

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

**FORM 10-K**

(Mark one)

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

For the Fiscal Year Ended December 31, 2019

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

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

Commission file number: 000-55209

**GaUCHO Group Holdings, 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, Floor 10, New York, NY	10010
(Address of Principal Executive Offices)	(Zip Code)

(212) 739-7700

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: N/A

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A		

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$0.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter (\$0.237) was \$11,951,756. Solely for the purposes of this calculation, shares held by directors, executive officers and 10% owners of the registrant have been excluded. Such exclusion should not be deemed a determination or an admission by the registrant that such individuals are, in fact, affiliates of the registrant.

As of March 30, 2020, there were 60,271,082 shares of the registrant's common stock outstanding.

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## PART I

### Forward-Looking Statements

This Annual Report on Form 10-K for the year ended December 31, 2019 contains forward-looking statements (as defined in Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). To the extent that any statements made in this Annual Report contain information that is not historical, these statements are essentially forward-looking. Forward-looking statements may be identified by the use of words such as expects,” “plans,” “will,” “may,” “anticipates,” “believes,” “should,” “intends,” “estimates” and other words or phrases of similar meaning. Although we believe that the expectations reflected in these forward-looking statements are reasonable and achievable, these statements are subject to a number of risks and uncertainties discussed under the headings “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Annual Report. All forward-looking statements attributable to us are expressly qualified by these and other factors. We cannot assure you that actual results will be consistent with these forward-looking statements.

Information regarding market and industry statistics contained in this Annual Report is included based on information available to us that we believe is accurate. Forecasts and other forward-looking information obtained from this available information is subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. The forward-looking statements made in this Annual Report relate only to events as of the date on which the statements are made. We do not undertake any obligation to publicly update any forward-looking statements. As a result, you should not place undue reliance on these forward-looking statements.

### ITEM 1. BUSINESS



#### Company Overview

Gaucho Group Holdings, Inc. (the “Company”) was incorporated on April 5, 1999, Effective October 1, 2018, the Company changed its name from Algodon Wines & Luxury Development, Inc. to Algodon Group, Inc., and effective March 11, 2019, the Company changed its name from Algodon Group, Inc. to Gaucho Group Holdings, Inc. (“GGH”). Through its wholly-owned subsidiaries, GGH invests in, develops and operates real estate projects in Argentina. GGH operates a hotel, golf and tennis resort, vineyard and producing winery in addition to developing residential lots located near the resort. In 2016, GGH formed a new subsidiary, Gaucho Group, Inc. and in 2018, established an e-commerce platform for the manufacture and sale of high-end fashion and accessories. The activities in Argentina are conducted through its operating entities: InvestProperty Group, LLC, Algodon Global Properties, LLC, The Algodon – Recoleta S.R.L., Algodon Properties II S.R.L., and Algodon Wine Estates S.R.L. Algodon distributes its wines in Europe through its United Kingdom entity, Algodon Europe, LTD. Most recently, the Company formed a wholly-owned subsidiary, Bacchus Collection, Inc. on March 20, 2020, which is not yet operational.

GGH's mission is to increase our scalability, diversify the Company's assets, and minimize our political risk. We believe our goal of becoming the LVMH of South America (Moët Hennessy Louis Vuitton) can help us to achieve that. While we continue making excellent wine, upgrading our rooms at the Algodon Mansion, and completing the infrastructure at the vineyard, our growth area is in e-commerce through Gaucho – Buenos Aires™ because of the potential for immediate revenues and growth/scale on a global basis. The Gaucho brand also diversifies our business outside of Argentina and helps insulate us from political risk. Together with our wines, these aspects of our business have the potential to insulate us from both the economic and political fluctuations in Argentina. However we also refer to our Risk Factors on page 20 regarding the lack of revenues of the Gaucho—Buenos Aires™ brand and its ability to generate revenue in the future.

The below table provides an overview of GGH's operating entities.

Entity Name	Abbreviation	Jurisdiction & Date of Formation	Ownership	Business
Gaicho Group, Inc.	GGI	Delaware, September 12, 2016	79% by GGH	Manufacture and sales and e-commerce platform
InvestProperty Group, LLC ("InvestProperty Group")	IPG	Delaware, October 27, 2005	100% by GGH	Real estate acquisition and management in Argentina
Algodon Global Properties, LLC	AGP	Delaware, March 17, 2008	100% by GGH	Holding company
The Algodon - Recoleta S.R.L.	TAR	Argentina, September 29, 2006	100% by GGH through IPG, AGP and APII	Hotel owner and operating entity in Buenos Aires
Algodon Europe, Ltd	AEU	United Kingdom, September 23, 2009	100% by GGH through IPG	Algodon Wines distribution company
Algodon Properties II S.R.L.	APII	Argentina, March 13, 2008	100% by GGH through IPG and AGP	Holding company in Argentina
Algodon Wine Estates S.R.L.	AWE	Argentina, July 16, 1998	100% by GGH through IPG, AGP, APII and TAR	Resort complex including real estate development and wine making in Argentina; owns vineyard, hotel, restaurant, golf and tennis resort in San Rafael, Mendoza, Argentina
Bacchus Collection, Inc.	BCI	Delaware, March 20, 2020	100% by GGH	Home luxury goods retailer (not yet operational)

Gaicho - Buenos Aires™



Gauche – Buenos Aires™ is a new luxury fashion and accessories brand that is the result of more than a decade's investment in Argentina's heart and soul, featuring luxury products that merge the traditional Gauche style with a modern twist, infused with uniqueness and modern Buenos Aires glamour. With Gauche – Buenos Aires, GGH adds a high-end fashion and accessories e-commerce sector to its collection of luxury assets. Our e-commerce platform is able to process and fulfill orders in the United States and internationally, and we believe this asset has the potential to achieve significant scale and add value to our company. Gauche – Buenos Aires connects buyers with some of Argentina's best creative talents that harness the country's unique heritage and artisanship of products such as woven fabrics, leather goods and precious metal jewelry.

With Argentina's recent re-engagement with importing and exporting, it is beginning to regain its status as a global cultural enclave. Once dubbed the "Paris of South America" for its exquisite Belle Époque style and entering what we believe will be a new golden age. Evolving politics and tastes suggest the time is now for Buenos Aires to once again align itself with Milan, New York, Paris and London as a global fashion capital – and for Gauche – Buenos Aires to become its ambassador. We believe there may be a sizeable appetite in the USA and beyond for its luxury products, such as fine leather goods, accessories and apparel, that deliver and reflect a unique and unmistakable Argentine point of view.

Seen in the intricate stitching of handmade leather, or the exquisite workmanship of an embossed belt buckle, "Gauche" style is a world-renowned symbol of Argentine craftsmanship. Though rooted in the traditions of Argentine culture, Gauche – Buenos Aires intends to become a brand in which Argentine luxury finds its contemporary expression: merging the traditional Gauche style with a modern twist, infused with uniqueness and modern Buenos Aires glamour.

Gauche – Buenos Aires reflects the very spirit of Argentina – its grand history and its revival as a global center of luxury. Our goal is to reintroduce the world to the grandeurs of the city's elegant past, intertwined with an altogether deeper cultural connection: the strength, honor and integrity of the *Gauche*.

On September 12, 2019, during New York Fashion Week, Gauche – Buenos Aires had its U.S. debut and press launch. Prior to this marketing push, our sales and creative teams have enabled pre-sale access to the website to purchase goods and enact a marketing plan that we hope will raise global awareness of our brand.

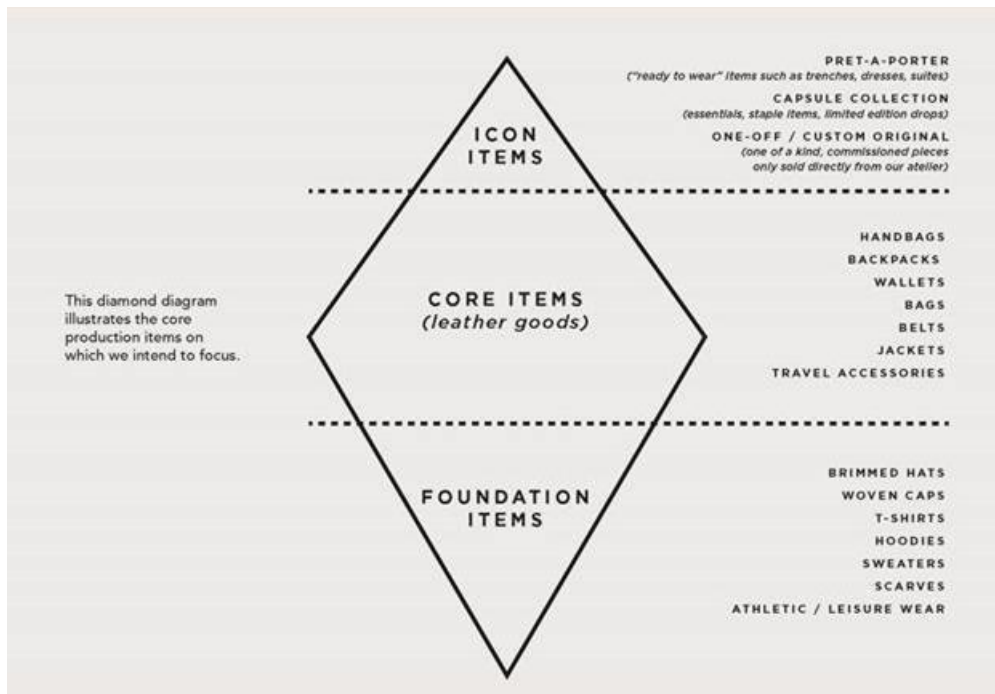
### **Our Products**

The inaugural Capsule Collection of Gauche – Buenos Aires™ includes ready-to-wear, and what Argentina is well known for: leather goods and accessories, all defining the style, quality, and uniqueness of Argentina. The Capsule Collection is comprised of 22 looks, 12 women's and 10 men's, with design inspired by the contrast between the cosmopolitan, eclectic Buenos Aires vibe and the rural Argentine landscape.

The Capsule Collection launched in Q4 2018, and was soon followed by the debut of its Fall/Winter Collection which was showcased to fashion industry media at Argentine fashion week's *Designers Buenos Aires* on March 18, 2019. As one of Buenos Aires' most exclusive fashion events, *Designers Buenos Aires* showcases Argentina's finest talents, attracting international press, as well as high profile fashionistas and the royalty of the Argentine fashion and television world.

Gauche – Buenos Aires's fully optimized e-commerce platform ([www.gauchobuenosaires.com](http://www.gauchobuenosaires.com)) offers a direct to consumer commercial line of designer clothing, with an emphasis on leather goods and accessories, including leather handbags, silk scarves, leather jackets, sportswear, branded t-shirts and hand-knit ponchos. The brand celebrated its U.S. debut in September 2019 at New York Fashion Week with its Spring/Summer 2020 Collection, DÉJÀ-VU N ° 3. In the coming months, we also anticipate a strategic roll-out introducing other new products such as Gauche branded wines, fragrances, a Gauche Kids clothing line, home goods (Gauche Casa), and Gauche Residences as the natural evolution of the brand's growth.

Blending the quality of a bygone era with a sophisticated, modern, global outlook, the brand's beautifully handcrafted clothing and accessories herald the birth of what we hope will become Argentina's finest designer label.



**Fragrances: Homme (Men), Femme (Women), Vamos Sport (Unisex)**

The fragrance collection of Gauchó – Buenos Aires™ has been created by Firmenich, the world's largest privately-owned company in the fragrance and flavor business. Founded in Geneva, Switzerland in 1895, it has created many of the world's best-known perfumes that consumers the world over enjoy each day, including Giorgio Armani, Hugo Boss, Ralph Lauren, Lolita Lempicka, Kenzo, and Dolce & Gabbana. Its passion for smell and taste is at the heart of its success. It is renowned for its world-class research and creativity, as well as its thought leadership in sustainability and exceptional understanding of consumer trends. Each year, it invests 10% of its revenues in research and innovation, reflecting its continuous desire to understand, develop and distill the best that nature has to offer.

Gauchó – Buenos Aires has three fragrances ready for packaging, including a men's fragrance *Homme*, a women's fragrance *Femme*, and a unisex fragrance *Vamos Sport*.

## Sales and Marketing Strategy / Competitive Edge

During the economic crisis in Argentina, iconic international fashion chains left the country. As scarcity is the mother of invention, this gave rise to local brands that made up for that absence. Despite the fact that Argentina's fashion scene is today thriving, the country lacks any international mainstream exposure. Argentina's continuing challenges with inflation and unemployment have made it difficult for local labels to break into the global fashion landscape, and today there is not a single Argentine fashion brand that is a household name. We believe Gaucho – Buenos Aires has the ability to fill that void. Our intention is to become the leading fashion and leather accessories brand out of South America.

We have assembled a talented team who speak in the unique voice most representative of Argentina's local fashion scene, and we believe we have the opportunity, the aptitude and the vision not only to successfully introduce this voice to the world's fashion scene, but to become a major player in that landscape.

Our U.S.-based e-commerce website has been designed to deliver Argentine luxury goods to the U.S. marketplace and elsewhere around the globe. We believe the potential for scale here is particularly significant as Argentina is now making noteworthy re-entry to international trade. Currently, one of the few ways to buy Argentina goods is to travel there and buy local. We want to change that, and in a favorable economic and political climate, we seek to be in the forefront of opening Argentina's luxury market to the millions of potential customers around the globe interested in luxury items from Argentina.

Our target market is upper and upper-middle class female and male millennials in urban areas of the United States and Europe. Millennials have the potential to become the largest spending generation in history, and with the popularity of midrange to high end fashion brands such as Gucci, Armani, Lululemon, and many others, we believe our millennial target market appreciates high quality clothing and accessories, and is willing to spend above the average market price for such quality items in the "affordable luxury" category.

### *Business Advisors*

Monica Phromsavanh, Director of Business Development. Monica's role at Gaucho – Buenos Aires is to define our brand vision, goals and strategy, and assist in creating an operational playbook by which to launch and grow our brand. She is integral to getting the Gaucho brand off the ground. We entered into a consulting contract with Monica on an independent contractor basis in April 2019 and she was paid \$10,000 per month. The contract continues on a month-to-month basis and Monica is now paid \$5,000 per month. On August 5, 2019 she was also granted an option under GGI's 2018 Equity Incentive Plan to purchase 100,000 shares of common stock of GGI at a strike price of \$0.55 per share, with 25,000 shares vesting on August 5, 2020 and 6,250 shares vesting each quarter thereafter. The option expires on August 5, 2024.

Monica is the Founder and CEO of ModaBox, and a passionate serial entrepreneur known for creating business solutions in the industry she knows best: fashion. She is an innovative brand builder with multi-faceted expertise in retail, marketing, strategy, business development, and consumer behavior. Prior to launching ModaBox, Monica served as Founder and Creative Director of women's apparel and accessories retailer ModaListas. During this time, she worked alongside talented fashion industry professionals while growing a 100 sq. ft. shop nestled in New York's iconic Limelight Shops into a 4000 sq. ft. modern woman's shopping haven. In her four years at the Limelight, she also served as Managing Director and Head Buyer for men's clothing and apparel retailer W Shops. Prior to ModaListas, she spent three years at luxury fashion house Burberry as a Men's RTW Specialist and worked in general management at Limited Brands' Express stores. Monica has a total of 17 years' experience in retail and business management.

Juliano de Rossi, Creative Solutions Consultant. Juliano serves as a consultant providing valuable guidance to the Gaucho Group team, having significant experience in the high-end fashion world. We entered into a consulting contract with Juliano on an independent contractor basis in July 2017 for project-based work. The amount paid to Juliano is not considered material because of the project-by-project basis. He currently serves as Creative Solutions Consultant to the Net-a-Porter Group. De Rossi has 15 years' experience in marketing and advertising for global brands and luxury retailers. He has resided in London for the past five years, working in marketing, content production and brand partnership campaigns for MatchesFashion.com and at the YOOX Net-a-Porter Group where he was responsible for leading the in-house creative solutions (design and production teams) managing multiple content productions served across all YOOX Net-a-Porter Group digital platforms, print publications and social channels. At MR PORTER, NET-A-PORTER, PORTER MAGAZINE and MATCHESFASHION.COM, he oversaw the production of top-rate campaigns, driving the content vision for the management of branded content productions including fashion shoots and video series productions for brands such as BMW, Johnnie Walker Blue Label, American Express, Piaget, Cartier, IWC, Marc Jacobs, Burberry Prorsum, Fendi, Lanvin, Crème De La Mer, Chloe, Stella McCartney, Michael Kors, and Helmut Lang.

Neels Visser, Brand Ambassador and Social Media Marketing Advisor. Neels is an American social media star and influencer, model, DJ, actor, and businessman. He began his career at a young age modeling for high-end brands such as American Eagle, Dolce & Gabbana, Vanity Teen magazine and Maybelline. Neels currently consults for a number of young fashion brands, and has amassed a following of over 4 million across his social media platforms. Vogue magazine recently named him as one of five social media stars that can "give Kendall (Jenner) and Gigi (Hadid) a run for their money." We anticipate that Neels' broad network of social influencers and micro influencers can lay the groundwork for potential partnerships and brand affiliates/ambassadors for the Gaucho – Buenos Aires brand in the U.S. market. We entered into a written consulting contract with Neels on an independent contractor basis in October 2018 and pay him \$2,500 per month.

#### *Social Media Strategy*

Our digital marketing efforts will include ongoing search engine optimization (SEO) campaigns and initiatives to increase website conversions and brand awareness, social media marketing via Instagram, Facebook and Pinterest using micro and macro/celebrity influencers, and public relations firms specializing in the international fashion scene. Social media star, and Gaucho – Buenos Aires™ advisor, Neels Visser, also has a broad network of social influencers and micro influencers that can lay the groundwork for potential partnerships and brand affiliates/ambassadors.

Our public relations teams, led by notable Buenos Aires firms Grupo MASS and Marisa Koifman, are diligently working to generate an early buzz about our brand, our designers, and our e-commerce platform. Social media star, and Gaucho – Buenos Aires advisor, Neels Visser, is also contacting his broad network of social influencers and micro influencers to lay the groundwork for potential partnerships and brand affiliates/ambassadors.

Gaucho – Buenos Aires will primarily be an e-commerce store targeting U.S. customers. However we do plan on pursuing reselling retail venues both online and brick and mortar. For example, in the wake of our press launch, we received unsolicited inquiries from several high-end boutiques in Brazil interested in carrying the Gaucho line. There are of course numerous avenues for us to explore involving brick and mortar opportunities alone, via agencies or direct solicitation.

Online reselling avenues we expect to pursue include Net-a-Porter, MatchesFashion and at least six other high-end, reputable venues with whom we already have an established foot in the door via our networking channels.

We anticipate our marketing strategy will include popup shops in cities such as Austin, Dallas, Houston, Miami, Los Angeles, New York City and Aspen. With popup shops, we can for example, work with local PR companies to get the word out, as these opportunities are typically promoted via direct mail, PR and digital marketing efforts, as well as word of mouth and strategic geographic positioning.

Our online marketing efforts will also include SEO initiatives, social media marketing via Instagram, Facebook and Pinterest, and retargeting ads.



After our U.S. debut, we also anticipate presenting at fashion shows in 2020 in New York City, London, Paris, Milan and several other targeted cities. Gaucho – Buenos Aires presents an opportunity for global press to talk about Argentina finding its foothold once again on the global fashion scene, spotlighting our designers, our designs, and our concentration on leather goods. As there are few brands launching out of Argentina, and certainly fewer with global intentions, the press reaction to Gaucho – Buenos Aires has been extremely positive and encouraging.

#### *Press*

In early 2019 Gaucho – Buenos Aires has garnered the front cover pages of Marie Claire Argentina and Vogue Italia, one of the most iconic fashion magazines on the globe, who states that Gaucho – Buenos Aires is currently “among the most interesting brands on the Argentinian scene.” Our recent press clippings since our Argentina debut in October 2018 include appearances in some of the most widely read fashion magazines in Latin American fashion, including Forbes Argentina, Revista L’Officiel, Revista Luz, Numeral, Polo Mundial, and others.

#### **Gaucho – Buenos Aires Trademarks**

We filed a U.S. Trademark Application (Serial No. 87743647) for the GAUCHO – BUENOS AIRES in January 2018, and in February 2019, the U.S. Patent and Trademark Office issued a Notice of Allowance for this mark. This application covers goods and services such as apparel, leather accessories and other products, jewelry, cosmetic fragrances and home goods.

The Company intends to promote Gaucho – Buenos Aires™ so that its name and logo collectively become a recognizable trademark with international appeal. We anticipate seeking trademark protection for other marks as we develop our business and product lines.

Within six months of the Notice of Allowance date, or August 12, 2019, we were required to file a satisfactory Statement of Use if use has occurred, or file for an extension of time. The mark was then in use with some of the goods, but not others. As a result, on August 6, 2019, we filed to divide the application for the goods that were in use for which a Statement of Use was filed, and filed an Extension Request in the existing application for the remaining goods. Following are the filing details of the now two applications:

Application Serial No. 87981741  
Application Date: January 4, 2018  
Classes: 18, 25 and 33

#### Goods:

Class 18 - Handbags; purses; clutch wallets and handbags; wallets; belt bags; necessaire, namely, cosmetic bags sold empty; travel bags,  
Class 25 - T-shirts; tops; shirts; sweaters; hoodies; ponchos; pants; bottoms; shorts; skirts; dresses; jackets; coats; scarves; pocket squares; ties; belts; hosiery; underwear; gloves; footwear; shoes; headwear; hats; caps being headwear  
Class 33 – Wines

Following filing of the Statement of Use, an objection was raised to the specimens that were submitted in Classes 9 and 33. Class 9 was deleted from the application, but a new specimen for wine was accepted. The application has been approved for registration and a certificate will issue in the next 4-6 weeks.

Application Serial No. 87743647  
Application Date: January 4, 2018  
Classes: 3, 14, 21 and 24

Goods:

Class 3 – Fragrances; perfumes  
Class 14 - Jewelry; watches; necklaces; bracelets; earrings; keychains; lapel pins; rings for scarves being jewelry  
Class 21 - Beverageware; cups; coffee services in the nature of tableware; tea services in the nature of tableware; dishware; plates; bowls; saucers; napkin rings; serving forks; serving spoons; serving platters; serving trays; servingware for serving food and drinks; sugar bowls; salt and pepper shakers; vases  
Class 24 - Bed and table linen; bed blankets; bed sheets; pillowcases; comforters; duvets; bath linen

A second extension of time was filed on February 7, 2020. The current deadline for filing the statement of use is August 12, 2020, though up to three more 6-month extensions of time can be obtained, with the final deadline for filing the Statement of Use being February 12, 2022.

In August 2019, the Company received a notice from Markaria S.A. regarding the use of Gaucho—Buenos Aires in Argentina alleging that such mark may infringe with Markaria's work clothing brand Gaucho. Markaria has not filed any legal action against the Company at this time. The Company continues to work with its Argentine legal counsel to negotiate, distinguish and defend its use of Gaucho—Buenos Aires in Argentina. The use of the mark in the United States has not been affected, which is the targeted market for the Company.

#### **Bacchus Collection Trademark**

We filed a U.S. Trademark Application (Serial No. 87550756) for the BACCHUS COLLECTION in August 2017, and in April of 2018, the U.S. Patent and Trademark Office issued a Notice of Allowance for the mark. A statement of use was filed in October of 2019, and a certificate of registration issued December 17, 2019. This registration covers flatware, jewelry, home goods and home linens.

Registration No. 5938517  
Registration Date: December 17, 2019  
Application Serial No. 87550756  
Application Date: August 1, 2017  
Classes: 8, 14, 21 and 24

Goods:

Class 8 – Flatware, namely, forks, knives and spoons; silverware, namely, forks, knives and spoons that are made of silver or silver-plated; champagne sabres  
Class 14 - Jewelry; watches  
Class 21 - Beverageware; cups; coffee services in the nature of tableware; tea services in the nature of tableware; dishware; plates; bowls; saucers; napkin rings; serving forks; serving spoons; serving platters; serving trays; servingware for serving food and drinks; sugar bowls; salt and pepper shakers; vases  
Class 24 - Bed and table linen; bed blankets; bed sheets; pillowcases; comforters; duvets; bath linen

#### **Argentina Activities**

GGH, through its wholly-owned subsidiary and holding company, InvestProperty Group (“IPG”), identifies and develops specific investments in the boutique hotel, hospitality and luxury property markets and in other lifestyle businesses such as wine production and distribution, golf, tennis and real estate development. GGH also operates hotel, hospitality and related properties and is actively seeking to expand its real estate investment portfolio by acquiring additional properties and businesses in Argentina, or by entering into strategic joint ventures. Using GGH's icon wines as its ambassador, GGH's mission is to develop a group of real estate projects under its ALGODON® brand with the goal of developing synergies among its luxury properties

In 2016, GGH formed a subsidiary, Gaucho Group, Inc. (“GGI”), and in 2019, the entity began developing a platform and infrastructure to manufacture, distribute and sell high end products created in the United States and Argentina under the brand name *Gaucho – Buenos Aires*™. See *Gaucho – Buenos Aires*™ on page 4 above.

GGH's senior management is based in its corporate offices in New York City. GGH's local operations are managed by professional staff with substantial hotel, hospitality and resort experience in Buenos Aires and San Rafael, Argentina.

#### ***GGH's Concept and Business: Repositioning of Hotel Properties, Luxury Destinations and Residential Properties***

GGH, through IPG, focuses on opportunities that create value through repositioning of underperforming hotel and commercial assets such as hotel/residential/retail destinations. Repositioning means we are working to gradually increment our average fares to solidify our position as a luxury option. This trend has been well received in large metropolitan areas which have become quite competitive. We believe that the trend is now trickling down to secondary metropolitan, resort and foreign markets where there is significantly less competition from the established major operators. We continue to seek opportunities where value can be added through re-capitalization, repositioning, expansion, improved marketing and/or professional management. We believe that GGH can increase demand for all of a property's various offerings, from its rooms, to its dining, meeting and entertainment facilities, to its retail establishments through careful branding and positioning of properties. While the maxim remains true that the three most important factors in real estate are “location, location, location,” management believes that “style and superior service” have grown in importance and can lead to increased operating revenues and capital appreciation.

