these controls, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



### ***Inherent Limitations of Controls***

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

## **PART II - OTHER INFORMATION**

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

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

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

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, we are not required to provide information required by this Item. However, our current risk factors are set forth in our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on March 30, 2018.

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

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

From February 2, 2018 through March 22, 2018, the Company sold convertible promissory notes (the “Convertible Notes”) in the amount of \$1,219,704 to accredited investors. The Convertible Notes have a 90-day maturity, bear interest at 8% per annum and are convertible into the Company’s common stock at a 10% discount to the price used for the sale of the Company’s common stock in the Company’s next private placement offering. The terms of the Convertible Notes resulted in a contingent beneficial conversion feature which will be recognized when the private placement offering commences and the contingency is resolved. For these sales of securities, no general solicitation was used and the Company relied on the exemption from registration available under Section 4(a)(2) and/or Rule 506(b) of Regulation D promulgated under the Securities Act with respect to transactions by an issuer not involving any public offering. A Form D will be filed shortly after the filing of this Quarterly Report on Form 10-Q

On February 12, 2018, the Company granted options to purchase of 1,304,328 shares of common stock at an exercise price of \$0.77 to certain employees under the 2016 Stock Option Plan. For these sales of securities, no general solicitation was used and the Company relied on the exemption from registration available under Section 4(a)(2).

During March 2018, the Company issued 116,284 shares of common stock at \$0.70 per share in settlement of its matching obligations for the year ended December 31, 2017 under the Company’s 401(k) profit sharing plan. For these sales of securities, no general solicitation was used and the Company relied on the exemption from registration available under Section 4(a)(2) and/or Rule 506(b) of Regulation D promulgated under the Securities Act with respect to transactions by an issuer not involving any public offering.

Between April 2 and April 26, 2018, the Company sold additional Convertible Notes in the amount of \$1,087,326 to accredited investors. The Convertible Notes have a 90-day maturity, bear interest at 8% per annum and are convertible into the Company’s common stock at a 10% discount to the price used for the sale of the Company’s common stock in the Company’s next private placement offering. The terms of the Convertible Notes resulted in a contingent beneficial conversion feature which will be recognized when the private placement offering commences and the contingency is resolved. For these sales of securities, no general solicitation was used and the Company relied on the exemption from registration available under Section 4(a)(2) and/or Rule 506(b) of Regulation D promulgated under the Securities Act with respect to transactions by an issuer not involving any public offering. A Form D will be filed shortly after the filing of this Quarterly Report on Form 10-Q.

Other than as set forth herein or in the Company’s current reports on Form 8-K, there have not been any sales of unregistered securities.

### **Item 3. Defaults upon Senior Securities**

None.

### **Item 4. Mine and Safety Disclosure**

Not applicable.

**Item 5. Other Information**

None.

## Item 6. Exhibits

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

<b>Exhibit</b>	<b>Description</b>
2.1	<a href="#"><u>Stock Purchase Agreement between the Company and China Concentric Capital Group, Inc., dated December 20, 2016<sup>(2)</sup></u></a>
2.2	<a href="#"><u>First Amendment to the Stock Purchase Agreement between the Company and China Concentric Capital Group, Inc., dated January 17, 2016<sup>(2)</sup></u></a>
2.3	<a href="#"><u>Escrow Agreement between the Company, China Concentric Capital Group, Inc., and J.M. Walker &amp; Associates, dated December 16, 2016<sup>(2)</sup></u></a>
2.4	<a href="#"><u>First Amendment to the Escrow Agreement between the Company, China Concentric Capital Group, Inc., and J.M. Walker &amp; Associates, dated January 17, 2017<sup>(2)</sup></u></a>
3.1	<a href="#"><u>Amended and Restated Certificate of Incorporation filed September 30, 2013<sup>(1)</sup></u></a>
3.2	<a href="#"><u>Amended and Restated Bylaws<sup>(1)</sup></u></a>
4.1	<a href="#"><u>Amended and Restated Certificate of Designation of the Series A Preferred filed September 30, 2013<sup>(1)</sup></u></a>
4.2	<a href="#"><u>Amendment No. 1 to the Amended and Restated Certificate of Designation of Series A Convertible Preferred Stock, dated February 28, 2017<sup>(3)</sup></u></a>
4.3	<a href="#"><u>Certificate of Designation of Series B Convertible Preferred Stock, dated February 28, 2017<sup>(3)</sup></u></a>
31.1	<a href="#"><u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.*</u></a>
31.2	<a href="#"><u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.*</u></a>
32	<a href="#"><u>Certification of Chief Financial Officer pursuant to 18 U.S. C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act**</u></a>
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

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

(2) Incorporated by reference to the Company's Annual Report on Form 10-K filed on March 31, 2017.

(3) Incorporated by reference from the Company's Current Report on Form 8-K, filed on March 2, 2017.

\* Filed herewith.

\*\* Furnished and not filed herewith.

**SIGNATURES**

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

Date: May 15, 2018

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

By: */s/ Scott L. Mathis*

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

By: */s/ Maria Echevarria*

\_\_\_\_\_  
Maria Echevarria  
Chief Financial Officer and Chief Operating Officer



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

I, Scott L. Mathis, certify that:

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

May 15, 2018

*/s/ Scott L. Mathis*

Name: Scott L. Mathis

Title: Chief Executive Officer

(Principal Executive Officer)

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

I, Maria Echevarria, certify that:

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

May 15, 2018

*/s/ Maria Echevarria*

Name: Maria I. Echevarria

Title: Chief Financial Officer

(Principal Executive Officer)

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

In connection with the Quarterly Report of Algodon Wines & Luxury Development Group, Inc. (the "Company's Quarterly Report") on Form 10-Q for the period ended March 31, 2018, 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*

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Scott L. Mathis  
Chief Executive Officer and Principal Executive Officer

Dated: May 15, 2018

*/s/ Maria I. Echevarria*

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Maria I. Echevarria  
Chief Financial Officer and Principal Financial Officer

Dated: May 15, 2018

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

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