We are currently increasing our activity, occupancy and presence in the market by using direct marketing actions (Facebook and Google Ads, Trip Advisor, Online Travel Agencies, internet presence), and expanding our net of travel agencies and operators, introducing effective changes in our direct sales capacity (new sales-oriented webpages, joint ventures with other hotel organizations, training of our reservations employees, implementing new reservation software). We have also reached out to travel industry media operators to develop new strategic relationships and we are implementing a new commercial management operation for a more aggressive approach with a sales-oriented objective. GGH has built a team of industry professionals to assist in implementing its vision toward repositioning real estate assets. See “Directors, Executive Officers and Corporate Governance” on page 65.

#### *Plan of Operations*

GGH continues to implement its growth and development strategy that includes a luxury boutique hotel, a resort estate, vineyard and winery, the sale of high-end fashion, leather goods and accessories, and a large land development project including residential houses within the vineyard. See “Algodon Wine Estates” below.

#### *Long Term Growth Strategy*

Our desire is to follow in the footsteps of global leading luxury brands such as Chanel from Paris, Burberry from London, Tom Ford from New York, and Gucci from Milan, and to establish Gaucho as “the Spirit of Argentina” representing Buenos Aires. In doing so, our mission is also to work with the intention of building a multi-billion dollar brand. We believe that through our e-commerce website, we have the potential to achieve significant scale, and add value to our company.

#### *Roll-up Strategy*

Upon a successful listing on Nasdaq, we believe we will be positioned to utilize the Company’s stock as “currency” in a sort of “roll-up strategy” to acquire other companies that fall squarely within or complement the Company’s existing and planned lines of business. For example, we might seek to acquire businesses that offer high-end fashion and accessories, or other luxury products and/or experiential hospitality experiences, the quality of which is consistent with the GGH brand. We seek to become the LVMH (“Louis Vuitton Moët Hennessy”) of South America, with the goal of becoming its most well-known luxury brand.

The Company hopes to continue to self-finance future acquisition and development projects because in countries like Argentina, having cash available to purchase land and other assets provides an advantage to buyers. Bank financing in such countries is often difficult or impossible to obtain. To be able to grow our business and expand into new projects, the Company would first want to deploy excess cash generated by operations, but significant amounts of excess cash flow is not anticipated for at least a number of years. Another option would be obtaining new investment funds from investors, including public offerings, and/or borrowing from institutional lenders. GGH may also be able to acquire property for stock instead of cash.

#### *Cobranding and Strategic Alliances*

One of GGH’s goals includes positioning its brand ALGODON® as one of luxury. In the past we have formed strategic alliances with well-established luxury brands that have strong followings to create awareness of the GGH brand and help build customer loyalty. Since its inception, GGH has been associated or co-branded with several world-class luxury brands including Relais & Châteaux, Veuve Clicquot Champagne (owned by Louis Vuitton Moët Hennessy), Nespresso, Porsche, Chanel, Hermès, Carolina Herrera, Stendhal Paris, Davidoff Cigars, and L’Occitane, Art Basel, Andrew Harper Travel, and Designers Buenos – Aires.

## *Catalysts for Growth*

### Gaicho Casa Residences

As Gaicho – Buenos Aires™ continues to expand its recognition on a domestic and international basis, another area that we can potentially create value and scale is by licensing our brand to commercial, and residential real estate developments. Current examples of such co-branded developments include: Aston Martin Residences in Miami, Bulgari Resort and Residences Dubai, Fendi Chateau Residences in Bal Harbour, Residences by Armani Casa in Miami, Mercedes House in New York, as well Porsche Design Tower in Sunny Isles Beach.

These fashion houses and automobile manufactures license their brand's unique styles and unmistakable names to real estate developers, in an effort to create business opportunity. The mutually beneficial model could be a medium through which Gaicho – Buenos Aires™ makes its imprint on the global market. By using our distinct style – employing fine leathers, metals, and natural stones – in the design and construction of such a project, Gaicho – Buenos Aires could add intrinsic value to the parties involved. This creates potential for licensing fees, as well a portion of proceeds from property sales.

### Gaicho Home Collection

In recent years there has been a rise of boutique hotel home goods collections such as by Marriott, who led the way with its debut of Autograph Collection. Others that have followed include Curio by Hilton (Starwood's Tribute Portfolio), and The Unbound Collection (part of the Hyatt Hotels group). We envision the possibility of Gaicho – Buenos Aires utilizing Algodon Mansion as a launch point for a collection of hotel bedding, pillows, linens and robes. Likewise, Argentina's "La Belle Époque" could serve as a reliable source of inspiration for a multitude of luxury consumer goods, including home soft-furnishings. Argentina's rich Polo heritage might also serve as a reliable foundation for a collection of high-end, contemporary leather home furnishings for anything from armchairs and sofas to lamps and photo frames.

### Gaicho – Kids Collection

We envision the possibility of a designer baby and kids' clothes collection at Gaicho – Buenos Aires, so that parents who love our brand can treat their children to a luxury line of fun, Gaicho-inspired clothing for kids. We envision building this line around the idea of creating comfy, well-made garments that allow kids to be creative in the way they dress. Gaicho Kids may include, for example, branded onesies and toddler t-shirts, whimsical prints that foster imagination and individuality, and other unique printed separates for kids who don't mind standing out in a crowd.

### Gaicho – Buenos Aires Boutique at Algodon Mansion

Due to economic constraints, the Company canceled its plans to open a boutique in the ground floor lobby of Algodon Mansion.

### Popup Shops

Popup shops are a popular trend that can be a low cost means of creating a temporary store front focusing on spreading brand awareness, communicating brand values, collecting customer data, and providing personalized experiences. This can also provide a way for Gaucho – Buenos Aires build a relationship with customers in person, while driving conversion on more cost-effective digital channels. We envision popup shops in U.S. cities such as Aspen, Austin, Dallas and Houston, Miami, Los Angeles, New York City, Berlin and Barcelona. With popup shops, we can for example work with local PR companies to get the word out, as these opportunities are typically promoted via direct mail, PR and digital marketing efforts, as well as word of mouth and strategic geographic positioning. We also anticipate a summer high season popup location in Punta Del Este, Uruguay, which is a popular vacation spot for wealthy Argentines and other Latin Americans.

### Currency Devaluation

A currency devaluation certainly helps Argentina tourism, enticing foreign holidaymakers seeking to make their vacation money stretch further. Vacationers looking for the most representative souvenirs of Argentina and its culture may well know the country is best known for its leather. With hundreds of domestic tanneries, Argentina's has high quality production of cow, sheep and goat leather goods such as jackets, shoes and handbags.

A devalued peso may also aid Argentina's wine exporters by improving market competitiveness and leading to better revenues. Additionally, non-leveraged real estate can be a hedge against inflation, and we believe that over time the land values may perform well.

While our contracts and vendors are largely payable in pesos, which is favorable to us given the current exchange rate of the peso against the U.S. dollar, the downside is that the Argentine market is somewhat closed off for our Gaucho brand goods and our wines. Even though we produce some Gaucho goods in Argentina and we are able to realize a higher margin by selling outside of Argentina, we also do have some goods produced in the U.S. at a higher cost and our margins are therefore much lower.

Further, our real estate and hotel operations are stated in U.S. dollars which can be seen as less desirable than stating in pesos and could have a negative effect on demand for those parts of our business.

### *The ALGODON® Brand*

We believe that the force and power of brand is of paramount importance in the luxury real estate/hotel market. GGH has developed the ALGODON® brand, one of distinction, refinement and elegance. Inspired by both the Cotton Club days of the Roaring 20's and the distinctive style and glamour of the 50's Rat Pack when travel and leisure was synonymous with cultural sophistication, this brand concept was taken from the Spanish word for "cotton." ALGODON® connotes a clean and pure appreciation for the good life, a sense of refined culture, and ultimately a destination where the best elements of the illustrious past meet the affluent present. GGH is looking to attract attention and upscale demographic visitors to the ALGODON® properties and to round out the brand experience in various other forms including music, dining, wine, sports and apparel, by marketing themes that highlight active lifestyles and the pleasures of life. Management believes that these types of brand extensions will serve to reinforce the overall brand recognition and further build upon GGH's core presence in the luxury hotel segment.

*Description of Specific Investment Projects*

GGH has invested in two ALGODON® brand properties located in Argentina. The first property is Algodon Mansion, a Buenos Aires-based luxury boutique hotel that opened in 2010 and is held in IPG's subsidiary, The Algodon – Recoleta S.R.L. ("TAR"). The second property, held by Algodon Wine Estates S.R.L., is a Mendoza-based winery and golf resort called Algodon Wine Estates consisting of 4,138 acres, which was subdivided for residential development, and expanded by acquiring adjoining wine producing properties.

*Algodon Mansion*



The Company, through TAR, has renovated a hotel in the Recoleta section of Buenos Aires called Algodon Mansion, a stately six-story mansion (including roof-top facilities and basement) located at 1647 Montevideo Street, a tree-lined street in Recoleta, one of the most desirable neighborhoods in Buenos Aires. The property is approximately 20,000 square feet and is a ten-suite premium-luxury hotel with a lounge/living room area, a patio area featuring a glass ceiling and fireplace, and a private wine tasting room. The property also includes a rooftop that houses a luxury spa and terrace pool. Each guest room is an ultra-luxury two-to-three room suite, each approximately 510-1,200 square feet. Recoleta is Buenos Aires' embassy and luxury hotel district and has fashionable boutiques, high-end restaurants, cafés, art galleries, and opulent belle époque architecture.

Below is a table showing occupancy data, average daily rate and revenue per available room (RevPAR) for Algodon Mansion:

	TAR - Buenos Aires							
	USD				ARS			
	For the years ended				For the years ended			
	December 31, 2018	December 31, 2019	Δ amount	Δ %	December 31, 2018	December 31, 2019	Δ amount	Δ %
Occupancy level	60%	54%	-6%	-10%	60%	54%	-6%	-10%
Average daily Rate (ADR)	365	337	-28	-8%	10,757	16,324	5,567	52%
RevPAR	219	182	-37	-17%	6,454	8,815	2,361	37%

**Occupancy level:**

It is a Hotel KPI calculation that shows the percentage of available rooms or beds being sold for a certain period of time.

It is important for hotels to keep track of this data on a daily basis to identify the average daily rate, forecast and apply revenue management.

This ratio decreased by 6 percentage points which is explained by the fire in the spa area in May 2019.

**Average daily Rate (ADR):**

This is a metric widely used in the hospitality industry to indicate the average realized room rental per day.

This is calculated by taking the average revenue earned from rooms and dividing it by the number of rooms sold. It excludes complimentary rooms and rooms occupied by staff.

**RevPAR:**

Revenue per available room (RevPAR) is a performance metric used in the hotel industry. It is calculated by multiplying a hotel's average daily room rate (ADR) by its occupancy rate.

2019 RevPAR in USD has decreased in comparison with previous year from USD 219 to USD 182. However, the same ratio in ARS has increased by 37%.

Past guests of Algodon Mansion include President Mauricio Macri of Argentina, Roger Federer, Bobby Flay, Jim Courier, Andre Agassi, Pete Sampras, Mardy Fish, Salvatore Ferragamo, and Maguy Maccario Doyle, the Principality of Monaco's Ambassador to the United States. Algodon Mansion was featured in an article by Huffington Post in January 2018, which praised the luxurious accommodations, impressive suites, and fine amenities of the hotel. In 2016, the Algodon Mansion hotel received an international award of excellence from TripExpert and was awarded 8th place in the 'Top 20 International Hideaway' category for Andrew Harper's 2016 Readers' Choice Awards.



In both 2019 and 2018, Algodon Mansion was inducted to TripAdvisor's Hall of Fame, a distinction given to recognize hotels that have won its Certificate of Excellence award for five consecutive years. Algodon Mansion won the Certificate of Excellence award for the years 2014 through 2019. The Certificate of Excellence award celebrates businesses that have continually delivered a quality customer experience, taking into account the quality, quantity and recency of reviews submitted by travelers on TripAdvisor over a 12-month period. To qualify, a business must maintain an overall TripAdvisor bubble rating of at least four out of five, have a minimum number of reviews and must have been listed on TripAdvisor for at least 12 months.

#### *Algodon Wine Estates*



Algodon Wine Estates S.R.L. ("AWE") is 4,138-acre area located in the Cuadro Benegas district of San Rafael, Mendoza, now known as Algodon Wine Estates. The resort property is part of the Mendoza wine region nestled in the foothills of the Andes mountain range. This property includes a winery (whose vines date back to the mid-1940's), a 9-hole golf course, tennis, restaurant and hotel. The estate is situated on Mendoza's Ruta del Vino (Wine Trail). The 4,138-acre property has an impressive lineage, both in terms of wine production and golf, and features structures on the property that date back to 1921.

Algodon Wine Estates features Algodon Villa, a private lodge originally built in 1921 that has been fully restored and refurbished to its original farmhouse design of adobe walls and cane roof. The lodge offers three suites, a gallery for private gatherings, a living area that may also serve as a dining and conference room, swimming pool, and adjacent vine-covered picnic area. The Algodon Villa offers five-star service and is situated for vacationing families, business conferences, retreat travelers, golfing companions, or wine route globe trekkers. Algodon Wine Estates has also recently completed the construction of a new lodge which lies adjacent to the original one. The new lodge features six additional suites and a gallery with two fireplaces and a bar.



Below is a table showing occupancy data, average daily rate and revenue per available room (RevPAR) for Algodon Wine Estates:

	AWE - San Rafael							
	USD				ARS			
	For the years ended		Δ amount	Δ %	For the years ended		Δ amount	Δ %
December 31, 2018	December 31, 2019	December 31, 2018			December 31, 2019			
Occupancy level	22%	20%	-2%	-9%	22%	20%	-2%	-9%
Average daily Rate (ADR)	238	219	-19	-8%	6,401	10,318	3,917	61%
RevPAR	52	44	-8	-15%	1,408	2,064	656	47%

**Occupancy level:**

It is a Hotel KPI calculation that shows the percentage of available rooms or beds being sold for a certain period of time.

It is important for hotels to keep track of this data on a daily basis to identify the average daily rate, forecast and apply revenue management.

This ratio only decreased by 2 percentage points. The effect of the fire in the spa area over the bookings was approximately 7 percentage points.

**Average daily Rate (ADR):**

This is a metric widely used in the hospitality industry to indicate the average realized room rental per day.

This is calculated by taking the average revenue earned from rooms and dividing it by the number of rooms sold. It excludes complimentary rooms and rooms occupied by staff.

**RevPAR:**

Revenue per available room (RevPAR) is a performance metric used in the hotel industry. It is calculated by multiplying a hotel's average daily room rate (ADR) by its occupancy rate.

2019 RevPAR in USD has decreased in comparison with previous year from USD 52 to USD 44. However, the same ratio in ARS has increased by 47%.

Algodon Wine Estates completed the expansion of its nine-hole golf course to 18 holes during 2013, including irrigation canals and ponds. Adjacent to the course is a clubhouse, pro shop, driving range, and award-winning restaurant and the Tennis Center.



In both 2019 and 2018, Algodon Wine Estates was inducted to TripAdvisor's Hall of Fame, a distinction given to recognize hotels that have won its Certificate of Excellence award for five consecutive years. Algodon Wine Estates won the Certificate of Excellence award for the years 2014 through 2019. The Certificate of Excellence award celebrates businesses that have continually delivered a quality customer experience, taking into account the quality, quantity and recency of reviews submitted by travelers on TripAdvisor over a 12-month period. To qualify, a business must maintain an overall TripAdvisor bubble rating of at least four out of five, have a minimum number of reviews and must have been listed on TripAdvisor for at least 12 months.

#### Algodon Fine Wines



Algodon Wine Estates contains a vineyard with 290 acres of vines. Over 60 acres have been cultivated since the 1940's, and approximately 20 acres since the 1960's. The property produces eight varieties of grapes, including Argentina's signature varietal, Malbec, as well as Bonarda, Cabernet Sauvignon, Merlot, Syrah, Pinot Noir, Chardonnay and Semillon. The primary difference between the old and new vines is the style of pruning. Algodon Wine Estates utilizes a boutique wine making process, typified by production of a low volume of premium wines sold at a higher than average price in the market.

In March 2014, Algodon Wine Estates acquired its own bottling machine in order to improve the winery's production capacity. This bottling machine allows our winemakers to bottle when desired and when necessary, rather than depending on the availability of external bottling facilities. In April 2014, new stainless-steel wine tanks were added to the winery, increasing storage capacity by 55,000 liters. This includes five 5,000-liter tanks and three 10,000-liter tanks. These upgrades have significantly increased our production capacity. During the production year of 2018 we produced 57,775 liters of wine, which translates to about 77,000 bottles or 6,500 cases of wine. During the production year of 2019 we produced 20,240 liters of wine, which translates to about 26,987 bottles or 4,498 cases of 6 bottles wine, representing a reduction in production of 66% (59,645 liters in 2018) from 2018 due to changes in the wine market.

In an effort to increase distribution of its wines, Algodon Wine Estates is working with a number of importers operating in some of the world's chief markets for premium wines. In Europe, Algodon Wine Estates warehouses its wines in Amsterdam for central distribution to clients in Germany and in the U.K. through Condor Wines ([www.condorwines.co.uk](http://www.condorwines.co.uk)), which works with regional distribution partners throughout the U.K. such as hotel and restaurant chains, regional and national brewers, pub companies, wholesalers and wine merchants. In the United States, Algodon Fine Wines is available for sale online at [Sherry-Lehmann.com](http://Sherry-Lehmann.com) (which ships to 39 states), at Sherry-Lehmann's iconic retail store in New York City, at Spec's Wines, Spirits and Finer Foods retail stores in Texas, and Wally's Wine & Spirits retail store located in Los Angeles. GGH's Fine Wine's Malbec has been featured on the esteemed wine lists of West London's The Fat Duck, a Michelin 3-Star Restaurant, and arguably the U.K.'s most famous eatery, as well as London's Restaurant Gordon Ramsay, A Michelin 3-Star Restaurant, also the exclusive London wine club, 67 Pall Mall, and the exclusive wine list of Buenos Aires' fine dining restaurant, Parrilla Don Julio, one of Argentina's most high-profile eateries

On June 1, 2016, the Company executed an import and distribution agreement with Seaview Imports, whose principal location is 48 Harbor Park Drive, Suite D, Port Washington, NY 10150.

Founded in 2013, Seaview Imports is a national importer of fine wines from France, Spain, Italy, Australia, New Zealand, Argentina and Chile. Headquartered in Port Washington, NY, the company distributes its products in twenty-five select states through wholesalers and state boards. Their producers are leaders in their regions and their portfolios are all exceptional in quality and value. For further information, please visit [www.seaviewimports.com](http://www.seaviewimports.com).

Seaview's philosophy in building Algodon as a brand in the United States has been to select high-profile, quality-oriented retailers whom we believe have high credibility in speaking to their wine constituency. We believe the most influential component to consumer confidence (within the fine wine industry) is the endorsement of a well-respected wine merchant. These "Algodon Brand Ambassadors" can not only promote Algodon, its history and vision, but can serve as the go-to wine shop for the shareholders, friends and family of Algodon aficionados. In tandem with building a network of brand ambassador retailers, an additional initiative is to engage a fine wine distributor in select cosmopolitan markets that can provide smaller independent retail and on-premise (restaurant) coverage.

#### Current Distribution Markets (as of Q4 2019)

1. New York - Sherry Lehmann (+ local wholesaler)
2. Florida - Sunset Corners (+ local wholesaler)
3. Georgia - Sherlocks (+ local wholesaler)
4. Illinois - The Noble Grape (+ local wholesaler)
5. Texas - Spec's Fine Wines (+ local wholesaler)
6. California - La Boutellier (+ local wholesaler)

#### Markets - scheduled for 2020

1. New Jersey - Gary's Wine & Marketplace (+ local wholesaler)
2. Washington DC - Calvert Woodley
3. Massachusetts - Table & Vine (+ local wholesaler)
4. Oklahoma - Elite Wines & Spirits
5. Colorado - Argonaut
6. Minnesota - Haskell's
7. Missouri - Brown Derby
8. Indiana - 21<sup>st</sup> Amendment
9. Nevada - Lee

None of the understandings with wine importers constitute a binding commitment by either party to produce, import or export the Company's wines; performance by any of the parties is dependent upon numerous factors such as economic and political climate, consumer spending, weather, the Company's ability to continue wine production operations, the market acceptance of the Company's products, and other matters described in "Risk Factors" on page 7.

AWE uses microvinification (barrel fermentation) for its premium varietals and blends. Microvinification is commonly used in France, but is uncommon in Argentina, and Algodon Wine Estates is one of the few wineries in the country to implement this specialized process.

James Galtieri holds the title of Senior Wine Advisor on GGH's Advisory Board. James is a founding partner and former President/CEO of Pasternak Wine Imports, a renowned national wine importer and distributor, founded in 1988 in partnership with Domaines Barons de Rothschild (Lafite). He currently maintains an advisory role to Domaines Barons de Rothschild (Lafite), and he is the current President/CEO at Seaview Imports LLC., a national wine importer (based in New York) covering the U.S. market with high-quality, exclusive wine brands. James has considerable background and experience in wine knowledge and wine market dynamics, and he is specialized in corporate management in the wine & spirit industry.

In the summer of 2019, we engaged a marketing group called Back Bar USA to help us execute into the sbe properties and others, as well as showcase our wines (on site tastings, etc) and train local staff in each location. Back Bar USA focuses on conceptualizing, planning, marketing and executing unique experiences that showcase liquor brands from their clients' portfolio and only partners with first-in-class brands and accounts. In its role as a third-party marketing company, Back Bar USA offers graphics, print, educational support and the financial accountability associated with corporate beverage programs. Back Bar USA creates, manages and executes all phases of programming, taking pressure off the operator and supplier by streamlining the planning and execution processes. Back Bar USA works closely with many international beverage suppliers, distributors, educators and marketing professionals as part of their core business to create programs that highlight their brands' objectives. We have a written agreement with Back Bar USA to market our wines and pay them \$3,500 per quarter. More information about Back Bar USA can be obtained at <https://backbarusa.com/>.

#### *Wine Distribution Partnership with sbe Entertainment Group*

In June 2019, sbe Entertainment Group announced privately that it would add Algodon Fine Wines to the wine lists of its managed network of over 40 restaurants and hotels. Our President and CEO met the founder of sbe Hotels (Sam Nazarian) at the opening of his new SLS LUX hotel/condo in Miami last year and the Company sponsored the inaugural dinner with its wines. We coordinated with sbe's beverage program manager and although the Company does not have a written contract with sbe, the Company's wines are now on the wine lists of multiple sbe-owned and managed venues. Established in 2002 by Founder and CEO Sam Nazarian, sbe is a lifestyle hospitality company that develops, manages and operates award-winning hotels, residences, restaurants and nightclubs. AccorHotels, Europe's biggest hotels group, recently purchased a 50% stake in sbe Entertainment Group. Through exclusive partnerships with cultural visionaries, sbe is devoted to creating extraordinary experiences with a commitment to authenticity, sophistication, mastery and innovation. sbe's global portfolio features over 20 world-class lifestyle hotels and 130 world-renowned hotel, entertainment and food & beverage outlets. The company's proprietary brands include SLS Hotel & Residences, Delano, Mondrian, Redbury, Hyde Hotel & Residences, Katsuya, Cleo, The Bazaar by José Andrés, Fi'lia by Michael Schwartz, Umami Burger, Hyde Lounge and Skybar. More information about sbe can be obtained at <https://www.sbe.com/>.



# ALGODON

FINE WINES



Algodon's premium wines have received a number of top awards and ratings from the world's foremost tasting competitions including Gold Medals from the prestigious Global Masters Wine Competition, comprised of master sommeliers. Algodon's Black Label Reserves represent the best selection from Algodon with 100% microvinified blends whose low yield produces full concentration of fruit and flavor. Algodon's complete portfolio of fine wines is currently available in distinguished wine bars, wine shops, restaurants and hotels in Buenos Aires, Mendoza, Germany, Switzerland, Guernsey, U.K., the Netherlands and the United States.

Algodon Wine Estates launched its ultra-premium wine under the "PIMA" brand in November 2012. PIMA by GGH is a single vineyard wine that has been crafted from the finest handpicked grapes of GGH's 1946 Malbec and 1946 Bonarda vineyards utilizing microvinification (barrel fermentation) process from day one of harvest. PIMA wine is a limited collection which currently retails for approximately \$100 per bottle. Most recently, Algodon Wine's 2010 Bonarda ranked among the World Association of Wine & Spirit Writers' and Journalists' (WAWWJ®) Top 100 Wines of the World 2014, and its 2014 Bonarda was awarded a gold medal at the 2017 New York World Wine & Spirits Competition. In 2016, GGH's Black Label Malbec was awarded a gold medal in the Global Malbec Masters 2016 Wine Competition.



AWE has acquired a substantial amount of contiguous real estate surrounding its project in Mendoza, Argentina for a total of 4,138 acres. This land was purchased with the purpose of developing a vineyard-resort and attracting investment in second or third homes for the well-to-do from around the world. GGH continues to invest in the ongoing costs of building out infrastructure and anticipates that sales of lots will gradually improve and accelerate as worldwide economic conditions improve.

GGH is currently marketing portions of the property to be developed into luxury residential homes and vineyard estates. Management believes that the power of the ALGODON® brand combined with an attractive package of amenities will promote interest in the surrounding real estate. The estate’s master plan features a luxury golf and vineyard living community, made up of six distinct village sectors, with 610 home sites ranging in size from 0.2 to 2.8 hectares (0.5 to 7 acres) for private sale and development. The development’s village sectors have been designed and named in accordance with their characteristic surroundings and landscape: the Wine & Golf Village, the Polo & Equestrian Village, the Sierra Pintada Village, The North Vineyard & Orchard Village, The South Vineyard & Orchard Village, and the Desert Vista Village. The development is located fifteen minutes from both the local airport and city center.

In April 2019, GGH announced that it reached an agreement with Compass Real Estate to market and sell home sites at Algodon Wine Estates. Compass Real Estate (www.compass.com), dubbed “the country’s fastest-growing luxury real estate technology brokerage company” by Forbes Magazine, is set to revamp Algodon Wine Estates’ marketing and global sales initiatives by utilizing its network of 7,000 agents and over 1,000 employees. Compass’ business model has attracted investment capital from Fidelity, Softbank, Goldman Sachs, and several other corporations and individuals.

GGH is developing lots for sale to third party builders and is not engaged in any construction activity. To date, twenty-five lots have been sold. Revenue is recorded when the sale closes and the deeds are issued. During 2018, the Company closed on the sale of 12 of its lots and recorded revenue of \$1,468,000. As of December 31, 2018, the Company had \$995,327 of deferred income for pending sales. As of December 31, 2019, the Company had no income from sales.

Owning real estate in Argentina is subject to risk. For more information see “Risk Factors.”

*Bacchus Collection, Inc.*

The Company recently formed Bacchus Collection, Inc., a wholly owned subsidiary of GGH (“BCI”). Although in the concept stage, BCI was formed to create luxurious, high-quality items in small quantities with the images of grape leaves and grape clusters, which have long been seen as a symbol of bounty, wealth, fertility, and luxury. Vintage jewelry throughout history saw the use of this imagery in many forms.

Currency, jewelry, pottery, etc. were often inscribed with these symbols, as a sign of good faith. As history progressed, wine continued to be a representation of success, and wealth, however in the latter half of the 20th century, Mid-Century Modern style pushed the Grape Cluster out. Our goal is to reintroduce and expand upon these symbols in a variety of ways, through the “Bacchus Collection”. Named in accordance with the Ancient Roman God of Wine, this line of products gives consumers an opportunity to express themselves in a way that hasn’t been seen in decades. Some products we envision us producing are:

- Flatware
  - Forks
  - Knives
  - Spoons
- Silverware
  - Forks
    - Serving Forks
    - Stirrers
    - Cocktail Forks
  - Knives
    - Including Sabres
    - Steak Knives
    - Spreaders
  - Spoons
    - Serving Spoons
    - Stirrers
    - Caviar Spoons
- Watches
  - Wrist
  - Stop
  - Standing
- Jewelry
  - Rings
  - Cufflinks
  - Necklaces
  - Bracelets
  - Earrings
  - Broches
  - Lapel Pins
- Beverageware
  - Cups
  - Wine Glasses
  - Wine Stoppers
  - Decanters
  - Coffee Services
  - Tea Services
  - Serving Platters
  - Serving Trays
  - Shakers
  - Vases
  - Napkin Rings
  - Dishware
    - Plates
    - Bowls
    - Saucers

### Projects and Business Initiatives in Development

GGH's luxury branded assets have come to be associated with the country's finest experiences through award-winning wines and exceptional luxury destinations. We have begun developing U.S.-based e-commerce websites designed to deliver Argentine-inspired luxury goods to the U.S. marketplace and elsewhere around the globe. We believe the potential for scale here is particularly significant as Argentina is now making noteworthy re-entry to international trade. With Argentina in the process of re-opening its borders, we believe it is poised to regain its status as a cultural and fashion exporter, and that there may be a sizeable appetite in the U.S. and elsewhere for luxury products that feature a distinctly Argentine point of view. We are excited about the potential for scale here.

### **Competition**

The online luxury fashion business is highly competitive. The apparel industry is characterized by rapid shifts in fashion, consumer demand, and competitive pressures, resulting in both price and demand volatility. We believe that our emphasis on fine leather goods, accessories and apparel mitigates these factors.

We believe that the fit and quality of our garments, as well as the broad variety of colors and styles, our Gaucho and distinctly Argentine inspiration, as well as the contemporary luxury garments and accessories that we offer helps to differentiate us. We compete against a wide variety of smaller, independent specialty stores, as well as department stores and national and international specialty chains. Companies that operate in this space include, but are not limited to, Rag & Bone, Theory, Maison Kitsune, Vince, and All Saints. Many of these companies have substantially greater name recognition than Gaucho – Buenos Aires. Many of these companies also have greater financial, marketing, and other resources when compared to Gaucho – Buenos Aires.

Along with the competitive factors noted above, other key competitive factors for Gaucho – Buenos Aires online e-commerce operations include the success or effectiveness of customer mailing lists, advertising response rates, merchandise delivery, web site design and web site availability. The online e-commerce operations compete against numerous web sites, many of which may have a greater volume of web traffic, and greater financial, marketing, and other resources.

### **Government Regulation**

With respect to the Company's clothing line, pursuant to the Federal Trade Commission, clothing exported from Argentina to the U.S. must have a label that contains the country of origin and the composition of the item. Additional information can be found here: <https://www.ftc.gov/tips-advice/business-center/guidance/threading-your-way-through-labeling-requirements-under-textile>.

With respect to the Company's wine production, please see "Risk Factors" on page 36. Additional information may be found here: <https://www.ttb.gov/itd/argentina.shtml> and [https://www.ttb.gov/itd/importing\\_alcohol.shtml](https://www.ttb.gov/itd/importing_alcohol.shtml).

## Employees

Including the operating subsidiaries in Argentina, the Company has approximately 58 full-time employees. In Argentina, GGH also employs temporary, seasonal employees during the busy harvest season. In the United States, GGH currently employs approximately 7 full-time employees. None of the employees in the United States are covered by a collective bargaining agreement and management believes it has good relations with its employees.

Our principal executive offices are located at 135 Fifth Avenue, Floor 10, New York, NY 10010. Our telephone number is 212-739-7700.

## Ticker Symbol

GGH was verified for trading on the OTCQB Venture Marketplace under the symbol "VINO" on March 7, 2016.

## Available Information

We maintain a website at <http://www.gauchogroup.com>. The information contained on, or accessible through, our website is not part of this Annual Report on Form 10-K. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Exchange Act, are available on our website, free of charge, as soon as reasonably practicable after we electronically file such reports with, or furnish those reports to, the SEC.

In addition, we maintain our corporate governance documents on our website, including:

- a Code of Business Conduct and Ethics for Directors, Officers and Employees which contains information regarding our whistleblower procedures,
- our Insider Trading Policy,
- our Audit Committee Charter,
- our Trading Blackout Policy, and
- our Related Party Transaction Policy.

## ITEM 1A. RISK FACTORS

*An investment in our securities involves certain risks relating to our structure and investment objective. The risks set forth below are the risks we have identified and which we currently deem material or predictable. We also may face additional risks and uncertainties not currently known to us, or which as of the date of this Annual Report we might not consider significant, which may adversely affect our business. In general, you take more risk when you invest in the securities of issuers in emerging markets such as Argentina than when you invest in the securities of issuers in the United States. If any of the following risks occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our net asset value and the price of our common stock could decline, and you may lose all or part of your investment.*

In evaluating the Company, its business and any investment in the Company, readers should carefully consider the following factors:

### Effects of Global Pandemic

***Our results of operations may be negatively impacted by the coronavirus outbreak.***

In December 2019, the 2019 novel coronavirus ("COVID-19") surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020, with respect to the outbreak and several countries, including the United States, Japan and Australia have initiated travel restrictions to and from China. The impacts of the outbreak are unknown and rapidly evolving.

We rely on third-party suppliers and manufacturers in Argentina, China, Italy, and the U.S. This outbreak has resulted in the extended shutdown of certain businesses in China and Italy, and as a result, we have had disruptions and delays to our supply chain. These may include disruptions from the temporary closure of third-party supplier and manufacturer facilities, interruptions in product supply or restrictions on the export or shipment of our products. Any disruption of our suppliers and their contract manufacturers will likely impact our sales and operating results. We have tried to mitigate these risks by focusing our manufacturing in Argentina and the United States.

A widespread health crisis could adversely affect the global economy, resulting in an economic downturn that could impact demand for our Gaucho products and affect tourism in Argentina, which in turn can affect occupancy rates for Algodon Mansion and Algodon Wine Estates.

To date the outbreak has not had a material adverse impact on our operations. However, the future impact of the outbreak is highly uncertain and cannot be predicted and there is no assurance that the outbreak will not have a material adverse impact on the future results of the Company. The extent of the impact, if any, will depend on future developments, including actions taken to contain COVID-19.

### Risks Relating to Argentina

As of the date of this Annual Report, the majority of our operations, property and sales are located in Argentina. As a result, the quality of our assets, our financial condition and the results of our operations are dependent upon the macroeconomic, regulatory, social and political conditions prevailing in Argentina from time to time. These conditions include growth rates, inflation rates, exchange rates, taxes, foreign exchange controls, changes to interest rates, changes to government policies, social instability, and other political, economic or international developments either taking place in, or otherwise affecting, Argentina.



***Economic and political instability in Argentina may adversely and materially affect our business, results of operations and financial condition.***

The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative GDP growth, high and variable levels of inflation and currency depreciation and devaluation. The economy has experienced high inflation and GDP growth has been sluggish in the last few years. In October 2019, the International Monetary Fund (IMF) published the “World Economic Outlook” report. The IMF noted that Argentina’s economy is projected to contract again in 2020 but by less than in 2019. The IMF forecasted that the Argentinian economy was expected to contract by a further 1.6 percent in 2019 with growth of 3.2 percent expected over the medium term under the steady implementation of reforms and returning confidence but the actual contraction in 2019 was an estimated 1.2%.

The IMF noted that in Argentina, tighter global financial conditions, together with a domestic corruption scandal and persistent uncertainty over the success of the stabilization plan underlying the program with the IMF, have contributed to financial market volatility. The IMF estimated that inflation in Argentina to be approximately 40% and the actual 2019 inflation rate was 54.44%. The IMF has projected the inflation rate for 2020 to be 51%.

The operating environment in Argentina continues to be a challenging business environment, including the continuing significant devaluation of Argentina’s currency, high inflation and economic recession. Volatility and declines in the exchange rate are expected in the future, which could have an adverse impact on our Argentine revenues, net earnings, cash flows and net monetary asset position.

On December 10, 2015, Mauricio Macri took office as the new president of Argentina, along with his former finance minister Alfonso Prat-Gay and Luis Caputo, who replaced Prat-Gay in late 2016. President Macri has made a number of decisions in pursuit of economic reform, including removing currency controls, which resulted in a 30% devaluation of the peso in 2015. By August 2019, inflation has risen to more than 50% this year. Mr. Macri’s approach to the economy has been one of gradualism, but the economy has suffered and his structural economic reforms have hurt poor and middle-class families in Argentina. As a result, Alberto Fernández won the election as President on October 27, 2019 and Cristina Fernández de Kirchner won as Vice President and both will take office on December 10, 2019.

Given the political climate, it is not certain what other changes may take place or what the impact of the changes may be on the economy of Argentina. Our discussion below is based on recent history.

***Economic and Political Risks Specific to Argentina***

The Argentinian economy has been characterized by frequent and occasionally extensive intervention by the Argentinian government and by unstable economic cycles. The Argentinian government has often changed monetary, taxation, credit, tariff and other policies to influence the course of Argentina’s economy, and taken other actions which do, or are perceived to weaken the nation’s economy especially as it relates to foreign investors and other overall investment climate. For example, in 2008, the Argentine government assumed control over approximately \$30 billion held in private pension funds, which caused a significant temporary decline in the Argentine stock market, a decline in the Argentine peso and prompted Standard & Poor’s to downgrade Argentina’s credit rating. The Argentine peso has devalued significantly against the U.S. dollar, from about 6.1 Argentine pesos per dollar in December 2013 to an average of 59.8 pesos per dollar in December 2019.

The overall state of Argentinian politics and the Argentina economy have resulted in numerous investment reports that warn about foreign investment in Argentina. In February 2019, the Morgan Stanley Capital International (MSCI) index allowed Argentina to remain in the frontier emerging market despite the country technically being ineligible based on available 2017 Gross National Income data. In May 2019, MSCI classified Argentina as an emerging market rather than a pure frontier market. Nonetheless, investors considering an investment in GGH should be mindful of these potential political and financial risks.

***Argentina's economy may not support foreign investment or our business.***

The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high inflation and currency deflation. Currently there is significant inflation, labor unrest, and currency deflation. There has also been significant governmental intervention into the Argentine economy, including price controls and foreign currency restrictions. As a result, uncertainty remains as to whether economic growth in Argentina is sustainable and whether foreign investment will be successful.

***As of July 1, 2018, Argentina has a highly inflationary economy which may continue to increase our accounting and legal costs.***

The International Practices Task Force (“IPTF”) of the Center for Audit Quality discussed the inflationary status of Argentina at its meeting on May 16, 2018 and categorized Argentina as a country with a projected three-year cumulative inflation rate greater than 100%. Therefore, the Company has transitioned its Argentine operations to highly inflationary status as of July 1, 2018. As a result, the Company is required to change the functional currency of its Argentine operations to the U.S. dollar, effective as of July 1, 2018. For operations in highly inflationary economies, monetary asset and liabilities are translated at exchange rates in effect at the balance sheet date, and non-monetary assets and liabilities are translated at historical exchange rates. Income and expense accounts are translated at the weighted average exchange rate in effect during the period. Translation adjustments are reflected in loss on foreign currency translation on the accompanying statements of operations. The Company was delayed in filing its Quarterly Report on Form 10-Q for the period ended September 30, 2018 as a result of this change and the Company incurred approximately \$55,000 in additional expense in the form of increased accounting and legal fees during the period from July 1, 2018 through December 31, 2019, to adjust to this new method.

***Past efforts by Argentina to nationalize businesses.***

In April 2012, then Argentine President Cristina Fernández de Kirchner announced her decision to nationalize YPF, the country's largest oil company, from its majority stakeholder, thus contributing to declining faith from foreign investors in the country and again resulting in a downgrade by Standard and Poor's of Argentina's economic and financial outlook to “negative”. There were other discussions in Argentina about the possibility of nationalizing other businesses and industries under former President Kirchner, and she was elected a Senator in late 2017. She has made several public statements about her intent to debate everything and take firm positions on her political ideals.

As a result of the primary held in August 2019, where Mr. Macri earned only 32% of the vote in primary elections due to voters' anger over austerity measures, the deep recession and soaring inflation, the peso fell about 17% against the dollar and Argentina's bonds and stocks plunged. As Alberto Fernández won as President of Argentina on October 27, 2019 and Ms. Kirchner as Vice President, we are unable to predict the impact and influence Ms. Kirchner will have on Argentine policies going forward and the ultimate impact on the economy and the effect on our company. There is no assurance that any investment in GGH will be safe from government control or nationalization if Mr. Macri's policies are reversed.

***Current corruption investigations in Argentina could have an adverse impact on the development of the economy and investor confidence.***

The Argentine Government has announced a large-scale corruption investigation in Argentina. The investigation relates to payments over the past decade to government officials from businessmen and companies who had been awarded large government contracts. As of the date of this Annual Report, several Argentine businessmen, mainly related to public works, and over a dozen former government officials of the Fernández de Kirchner administration are being investigated for bribery to the State. As a result, on September 17, 2018, the former president of Argentina, Cristina Fernandez de Kirchner, and several businessmen were prosecuted for illegal association, and goods for 4 billion pesos were seized. Depending on the results of such investigations and the time it takes to conclude them, the companies involved could face, among other consequences, a decrease in their credit rating, be subject to claims by their investors, as well as experiencing restrictions on financing through the capital markets. These adverse effects could hamper the ability of these companies to meet their financial obligations on time. In connection with the aforementioned, the lack of future financing for these companies could affect the realization of the projects or works that are currently in execution.

In addition, the effects of these investigations could affect the investment levels in infrastructure in Argentina, as well as the continuation, development and completion of public works, which could ultimately lead to lower growth in the Argentine economy.

As of the date of this Annual Report, we have not estimated the impact that this investigation could have on the Argentine economy. It is possible the corruption charges against Kirchner may have no effect during her Vice Presidency. Likewise, we cannot predict for how long corruption investigations could continue, what other companies might be involved, or how important the effects of these investigations might be. In turn, the decrease in investors' confidence, among other factors, could have a significant adverse impact on the development of the Argentine economy, which could adversely affect our business, financial condition and the results of our operations.

***Due to the Company's operations in Argentina, the Company is exposed to the risk of changes in foreign exchange rates.***

Due to the international nature of Gaucho Group Holdings' business, movements in foreign exchange rates may impact the consolidated statements of operations, consolidated balance sheets and cash flows of the Company. Since almost all of the Company's sales are located in Argentina, the Company's consolidated net sales are impacted negatively by the strengthening or positively by the weakening of the U.S. dollar as compared to Argentina's currencies. Additionally, movements in the foreign exchange rates may unfavorably or favorably impact the Company's results of operations, financial condition and liquidity. On April 29, 2019, Argentina's central bank said it would step up intervention in the currency market by starting to sell dollars to stabilize the peso.

***Argentina's ability to obtain financing from international markets is limited, which may impair its ability to implement reforms and foster economic growth.***

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

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

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

A U.S. Court of Appeals blocked the most recent debt payment made by Argentina in June 2014 because it was improperly structured, giving Argentina through the end of July 2014 to find a way to pay to fulfill its obligations. On or about July 30, 2014, credit rating agencies Fitch and S&P declared Argentina to be in "selective default" after a U.S. judge blocked trustee Bank of New York Mellon from making payments to Argentine bond holders, after Argentina deposited the \$539 million in funds due to bond holders with the trustee. The court's reason for blocking the payments was due to Argentina failing to reach an agreement with a group of hedge funds that are holding out for better terms on old Argentine defaulted debt. In March 2015, more than 500 creditors, separate from the hedge fund creditors, filed suit against Argentina for payment on the debt of \$5.4 billion. Argentina filed a motion opposing those claims noting that there were now \$10 billion in judgments and claims before the court. In February 2016, Argentina and four of its major bond creditors entered into a settlement agreement whereby Argentina agreed to pay roughly \$4.65 billion to those creditors to resolve the fifteen-year litigation. Subsequently, Argentina has also entered into settlement agreements with other bond default creditors who were not party to the original settlement which, in the aggregate, could have an estimated dollar value upwards of \$10 billion.

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

In April of 2016, after settling the litigation, Argentina was able to return to the international debt markets with a \$16.5 billion century bond. The attractiveness of a century bond is debatable amongst investment advisers and its impact over the long-term in this case unknown. In 2017, Argentina engaged in additional sales of bonds on international markets for around \$13.4 billion. There can be no assurance that the Argentine government will not default on its obligations under these or any of its bonds if it experiences another economic crisis or has a change in political control. A new default by the Argentine government could lead to a new recession, even higher inflation, restrictions on Argentine companies access to financing and funds, limit the operations of Argentine companies in the international markets, higher unemployment and social unrest, which would negatively affect our financial condition, results of operations and cash flows.

In June 2018, the Argentine Government entered into a US\$50 billion, 36-month stand-by arrangement with the IMF. This measure was intended to halt the significant depreciation of the peso during the first half of 2018. In December 2018, the IMF completed a second review under the stand-by arrangement and although there were indications that the financial markets in Argentina have stabilized since the end of September 2018 following the adoption of the new monetary policy framework, the IMF noted that external risks are centered around an unanticipated tightening of global financial conditions, which could resurface concerns about Argentina's ability to meet its large gross financing needs. The IMF also warned that greater than expected inertia in the inflation process may delay the expected easing of monetary policy and generate a greater economic loss during the needed disinflation and that a deeper recession or more persistent inflation could generate a more forceful opposition to the policies underpinning the program and hinder their implementation. In August 2019, the IMF noted that the primary elections triggered a sharp increase in government bond yields and a wider sell-off in Argentine assets.

***The Argentine government may again place currency limitations on withdrawals of funds.***

Through 2015, the Argentine government, led by then president Cristina Fernández, instituted economic controls that included limiting the ability of individuals and companies to exchange local currency (Argentine peso) into U.S. dollars and to transfer funds out of the country. At the time, public reports stated that government officials were micromanaging money flows by limiting dollar purchases and discouraging dividend payments and international wire transfers. As a result of these controls, Argentine companies had limited access to U.S. dollars through regular channels (e.g., banks) and consumers faced difficulty withdrawing and exchanging invested funds. Given the Company's investment in Argentine projects and developments, its ability to mobilize and access funds may be adversely affected by the above-mentioned political actions, despite the efforts to repeal economic controls in the recent past.

In December 2015, newly elected President Mauricio Macri ended the central bank's support of the peso and removed the currency controls that limited the ability of Argentines to buy dollars, resulting in a 30% devaluation of the Argentine peso. In January 2017, the country lifted the 120-day holding period for incoming funds hoping to increase the flow of money into the country and ease access for tourists, citizens and businesses. However, Argentina is still feeling the impact of removing currency controls and has continued experiencing a decrease in the value of the Argentine peso throughout 2019.

With Alberto Fernández as President and Christina Kirchner as Vice President effective December 10, 2019, it is possible that the Argentine government may, in the future, impose additional controls on the foreign exchange market and on capital flows from and into Argentina, in response to capital flight or depreciation of the peso. These restrictions may have a negative effect on the economy and on our business if imposed in an economic environment where access to local capital is constrained.

***The stability of the Argentine banking system is uncertain.***

Adverse economic developments, even if not related to or attributable to the financial system, could result in deposits flowing out of the banks and into the foreign exchange market, as depositors seek to shield their financial assets from a new crisis. Any run on deposits could create liquidity or even solvency problems for financial institutions, resulting in a contraction of available credit.

Additionally, unrest among the employment sector of the banking industry has led to strikes led by strong labor unions. This makes it difficult for citizens and businesses to conduct banking activities and decreases the level of trust people put into the Argentine banking system.

In the event of a future shock, such as the failure of one or more banks or a crisis in depositor confidence, the Argentine government could impose further exchange controls or transfer restrictions and take other measures that could lead to renewed political and social tensions and undermine the Argentine government's public finances, which could adversely affect Argentina's economy and prospects for economic growth which could adversely affect our business.

***Government measures to preempt or respond to social unrest may adversely affect the Argentine economy and our business.***

The Argentine government has historically exercised significant influence over the country's economy. Additionally, the country's legal and regulatory frameworks have at times suffered radical changes, due to political influence and significant political uncertainties. In April 2014, there were nationwide strikes that paralyzed the Argentine economy, shutting down air, train and bus traffic, closing businesses and ports, emptying classrooms, shutting down non-emergency hospital attention and leaving trash uncollected. This is consistent with past periods of significant economic unrest and social and political turmoil.

Future government policies to preempt, or in response to, social unrest may include expropriation, nationalization, forced renegotiation or modification of existing contracts, suspension of the enforcement of creditors' rights, new taxation policies, including royalty and tax increases and retroactive tax claims, and changes in laws and policies affecting foreign trade and investment. Such policies could destabilize the country and adversely and materially affect the economy, and thereby our business.

***The Argentine economy could be adversely affected by economic developments in other global markets.***

Financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other global markets. Although economic conditions vary from country to country, investors' perception of the events occurring in one country may substantially affect capital flows into other countries. Lower capital inflows and declining securities prices negatively affect the real economy of a country through higher interest rates or currency volatility.

In addition, Argentina is also affected by the economic conditions of major trade partners, such as Brazil and/or countries that have influence over world economic cycles, such as the United States. If interest rates rise significantly in developed economies, including the United States, Argentina and other emerging market economies could find it more difficult and expensive to borrow capital and refinance existing debt, which would negatively affect their economic growth. In addition, if these developing countries, which are also Argentina's trade partners, fall into a recession the Argentine economy would be affected by a decrease in exports. All of these factors would have a negative impact on us, our business, operations, financial condition and prospects.

***The Argentine government may order salary increases to be paid to employees in the private sector, which would increase our operating costs.***

There have been nationwide strikes in Argentina over wages and benefits paid to workers which workers believe to be inadequate in light of the high rate of inflation and rising utility rates. In the past, the Argentine government has passed laws, regulations and decrees requiring companies in the private sector to maintain minimum wage levels and provide specified benefits to employees and may do so again in the future. In the aftermath of the Argentine economic crisis, employers both in the public and private sectors have experienced significant pressure from their employees and labor organizations to increase wages and to provide additional employee benefits. Due to the high levels of inflation, the employees and labor organizations have begun again demanding significant wage increases. It is possible that the Argentine government could adopt measures mandating salary increases and/or the provision of additional employee benefits in the future. Any such measures could have a material and adverse effect on our business, results of operations and financial condition. To management's knowledge, currently there are no pending measures.

***Restrictions on the supply of energy could negatively affect Argentina's economy.***

As a result of a prolonged recession, and the forced conversion into pesos and subsequent freeze of gas and electricity tariffs in Argentina, there has been a lack of investment in gas and electricity supply and transport capacity in Argentina in recent years. At the same time, demand for natural gas and electricity has increased substantially, driven by a recovery in economic conditions and price constraints, which has prompted the government to adopt a series of measures that have resulted in industry shortages and/or cost increases. In 2017, the government increased the tariffs on electricity and gas hoping to spur an increase in domestic energy production which increased the cost for these utilities for citizens. Scheduled increases in electricity tariffs in May and August 2019 were canceled and the government committed to no further gas tariff increases in 2019.

The federal government has been taking a number of measures, including the tariff increase, to alleviate the short-term impact of energy shortages on residential and industrial users. If these measures prove to be insufficient, or if the investment that is required to increase natural gas production and transportation capacity and energy generation and transportation capacity over the medium-and long-term fails to materialize on a timely basis, economic activity in Argentina could be limited, which could have a significant adverse effect on our business.

***We are exposed to risks in relation to compliance with anti-corruption and anti-bribery laws and regulations.***

Our operations are subject to various anti-corruption and anti-bribery laws and regulations, including the Corporate Criminal Liability Law 27,401 effective March 1, 2018 and the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA"). Both the Corporate Criminal Liability Law and the FCPA impose liability against companies who engage in bribery of government officials, either directly or through intermediaries. The Corporate Criminal Liability Law establishes a system of criminal liability of private legal persons which include companies created under any legal form (LLCs, PLCs, partnerships, etc.) whether of national or foreign capital for criminal offenses against public administration and national and cross-border bribery committed by, among others, its shareholders, attorneys-in-fact, directors, managers, employees, or representatives. The anti-corruption laws generally prohibit providing anything of value to government officials for the purposes of obtaining or retaining business or securing any improper business advantage. In April 2019, the government approved the "National Anticorruption Plan (2019-2023), Decree No. 258/2019 (the "NAP") through which the Executive Branch has set forth a plan to consolidate the effort to fight corruption in the next five years based in part on several international conventions against corruption, organized crime and money laundering. The NAP includes the creation of an Advisory Council to follow up on the implementation of the NAP goals. As part of our business, we may deal with entities in which the employees are considered government officials. We have a compliance program that is designed to manage the risks of doing business in light of these new and existing legal and regulatory requirements.

Although we have internal policies and procedures designed to ensure compliance with applicable anti-corruption and anti-bribery laws and regulations, there can be no assurance that such policies and procedures will be sufficient. Violations of anti-corruption laws and sanctions regulations could lead to financial penalties being imposed on us, limits being placed on our activities, our authorizations and licenses being revoked, damage to our reputation and other consequences that could have a material adverse effect on our business, results of operations and financial condition. Further, litigations or investigations relating to alleged or suspected violations of anti-corruption laws and sanctions regulations could be costly.

## Real Estate Considerations and Risks Associated with the International Projects that GGH Operates

### *The Real Estate Industry and International Investing*

Investments in real estate are subject to numerous risks, including the following:

- Increased expenses and uncertainties related to international operations;
- Risks associated with Argentina's past political uncertainties, economic crises, and high inflation;
- Risks associated with currency, exchange, and import/export controls;
- Adverse changes in national or international economic conditions;
- Adverse local market conditions;
- Construction and renovation costs exceeding original estimates;
- Price increases in basic raw materials used in construction;
- Delays in construction and renovation projects;
- Changes in availability of debt financing;
- Risks due to dependence on cash flow;
- Changes in interest rates, real estate taxes and other operating expenses;
- Changes in the financial condition of tenants, buyers and sellers of properties;
- Competition with others for suitable properties;
- Changes in environmental laws and regulations, zoning laws and other governmental rules and fiscal policies;
- Changes in energy prices;
- Changes in the relative popularity of properties;
- Risks related to the potential use of leverage;
- Costs associated with the need to periodically repair, renovate and re-lease space;
- Increases in operating costs including real estate taxes;
- Risks and operating problems arising out of the presence of certain construction materials;
- Environmental claims arising in respect of real estate acquired with undisclosed or unknown environmental problems or as to which inadequate reserves had been established;
- Uninsurable losses and acts of terrorism;
- Acts of God; and
- Other factors beyond the control of the Company.

***Investment in Argentine real property is subject to economic and political risks.***

Investment in foreign real estate requires consideration of certain risks typically not associated with investing in the United States. Such risks include, among other things, 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. Any one of these risks has the potential to reduce the value of our real estate holdings in Argentina and have a material adverse effect on the Company's financial condition.

***The real estate market is uncertain in Argentina.***

President Macri has attempted to boost the real estate market in Argentina by lifting various currency restrictions. However, the real estate market has not rebounded from the crippling effect of past currency controls. As a result, the real estate market in Argentina is uncertain. It is possible that with time the efforts of President Macri will be fruitful, but it is too soon to evaluate what the impact will be as the economy continues to change. Continued investment in real estate in Argentina is very risky and could never materialize in the way our business model plans. However, waiting to act on certain real estate endeavors will have negative consequences if the market sees an increase in competitiveness. The main competitive factors in the real estate development business include availability and location of land, price, funding, design, quality, reputation and partnerships with developers. Although there is little to no leverage used to acquire real estate in Argentina, thereby greatly lessening the impact of foreclosures in the market, the practice of cash acquisitions can be a barrier to entry in the real estate market. A number of residential and commercial developers and real estate services companies may desire to enter the market and compete with the Company in seeking land for acquisition, financial resources for development and prospective purchasers. To the extent that one or more of the Company's competitors are able to acquire and develop desirable properties, as a result of greater financial resources or otherwise, the Company's business could be materially and adversely affected. If the Company is not able to acquire and develop sought-after property as promptly as its competitors, or should the level of competition increase, its financial position and results of operations could be adversely affected.

***An adverse economic environment for real estate companies such as a credit crisis may adversely impact our results of operations and business prospects significantly.***

The success of our business and profitability of our operations depend on continued investment in real estate and access to capital and debt financing. A prolonged crisis of confidence in real estate investments and lack of credit for acquisitions may constrain our growth. In order to pursue acquisitions, we may need access to equity capital and/or debt financing. Any disruptions in the financial markets may adversely impact our ability to refinance existing debt and the availability and cost of credit in the near future. Any consideration of sales of existing properties or portfolio interests may be offset by lower property values. Our ability to make scheduled payments or to refinance our existing debt obligations depends on our operating and financial performance, which in turn is subject to prevailing economic conditions. If a recurrence of the disruptions in financial markets remains or arises in the future, there can be no assurances that government responses to such disruptions will restore investor confidence, stabilize the markets or increase liquidity and the availability of credit.

***There are limitations on the ability of foreign persons to own Argentinian real property.***

In December 2011, the Argentine Congress passed Law 26.737 (Regime for Protection of National Domain over Ownership, Possession or Tenure of Rural Land) limiting foreign ownership of rural land, even when not in border areas, to a maximum of 15 percent of all national, provincial or departmental productive land. Ownership by the same foreign owner (i.e., foreign individuals, foreign entities or local entities controlled by a foreign person) may not exceed 1,000 hectares (2,470 acres) of the 'core area' or the 'equivalent surface' determined according to the location of the lands. The Interministerial Council of Rural Lands, the enforcement agency, defines the 'equivalent surface' taking into consideration: (1) the proportion of the 'rural lands' in relation to the municipality, department and province; and (2) the potential and quality of the rural lands for their use and exploitation. Every non-Argentine national must request permission from the National Land Registry of Argentina in order to acquire non-urban real property.



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

In the Mendoza province, the maximum area allowed per type of production and activity per non-national is as follows: Mining—25,000 hectares (61,776 acres), cattle ranching—18,000 hectares (44,479 acres), cultivation of fruit or vines—15,000 hectares (37,066 acres), horticulture—7,000 hectares (17,297 acres), private lot—200 hectares (494 acres), and other—1,000 hectares (2,471 acres). A hectare is a unit of area in the metric system equal to approximately 2.471 acres. However, these maximums will only be considered if the total 15 percent is reached. Currently, the Company owns approximately 4,138 acres of Argentine rural land through AWE, 2,050 acres are considered land held for cultivation of fruit or vines and 2,088 was purchased during 2017 to provide additional access to AWE. Because the maximum area for this type of land allowed per non-national is 25,000 hectares, the Company is compliant with the law's limit, were it to apply today. Costs of compliance with the law may be significant in the future. Although currently, the area under foreign ownership in Mendoza is approximately 8.6 percent, this law may apply to the Company in the future and could affect the Company's ability to acquire additional real property in Argentina. The inability to acquire additional land could curtail the Company's growth strategy. Management is not currently aware of any change that would require the Company to divest itself of its properties.

***Our business is subject to extensive regulation and additional regulations may be imposed in the future.***

Our activities are subject to Argentine federal, state and municipal laws, and to regulations, authorizations and licenses required with respect to construction, zoning, use of the soil, environmental protection and historical patrimony, consumer protection, antitrust and other requirements, all of which affect our ability to acquire land, buildings and shopping malls, develop and build projects and negotiate with customers.

In addition, companies in this industry are subject to increasing tax rates, the creation of new taxes and changes in the taxation regime. We are required to obtain licenses and authorizations with different governmental authorities in order to carry out our projects. Maintaining our licenses and authorizations can be a costly provision. In the case of non-compliance with such laws, regulations, licenses and authorizations, we may face fines, project shutdowns, and cancellation of licenses and revocation of authorizations.

In addition, public authorities may issue new and stricter standards, or enforce or construe existing laws and regulations in a more restrictive manner, which may force us to make expenditures to comply with such new rules. Development activities are also subject to risks relating to potential delays in obtaining or an inability to obtain all necessary zoning, environmental, land-use, development, building, occupancy and other required governmental permits and authorizations. Any such delays or failures to obtain such government approvals may have an adverse effect on our business.

***There may be a lack of liquidity in the underlying real estate.***

Because a substantial part of the assets managed by the Company will be invested in illiquid real estate, there is a risk that the Company will be unable to realize its investment objectives through the sale or other disposition of properties at attractive prices or to do so at a desirable time. This could hamper the Company's ability to complete any exit strategy with regard to investments it has structured or participated in.

***There is limited public information about real estate in Argentina.***

There is generally limited publicly available information about real estate in Argentina, and the Company will be conducting its own due diligence on future transactions. Moreover, it is common in Argentinian real estate transactions that the purchaser bears the burden of any undiscovered conditions or defects and has limited recourse against the seller of the property. Should the pre-acquisition evaluation of the physical condition of any future investments have failed to detect certain defects or necessary repairs, the total investment cost could be significantly higher than expected. Furthermore, should estimates of the costs of developing, improving, repositioning or redeveloping an acquired property prove too low or estimates of the market demand or the time required to achieve occupancy prove too optimistic, the profitability of the investment may be adversely affected.

***Our construction projects may be subject to delays in completion.***

Algodon Wine Estates has required significant redevelopment construction (including potentially building residential units for Algodon Wine Estates). The quality of the construction and the timely completion of these projects are factors affecting operations and significant delays or cost overruns could materially adversely affect the Company's operations. Delays in construction or defects in materials and/or workmanship have occurred and may continue to occur. Defects could delay completion of one or all of the projects or, if such defects are discovered after completion, expose the Company to liability. In addition, construction projects may also encounter delays due to adverse weather conditions, natural disasters, fires, delays in the provision of materials or labor, accidents, labor disputes, unforeseen engineering, environmental or geological problems, disputes with contractors and subcontractors, or other events. If any of these materialize, there may be a delay in the commencement of cash flow and/or an increase in costs that may adversely affect the Company.

***The Company may be subject to certain losses that are not covered by insurance.***

GGH, its affiliates and/or subsidiaries currently maintain insurance coverage against liability to third parties and property damage as is customary for similarly situated businesses, however the Company does not hold any country-risk insurance. There can be no assurance, however, that insurance will continue to be available or sufficient to cover any such risks. Insurance against certain risks, such as earthquakes, floods or terrorism may be unavailable, available in amounts that are less than the full market value or replacement cost of the properties or subject to a large deductible. In addition, there can be no assurance the particular risks which are currently insurable will continue to be insurable on an economic basis.

***Boutique Hotel***

In addition to the risks that apply to all real estate investments, hotel and hospitality investments are subject to additional risks which include:

- Competition for guests from other hotels based upon brand affiliations, room rates offered including those via internet wholesalers and distributors, customer service, location and the condition and upkeep of each hotel in general and in relation to other hotels in their local market;
- Specific competition from well-established operators of "boutique" or "lifestyle" hotel brands which have greater financial resources and economies of scale;
- Adverse effects of general and local political and/or economic conditions;
- Dependence on demand from business and leisure travelers, which may fluctuate and be seasonal;
- Increases in energy costs, airline fares and other expenses related to travel, which may deter travel;
- Impact of financial difficulties of the airline industry and potential reduction in demand on hotel rooms;
- Overbuilding in the hotel industry, especially in individual markets; and
- Disruption in business and leisure travel patterns relating to perceived fears of terrorism or political unrest.

***The boutique hotel market is highly competitive.***

The Company competes in the boutique hotel segment, which is highly competitive, is closely linked to economic conditions and may be more susceptible to changes in economic conditions than other segments of the hospitality industry. Competition within the boutique hotel segment is also likely to continue to increase in the future. Competitive factors include name recognition, quality of service, convenience of location, quality of the property, pricing, and range and quality of dining, services and amenities offered. Additionally, success in the boutique hotel market depends, largely, on an ability to shape and stimulate consumer tastes and demands by producing and maintaining innovative, attractive, and exciting properties and services. The Company competes in this segment against many well-known companies that have established brand recognition and significantly greater financial resources. If it is unable to achieve and maintain consumer recognition for its brand and otherwise compete with well-established competitors, the Company's business and operations will be negatively impacted. There can be no assurance that the Company will be able to compete successfully in this market or that the Company will be able to anticipate and react to changing consumer tastes and demands in a timely manner.

***Historically, the Company's hotel incurs overhead costs higher than the total gross margin.***

Currently, the overhead costs for the Algodon Mansion hotel do not exceed its total gross margin, however historically the Algodon Mansion hotel has operated at a loss. There can be no assurance that the Algodon Mansion hotel will continue to operate at a profit or that the Company will be able to continue increasing revenues and lowering the hotel's overhead cost in the future.

***The profitability of the Company's hotels will depend on the performance of hotel management.***

The profitability of the Company's hotel and hospitality investment will depend largely upon the ability of management that it employs to generate revenues that exceed operating expenses. The failure of hotel management to manage the hotels effectively would adversely affect the cash flow received from hotel and hospitality operations.

***We are subject to risks affecting the hotel industry.***

In addition, the profitability of our hotels depends on:

- our ability to form successful relationships with international and local operators to run our hotels;
- changes in tourism and travel trends, including seasonal changes and changes due to pandemic outbreaks, weather phenomena or other natural events and social unrest;
- affluence of tourists, which can be affected by a slowdown in global economy; and
- taxes and governmental regulations affecting wages, prices, interest rates, construction procedures and costs.

***Algodon Wine Estates and Land Development***

***The tourism industry is highly competitive and may affect the success of the Company's projects.***

The success of the tourism and real estate development projects underway at Algodon Wine Estates depends primarily on recreational and secondarily on business tourists and the extent to which the Company can attract tourists to the region and to its properties. The Company is in competition with other hotels and developers based upon brand affiliations, room rates, customer service, location, facilities, and the condition and upkeep of the lodging in general, and in relation to other lodges/hotels/investment opportunities in the local market. Algodon Wine Estates operates as a multi-functional resort and winery and serves a niche market, which may be difficult to target. Algodon Wine Estates may also be disadvantaged because of its geographical location in the greater Mendoza region. While the San Rafael area continues to increase in popularity as a tourist destination, it is currently less traveled than other regions of Mendoza, where tourism is more established.

***The profitability of Algodon Wine Estates will depend on consumer demand for leisure and entertainment.***

Algodon Wine Estates is dependent on demand from leisure and business travelers, which may be seasonal and fluctuate based on numerous factors. Demand may decrease with increases in energy costs, airline fares and other expenses related to travel, which may deter travel. Business and leisure travel patterns may be disrupted due to perceived fears of local unrest or terrorism both abroad and in Argentina. General and local economic conditions and their effects on travel may adversely affect Algodon Wine Estates.

***Development of the Company's projects will proceed in phases and is subject to unpredictability in costs and expenses.***

It is contemplated that the expansion and development plans of Algodon Wine Estates will be completed in phases and each phase will present different types and degrees of risk. Algodon Wine Estates may be unable to acquire the property it needs for further expansion or be unable to raise the property to the standards anticipated for the ALGODON® brand. This may be due to difficulties associated with obtaining required future financing, purchasing additional parcels of land, or receiving the requisite zoning approvals. Algodon Wine Estates may have problems with local laws and customs that cannot be predicted or controlled. Development costs may also increase due to inflation or other economic factors.

***The ability of the Company to operate its businesses may be adversely affected by U.S. and Argentine government regulations***

Many aspects of the Company's businesses face substantial government regulation and oversight. For example, hotel properties are subject to numerous laws, including those relating to the preparation and sale of food and beverages, including alcohol and those governing relationships with employees such as minimum wage and maximum working hours, overtime, working conditions, hiring and firing employees and work permits. Additionally, hotel properties may be subject to various laws relating to the environment and fire and safety. Compliance with these laws may be time consuming and costly and may adversely affect hotel operations in Argentina.

Another example is the wine industry which is subject to extensive regulation by local and foreign governmental agencies concerning such matters as licensing, trade and pricing practices, permitted and required labeling, advertising and relations with wholesalers and retailers. New or revised regulations in Argentina, or other foreign countries and U.S. import laws could have a material adverse effect on Algodon Wine Estates' financial condition or operations.

Finally, because many of the Company's properties are located in Argentina, they are subject to its laws and to the laws of various local districts that affect ownership and operational matters. Compliance with applicable rules and regulations requires significant management attention and any failure to comply could jeopardize the Company's ability to operate or sell a particular property and could subject the Company to monetary penalties, additional costs required to achieve compliance, and potential liability to third parties. Regulations governing the Argentinian real estate industry as well as environmental laws have tended to become more restrictive over time. The Company cannot assure that new and stricter standards will not be adopted or become applicable to the Company, or that stricter interpretations of existing laws and regulations will not be implemented.

*Algodon Wine Estates—Vineyard and Wine Production*

***Competition within the wine industry could have a material adverse effect on the profitability of wine sales.***

The operation of a winery is a highly competitive business and the dollar amount and unit volume of wine sales through the ALGODON® label could be negatively affected by a variety of competitive factors. Many other local and foreign producers of wine have significantly greater financial, technical, marketing and public relations resources and wine producing expertise than the Company, and many have more refined, developed and established brands. The wine industry is characterized by fickle demand and success in this industry relies heavily on successful branding. Thus, the ALGODON® brand concept may not appeal to a large segment of the market, preventing the Company from successfully competing against other Argentinian and foreign brands. Wholesaler, retailer and consumer purchasing decisions are also influenced by the quality, pricing and branding of the product, as compared to competitive products. Unit volume and dollar sales could be adversely affected by pricing, purchasing, financing, operational, advertising or promotional decisions made by competitors, which could affect the supply of, or consumer demand for, product produced under the ALGODON® brand.

***Algodon Wine Estates is subject to import and export rules and taxes which may change.***

Algodon Wine Estates primarily exports its products to the United States and Europe. In countries to which Algodon Wine Estates intends to export its products, Algodon Wine Estates will be subject to excise and other taxes on wine products in varying amounts, which are subject to change. Significant increases in excise or other taxes could have a material adverse effect on Algodon Wine Estates' financial condition or operations. Political and economic instabilities of foreign countries may also disrupt or adversely affect Algodon Wine Estates' ability to export or make profitable sales in that country. Moreover, exporting costs are subject to macro-economic forces that affect the price of transporting goods (e.g., the cost of oil and its impact on transportation systems), and this could have an adverse impact on operations.

***The Company's business would be adversely affected by natural disasters.***

Natural disasters, floods, hurricanes, fires, earthquakes, hailstorms or other environmental disasters could damage the vineyard, its inventory, or other physical assets of the Algodon Wine Estates' resort, including the golf course. If all or a portion of the vineyard or inventory were to be lost prior to sale or distribution as a result of any adverse environmental activity, or if the golf course and facilities were damaged, Algodon Wine Estates would become significantly less attractive as a destination resort and therefore lose a substantial portion of its anticipated profit and cash flow. Such a loss would seriously harm the business and reduce overall sales and profits. The Company is not insured against crop losses as a result of weather conditions or natural disasters. Moderate, but irregular weather conditions may adversely affect the grapes, making any one season less profitable than expected. In addition to weather conditions, many other factors, such as pruning methods, plant diseases, pests, the number of vines producing grapes, and machine failure could also affect the quantity and quality of grapes. Any of these conditions could cause an increase in the price of production or a reduction in the amount of wine Algodon Wine Estates is able to produce and a resulting reduction in business sales and profits.

***Climate change, or legal, regulatory or market measures to address climate change, may negatively affect our business, operations or financial performance, and water scarcity or poor water quality could negatively impact our production costs and capacity.***

Our wine business depends upon agricultural activity and natural resources. There has been much public discussion related to concerns that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. Severe weather events and climate change may negatively affect agricultural productivity in the regions from which we presently source our agricultural raw materials such as grapes. Decreased availability of our raw materials may increase the cost of goods for our products. Severe weather events or changes in the frequency or intensity of weather events can also disrupt our supply chain, which may affect production operations, insurance cost and coverage, as well as delivery of our products to wholesalers, retailers and consumers.

Water is essential in the production of our products. The quality and quantity of water available for use is important to the supply of grapes and our ability to operate our business. Water is a limited resource in many parts of the world and if climate patterns change and droughts become more severe, there may be a scarcity of water or poor water quality that may affect our production costs or impose capacity constraints. Management is unaware of any current water issues in Argentina.

***Various diseases, pests and certain weather conditions may negatively affect our business, operations or financial performance.***

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

***Contamination could adversely affect our sales.***

The success of our brands depends upon the positive image that consumers have of those brands. Contamination, whether arising accidentally or through deliberate third-party action, or other events that harm the integrity or consumer support for our brands, could adversely affect their sales. Contaminants in raw materials, packaging materials or product components purchased from third parties and used in the production of our wine or defects in the fermentation or distillation process could lead to low beverage quality as (i) a perceived failure to maintain high ethical, social and environmental standards for all of our operations and activities; (ii) a perceived failure to address concerns relating to the quality, safety or integrity of our products; our environmental impact, including use of agricultural materials, packaging, water and energy use, and waste management; or (iii) effects that are perceived as insufficient to promote the responsible use of alcohol.

***Gacho Group—Buenos Aires  
(e-commerce, fashion & leather accessories brand)***

***Gacho Group, Inc. has recognized \$11,665 revenue to date, and we may not recognize revenue from the Gacho line of business in the future that is sufficient to cover its costs.***

Though a majority-owned subsidiary of GGH, Gacho Group, Inc (“GGI”) operates as a standalone business, responsible for its own financing and operations and therefore subject to all the risks inherent in a newly established business venture. GGI has few assets and little operating history. It has not yet had any significant sales or been able to confirm that its business model can or will be successful. It has generated \$11,665 revenue from inception through December 31, 2019. Our projections for growth have been developed internally and may not prove to be accurate. As such, given its start-up status with an unproven business model, there is a substantial risk regarding GGI’s ability to succeed and the risk that the Gacho line of business may never recognize significant revenue in the future. The risk of a total loss exists when dealing with start-up companies.

***The markets in which we plan to operate are highly competitive, and such competition could cause our business to be unsuccessful.***

We expect to face intense competition for our Argentine-sourced and designed products. There are many companies around the world that produce similar high-end products, though not necessarily with the Gaucho style that we plan to incorporate into our products. However, whether or not consumers find our products superior or more desirable than other high-end producers, including many branded products with established worldwide reputations and brands, such as Coach, Ralph Lauren, Hermès, Louis Vuitton, Gucci, Prada, Kate Spade and Calvin Klein, cannot yet be determined. In addition, we face competition through third party distribution channels, such as e-commerce, department stores and specialty stores.

Competition is based on a number of factors, including, without limitation, the following:

- Anticipating and responding to changing consumer demands in a timely manner
- Establishing and maintaining favorable brand-name recognition
- Determining and maintaining product quality
- Maintaining and growing market share
- Developing quality and differentiated products that appeal to consumers
- Establishing and maintaining acceptable relationships with retail customers
- Pricing products appropriately
- Providing appropriate service and support to retailers
- Optimizing retail and supply chain capabilities
- Protecting intellectual property

In addition, many of our anticipated competitors will be significantly larger and more diversified than us and will likely have significantly greater financial, technological, manufacturing, sales, marketing and distribution resources than we do. Their greater capabilities in these areas may enable them to better withstand periodic downturns in the high-end product sector in which we plan to compete. They may also be able to compete more effectively on the basis of price and production, and to develop new products more quickly. The general availability of manufacturing contractors and agents also allows new entrants easy access to the markets in which we compete, which may increase the number of our competitors and adversely affect our competitive position and our business. Any increased competition, or our failure to adequately address any of these competitive factors, could result in the ability to generate significant revenues, which could adversely affect our business, results of operations and financial condition.

If we are unable to continue to compete effectively on any of the factors mentioned above, we may never be able to generate operating profits and our business, financial condition and results of operations would be adversely affected.

***Our business is subject to risks associated with importing products, and the imposition of additional duties and any changes to international trade agreements could have a material adverse effect on our business, results of operations and financial condition.***

There are risks inherent to importing our products. We anticipate that virtually all of our products will be manufactured in Argentina and thus could be subject to duties when imported into the United States, Canada, Europe and Asia, as applicable. Furthermore, if the United States imposes import duties or other protective import measures, other countries could retaliate in ways that could harm the international distribution of our products.

***We may not be able to protect our intellectual property rights, which may cause us to incur significant costs.***

The success of our future business will in part be dependent on intellectual property rights. We rely primarily on copyright, trade secret and trademark law to protect our intellectual property. The process for obtaining federal trademark registration of our service mark “Gacho—Buenos Aires™” is underway, but there can be no guarantee that we will successfully obtain trademark status and protection for our primary brand terms. Similarly, a third party may copy or otherwise obtain and use our proprietary information without our authorization. Policing unauthorized use of our intellectual property is difficult, particularly in light of the global nature of the Internet and because the laws of other countries may afford us little or no effective protection of our intellectual property. Potentially expensive litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity.

***Privacy breaches and other cyber security risks related to our business could negatively affect our reputation, credibility and business.***

We are likely to be dependent on information technology systems and networks for a significant portion of our direct-to-consumer sales, including our e-commerce sites and retail business credit card transaction authorization and processing. We are responsible for storing data relating to our customers and employees and also rely on third party vendors for the storage, processing and transmission of personal and Company information. In addition to taking the necessary precautions ourselves, we require that third-party service providers implement reasonable security measures to protect our employees’ and customers’ identity and privacy. We do not, however, control these third-party service providers and cannot guarantee that no electronic or physical computer break-ins or security breaches will occur in the future. Our systems and technology are vulnerable from time-to-time to damage, disruption or interruption from, among other things, physical damage, natural disasters, inadequate system capacity, system issues, security breaches, “hackers,” email blocking lists, computer viruses, power outages and other failures or disruptions outside of our control. A significant breach of customer, employee or Company data could damage our reputation, our relationship with customers and our brands, and could result in lost sales, sizable fines, significant breach-notification costs and lawsuits, as well as adversely affect our results of operations. We may also incur additional costs in the future related to the implementation of additional security measures to protect against new or enhanced data security and privacy threats, or to comply with state, federal and international laws that may be enacted to address those threats.

***We may not be able to accurately predict consumer trends and preferences and our estimate of the size of the market may prove to be inaccurate.***

Success in creating demand is dependent on GGI’s ability to continue to accurately predict consumer trends and preferences. If consumer tastes do not coincide with GGI’s product offerings, it could materially affect demand, having an adverse impact on our operations.

It is difficult to estimate the size of the market and predict the rate at which the market for our products will grow, if at all. While our market size estimate was made in good faith and is based on assumptions and estimates we believe to be reasonable, this estimate may not be accurate. If our estimates of the size of our addressable market are not accurate, our potential for future growth may be less than we currently anticipate, which could have a material adverse effect on our business, financial condition, and results of operations.

Additionally, we hope to enter new markets in which we may have limited or no operating experience. There can be no assurance that we will be able to achieve success and/or profitability in our new markets. The success of these new markets will be affected by the different competitive conditions, consumer tastes, and discretionary spending patterns within the new markets, as well as by our ability to generate market awareness of the Gacho Group brand. When we enter highly competitive new markets or territories in which we have not yet established a market presence, the realization of our revenue targets and desired profit margins may be more susceptible to volatility and/or more prolonged than anticipated.



***Gacho Group is only in the beginning stages of its advertising campaign.***

GGI has been relying thus far on word-of-mouth and social media to generate attention to its new brand and to attract customers. However, in the future, it is likely that management will conclude that additional paid advertising and marketing is necessary to attract and retain customers, in which case operating expenses could increase and financial results could be adversely affected.

***Labor laws and regulations may adversely affect the Company.***

Various labor laws and regulations govern operations and relationships with employees, including minimum wages, breaks, overtime, fringe benefits, safety, working conditions and citizenship requirements. Changes in, or any failure to comply with, these laws and regulations could subject the Company to fines or legal actions. Settlements or judgments that are not insured or in excess of coverage limitations could also have a material adverse effect on the Company's business. This could result in a disruption in the work force, sanctions and adverse publicity. Significant government-imposed increases in minimum wages, paid or unpaid leaves of absence and mandated health benefits could be detrimental to the Company's profitability.

The employees of GGI may in the future become members of a union. The terms of any collective bargaining agreement(s) could result in increased labor costs. In addition, any failure to negotiate an agreement in a timely manner could result in an interruption of operations, which would materially and adversely affect the business, results of operations and its financial condition.

***Gacho Group relies on its suppliers to maintain consistent quality.***

The ability of GGI to maintain consistent quality depends in part upon its ability to acquire quality materials needed for its products from reliable sources in accordance with certain specifications, at certain prices, and in sufficient quantities. As such, GGI is and will likely continue to be dependent on its suppliers. This presents possible risks of shortages, interruptions and price fluctuations. If any suppliers do not perform adequately or otherwise fail to distribute products or supplies required for our business, management may not be able to replace the suppliers in a short period of time on acceptable terms. The inability to replace suppliers in a short period of time on acceptable terms could increase costs and could cause shortages of product that may force management to remove certain items from GGI's product offerings.

**General Corporate Business Considerations**

***Insiders continue to have substantial control over the Company.***

As of March 30, 2020, the Company's directors and executive officers hold the current right to vote approximately 17.1% of the Company's outstanding voting stock, including the Series B Preferred on an as-converted basis. Of this total, 8.1% is owned or controlled, directly or indirectly by Company CEO Scott Mathis. In addition, the Company's directors and executive officers have the right to acquire additional shares which could increase their voting percentage significantly. As a result, Mr. Mathis acting alone, and/or many of these individuals acting together, may have the ability to exert significant control over the Company's decisions and control the management and affairs of the Company, and also to determine the outcome of matters submitted to stockholders for approval, including the election and removal of a director, the removal of any officer and any merger, consolidation or sale of all or substantially all of the Company's assets. Accordingly, this concentration of ownership may harm a future market price of the shares by:

- Delaying, deferring or preventing a change in control of the Company;
- Impeding a merger, consolidation, takeover or other business combination involving the Company; or
- Discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company.

***Loss of one or more of the Company's key employees could adversely affect the Company's businesses.***

We depend on the continued performance of the members of our management team, such as Scott Mathis, our Chairman, President and Chief Executive Officer who has contributed significantly to the expertise of our team and the position of our business. If we lose the services of Mr. Mathis, and are unable to locate a suitable replacement in a timely manner, it could have a material adverse effect on our business. We do not currently hold key man life insurance for Mr. Mathis but we expect to obtain key man insurance on Mr. Mathis for the benefit of the Company.

***The Company has incurred recurring losses from operations and our independent registered public accounting firm issued a report which includes a going concern.***

The Company has incurred recurring losses from operations of \$6,698,134 and \$5,254,781 and has reported negative net operating cash flows of \$6,080,411 and \$4,345,933 for the years ended December 31, 2019 and 2018, respectively. We believe that these conditions raise substantial doubt about our ability to continue as a going concern. This may hinder our future ability to obtain financing or may force us to obtain financing on less favorable terms than would otherwise be available.

***Revenues are currently insufficient to pay operating expenses and costs which may result in the inability to execute the Company's business concept.***

The Company's operations have to date generated significant operating losses, as reflected in the financial information included in this Annual Report. Management's expectations in the past regarding when operations would become profitable have been not been realized, and this has continued to put a strain on working capital. Business and prospects must be considered in light of the risks, expenses, and difficulties frequently encountered by companies in the early stages of operations. If the Company is not successful in addressing these risks, its business and financial condition will be adversely affected. In light of the uncertain nature of the markets in which the Company operates, it is impossible to predict future results of operations.

***Should the Company fail to uplist to NASDAQ by December 31, 2020, the Company may be required to redeem up to 902,670 Series B Shares at \$10.00 per share.***

While the Company plans to apply to NASDAQ later this year to uplist its common stock, should that effort not be successful, the Company would be required, on December 31, 2020, to redeem all Series B Shares that have not been previously converted to common stock from April 15, 2020 to December 31, 2020. The cost to redeem these shares would likely have a materially adverse effect on the Company's financial position and would likely require either the liquidation of certain Company assets or an effort to raise new equity or debt financing. Whether the Company would be able to consummate any such transaction, should it need to do so, on economically beneficial terms or otherwise, cannot be presently known.

***We may incur losses and liabilities in the course of business which could prove costly to defend or resolve.***

Companies that operate in one or more of the businesses that we operate face significant legal risks. There is a risk that we could become involved in litigation wherein an adverse result could have a material adverse effect on our business and our financial condition. There is a risk of litigation generally in conducting a commercial business. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. We may incur significant legal expenses in defending against litigation.

***The Company is dependent upon additional financing which it may not be able to secure in the future.***

As it has in the past, the Company will likely continue to require financing to address its working capital needs, continue its development efforts, support business operations, fund possible continuing operating losses, and respond to unanticipated capital requirements. For example, the continuing development of the Algodon Wine Estates project requires significant ongoing capital expenditures as well as the investment in GGI's line of luxury goods. There can be no assurance that additional financing or capital will be available and, if available, upon acceptable terms and conditions. To the extent that any required additional financing is not available on acceptable terms, the Company's ability to continue in business may be jeopardized and 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.

***Our level of debt may adversely affect our operations and our ability to pay our debt as it becomes due.***

The fact that we are leveraged may affect our ability to refinance existing debt or borrow additional funds to finance working capital requirements, acquisitions and capital expenditures. In addition, the recent disruptions in the global financial markets, including the bankruptcy and restructuring of major financial institutions, may adversely impact our ability to refinance existing debt and the availability and cost of credit in the future. In such conditions, access to equity and debt financing options may be restricted and it may be uncertain how long these economic circumstances may last. This would require us to allocate a substantial portion of cash flow to repay principal and interest, thereby reducing the amount of money available to invest in operations, including acquisitions and capital expenditures. Our leverage could also affect our competitiveness and limit our ability to changes in market conditions, changes in the real estate industry and economic downturns.

We may not be able to generate sufficient cash flows from operations to satisfy our debt service requirements or to obtain future financing. If we cannot satisfy our debt service requirements or if we default on any financial or other covenants in our debt arrangements, the lenders and/or holders of our debt will be able to accelerate the maturity of such debt or cause defaults under the other debt arrangements. Our ability to service debt obligations or to refinance them will depend upon our future financial and operating performance, which will, in part, be subject to factors beyond our control such as macroeconomic conditions and regulatory changes in Argentina. If we cannot obtain future financing, we may have to delay or abandon some or all of our planned capital expenditures, which could adversely affect our ability to generate cash flows and repay our obligations as they become due.

***The Company may not pay dividends on its common stock.***

The Company has not paid dividends to date on its common stock. The Company does not contemplate or anticipate declaring or paying any dividends with respect to its common stock. In May 2018, Argentina's currency began a steep slide in its value, so that the exchange rate of the Argentine peso dropped from 15 pesos to the U.S. dollar, to 41 pesos to the U.S. dollar. At the same, the local inflation rate reached upwards of 40% annually. Not surprisingly, these macro-economic developments have been having a negative impact on the Company. At the end of 2018, the Company concluded in that it must still tread cautiously and manage its available cash resources prudently and the decisions were made to not declare any additional cash dividends. The Company reserves the right to declare a dividend when operations merit. However, payments of any cash dividends in the future will depend on our financial condition, results of operations, and capital requirements as well as other factors deemed relevant by our board of directors. It is anticipated that earnings, if any, will be used to finance the development and expansion of the Company's business.

***The Chief Executive Officer and the Chief Financial Officer of GGH are also involved in outside businesses which may affect their ability to fully devote their time to the Company.***

Scott Mathis, Chairman of the Board of Directors of GGH, Chief Executive Officer, President and Treasurer of GGH is also the Chairman and Chief Executive Officer of Hollywood Burger Holdings, Inc., a private company he founded which is developing Hollywood-themed fast food restaurants in the United States. His duties as CEO of Hollywood Burger Holdings, Inc. consume less than 10% of his time, but which may interfere with Mr. Mathis's duties as the CEO of GGH.

In addition, Maria Echevarria, Chief Financial Officer and Chief Operating Officer of GGH also serves as the Chief Financial Officer of Hollywood Burger Holdings, Inc. Ms. Echevarria's duties as CFO of Hollywood Burger Holdings Inc. consume approximately 10% of her time, which may interfere with her duties as the CFO of GGH.

***The Company's officers and directors are indemnified against certain conduct that may prove costly to defend.***

The Company may have to spend significant resources indemnifying its officers and directors or paying for damages caused by their conduct. The Company's Amended and Restated Certificate of Incorporation exculpates the Board of Directors and its affiliates from certain liability, and the Company has procured directors' and officers' liability insurance to reduce the potential exposure to the Company in the event damages result from certain types of potential misconduct. Furthermore, the General Corporation Law of Delaware provides for broad indemnification by corporations of their officers and directors, and the Company's bylaws implement this indemnification to the fullest extent permitted under applicable law as it currently exists or as it may be amended in the future. Consequently, subject to the applicable provisions of the General Corporation Law of Delaware and to certain limited exceptions in the Company's Amended and Restated Certificate of Incorporation, the Company's officers and directors will not be liable to the Company or to its stockholders for monetary damages resulting from their conduct as an officer or director.

***Our bylaws designate the federal and state courts of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.***

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the federal and state courts of the State of Delaware are the exclusive forum for certain types of actions and proceedings, not including claims under the federal securities laws such as the Securities Act or the Exchange Act, that may be initiated by our stockholders with respect to our company and our directors. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that the stockholder believes is favorable for disputes with us or our directors, which may discourage meritorious claims from being asserted against us and our directors. Alternatively, if a court were to find this provision of our charter inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

***Our financial controls and procedures may not be sufficient to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and, as a result, the value of our common stock.***

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report on internal control over financial reporting.

The effectiveness of our controls and procedures may in the future be limited by a variety of factors, including:

- faulty human judgements and simple errors, omissions or mistakes;
- fraudulent actions of an individual or collusion of two or more people;
- inappropriate management override of procedures; and
- the possibility that any enhancements to controls and procedures may still not be adequate to assure timely and accurate financial information.

If we identify material weaknesses in our internal control over financial reporting in the future, if we are unable to comply with the requirements of Section 404 in a timely manner, and if we are unable to assert that our internal control over financial reporting is effective, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be adversely affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

***Although we qualify as an emerging growth company, we also qualify as a smaller reporting company and under the smaller reporting company rules we are subject to scaled disclosure requirements that may make it more challenging for investors to analyze our results of operations and financial prospects.***

Currently, we qualify as both a “smaller reporting company” and an “emerging growth company” as defined by Rule 12b-2 of the Exchange Act. However we have elected to provide disclosure under the smaller reporting company rules and therefore we are able to provide simplified executive compensation disclosures in our filings and have certain other decreased disclosure obligations in our filings with the SEC, including being required to provide only two years of audited financial statements in annual reports. Consequently, it may be more challenging for investors to analyze our results of operations and financial prospects.

Furthermore, we are a non-accelerated filer as defined by Rule 12b-2 of the Exchange Act, and, as such, are not required to provide an auditor attestation of management’s assessment of internal control over financial reporting, which is generally required for SEC reporting companies under Section 404(b) of the Sarbanes-Oxley Act. Because we are not required to, and have not, had our auditors provide an attestation of our management’s assessment of internal control over financial reporting, a material weakness in internal controls may remain undetected for a longer period.

***The Company faces significant regulation by the SEC and state securities administrators.***

The holders of shares of GGH’s common stock may not offer or sell the shares in private transactions or public transactions without compliance with regulations imposed by the SEC and various state securities administrators. To the extent that any holder desires to offer or sell any such shares, the holder must prove to the reasonable satisfaction of GGH that he has complied with all applicable securities regulations, and GGH may require an opinion of the holder’s legal counsel to that effect. Thus, there can be no assurance that the holder will be able to resell the shares or any interest therein when the holder desires to do so.

***Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses and could create a risk of non-compliance.***

Changing laws, regulations and standards relating to corporate governance and public disclosure have created uncertainty for public companies and significantly increased the costs and risks associated with accessing the public markets and public reporting. These corporate governance standards are the product of many sources, including, without limitation, public market perception, stock exchange regulations and SEC disclosure requirement. Our management team expects to invest significant management time and financial resources to comply with both existing and evolving standards for public companies, which will lead to increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities. Changing regulation may cause us to fall out of compliance with applicable regulatory requirements, which could lead to enforcement action against us and a negative impact on our stock price.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

#### **ITEM 2. PROPERTIES**

GGH and its operating subsidiaries maintain their corporate headquarters at 135 Fifth Avenue, 10th Floor, New York, NY under a lease covering approximately 3,300 square feet at a monthly rental of \$19,000. The lease expires in August 2020, and the Company does not expect to renew the lease, in order to reduce operational expenses.

The Algodon – Recoleta, SRL (“TAR”) owns a hotel in the Recoleta section of Buenos Aires called Algodon Mansion, located at 1647 Montevideo Street. The hotel is approximately 20,000 square feet and has ten suites, a restaurant, a dining room, and a luxury spa and pool.

Algodon Wine Estates owns and operates a resort property located Ruta Nacional 144 Km 674, Cuadro Benegas, San Rafael (5603) in Argentina and consisting of 4,138 acres. The property has a winery, 9-hole golf course (the remaining 9 of 18 holes to be developed), tennis courts, dining and a hotel.

TAR has guaranteed a loan of \$600,000 for the Algodon Mansion and the resort property and the properties are subject to encumbrances.

#### **ITEM 3. LEGAL PROCEEDINGS**

From time to time GGH 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 GGH and its subsidiaries are successful, they may exceed the limits of applicable insurance coverage. We are not involved in any litigation that we believe is likely, individually or in the aggregate, to have a material adverse effect on our consolidated financial condition, results of operations or cash flows.

#### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**PART II**

**ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**

On January 20, 2016 FINRA cleared the request to submit quotations on the OTC Bulletin Board and in OTC Link by Glendale Securities, Inc. of Sherman Oaks, California. On March 7, 2016, Company was upgraded from the Pink Sheets of OTC Markets to the OTCQB Venture Marketplace. In fiscal years 2018 and 2019, because there were only limited and sporadic quotations of the Company's common stock and low volume, the Company does not believe that there was an established public trading market.

In light of the above, transactions of our common stock are currently reported under the symbol "VINO" on the OTCQB. The first trade on the over-the-counter market occurred on September 23, 2016. The following table sets forth the range of high and low bids reported in the over-the-counter market for our common stock. The prices reflect inter-dealer prices, do not include retail mark-ups, markdowns or commissions, and may not necessarily reflect actual transactions.

<b>Fiscal Year 2019</b>	<b>High</b>	<b>Low</b>
First Quarter	\$ 0.48	\$ 0.25
Second Quarter	\$ 0.64	\$ 0.13
Third Quarter	\$ 0.60	\$ 0.24
Fourth Quarter	\$ 0.47	\$ 0.24

<b>Fiscal Year 2018</b>	<b>High</b>	<b>Low</b>
First Quarter	\$ 1.00	\$ 0.37
Second Quarter	\$ 1.00	\$ 0.55
Third Quarter	\$ 0.95	\$ 0.30
Fourth Quarter	\$ 0.78	\$ 0.31

During 2019 and 2018, the Company declared \$0 and \$474,719, respectively, of dividends on its Series B convertible preferred stock. The Company has not declared any dividends with respect to its common stock. The Company reserves the right to declare a dividend when operations merit. However, payments of any cash dividends in the future will depend on our financial condition, results of operations, and capital requirements as well as other factors deemed relevant by our board of directors.

There were approximately 745 holders of record of the Company's common stock as of March 13, 2020.

## Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth securities authorized for issuance under equity compensation plans as of December 31, 2019.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders:			
2008 Plan	352,000	\$ 2.23	-
2016 Plan	3,258,750	1.27	-
2018 Plan	5,939,890	0.42	7,043
Equity compensation plans not approved by security holders	-	-	-
Total	9,550,640	\$ 0.78	7,043

The above table does not include securities of GGI available for issuance under the 2018 Gaucho Plan.

### Recent Sales of Unregistered Securities.

The following is a summary of all securities that we have sold in the last year, since January 1, 2019 without registration under the Securities Act of 1933, as amended (the "Securities Act").

In January 2019, management of GGI gave the option to the holders of GGI Notes to extend the maturity date from December 31, 2018 to March 31, 2019 of their specific convertible promissory notes. All of the holders of GGI Notes retain their right, but not the obligation, to convert the principal amount of the note plus accrued interest into GGI common stock at a 20% discount to the share price in a future offering of common stock by GGI. As of February 11, 2019, all holders of GGI Notes agreed to the extension of the maturity date on their convertible notes, except for holders of GGI Notes in the amount of \$10,500 which have matured. If the extension is considered an issuance of securities, no general solicitation was used and the Company relied on the exemption from registration available under Section 4(a)(2) and Rule 506(b) of Regulation D promulgated under the Securities Act with respect to transactions by an issuer not involving any public offering.

Between January 1, 2019 and March 12, 2019, GGI sold additional GGI Notes in the total amount of \$786,000 to accredited investors. The maturity date of the GGI Notes was March 31, 2019, and at the option of the holder, the principal amount of the note plus accrued interest could be converted into GGI common stock at a 20% discount to the share price in a future offering of common stock by GGI. Together with the GGI Notes sold in 2018, a total of \$2,266,800 convertible promissory notes of GGI were sold. No general solicitation was used, no commissions were paid, and GGI relied on the exemption from registration available under Section 4(a)(2) and Rule 506(b) of Regulation D of the Securities Act of 1933, as amended, in connection with the sales. A Form D was filed with the Securities and Exchange Commission on September 18, 2018, an amended Form D was filed on November 20, 2018, an amended Form D was filed on December 10, 2018, an amended Form D was filed on January 17, 2019, an amended Form D was filed on February 8, and another amended Form D was filed on February 21, 2019.



On March 13, 2019, the Company issued 181,185 shares of common stock at \$0.35 per share to employees for the year ended December 31, 2018 of the 401(k) profit sharing plan. For these sales of securities, no general solicitation was used, and the Company relied on the exemption from registration available under Section 4(a)(2) and Rule 506(b) of Regulation D promulgated under the Securities Act with respect to transactions by an issuer not involving any public offering.

On April 14, 2019, GGI Notes representing \$2,051,300 of principal and \$55,308 of interest converted into 5,266,520 shares of GGI common stock. GGI Notes in the amount of \$65,500 were repaid in cash and GGI Notes representing \$150,000 of principal and \$1,987 of interest as of June 30, 2019 are due and outstanding. For this issuance of securities, no general solicitation was used and the Company relied on the exemption from registration available under Section 4(a)(2) and Rule 506(b) of Regulation D promulgated under the Securities Act with respect to transactions by an issuer not involving any public offering.

Between February 8, 2019 and August 30, 2019, the Company issued a total of 13,318,310 shares of its common stock to accredited investors for total cash proceeds of \$4,610,700 as well as cancellation of a GGI Note in the amount of \$50,708.62, including principal and interest. No general solicitation was used, no commissions were paid, and Algodon relied on the exemption from registration available under Section 4(a)(2) and Rule 506(b) of Regulation D of the Securities Act of 1933, as amended, in connection with the sales. A Form D was filed on April 22, 2019 with the SEC, an amended Form D was filed on May 6, 2019, an additional amended Form D was filed on May 31, 2019, an amended Form D was filed on July 31, 2019, and a final amended Form D was filed on September 25, 2019.

During 2018, principal and interest of the 2017 Notes of \$794,875 and \$15,000, respectively, were converted into 1,285,517 shares of common stock at a conversion price of \$0.63 per share. During the six months ended June 30, 2019, the Company repaid principal and interest of \$30,000 and \$2,151, respectively, and principal and interest of \$51,500 and \$1,160, respectively, were converted into 83,587 shares of common stock at a conversion price of \$0.63 per share. The 2017 Notes are no longer convertible.

On May 13, 2019, the Board of Directors of the Company, with option-holder consent, cancelled a total 3,139,890 of options with exercise prices between \$2.20 and \$2.48 that had been issued pursuant to the Company's to certain employees and consultants including options to purchase 2,109,890 shares of common stock by the Company's President & CEO, 150,000 by the Company's CFO, and 150,000 by one of the Company's directors.

On July 8, 2019, the Company granted options for the purchase of 3,139,890 shares of common stock at an exercise price of \$0.385 per share to certain employees and consultants under the 2018 Stock Option Plan, including a grant of options to purchase 2,209,890 shares to the Company's President and CEO, a grant of options to purchase 155,000 shares to the Company's CFO, and options to purchase 150,000 shares to one of the Company's directors. 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.

On July 23, 2019, pursuant to agreements with certain warrant holders, the Company canceled warrants for the purchase of 364,639 shares of common stock, with exercise prices between \$2.00 and \$2.50 per share, which includes warrants for the purchase of 151,383 shares of common stock held by the Company's President and CEO.

On August 5, 2019, GGI granted options for the purchase of 100,000 shares of common stock of GGI at an exercise price of \$0.55 per share to an advisor under GGI's 2018 Stock Option Plan. For this sale of securities, no general solicitation was used, and the Company relied on the exemption from registration available under Section 4(a)(2) and/or Rule 506(b) of Regulation D promulgated under the Securities Act with respect to transactions by an issuer not involving any public offering.

Other than as set forth herein or in the Company's current reports on Form 8-K or quarterly reports on Form 10-Q, there have not been any sales of unregistered securities for the year ended December 31, 2019.

Please refer to Item 9B—Other Information regarding sales of unregistered securities of the Company in 2020.

#### **Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Other than as set forth herein or in the Company's current reports on Form 8-K or quarterly reports on Form 10-Q, there have not been any purchases of equity securities by the Company or its affiliated persons for the year ended December 31, 2019.

#### **ITEM 6. SELECTED FINANCIAL DATA**

As a smaller reporting company, we are not required to provide the information required by this Item.

## ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and the accompanying notes included elsewhere in this Form 10-K filing. References in this Management’s Discussion and Analysis of Financial Condition and Results of Operations to “us,” “we,” “our,” and similar terms refer to Gaucho Group Holdings, Inc., a Delaware corporation. This discussion includes forward-looking statements, as that term is defined in the federal securities laws, based upon current expectations that involve risks and uncertainties, such as plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors. 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 caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based. See “Special Note - Forward-Looking Statements.” Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors discussed in “Risk Factors” and elsewhere in this Form 10-K filing. Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise.*

### 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 and fashion sales, 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. We have also established an e-commerce platform for the sale of high-end luxury fashion and accessories.

### Developments and Trends

In December 2019, the 2019 novel coronavirus (“COVID-19”) surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020. The impacts of the outbreak are unknown and rapidly evolving. To date the outbreak has not had a material adverse impact on our operations. However, the future impact of the outbreak is highly uncertain and cannot be predicted and there is no assurance that the outbreak will not have a material adverse impact on the future results of the Company. The extent of the impact, if any, will depend on future developments, including actions taken to contain COVID-19. See also Item 1A—Risk Factors for more information

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. See also Item 1A—Risk Factors for more information.

In December 2011, the Argentine Congress passed Law 26.737 (Regime for Protection of National Domain over Ownership, Possession or Tenure of Rural Land) limiting foreign ownership of rural land, even when not in border areas, to a maximum of 15 percent of all national, provincial or departmental productive land. Every non-Argentine national must request permission from the National Land Registry of Argentina in order to acquire non-urban real property. Additionally, no foreign individual or entity can acquire more than 30 percent within the allowed 15 percent of the total land of the department.

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

In the Mendoza province, the maximum area allowed per type of production and activity per non-national is as follows: Mining—25,000 hectares (61,776 acres), cattle ranching—18,000 hectares (44,479 acres), cultivation of fruit or vines—15,000 hectares (37,066 acres), horticulture—7,000 hectares (17,297 acres), private lot—200 hectares (494 acres), and other—1,000 hectares (2,471 acres). A hectare is a unit of area in the metric system equal to approximately 2.471 acres. However, these maximums will only be considered if the total 15 percent is reached. Although currently, the area under foreign ownership in Mendoza is approximately 8.6 percent, this law may apply to the Company in the future and could affect the Company's ability to acquire additional real property in Argentina. Currently, the Company owns approximately 4,138 acres of Argentine rural land through AWE, 2,050 acres are considered land held for cultivation of fruit or vines and 2,088 was purchased during 2017 to provide additional access to AWE. Because the maximum area for this type of land allowed per non-national is 25,000 hectares, the Company is compliant with the law's limit, were it to apply today. Costs of compliance with the law may be significant in the future.

Currently, GGH is developing lots for sale to third party builders and is not engaged in any construction activity. To date, twenty-five lots have been sold. The Company has closed on the sale of all 25 lots and recorded revenue of \$1,468,000. Revenue is recorded when the deeds are issued. As of December 31, 2019, the Company has \$838,471 of deposits for pending sales.

As reflected in our consolidated financial statements we have generated significant losses from operations of \$6,698,134 and \$5,254,781 for the years ended December 31, 2019 and 2018, respectively, consisting primarily of general and administrative expenses, raising substantial doubt that we will be able to continue operations as a going concern. We have suffered recurring losses from operations and our independent registered public accounting firm issued a report which includes an explanatory paragraph relating to our ability to continue as a going concern. Our ability to execute our business plan is dependent upon our generating cash flow and obtaining additional debt or equity capital sufficient to fund operations. Our business strategy may not be successful in addressing these issues and there can be no assurance that we will be able to obtain any additional capital. If we cannot execute our business plan (including acquiring additional capital), our stockholders may lose their entire investment in us. If we are able to obtain additional debt or equity capital (of which there can be no assurance), we hope to acquire additional management as well as increase marketing our products and continue the development of our real estate holdings.

### **Financings**

In 2019 and 2018, we raised, net of repayments, approximately \$5,700,000 and \$5,084,000, respectively of new capital through the issuance of debt and equity. We used the net proceeds from the closings of these private placement offerings 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. In August 2017, we completed a strategic acquisition of land directly adjacent to our existing property at AWE for \$700,000, which more than doubles the size of AWE and provides room for continued expansion and growth. Our goal for 2020 and 2021 is to focus on actions that can result in immediate revenues, such as e-commerce sales, continued deeding of lots and real estate sales and greater distribution of our wines by supporting our importer and their network partners. We began our big push of e-commerce sales through our launch of the Gaucho—Buenos Aires brand at New York Fashion Week on September 12, 2019 to create momentum through the holiday season and bring in revenue.

Cost reduction initiatives include investment in equipment that will decrease our reliance on subcontractors, plus outsourcing and restructuring of certain functions. Further, we have begun to reduce operational expenses by approximately \$800,000 per year by reducing administrative costs including non-renewal of the lease in August 2020 for our New York headquarters and reduction in workforce hours and marketing expenses. Some of these significant savings will be immediate, others will be unfolding in the coming weeks. Our goal is ultimately to reduce expenses of between \$1-2 million in 2020. Our goal is to become more self-sufficient and less dependent on outside financing.

## **Liquidity**

As reflected in our accompanying consolidated financial statements, we have generated significant losses which have resulted in a total accumulated deficit of approximately \$88 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, 2019 and 2018, 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

### Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018

The following table represents selected items in our consolidated statements of operations for the years ended December 31, 2019 and 2018, respectively:

	For the Years Ended	
	December 31,	
	2019	2018
<b>Sales</b>	\$ 1,284,437	\$ 3,099,608
Cost of sales	(1,040,339)	(1,441,696)
Gross loss	244,098	1,657,912
<b>Operating Expenses (Income)</b>		
Selling and marketing	482,677	317,404
General and administrative	6,428,625	6,423,540
Depreciation and amortization	196,438	171,749
Gain from insurance settlement	(165,508)	-
Total operating expenses	6,942,232	6,912,693
<b>Loss from Operations</b>	(6,698,134)	(5,254,781)
<b>Other Expenses (Income)</b>		
Interest expense, net	360,413	611,297
Gain on foreign currency translation	(101,732)	(187,660)
Total other expenses	258,681	423,637
<b>Net Loss</b>	(6,956,815)	(5,678,418)
<b>Net loss attributable to non-controlling interest</b>	293,007	-
<b>Series B preferred stock dividends</b>	(721,057)	(724,108)
<b>Net Loss Attributable to Common Stockholders</b>	\$ (7,384,865)	\$ (6,402,526)

#### Overview

We reported net losses of approximately \$7.0 million and \$5.7 million for the years ended December 31, 2019 and 2018, respectively. The increase in net loss is primarily the result of the decrease in revenues as described below.

#### Revenues

Revenues from operations were approximately \$1.3 million and \$3.1 million during the years ended December 31, 2019 and 2018, respectively, reflecting a decrease of approximately \$1.8 million or 59%. Decreases in revenue results primarily from a decrease in real estate sale revenue of approximately \$1.5 million and a decrease of approximately \$0.8 million resulting from the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar, which was partially offset by an increase in hotel room and event revenue of approximately \$0.3 million. The average exchange rate of the Argentina peso increased from 28.88 for the year ended December 31, 2018 to 48.17 for the year ended December 31, 2019, which represents a decrease in the average worth of the Argentine peso from US \$0.03 to \$0.02.

Total sales from Argentina were approximately ARS \$58.1 million during the year ended December 31, 2019 as compared to approximately ARS \$83.9 million during the year ended December 31, 2018, reflecting a net decrease of approximately ARS \$25.8 million or 31%. Hotel room and event revenues were approximately ARS \$35.7 million and ARS \$25.6 million during years ended December 31, 2019 and 2018, respectively, representing an increase of approximately ARS \$10.1 million, or 40% due to higher occupancy and higher room rates. Real estate sale revenues were approximately ARS \$0 million and ARS \$39.4 million during the years ended December 31, 2019 and 2018, respectively, as a result of 25 lot sales during 2018. Restaurant revenues were approximately ARS \$7.9 million and ARS \$7.5 million during the years ended December 31, 2019 and 2018, respectively, representing an increase of approximately ARS \$0.4 million or 5%. Argentine winemaking revenues were approximately ARS \$6.0 million and ARS \$6.2 million during the years ended December 31, 2019 and 2018, respectively, representing a decrease of approximately ARS \$0.2 million or 3%. Other revenues, including golf, tennis and agricultural revenues, were ARS \$8.5 million and ARS \$5.1 million during the years ended December 31, 2019 and 2018, respectively, representing an increase of approximately ARS \$3.4 million or 67%, of which ARS \$1.5 million represents an increase in agricultural revenues and ARS \$0.9 million represents an increase in maintenance fees.

#### *Gross profit*

We generated a gross profit of approximately \$244,000 and \$1,658,000 from operations for the years ended December 31, 2019 and 2018, respectively, representing a decrease of approximately \$1,414,000 or 85%. The decrease results primarily from the decrease in real estate sale revenues of approximately \$1,453,000.

Cost of sales, which consists of raw materials, direct labor and indirect labor associated with our business activities, decreased by approximately \$402,000, from approximately \$1,442,000 for the year ended December 31, 2018, to approximately \$1,040,000 for the year ended December 31, 2019. A decrease of approximately \$672,000 resulting from the decline in the value of the Argentine peso vis-à-vis the U.S. dollar for the year ended December 31, 2019 compared to the year ended December 31, 2018 and decrease in real estate costs of approximately \$142,000 was partially offset by an increase in agricultural costs of approximately \$161,000 and an increase in hotel costs of approximately \$276,000.

The restaurant and golf and tennis business units at AWE realized negative margins in 2019 and 2018, due to significant fixed costs (i.e. depreciation on golf courses and tennis courts) related to these business units. The restaurant and golf and tennis are kept open every day at a loss, in order to support the image of the winery. During the year ended December 31, 2019, the Company recorded \$193,564 of write-down related to obsolete and excess inventory.

#### *Selling and marketing expenses*

Selling and marketing expenses were approximately \$483,000 and \$317,000, for the years ended December 31, 2019 and 2018, respectively, representing an increase of approximately \$166,000 or 52%, primarily resulting from marketing events for our new subsidiary, GGI, offset by the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar.

#### *General and administrative expenses*

General and administrative expenses were approximately \$6,429,000 and \$6,424,000 from operations for the years ended December 31, 2019 and 2018, respectively, representing a decrease of approximately \$5,000.

#### *Depreciation and amortization expense*

Depreciation and amortization expense were approximately \$196,000 and \$172,000 during the years ended December 31, 2019 and 2018, respectively, representing an increase of approximately \$24,000 or 14%. The increase in depreciation expense results from the increases resulting from the purchases of property and equipment during the period, partially offset by the impact of the decline in the value of the Argentine peso relative to the U.S. dollar during the period. Most of our property and equipment is located in Argentina and the gross cost being depreciated is impacted by the devaluation of the Argentine peso relative to the U.S. dollar.

#### *Gain from insurance settlement*

Gain from insurance settlement of approximately \$166,000 during the year ended December 31, 2019 represents insurance proceeds received for fire damage to property and equipment.

#### *Interest expense, net*

Interest expense was approximately \$360,000 and \$611,000 during the years ended December 31, 2019 and 2018, respectively, representing a decrease of approximately \$251,000 or 41%. The decrease is primarily related to the decrease in amortization of debt discount on convertible debt for notes that matured on March 31, 2019 and the decrease in the principal balance of debt outstanding during 2019, as a result of the conversion of approximately \$2,107,000 of debt and related interest payable into equity of GGI and the conversion of approximately \$103,000 of debt and related interest payable into GGH common stock.

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

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

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Cash	\$ 40,378	\$ 58,488
Working Capital Deficiency	\$ (3,309,206)	\$ (4,188,924)

Based upon our working capital situation as of December 31, 2019, 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.

During the years ended December 31, 2019 and 2018, we have relied primarily on debt and equity offerings to third party independent, accredited investors, and related parties to sustain operations. During the year ended December 31, 2019, we received proceeds of approximately \$4,611,000 from the sale of common stock, proceeds from the issuance of convertible debt of approximately \$786,000, proceeds from related party loans payable of approximately \$566,000, and proceeds from investor deposits of approximately \$30,000.

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 Years Ended December 31, 2019 and 2018

### *Net Cash Used in Operating Activities*

Net cash used in operating activities for the years ended December 31, 2019 and 2018, amounted to approximately \$6,080,000 and \$4,346,000, respectively. During the year ended December 31, 2019, the net cash used in operating activities was primarily attributable to the net loss of approximately \$6,957,000, adjusted for approximately \$1,058,000 of non-cash expenses and \$181,000 of cash used to fund changes in the levels of operating assets and liabilities. During the year ended December 31, 2018, the net cash used in operating activities was primarily attributable to the net loss of approximately \$5,678,000, adjusted for approximately \$878,000 of non-cash expenses and \$454,000 of cash provided by changes in the levels of operating assets and liabilities.

### *Net Cash Used in Investing Activities*

Net cash used in investing activities for the years ended December 31, 2019 and 2018 amounted to approximately \$214,000 and \$292,000, respectively. During the year ended December 31, 2019 the net cash used in investing activities was primarily attributable to the purchase of property and equipment of approximately \$139,000 and a purchase of an Argentine government bond of approximately \$75,000. During the year ended December 31, 2018 the net cash used in investing activities was primarily attributable to the purchase of property and equipment of approximately \$292,000.

### *Net Cash Provided by Financing Activities*

Net cash provided by financing activities for the years ended December 31, 2019 and 2018 amounted to approximately \$5,700,000 and \$5,084,000, respectively. For the year ended December 31, 2019, the net cash provided by financing activities resulted primarily from proceeds of approximately \$4,611,000 from the sale of common stock, proceeds from the issuance of convertible debt of approximately \$786,000, proceeds from related party loans payable of approximately \$566,000, and proceeds from investor deposits of approximately \$30,000, partially offset by convertible debt and loan repayments of approximately \$293,000. For the year ended December 31, 2018, the net cash provided by financing activities resulted primarily from the proceeds from convertible debt obligations of approximately \$3,508,000, net proceeds from the issuance of equity securities of approximately \$1,324,000, proceeds from loans payable of approximately \$580,000 partially offset by net repayments of debt of approximately \$200,000, and dividends paid of approximately \$128,000.

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

The accompanying financial statements have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. As discussed in Note 2 to the accompanying 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. Further, while the Company plans to apply to NASDAQ later this year to uplist its common stock, should that effort not be successful, the Company would be required, on December 31, 2020, to redeem all Series B Shares that have not been previously converted to common stock. The cost to redeem these shares would likely have a materially adverse effect on the Company's financial position and would likely require either the liquidation of certain Company assets or an effort to raise new equity or debt financing. Whether the Company would be able to consummate any such transaction, should it need to do so, on economically beneficial terms or otherwise, cannot be presently known. These conditions raise substantial doubt that we will be able to continue operations as a going concern. The accompanying consolidated financial statements do not include any adjustments that might be necessary if we were unable to continue as a going concern.



Based on current cash on hand and subsequent activity as described herein, our cash-on-hand only allows us to operate our business operations on a month-to-month basis. Because of our limited cash availability, we have scaled back our operations to the extent possible. While we are exploring opportunities with third parties and related parties to provide some or all of the capital we need, we have not entered into any agreement to provide us with the necessary capital. Historically, we have been successful in raising funds to support our capital needs. However, 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 report which includes an explanatory paragraph relating to our ability to continue as a going concern in conjunction with their audit of our December 31, 2019 and 2018 consolidated financial statements.

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

None.

#### **Contractual Obligations**

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

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

##### *Non-Controlling Interest*

As a result of the conversion of certain convertible debt into shares of GGI common stock, GGI investors obtained a 21% ownership interest in GGI, which is recorded as a non-controlling interest. The profits and losses of GGI are allocated between the controlling interest and the non-controlling interest in the same proportions as their membership interest.

##### *Use of Estimates*

To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, we must make estimates and assumptions. These estimates and assumptions affect the reported amounts in the financial statements, 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. Our significant estimates and assumptions include the valuation of equity instruments, the value of right-of-use assets and related lease liabilities, the useful lives of property and equipment and reserves associated with the realizability of certain assets.

### *Highly Inflationary Status in Argentina*

The International Practices Task Force (“IPTF”) of the Center for Audit Quality discussed the inflationary status of Argentina at its meeting on May 16, 2018 and categorized Argentina as a country with a projected three-year cumulative inflation rate greater than 100%. Therefore, we have transitioned our Argentine operations to highly inflationary status as of July 1, 2018.

For operations in highly inflationary economies, monetary asset and liabilities are translated at exchange rates in effect at the balance sheet date, and non-monetary assets and liabilities are translated at historical exchange rates. Income and expense accounts are translated at the weighted average exchange rate in effect during the period. Translation adjustments are reflected in loss on foreign currency translation on the accompanying statements of operations.

### *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) except for the Company’s Argentine subsidiaries for the six-month period from July 31, 2018 through December 31, 2018 and the year ended December 31, 2019, as described above. Prior to the transition of Argentine operations to highly inflationary status on July 1, 2018, these foreign subsidiaries translated assets and liabilities from their local currencies to U.S. dollars using period end exchange rates while income and expense accounts were translated at the average rates in effect during the during the period. The resulting translation adjustment is recorded as part of other comprehensive loss, a component of shareholders’ deficit. The Company engages in foreign currency denominated transactions with customers and suppliers, as well as between subsidiaries with different functional currencies. Gains and losses resulting from transactions denominated in non-functional currencies are recognized in earnings.

### *Inventory*

Inventories are comprised primarily of vineyard in process, wine in process, finished wine, food and beverage items, plus luxury clothes and accessories which are stated at the lower of cost or net realizable value (which is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation), with cost being determined on the first-in, first-out method. Costs associated with winemaking, and other costs associated with the creation of products for resale, are recorded as inventory. Vineyard in process represents the monthly capitalization of farming expenses (including farming labor costs, usage of farming supplies and depreciation of the vineyard and farming equipment) associated with the growing of grape, olive and other fruits during the farming year which culminates with the February/March harvest. Wine in process represents the capitalization of costs during the winemaking process (including the transfer of grape costs from vineyard in process, winemaking labor costs and depreciation of winemaking fixed assets, including tanks, barrels, equipment, tools and the winemaking building). Finished wines represents wine available for sale and includes the transfer of costs from wine in process once the wine is bottled and labeled. Other inventory consists of olives, other fruits, golf equipment and restaurant food.

In accordance with general practice within the wine industry, wine inventories are included in current assets, although a portion of such inventories may be aged for periods longer than one year. Inventory is carried at the lower of cost or net realizable value in accordance with ASC 330 “Inventory” and reduces the carrying value of inventories that are obsolete or in excess of estimated usage to estimated net realizable value. Our estimates of net realizable value are based on analyses and assumptions including, but not limited to, historical usage, future demand and market requirements. Reductions to the carrying value of inventories are recorded in cost of sales. If future demand and/or pricing for our products are less than previously estimated, then the carrying value of the inventories may be required to be reduced, resulting in additional expense and reduced profitability. During the year ended December 31, 2019, the Company recorded \$193,564 of write-down related to obsolete and excess inventory.

### *Convertible Debt*

We record a beneficial conversion feature (“BCF”) related to the issuance of notes which are convertible at a price that is below the market value of the Company’s stock when the note is issued. The intrinsic value of the BCF is recorded as debt discount which is amortized to interest expense over the life of the respective note using the effective interest method. Beneficial conversion features that are contingent upon the occurrence of a future event are recorded when the contingency is resolved.

### *Property and Equipment*

Property and equipment are stated at cost, net of accumulated depreciation using the straight-line method over their estimated useful lives. Leasehold improvements are amortized over the lesser of (a) the useful life of the asset; or (b) the remaining lease term.

The estimated useful lives of property and equipment are as follows:

Buildings	10 - 30 years
Furniture and fixtures	3 - 10 years
Vineyards	7 - 20 years
Machinery and equipment	3 - 20 years
Leasehold improvements	3 - 5 years
Computer hardware and software	3 - 5 years

We capitalize 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 placed in service until they are sold, capitalized real estate development costs are not depreciated. Land is an inexhaustible asset and is not depreciated.

### *Stock-Based Compensation*

We measure the cost of services received in exchange for an award of equity instruments based on the fair value of the award on the date of grant. 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 estimation of stock-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from original estimates, such amounts are recorded as a cumulative adjustment in the period that the estimates are revised. We account for forfeitures as they occur.

### *Comprehensive Loss*

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

### *Accounts Receivable*

Accounts receivable primarily represent receivables from hotel guests who occupy rooms and wine sales to commercial customers. We provide an allowance for doubtful accounts when it determines that it is more likely than not a specific account will not be collected.

### *Real Estate Lots Held for Sale*

As the development of a real estate lot is completed and the lot becomes available for immediate sale in its present condition, the lot is marketed for sale and is included in real estate lots held for sale on the Company's balance sheet. Real estate lots held for sale are reported at the lower of carrying value or fair value less cost to sell. If the carrying value of a real estate lot held for sale exceeds its fair value less estimated selling costs, an impairment charge is recorded. We did not record any impairment charge in connection with real estate lots held for sale during the year ended December 31, 2019 or 2018.

### *Impairment of Long-Lived Assets*

When circumstances, such as adverse market conditions, indicate that the carrying value of a long-lived asset may be impaired, we perform an analysis to review the recoverability of the asset's carrying value, which includes estimating the undiscounted cash flows (excluding interest charges) from the expected future operations of the asset. These estimates consider factors such as expected future operating income, operating trends and prospects, as well as the effects of demand, competition and other factors. If the analysis indicates that the carrying value is not recoverable from future cash flows, an impairment loss is recognized to the extent that the carrying value exceeds the estimated fair value. Any impairment losses are recorded as operating expenses, which reduce net income. There were no impairments of long-lived assets for the years ended December 31, 2019 and 2018, respectively.

### *Segment Information*

The FASB has established standards for reporting information on operating segments of an enterprise in interim and annual financial statements. We currently operate in three segments which are the (i) business of real estate development and manufacture, (ii) the sale of high-end fashion and accessories through an e-commerce platform and (iii) our corporate operations. This classification is consistent with how our chief operating decision maker makes decisions about resource allocation and assesses the Company's performance.

### *Revenue Recognition*

We earn revenues from the sale of real estate lots and sales of food and wine as well as hospitality, food & beverage, other related services, and from the sale of clothing and accessories. We recognize 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, 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.

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, agricultural products, clothes and accessories 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. Revenues from gift card sales are recognized when the card is redeemed by the customer. We do not recognize revenue for the portion of gift card values that is not expected to be redeemed ("breakage") due to the lack of historical data.

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, 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.

#### *Income Taxes*

The Company accounts for income taxes pursuant to the asset and liability method of accounting for income taxes pursuant to FASB ASC 740, "Income Taxes." Deferred tax assets and liabilities are recognized for taxable temporary differences and operating loss carry forwards. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

#### *Operating Leases*

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among organizations by requiring the recognition of operating lease right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. We are also required to recognize and measure new leases at the adoption date and recognize a cumulative-effect adjustment in the period of adoption using a modified retrospective approach, with certain practical expedients available.

We adopted Accounting Standards Codification ("ASC") 842, "Leases" ("ASC 842") effective January 1, 2019 and elected to apply the available practical expedients and implemented internal controls and key system functionality to enable the preparation of financial information on adoption. ASC 842 requires us to make significant judgments and estimates. As a result, we implemented changes to our internal controls related to lease evaluation. These changes include updated accounting policies affected by ASC 842 as well as redesigned internal controls over financial reporting related to ASC 842 implementation. Additionally, we have expanded data gathering procedures to comply with the additional disclosure requirements and ongoing contract review requirements. The standard had an impact on our consolidated balance sheets but did not have an impact on our consolidated statements of operations or consolidated statements of cash flows upon adoption. The most significant impact was the recognition of ROU assets and lease liabilities of \$361,020, respectively, for operating leases. As of December 31, 2019, we had no leases that were classified as finance leases. The adoption of ASC 842 did not have a material impact on our results of operations or cash flows in the current year and prior year comparative periods and as a result, a cumulative-effect adjustment was not required.

### *New Accounting Pronouncements*

In July 2018, the FASB issued ASU No. 2018-09, “Codification Improvements” (“ASU 2018-09”). ASU 2018-09 provides amendments to a wide variety of topics in the FASB’s Accounting Standards Codification, which applies to all reporting entities within the scope of the affected accounting guidance. The transition and effective date guidance are based on the facts and circumstances of each amendment. Some of the amendments in ASU 2018-09 do not require transition guidance and were effective upon issuance of ASU 2018-09. However, many of the amendments do have transition guidance with effective dates for annual periods beginning after December 15, 2018. We adopted ASU 2018-09 effective January 1, 2019. ASU 2018-09 did not have a material effect on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement - Disclosure Framework (Topic 820). The updated guidance improves the disclosure requirements on fair value measurements. The updated guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for any removed or modified disclosures. We are currently assessing the timing and impact of adopting the updated provisions.

In March 2019, the FASB issued ASU 2019-01, “Leases (Topic 842): Codification Improvements” (“Topic 842”) (“ASU 2019-01”). These amendments align the guidance for fair value of the underlying asset by lessors that are not manufacturers or dealers in Topic 842 with that of existing guidance. As a result, the fair value of the underlying asset at lease commencement is its cost, reflecting any volume or trade discounts that may apply. However, if there has been a significant lapse of time between when the underlying asset is acquired and when the lease commences, the definition of fair value (in Topic 820, Fair Value Measurement) should be applied. (Issue 1). The ASU also requires lessors within the scope of Topic 942, Financial Services—Depository and Lending, to present all “principal payments received under leases” within investing activities. (Issue 2). Finally, the ASU exempts both lessees and lessors from having to provide certain interim disclosures in the fiscal year in which a company adopts the new leases standard. (Issue 3). The transition and effective date provisions apply to Issue 1 and Issue 2. They do not apply to Issue 3 because the amendments for that Issue are to the original transition requirements in Topic 842. ASU 2019-01 will become effective for us for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021; early adoption is still permitted for interim and annual reporting periods beginning after December 15, 2018. Entities will apply the standard’s provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach). We are currently evaluating ASU 2019-01 and its impact on our consolidated financial statements and financial statement disclosures.

In July 2019, the FASB issued ASU 2019-07, “Codification Updates to SEC Sections — Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10532, Disclosure Update and Simplification, and Nos. 33-10231 and 33-10442, Investment Company Reporting Modernization and Miscellaneous Updates (SEC Update)” (“ASU 2019-07”). ASU 2019-07 aligns the guidance in various SEC sections of the Codification with the requirements of certain SEC final rules. ASU 2019-07 is effective immediately. The adoption of ASU 2019-07 did not have a material impact on our consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted, including adoption in an interim period. We are evaluating the effect of adopting this new accounting guidance.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As a smaller reporting company, we are not required to provide the information required by this Item.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Our consolidated financial statements and the related notes to the financial statements called for by this item appear beginning with the Table of Contents on Page F-1 at the end of this Form 10-K.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, such as this Annual Report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the Principal Executive and Accounting Officer, as appropriate to allow timely decisions regarding required disclosure. Internal controls are procedures which are designed with the objective of providing reasonable assurance that (1) our transactions are properly authorized, recorded and reported; and (2) our assets are safeguarded against unauthorized or improper use, to permit the preparation of our consolidated financial statements in conformity with United States generally accepted accounting principles.

In connection with the preparation of this Annual Report, management, with the participation of our Principal Executive and Accounting Officers, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)). Based upon that evaluation, our Principal Executive and Accounting Officers concluded that, as of December 31, 2019, our disclosure controls and procedures were effective.

### *Management's Assessment of Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, our Principal Executive and Financial Officer, and effected by the Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP including those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and the disposition of our assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP and that receipts and expenditures are being made only in accordance with authorizations of our management and Board of Directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the 2013 framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2019.

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

During the year ended December 31, 2019, there were no material 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.

### **ITEM 9B. OTHER INFORMATION**

On February 17, 2020, the Board of Directors approved the offer and sale of a series of unsecured convertible promissory notes (the “Convertible Notes”) in an amount up to \$1,500,000 and on March 29, 2020, unanimously approved an increase to \$3,000,000 to accredited investors with a substantive pre-existing relationship with the Company, in a private placement. The Convertible Notes each have the same terms with a maturity date of December 31, 2020 (the “Maturity Date”) and mandatory conversion into common stock of the Company registered under the Securities Act of 1933, as amended (the “Securities Act”) with a 15% discount price to the offer and sale of the Company’s common shares upon a registered offering and uplist to Nasdaq (the “Mandatory Conversion”). At any time before the Mandatory Conversion but no later than the Maturity Date, holders of the Convertible Notes will have the right to convert the total principal amount of the Convertible Notes, together with all accrued and unpaid interest thereon into shares of unregistered common stock of the Company at the closing price of the Company’s stock as quoted on the over-the-counter market as of the trading day prior to receipt of the notice to convert. Between February 20, 2020 and March 30, 2020, the Company sold Convertible Notes in an aggregate amount of \$625,000 to accredited investors who are all stockholders of the Company. No general solicitation was used, no commissions were paid, and the Company relied on the exemption from registration available under Section 4(a)(2) and Rule 506(b) of Regulation D of the Securities Act, in connection with the sales. A Form D was filed with the Securities and Exchange Commission on March 11, 2020.

On March 29, 2020, the Board of Directors unanimously approved an additional Amendment to the Certificate of Designation of the Series B Convertible Preferred Stock (the “Third Amendment”) which extends the period in which holders of the Series B Shares may voluntarily elect to convert such shares into shares of common stock of the Company to December 31, 2020. In addition, the Series B Amendment extends the date upon which the Company shall redeem all then-outstanding Series B Shares and all unpaid accrued and accumulated dividends to December 31, 2020. The Third Amendment was approved by the holders of a majority of the Series B Shares on March 27, 2020 and the Third Amendment will be filed with the Delaware Secretary of State shortly after or contemporaneously with the filing of this Annual Report.



**PART III**

**ITEM 10. DIRECTORS, OFFICERS AND CORPORATE GOVERNANCE**

Our management team is led by executives who have experience in real estate investment, hotel management, broker-dealer operations and identifying and pursuing investment opportunities. The management team is assisted by the Company's key personnel and advisors, who together with their experience and expertise are also discussed below.

<u>Name</u>	<u>Age</u>	<u>Entity</u>	<u>Title</u>	<u>Year Appointed</u>
Scott L. Mathis	57	GGH	Chairman, Class III Director, Chief Executive Officer, President	April 1999
		TAR	General Manager <sup>(1)</sup>	December 2007
		APII	General Manager <sup>(1)</sup>	March 2009
		AWE	General Manager <sup>(1)</sup>	July 2007
		GGI	Chairman, Chief Executive Officer, President	September 2016
		BCI	President, Chief Executive Officer, Director	March 2020
Maria I. Echevarria	40	GGH	Chief Financial Officer, Chief Operating Officer, Secretary, Treasurer and Compliance Officer	April 2015
		AEU	Chief Financial Officer	April 2015
		GGI	Chief Financial Officer, Treasurer and Secretary	January 2017
		BCI	Secretary, Treasurer	March 2020
Sergio O. Manzur Odstrcil	50	TAR	Chief Financial Officer, Chief Operating Officer <sup>(2)</sup>	March 2011
		APII	Chief Financial Officer	March 2011
		AWE	Chief Financial Officer, Chief Operating Officer <sup>(2)</sup>	September 2010
Steven A. Moel	76	GGH	Class I Director	April 2019
		GGI	Director	November 2018
Marc Dumont	76	GGH	Class I Director	Upon Nasdaq uplisting
John I. Griffin	84	GGH	Class I Director	Upon Nasdaq uplisting
Peter J.L. Lawrence	86	GGH	Class II Director	April 1999
		AEU	Director	November 2009
		GGI	Director	November 2018

(1) Translation of Argentine statutory corporate office.

(2) Mr. Manzur Odstrcil was appointed Chief Operating Officer of TAR and AWE on April 11, 2015.

Julian Beale served as a director of GGH from April 1999 through July 8, 2019.

## Executive Officers

**Scott L. Mathis.** Mr. Mathis is the founder of GGH and has served as Chief Executive Officer and Chairman of the Board of Directors since its inception in April 1999. Mr. Mathis is also the founder and, CEO and Chairman of the Board of Directors of Gaucho Group, Inc. Mr. Mathis has over five years' experience serving as Chief Executive Officer and Chairman of the Board of Directors of Mercari Communications Group, Ltd., a public company. Mr. Mathis is also the founder, Chief Executive Officer, and Chairman of IPG, AGP and various other affiliated entities. Since July 2009, Mr. Mathis has served as the Chief Executive Officer and Chairman of Hollywood Burger Holdings, Inc., a company he founded which is developing Hollywood-themed American fast food restaurants in Argentina and the United States. Since June 2011, Mr. Mathis has also served as the Chairman and Chief Executive Officer of InvestBio, Inc., a former subsidiary of GGH that was spun off in 2010. Including his time with GGH and its subsidiaries, Mr. Mathis worked for over 25 years in the securities brokerage field. From 1995-2000, he worked for National Securities Corporation and The Boston Group, L.P. Before that, he was a partner at Oppenheimer and Company and a Senior Vice President and member of the Directors Council at Lehman Brothers. Mr. Mathis also worked with Alex Brown & Sons, Gruntal and Company, Inc. and Merrill Lynch. Mr. Mathis received a Bachelor of Science degree in Business Management from Mississippi State University. The determination was made that Mr. Mathis should serve on GGH's Board of Directors due to his executive level experience working in the real estate development industry and in several consumer-focused businesses. He has also served on the board of directors of a number of non-public companies in the biotechnology industry.

**Maria I. Echevarria.** In April 2015, the Board of Directors of GGH appointed Ms. Echevarria as the Company's Chief Financial Officer and Secretary. On January 3, 2017, Ms. Echevarria was appointed as Chief Financial Officer, Treasurer and Secretary of Gaucho Group, Inc. She joined the Company as Corporate Controller in June 2014 and had primary responsibility for the Company's corporate consolidation, policies and procedures as well as financial reporting for SEC compliance, coordinating budgets and projections, preparing financial presentations and analyzing financial data. Ms. Echevarria has over 15 years of experience in Accounting, Compliance, Finance, Information Systems and Operations. Her experience includes SEC reporting and financial analysis, and her career accomplishments include developing and implementing major initiatives such as SOX, BSA and AML reporting and valuation of financial instruments. Prior to her employment with the Company, Ms. Echevarria served as Director of Finance and Accounting for The Hope Center, a nonprofit, from 2008 to June 2014 overseeing Finance, Information Systems and Operations. From 2001 through 2008 she served as a Quality Control and Compliance Analyst, Financial Analyst, and Accounting Manager for Banco Popular in San Juan, Puerto Rico, where she specialized in Mortgage Quality Control, Compliance, Financial Analysis and Mortgage Accounting, and corresponding with the FHA, VA and other mortgage guarantors. Ms. Echevarria also coordinated audits and compliance programs related to reporting, remittances, escrow accounting and default management for Fannie Mae, Freddie Mac and other private investors. She has developed and taught accounting courses for Herzing University, and currently serves as an adjunct faculty member at Southern New Hampshire University. She is a CPA, licensed in New Jersey and Puerto Rico, and holds a B.B.A. in Accounting from the University of Puerto Rico and an MBA in Business from University of Phoenix. Mrs. Echevarria was born and raised in Puerto Rico and is fluent in Spanish and English.

## Additional Key Personnel

**Sergio O. Manzur Odstreil** Algodon Mansion & Algodon Wine Estates, Chief Financial Officer (“CFO”) and Chief Operating Officer (“COO”). Mr. Manzur Odstreil is an Argentina Certified Public Accountant whose professional experience includes administration and management positions with companies in Argentina, Brazil, Mexico and Chile. As CFO and COO for all of GGH’s Argentine subsidiaries, he is responsible for day-to-day management including financial planning and analysis, overseeing the implementation of financial strategies for the corporation, and for ensuring prudent corporate governance. Prior to joining GGH, Mr. Manzur Odstreil was the Administration and Finance Director for Bodega Francois Lurton since May 2007, where he was responsible for the design and development of a financial debt strategy and negotiations with banks and strategic suppliers to obtain credits. He was also responsible for the organization of new funding to the company for \$4 million and also served as a member of the company’s executive committee. From March 2002 to September 2006 he previously held the position of Country Controller for the Boston Scientific Corporation (BSC) in Chile, and prior to that he served as Controller for Southern Cone BSC in Buenos Aires and Mexico City. He also served as Senior Financial Analyst for BSC’s Latin American Headquarters in Buenos Aires, as well as in Sao Paulo, Brazil, and prior to that he served as BSC’s Accountant Analyst in Buenos Aires. Mr. Manzur Odstreil began his career at Cerveceria y Malteria Quilmes in Argentina from 1997 to 1998. He obtained his MBA at INCAE in Costa Rica in 1996, and received his CPA from the Universidad Nacional de Tucumán, San Miguel de Tucumán, Argentina in 1994.

## Directors

**Steven A. Moel**, M.D., J.D. Dr. Moel began serving as a director of GGH in April 2019 and has served as a director of Gaucho Group, Inc. as of November 2018. Previously, Dr. Moel served as a Senior Business Advisor for GGH. Dr. Moel is a medical doctor and licensed attorney (currently inactive). Dr. Moel had a private legal practice as a business and transactional attorney and is a member of the California and American Bar Associations and has served as legal counsel to many corporations. The Board has determined that he would be a valuable member of the Board due to his extensive and broad experience and knowledge in business. In addition to serving as a member of the Company’s Board of Advisors, Dr. Moel is presently a member of the board of directors of Hollywood Burger Holdings, Inc., a related party to the Company (International Fast Food Restaurants).

Previously, Dr. Moel served in many roles, including most recently as a Senior Business Advisor for Global Job Hunt (International Recruiting and Education). He was also founder of Akorn, Inc., Nasdaq: AKRX (Biotechnology/Pharmaceutical Mfg.), where he served as a Director on the Executive Board and as Vice President of Mergers & Acquisitions. Dr. Moel previously served as: the Vice President, Mergers & Acquisitions and Business Development of Virgilian, LLC (Nutraceuticals/Agricultural); CEO of U.S. Highland, Inc. BB:UHLN (Mfg. of Motorcycles/Motorsports); CEO of Millennial Research Corp. (Mfg./Ultra-high efficiency motors); Chairman and COO of WayBack Granola Co. (Granola Manufacturing); Executive VP, Mergers and Acquisitions of Agaia Inc. (Green Cleaning Products). He has also served as: President, COO and Executive Director of American Wine Group (Wine Production/Distribution); Senior Business and Advisor, of viaMarket Consumer Products, LLC (Manufacturer of Consumer Products); as a member of the Board of Directors of Grudzen Development Corp. (Real Estate); COO and Chairman of the Board of Directors of Paradigm Technologies (Electronics/Computer Developer); President and CEO of Sem-Redwood Enterprises (Stock Pool), and as a member of the Advisory Board of Mahlia Collection (Jewelry Design/ Manufacturing).

Dr. Moel is a board-certified ophthalmologist who was in private practice and academia. He is an Emeritus Fellow of the American Academy of Ophthalmology and his academic history includes Washington University, University of Miami-Coral Gables, Marshall University, West Virginia University, University of Colorado, Harvard University, Louisiana State University-New Orleans, University of Illinois-Chicago, and the College of Law in Santa Barbara.

**Peter J.L. Lawrence**. Mr. Lawrence has served as a director of GGH since July 1999. The Board has determined that he is a valuable member of the Board due to his experience as an investor in smaller public companies and service as a director for a number of public companies.

Specifically, Mr. Lawrence was from 2000 to 2014 a director of Sprue Aegis plc, a U.K. company traded on the London Stock Exchange that designs and sells smoke and carbon monoxide detectors for fire protection of domestic and industrial premises in the U.K. and Europe. In the same period he also served as Chairman of Infinity IP, a private company involved with intellectual property and distribution in Australasia; and director of Hollywood Burger Holdings, Inc. From 1970 to 1996, Mr. Lawrence served as Chairman of Associated British Industries plc, a holding company of a group of chemical manufacturers making car engine and aviation jointings and sealants both for OEM and after markets, specialty waxes and anti-corrosion coatings for the automotive, tire and plastics industries in U.K, Europe and USA.

Mr. Lawrence has additional experience as a director of a publicly-traded company by serving as a director of Beacon Investment Trust PLC, a London Stock Exchange-listed company from 2003 to June 2010. Beacon invested in small and recently floated companies on the Alternative Investment Market of the London Stock Exchange. Mr. Lawrence served on the investment committee of ABI Pension fund for 20 years as well as the investment committee of Coram Foundation Children Charity founded in 1739 as the Foundling Hospital from 1977 to 2004. He received a Bachelor of Arts in Modern History from Oxford University where he graduated with honors.

#### **Directors Elect/Advisors**

**Marc Dumont.** Mr. Marc Dumont is an Independent Investment Banker and International Financial Consultant. He is also Chairman and CEO of Château de Messey Wineries, Meursault, France. Mr. Dumont previously served as the President of PSA International SA (a PSA Peugeot Citroen Group company) from January 1981 to March 1995. He consults and advises international clients in Europe and Asia, as well as the United States. He is also the Chairman of Sanderling Ventures (a European affiliate of a U.S. venture capital firm) since 1993, managing five biotechnology funds. Mr. Dumont is also a Board member of Lightwave Systems Inc., Santa Barbara, California (since 1997) and Caret Industries, Oxnard, California (since 1995). He has served on many other boards including Finterbank Zurich, Banque Internationale a Luxembourg, Xiphias International Investment Fund Limited (an alternative investment fund), and also Irvine Sensors Corporation where he was member/Chairman of their Audit, Nominating, and Corporate Governance, and Compensation Committees. Mr. Dumont holds a Degree in Electrical Engineering and Applied Economics from the University of Louvain, Belgium and an MBA from the University of Chicago.

**John I. Griffin.** Mr. Griffin is Chairman, President, Chief Executive Officer, and the sole shareholder of Maurice Pincoffs Company, Inc. headquartered in Houston, Texas USA. Pincoffs began product trading operations in 1880 and today specializes in international trade, marketing, and distribution of various products. Following 13 years of active and reserve duty, he retired from the United States Navy as Lieutenant Commander. Mr. Griffin was employed by Corning Glass Works where he was involved in plant management and international business activities and then worked outside of the United States for 13 years, first in Tokyo as President of Graco Japan K.K., a metal related manufacturing and marketing joint venture. This was followed by seven years in Paris as Vice President of Graco Inc. where he managed manufacturing and marketing companies throughout Europe as President Directeur General of Graco France S.A. and Fogautolube S.A. (France). Stationed in Brussels for two years, Mr. Griffin was President of Monroe Auto Equipment S.A. with manufacturing facilities in Belgium and Spain and marketing companies throughout Europe and the Middle East. With the acquisition of Maurice Pincoffs Company in 1978, he assumed his current position.

During his stay in Europe, Mr. Griffin was a partner in a Haut Medoc vineyard, Le Fournas Bernadotte. For several years Pincoffs was heavily involved in the wine import business as the third largest importer in Texas. Mr. Griffin served for a number of years as Founder and President of the American Institute for International Steel (Washington D.C.) and the American Institute for Imported Steel (New York City) as well as serving as a Director of the West Coast Metal Importers Association (Los Angeles). Active in the Greater Houston Partnership, Mr. Griffin was a Director of the World Trade Division and served as Chairman of the Africa Committee. He was a member of the Committee on Foreign Relations and the World Affairs Council of Houston, and a past Director of The Houston World Trade Association and the Armand Bayou Nature Center.

#### **Family Relationships**

There are no family relationships among any of our executive officers and directors.

## Term of Office

At the Company's 2019 annual stockholder meeting on July 8, 2019, the stockholders approved, among other things, an amendment to the bylaws of the Company to establish a staggered board of directors structure, whereby the Board of Directors is divided into three classes, as nearly equal in number as possible, designated: Class I, Class II and Class III, with each director serving for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; *provided, that* each director initially appointed to Class I shall serve for an initial term expiring at the Company's 2020 annual meeting of stockholders; each director initially appointed to Class II shall serve for an initial term expiring at the Company's 2021 annual meeting of stockholders; and each director initially appointed to Class III shall serve for an initial term expiring at the Company's 2022 annual meeting of stockholders.

Dr. Moel was appointed as a Class I director (his term expires at the Company's 2020 annual meeting of stockholders), Mr. Lawrence as a Class II director (his term expires at the Company's 2021 annual meeting of stockholders), and Mr. Mathis as a Class III director (his term expires at the Company's 2022 annual meeting of stockholders). All directors will hold office until his term has expired and until his successor is elected and qualified or until his earlier resignation or removal.

## Involvement in Certain Legal Proceedings

During the past ten years, except as provided below, none of the persons serving as executive officers and/or directors of the Company has been the subject matter of any of the following legal proceedings that are required to be disclosed pursuant to Item 401(f) of Regulation S-K including: (a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (b) any criminal convictions; (c) any order, judgment, or decree permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; (d) any finding by a court, the SEC or the CFTC to have violated a federal or state securities or commodities law, any law or regulation respecting financial institutions or insurance companies, or any law or regulation prohibiting mail or wire fraud; or (e) any sanction or order of any self-regulatory organization or registered entity or equivalent exchange, association or entity. Further, no such legal proceedings are believed to be contemplated by governmental authorities against any director or executive officer.

FINRA Enforcement Action (2004-2015): In May 2007, InvestPrivate (now known as DPEC Capital), Scott Mathis and two other InvestPrivate officers entered into a settlement of a disciplinary action filed in May 2004 by the NASD (now known as FINRA), the regulatory body that had primary jurisdiction over InvestPrivate. As part of the settlement, the NASD expressly withdrew numerous allegations and charges, and also resolved almost all of the remaining charges in the case. Mr. Mathis received a 30-day suspension from acting in a principal capacity for InvestPrivate, and InvestPrivate was suspended for 60 days from accepting new engagements to offer private placements. The settling parties paid fines totaling \$215,000, and InvestPrivate was also required to engage an independent consultant to evaluate InvestPrivate's practices and procedures relating to private placement offerings, and to make necessary changes in response to the consultant's recommendations.

While the settlement with the NASD resolved most of the issues in the case, a few remaining charges were not resolved, namely, whether Mr. Mathis inadvertently or willfully failed to properly make certain disclosures on his personal NASD Form U-4, specifically, the existence of certain federal tax liens on his Form U4 during the years 1996-2002.

In December 2007, the FINRA Office of Hearing Officers ("OHO") held that Mr. Mathis negligently failed to make certain disclosures on his Form U4 concerning personal tax liens, and to have willfully failed to make other required U4 disclosures regarding those tax liens. (All of the underlying tax liabilities were paid in 2003 so the liens were released in 2003.) Mr. Mathis received a three-month suspension, and a \$10,000 fine for the lien nondisclosures. With respect to other non-willful late U4 filings relating to two customer complaints, he received an additional 10-day suspension (to run concurrently) plus an additional \$2,500 fine. The suspension was completed on September 4, 2012, and all fines have been paid.

Mr. Mathis has never disputed that he failed to make or timely make these disclosures on his Form U4; he only disputed the willfulness finding. He appealed the decision (principally with respect to the willfulness issue) to the FINRA National Adjudicatory Council (“NAC”). In December 2008, NAC affirmed the OHO decision pertaining to the “willful” issue, and slightly broadened the finding. Thereafter, Mr. Mathis appealed the NAC decision to the Securities and Exchange Commission and thereafter to the U.S. Court of Appeals. In each instance, the decision of the NAC was affirmed.

While under FINRA’s rules the finding that Mr. Mathis was found to have acted willfully subjects him to a “statutory disqualification,” in September 2012, Mathis submitted to FINRA an application on Form MC-400 in which he sought permission to continue to work in the securities industry notwithstanding the fact that he is subject to a statutory disqualification. That application was approved in Mr. Mathis’ favor in April 2015. Mr. Mathis was at all times able to remain as an associated person of a FINRA member in good standing. Subsequently, the Company expanded into other business opportunities and the broker dealer subsidiary (DPEC Capital, Inc.) was no longer necessary to the Company’s operations. Therefore, Mr. Mathis voluntarily ceased all activities at the Company’s broker-dealer subsidiary (DPEC Capital, Inc.), and voluntarily terminated his registration with FINRA in December 2016, when DPEC Capital, Inc. elected to discontinue its operations and filed a Notice of Withdrawal as a Broker or Dealer on Form BDW.

#### **Corporate Governance**

In considering its corporate governance requirements and best practices, GGH looks to the Nasdaq Listed Company manual, which is available through the internet at <http://nasdaq.cchwallstreet.com/>.

#### ***Board Leadership Structure***

The Board does not have an express policy regarding the separation of the roles of Chief Executive Officer and Board Chairman as the Board believes it is in the best interests of the Company to make that determination based on the position and direction of the Company and the membership of the Board. The Board has not designated a lead independent director. Currently, Scott Mathis serves as both the Company’s Chief Executive Officer and Chairman of the Board. As Chief Executive Officer, Mr. Mathis is involved in the day-to-day operations of the Company and also provides strategic guidance on the Company’s operations. The Board believes Mr. Mathis’s experience and knowledge are valuable in the oversight of both the Company’s operations as well as with respect to the overall oversight of the Company at the Board level. The Board believes that this leadership structure is appropriate as Mr. Mathis is intimately knowledgeable with the Company’s current and planned operations.

#### ***Role of the Board and the Audit Committee in Risk Oversight***

While management is charged with the day-to-day management of risks that GGH faces, the Board of Directors, and the Audit Committee of the Board, have been responsible for oversight of risk management. The full Board, and the Audit Committee since it was formed, have responsibility for general oversight of risks facing the Company. Specifically, the Audit Committee reviews and assesses the adequacy of GGH’s risk management policies and procedures with regard to identification of GGH’s principal risks, both financial and non-financial, and review updates on these risks from the Chief Financial Officer and the Chief Executive Officer. The Audit Committee also reviews and assesses the adequacy of the implementation of appropriate systems to mitigate and manage the principal risks.

#### ***Review and Approval of Transactions with Related Parties***

The Board of Directors adopted a policy intended to comply with Item 404 of Regulation S-K of the 1934 Act as well as the Nasdaq Rules requiring that disinterested directors approve transactions with related parties which are not market-based transactions.

Generally, the Board of Directors will approve transactions only to the extent the disinterested directors believe that they are in the best interests of GGH and on terms that are fair and reasonable (in the judgment of the disinterested directors) to GGH. Our policy is available on our Company website at <https://ir.gauchoholdings.com/governance-docs>.

### ***Audit Committee***

The Board of Directors established the Audit Committee on April 15, 2015 and effective upon our uplisting to Nasdaq, our Audit Committee charter complies with Section 3(a)(58)(A) of the Exchange Act and Nasdaq Rule 5605. The Audit Committee was established to oversee the Company's corporate accounting and financial reporting processes and audits of its financial statements. The members of our Audit Committee are Messrs. Lawrence, Dumont, and Dr. Moel. The Board of Directors determined that Messrs. Lawrence, Dumont, and Dr. Moel were independent under SEC Rule 10A-3(b)(1) and Nasdaq Rule 5605(a)(2). The Board has determined that all current members of the Audit Committee are "financially literate" as interpreted by the Board in its business judgment. No members of the Audit Committee have been qualified as an audit committee financial expert, as defined in the applicable rules of the SEC because the Board believes that the Company's status as a smaller reporting company does not require expertise beyond financial literacy.

The Audit Committee meets periodically with our independent accountants and management to review the scope and results of the annual audit and to review our financial statements and related reporting matters prior to the submission of the financial statements to the Board. In addition, the Audit Committee meets with the independent auditors at least on a quarterly basis to review and discuss the annual audit or quarterly review of our financial statements.

We have established an Audit Committee Charter that deals with the establishment of the Audit Committee and sets out its duties and responsibilities. The Audit Committee is required to review and reassess the adequacy of the Audit Committee Charter on an annual basis. The Audit Committee Charter is available on our Company website at <https://ir.gauchoholdings.com/governance-docs>.

### ***No Nominating Committee***

GGH has not established a nominating committee, however the Company adopted its Nomination Guidelines effective April 15, 2015 and updated them on December 6, 2017 to comply with the Nasdaq rules. Pursuant to Nasdaq Rule 5605, nominations must be made by a majority of the independent directors. Our independent directors are currently Messrs. Lawrence, Dumont, and Dr. Moel. Eligible stockholders may nominate a person to the Board of Directors based on the procedure set forth in the Nomination Guidelines. The Nomination Guidelines are available on our website at <https://ir.gauchoholdings.com/governance-docs>.

### ***Compensation Committee***

Effective upon our uplisting to Nasdaq, GGH created a compensation committee in compliance with Nasdaq Rule 5605(d). The Compensation Committee consists of only independent directors in accordance with Nasdaq Rule 5605(a)(2) and all non-employee directors for purposes of Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the "1934 Act"). The compensation of the CEO (being Mr. Mathis) must be determined by the Compensation Committee and the CEO may not be present during voting or deliberations for his compensation.

The Compensation Committee is also responsible for making recommendations to the Board of Directors regarding the compensation of other executive officers, to review and administer our Company's equity compensation plans, to review, discuss, and evaluate at least annually the relationship between risk management policies and practices and compensation, as well as oversee the Company's engagement with stockholders and proxy advisors.

Although Nasdaq Rule 5605(d)(3) provides that the Compensation Committee may (in its discretion, not Board discretion) retain compensation consultants, independent legal counsel, and other advisors, the independent directors acting as the compensation committee have not decided to do so. Our Compensation Committee Charter is available at our website: <https://ir.gauchoholdings.com/governance-docs>.

### ***Code of Business Conduct and Whistleblower Policy***

On March 24, 2015, our Board of Directors adopted a Code of Business Conduct and Whistleblower Policy effective April 15, 2015 (the “Code of Conduct”). The Code of Conduct applies to all of our officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. Our Code of Conduct establishes standards and guidelines to assist our directors, officers, and employees in complying with both the Company’s corporate policies and with the law and is posted at our website: <https://ir.gauchoholdings.com/governance-docs>.

### ***Insider Trading Policy and Policy on Trading Blackout Periods, Benefit Plans and Section 16 Reporting***

Our Insider Trading Policy and policy on Trading Blackout Periods, Benefit Plans and Section 16 Reporting applies to all of our officers, directors, and employees and provides strict guidelines as to restrictions on trading activity in the Company’s stock. These policies are posted at our website: <https://ir.gauchoholdings.com/governance-docs>.

### **Stockholder Communications to the Board**

Stockholders who are interested in communicating directly with members of the Board, or the Board as a group, may do so by writing directly to the individual Board member c/o Secretary, Gaucho Group Holdings, Inc., 135 Fifth Ave., 10th Floor, New York, NY 10010. The Company’s Secretary will forward communications directly to the appropriate Board member. If the correspondence is not addressed to the particular member, the communication will be forwarded to a Board member to bring to the attention of the Board. The Company’s Secretary will review all communications before forwarding them to the appropriate Board member.

### **Code of Ethics**

Our Code of Ethics and Whistleblower Policy is applicable to all of the Company’s and its subsidiaries’ employees, including the Company’s Chief Executive Officer, Chief Financial Officer and Chief Compliance Office. The Code of Ethics contains written standards that are designed to deter wrongdoing and to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest; full, fair, accurate, timely and understandable public disclosures and communications, including financial reporting; compliance with applicable laws, rules and regulations; prompt internal reporting of violations of the code; and accountability for adherence to the code. A copy of our Code of Business Conduct and Whistleblower Policy of the Company is posted at our website at <https://ir.gauchoholdings.com/governance-docs>.

### **Delinquent Section 16(a) Reports**

Section 16(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), requires the Company’s directors, executive officers and holders of more than 10% of the Company’s common stock to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. To our knowledge, based solely on a review of copies of Forms 3, 4 and 5 and any amendments thereto filed with the Securities and Exchange Commission and stockholder reports from our transfer agent and written representations that no other reports were required, during the fiscal year ended December 31, 2019 our officers, directors and 10% or more stockholders complied with all Section 16(a) filing requirements applicable to them except that: (i) Mr. Mathis filed three Forms 4 late representing 12 transactions not reported on a timely basis; Ms. Echevarria filed two Forms 4 late representing three transactions not reported on a timely basis; Mr. Lawrence filed two Forms 4 late representing three transactions not reported on a timely basis; and Dr. Moel filed one Form 3 late representing one transaction not reported on a timely basis.



**ITEM 11. EXECUTIVE COMPENSATION**

**Summary Compensation Table**

The following table sets forth, for our named executive officers, the compensation earned in the years ended December 31:

Summary Compensation Table for Executive Officers

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards <sup>(1)</sup> (\$)	All Other Compensation (\$)	Total (\$)
Scott L. Mathis <sup>(2)</sup> Chairman of the Board and Chief Executive Officer	2019	408,513	-	-	345,681	-	754,194
	2018	426,163	-	-	538,934	-	965,097
Maria I Echevarria <sup>(3)</sup> Chief Financial Officer and Chief Operating Officer	2019	163,876	31,000	-	30,561	-	225,437
	2018	150,000	35,000	-	14,628	-	199,628

- 1) Represents the grant date full fair value of compensation costs of stock options granted during the respective year for financial statement reporting purposes, using the Black-Scholes option pricing model. Assumptions used in the calculation of these amounts are included in the Company's consolidated financial statements. Refer to the Outstanding Equity Awards at Fiscal Year End schedule regarding option details on an award-by-award basis. The above table does not include any options granted under the 2018 Gaucho Plan.
- 2) On September 28, 2015, we entered into a new employment agreement with Scott Mathis, our CEO (the "Employment Agreement"). Among other things, the agreement provides for a three-year term of employment at an annual salary of \$401,700 (subject to a 3% cost-of-living adjustment per year), bonus eligibility, paid vacation and specified business expense reimbursements. The agreement sets limits on the Mr. Mathis' annual sales of GGH common stock. Mr. Mathis is subject to a covenant not to compete during the term of the agreement and following his termination for any reason, for a period of twelve months. Upon a change of control (as defined by the agreement), all of Mr. Mathis' outstanding equity-based awards will vest in full and his employment term resets to two years from the date of the change of control. Following Mr. Mathis's termination for any reason, Mr. Mathis is prohibited from soliciting Company clients or employees for one year and disclosing any confidential information of GGH for a period of two years. The agreement may be terminated by the Company for cause or by the CEO for good reason, in accordance with the terms of the agreement. On February 19, 2020, the independent members of the Board of Directors most recently extended the agreement until May 31, 2020. All other terms of the Employment Agreement remain the same. Please see Item 9B—Other Information for further details.
- 3) Maria Echevarria was appointed Chief Financial Officer, Chief Operating Officer, Secretary and Compliance Officer effective April 13, 2015.

## Outstanding Equity Awards at Fiscal Year End

The following table provides information as to option awards granted by the Company and held by each of the named executive officers of GGH as of December 31, 2019. There have been no stock awards made to Mr. Mathis or Ms. Echevarria through December 31, 2019.

Name	Option Awards			
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$)	Option Expiration Date
Scott L. Mathis	-(1)	450,000(1)	0.39	1/31/2024
	-(2)	2,209,890(2)	0.39	7/8/2024
	150,000(3)	150,000(3)	1.10	11/17/2022
	437,500(4)	562,500(4)	0.77	2/14/2023
	226,563(5)	498,437(5)	0.54	9/20/2023
Maria I. Echevarria	-(6)	155,000(6)	0.39	7/8/2024
	25,000(7)	25,000(7)	1.10	11/17/2022
	10,942(8)	14,058(8)	0.77	2/14/2023
	9,375(9)	20,625(9)	0.54	9/20/2023
	-(10)	75,000(10)	0.39	1/31/2024

The above table does not include any options granted under the 2018 Gaucho Plan.

- (1) On January 31, 2019, Mr. Mathis was granted an option to acquire 450,000 shares of the Company's common stock, of which 112,500 shares underlying the option vest on January 31, 2020, and 28,125 shares vest every three months thereafter.
- (2) On July 8, 2019, Mr. Mathis was granted an option to acquire 2,209,890 shares of the Company's common stock, of which 552,472 shares underlying the option vest on July 8, 2020, 138,120 shares vest on October 8, 2020, and 138,118 shares vest every three months thereafter.
- (3) On November 17, 2017, Mr. Mathis was granted an option to acquire 300,000 shares of the Company's common stock, of which 75,000 shares underlying the option vest on December 17, 2018, and 18,750 shares vest every three months thereafter.
- (4) On February 14, 2018, Mr. Mathis was granted an option to acquire 1,000,000 shares of the Company's common stock, of which 250,000 shares underlying the option vest on February 14, 2019, and 62,500 shares vest every three months thereafter.
- (5) On September 20, 2018, Mr. Mathis was granted an option to acquire 725,000 shares of the Company's common stock, of which 181,250 shares underlying the option vest on September 20, 2019, and 45,313 shares vest every three months thereafter.
- (6) On July 8, 2019, Ms. Echevarria was granted an option to acquire 155,000 shares of the Company's common stock, of which 38,750 shares underlying the option vest on July 8, 2020, 9,693 shares underlying the option vest on October 8, 2020, and 9,687 shares vest every three months thereafter.
- (7) On November 17, 2017, Ms. Echevarria was granted an option to acquire 50,000 shares of the Company's common stock, of which 12,500 shares underlying the option vest on December 17, 2018, and 3,125 shares vest every three months thereafter.

- (8) On February 14, 2018, Ms. Echevarria was granted an option to acquire 25,000 shares of the Company's common stock, of which 6,256 shares underlying the option vest on February 14, 2019, and 1,562 shares vest every three months thereafter.
- (9) On September 20, 2018, Ms. Echevarria was granted an option to acquire 30,000 shares of the Company's common stock, of which 7,500 shares underlying the option vest on September 20, 2019, and 1,875 shares vest every three months thereafter.
- (10) On January 31, 2019, Ms. Echevarria was granted an option to acquire 75,000 shares of the Company's common stock, of which 18,750 shares underlying the option vest on January 31, 2020, and 4,693 shares vest on April 30, 2020, and 4,687 shares vest every three months thereafter.

#### Director Compensation

The following table sets forth compensation received by our non-employee directors:

		<b>Director Compensation</b>				
	<b>Year</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Bonus (\$)</b>	<b>Stock Awards (\$)</b>	<b>Option Awards<sup>(1)</sup> (\$)</b>	<b>Total (\$)</b>
Peter Lawrence (2)	2019	-	-	-	26,292	26,292
	2018	-	-	-	19,450	19,450
Julian Beale (3)	2019	-	-	-	7,269	7,269
	2018	-	-	-	-	-
Steven A. Moel (4)	2019	-	-	-	8,543	8,543
	2018	-	-	-	3,890	3,890

The above table does not include any options granted under the 2018 Gaucho Plan.

- (1) Represents the grant date full fair value of compensation costs of stock options granted during the respective year for financial statement reporting purposes, using the Black-Scholes option pricing model. Assumptions used in the calculation of these amounts are included in the Company's consolidated financial statements.
- (2) As of December 31, 2019, Mr. Lawrence held options to acquire 650,000 shares of the Company's common stock, of which 287,500 were vested and exercisable.
- (3) As of December 31, 2019, Mr. Beale held options to acquire 300,000 shares of the Company's common stock, of which 218,750 were vested and exercisable. On July 8, 2019, Mr. Beale did not stand for re-election as a director is no longer a director of the Company.
- (4) As of December 31, 2019, Dr. Moel held options to acquire 140,000 shares of the Company's common stock, of which 37,500 were vested and exercisable. Of that total, options to acquire 50,000 were issued to Dr. Moel on November 17, 2017 as compensation for his services on the Board of Advisors.

## Summary of the Company's Equity Incentive Plans

### *General Plan Information*

On July 27, 2018, the Board of Directors determined that no additional awards shall be granted under the Company's 2008 Equity Incentive Plan, as amended (the "2008 Plan") or the 2016 Stock Option Plan (the "2016 Plan"), and that no additional shares will be automatically reserved for issuance on each January 1 under the evergreen provision of the 2016 Plan.

On July 27, 2018, the Board of Directors adopted the 2018 Equity Incentive Plan (the "2018 Plan"), which was approved by the Company's shareholders on September 28, 2018. The 2018 Plan provides for grants for the purchase of up to an aggregate of 1,500,000 shares, including incentive and non-qualified stock options, restricted and unrestricted stock, loans and grants, and performance awards. The number of shares available under the 2018 Plan will automatically increase on January 1 of each year by the amount equal to 2.5% of the total number of shares outstanding on such date, on a fully diluted basis. Further, any shares subject to an award issued under the 2018 Plan, the 2016 Plan or the 2008 Plan that are canceled, forfeited or expired shall be added to the total number of shares available under the 2018 Plan.

On July 8, 2019, the stockholders approved an increase in the number of shares available for awards under the 2018 Plan to 4,139,800, plus an increase every January 1 of each year by the amount equal to 2.5% of the total number of shares outstanding on such date, on a fully diluted basis. Subsequently on July 8, 2019, the Board of Directors approved an increase in the number of shares available for awards under the 2018 Plan to 5,946,933, plus an increase every January 1 of each year by the amount equal to 2.5% of the total number of shares outstanding on such date, on a fully diluted basis. As of January 22, 2019, there were no shares of common stock available for issuance in connection with awards under the 2018 Plan.

Under the 2018 Plan, awards may be granted to employees, consultants, independent contractors, officers and directors or any affiliate of the Company as determined by the Board of Directors. The term of any award granted shall be fixed by the committee at the date of grant, and the exercise price of any award shall not be less than the fair value of the Company's stock on the date of grant, except that any incentive stock option granted under the 2018 Plan to a person owning more than 10% of the total combined voting power of the Company's common stock must be exercisable at a price of no less than 110% of the fair market value per share on the date of grant.

The 2018 Plan is administered and interpreted by the Company's compensation committee. The committee has full power and authority to designate participants and determine the types of awards to be granted to each participant under the plan. The committee also has the authority and discretion to determine when awards will be granted, the number of awards to be granted and the terms and conditions of the awards and may adopt modifications to comply with laws of non-U.S. jurisdictions. The committee may appoint such agents as it deems appropriate for the proper administration of the 2018 Plan.

Participants in the 2018 Plan consist of Eligible Persons, who are employees, officers, consultants, advisors, independent contractors, or directors providing services to the Company or any affiliate of the Company as determined by the committee; however, incentive stock options may only be granted to employees of the Company.

Awards remain exercisable for a period of six months (but no longer than the original term of the award) after a participant ceases to be an employee or the consulting services are terminated due to death or disability. All restricted stock held by the participant becomes free of all restrictions, and any payment or benefit under a performance award is forfeited and cancelled at time of termination unless the participant is irrevocably entitled to such award at the time of termination, where termination results from death or disability. Termination of service as a result of anything other than death or disability results in the award remaining exercisable for a period of one month (but no longer than the original term of the award) after termination and any payment or benefit under a performance award is forfeited and cancelled at time of termination unless the participant is irrevocably entitled to such award at the time of termination. All restricted stock held by the participant becomes free of all restrictions unless the participant voluntarily resigns or is terminated for cause, in which event the restricted stock is transferred back to the Company.

The committee may amend, alter, suspend, discontinue or terminate the 2018 Plan at any time; *provided, however*, that, without the approval of the stockholders of the Company, no such amendment, alteration, suspension, discontinuation or termination shall be made that, absent such approval: (i) violates the rules or regulations of the Financial Industry Regulatory Authority, Inc. (FINRA) or any other securities exchange that are applicable to the Company; (ii) causes the Company to be unable, under the Internal Revenue Code, to grant incentive stock options under the 2018 Plan; (iii) increases the number of shares authorized under the 2018 Plan other than the 2.5% increase per year; or (iv) permits the award of options or stock appreciation rights at a price less than 100% of the fair market value of a share on the date of grant of such award, as prohibited by the 2018 Plan or the repricing of options or stock appreciation rights, as prohibited by the 2018 Plan.

#### **Gaicho Group, Inc. Equity Incentive Plan**

On October 5, 2018, the Company, as the sole stockholder of GGI, and the Board of Directors of GGI approved the 2018 Equity Incentive Plan (the “2018 Gaucho Plan”). The Company and the Board of Directors of GGI adopted the 2018 Gaucho Plan to promote long-term retention of key employees of GGI and others who contribute to the growth of GGI.

Up to 8,000,000 shares of GGI’s common stock is made available for grants of equity incentive awards under the 2018 Gaucho Plan. Authorized shares under the 2018 Gaucho Plan may be subject to adjustment upon determination by the committee in the event of a corporate transaction including but not limited to a stock split, recapitalization, reorganization, or merger.

The 2018 Gaucho Plan includes two types of options, stock appreciation rights, restricted stock and restricted stock units, performance awards and other stock-based awards. Options intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended are referred to as incentive options. Options which are not intended to qualify as incentive options are referred to as non-qualified options.

As of January 22, 2020, options to purchase 6,595,000 shares of common stock of the Company have been granted under the 2018 Gaucho Plan.

The 2018 Gaucho Plan is administered and interpreted by GGI’s compensation committee, or the entire Board of Directors. In addition to determining who will be granted options or other awards under the 2018 Gaucho Plan and what type of awards will be granted, the committee has the authority and discretion to determine when awards will be granted and the number of awards to be granted. The committee also may determine the terms and conditions of the awards; amend the terms and conditions of the awards; how the awards may be exercised whether in cash or securities or other property; establish, amend, suspend, or waive applicable rules and regulations and appoint agents to administer the 2018 Gaucho Plan; take any action for administration of the 2018 Gaucho Plan; and adopt modifications to comply with laws of non-U.S. jurisdictions.

Participants in the 2018 Gaucho Plan consist of eligible persons, who are employees, officers, consultants, advisors, independent contractors, or directors providing services to GGI or any affiliate of GGI as determined by the committee. The committee may take into account the duties of persons selected, their present and potential contributions to the success of GGI and such other considerations as the committee deems relevant to the purposes of the 2018 Gaucho Plan.

The exercise price of any option granted under the 2018 Gaucho Plan must be no less than 100% of the “fair market value” of the Company’s common stock on the date of grant. Any incentive stock option granted under the 2018 Gaucho Plan to a person owning more than 10% of the total combined voting power of the common stock must be at a price of no less than 110% of the fair market value per share on the date of grant.

Awards remain exercisable for a period of six months (but no longer than the original term of the award) after a participant ceases to be an employee or the consulting services are terminated due to death or disability. All restricted stock held by the participant becomes free of all restrictions, and any payment or benefit under a performance award is forfeited and cancelled at time of termination unless the participant is irrevocably entitled to such award at the time of termination, where termination results from death or disability. Termination of service as a result of anything other than death or disability results in the award remaining exercisable for a period of one month (but no longer than the original term of the award) after termination and any payment or benefit under a performance award is forfeited and cancelled at time of termination unless the participant is irrevocably entitled to such award at the time of termination. All restricted stock held by the participant becomes free of all restrictions unless the participant voluntarily resigns or is terminated for cause, in which event the restricted stock is transferred back to GGI.

The committee may amend, alter, suspend, discontinue or terminate the 2018 Gaucho Plan at any time; *provided, however*, that, without the approval of the stockholders of GGI, no such amendment, alteration, suspension, discontinuation or termination shall be made that, absent such approval: (i) violates the rules or regulations of any securities exchange that are applicable to the Company; (ii) causes the Company to be unable, under the Internal Revenue Code, to grant incentive stock options under the 2018 Gaucho Plan; (iii) increases the number of shares authorized under the 2018 Gaucho Plan; or (iv) permits the award of options or stock appreciation rights at a price less than 100% of the fair market value of a share on the date of grant of such award, as prohibited by the 2018 Gaucho Plan or the repricing of options or stock appreciation rights, as prohibited by the 2018 Gaucho Plan.

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

As of March 30, 2020, the Company had 60,321,615 shares of common stock issued and 60,271,082 outstanding, as well as 902,670 shares of Series B convertible preferred stock issued and outstanding. The following table sets forth certain information regarding our shares of common stock and Series B convertible preferred stock beneficially owned as of March 30, 2020, for (i) each stockholder known to be the beneficial owner of more than 5% of our outstanding shares of common stock (ii) each named executive officer and director, and (iii) all executive officers and directors as a group. A person is considered to beneficially own any shares: (a) over which such person, directly or indirectly, exercises sole or shared voting or investment power, or (b) of which such person has the right to acquire beneficial ownership at any time within 60 days through an exercise of stock options, warrants or convertible debt. Shares underlying such options, warrants, and convertible promissory notes, however, are only considered outstanding for the purpose of computing the percentage ownership of that person and are not considered outstanding when computing the percentage ownership of any other person. Unless otherwise indicated, voting and investment power relating to the shares shown in the table for our directors and executive officers is exercised solely by the beneficial owner or shared by the owner and the owner's spouse or children. In addition, the address of each of the persons set forth below (unless otherwise specified) is c/o GGH, 135 Fifth Avenue, 10th Floor, New York, New York 10010. The above table does not include any options granted under the 2018 Gaucho Plan.

## Security Ownership of Certain Beneficial Owners and Management

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Common Stock Outstanding <sup>(1)</sup>
<b>More than 5% Stockholders</b>		
The WOW Group, LLC	3,777,425	5.5%
<b>Directors and Named Executive Officers</b>		
Scott L. Mathis	5,705,341(2)	8.1%
Maria I. Echevarria	84,368(3)	*
Steven A. Moel	445,095(4)	1.0%
Peter J.L. Lawrence	514,450(5)	1.0%
Marc Dumont	793,801(6)	1.1%
John I. Griffin	4,077,907(7)	5.9%
All directors and executive officers as a group	11,620,962(8)	17.1%

\* Less than one percent

- (1) Based on 60,271,082 shares of our common stock outstanding on March 30, 2020, and, with respect to each individual holder, rights to acquire our common stock exercisable within 60 days of March 30, 2020. Also includes 902,670 shares of Series B preferred stock outstanding on March 30, 2020 as converted to 9,026,700 shares of common stock. Calculated in accordance with Rule 13d-3 of the Securities Exchange Act of 1934.
- (2) Consists of (a) 558,362 shares of our common stock owned by Mr. Mathis directly; (b) 3,777,425 shares owned by The WOW Group, LLC, of which Mr. Mathis is a controlling member; (c) 204,803 shares owned by Mr. Mathis's 401(k) account; (d) 21,000 shares of common stock issuable upon the conversion of Series B convertible preferred stock and 18,900 common shares for voting purposes held by his 401(k) account; and (e) the right to acquire 1,143,751 shares of common stock subject to the exercise of options.
- (3) Consists of (a) 7,484 shares owned by Mrs. Echevarria's 401(k) account and (b) 76,884 shares of our common stock issuable upon the exercise of stock options.
- (4) Consists of (a) 151,491 shares owned by Dr. Moel directly; (b) 176,546 shares held by Dr. Moel's Roth IRA; (c) 26,693 shares held by Andrew Moel, his son; (d) 28,490 shares held by Erin Moel, his daughter; and (e) 61,875 shares issuable upon the exercise of stock options.
- (5) Consists of (a) 184,971 shares of our common stock owned by Mr. Lawrence directly; (b) 10,729 shares owned by Mr. Lawrence and his spouse as trustees for the Peter Lawrence 1992 Settlement Trust; and (c) 318,750 shares of our common stock issuable upon the exercise of stock options.
- (6) Director elect. Consists of (a) 450,000 shares owned by Mr. Dumont, his wife Vinciane Dumont, and his daughter Catherine Dumont, JTWROS; (b) 156,946 shares held by Mr. & Mrs. Dumont and Patrick Dumont, JTWROS; (c) 99,980 shares of common stock issuable upon the conversion of Series B convertible preferred stock held by Mr. & Mrs. Dumont and Patrick Dumont, JTWROS and 99,980 shares of common stock on an as converted basis to common stock for voting purposes; and (d) 86,875 shares issuable upon the exercise of stock options.
- (7) Director elect. Consists of (a) 1,705,515 common shares held by Mr. Griffin individually; (b) 1,743,647 common shares held by JLAL Holdings Ltd., an entity wholly controlled by Mr. Griffin; (c) 200,000 shares of common stock issuable upon the conversion of Series B convertible preferred stock held by Mr. Griffin individually and 180,000 shares of common stock on an as converted basis to common stock for voting purposes; (d) 401,870 shares of common stock issuable upon the conversion of Series B convertible preferred stock held by JLAL Holdings Ltd. and 361,683 shares of common stock on an as converted basis to common stock for voting purposes; and (e) 26,875 shares of our common stock issuable upon the exercise of stock options.
- (8) Consists of 9,183,102 shares of our common stock, 722,850 shares of our common stock issuable upon the conversion of Series B convertible preferred stock, and 1,715,010 shares of our common stock issuable upon the exercise of stock options.

## The WOW Group, LLC

Scott Mathis is a managing member and holds a controlling interest in The WOW Group. Non-managing members include certain former DPEC Capital employees and certain GGH stockholders. The WOW Group's only asset is its interest in GGH as of December 31, 2019.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The following is a description of transactions during the last fiscal year in which the transaction involved a material dollar amount and in which any of the Company's directors, executive officers or holders of more than 5% of GGH common stock and Series A Preferred on an as-converted basis had or will have a direct or indirect material interest, other than compensation which is described under "Executive Compensation."

The following is a description of transactions during the last fiscal year in which the transaction involved a material dollar amount and in which any of the Company's directors, executive officers or holders of more than 5% of GGH common stock and Series B Preferred on an as-converted basis had or will have a direct or indirect material interest, other than compensation which is described under "Executive Compensation."

- **Accounts receivable – related parties.** On April 1, 2010, the Company entered into an expense sharing agreement ("ESA") with a related, but independent, entity under common management, Hollywood Burger Holdings, Inc. ("HBH"), to share expenses with GGH such as office space, support staff and other operating expenses. HBH is a private company founded by Scott Mathis which is developing Hollywood-themed fast food restaurants in the United States. Mr. Mathis is Chairman and Chief Executive Officer of HBH, and Maria Echevarria is Chief Financial Officer. The ESA was amended on April 1, 2011 and last amended on December 27, 2019 to reflect the current use of personnel, office space, professional services and additional general office expenses. Under this agreement, HBH owed \$0 and \$4,644, respectively, as of December 31, 2019 and 2018, respectively.

On or about December 27, 2019, the Board of Directors of both HBH and GGH approved an amendment to the ESA such that HBH would prepay expenses under the ESA to cover GGH's financing needs. GGH has agreed to reduce HBH's expense obligations under the ESA by 15% until such time that its prepayment has been reduced to zero. Upon successful completion of a public offering under certain terms, GGH will refund a majority of the amount HBH has prepaid under the ESA and the full amount to the extent it has available funds. As of December 31, 2019, HBH had repaid the amounts owed under the ESA, and prepaid an additional amount of \$566,132 under the ESA.

- **Shares held by affiliates in subsidiaries.** Mr. Mathis, who is also the Chairman, CEO & President of the Gaucho Group, Inc., holds 18,736 shares of common stock of GGI, reflecting a conversion of \$7,300 in principal and \$194 in interest from his GGI Note. Marc Dumont, as an advisor and director elect upon listing of the Company on Nasdaq, and with his son, holds 511,156 shares of common stock of GGI, reflecting a conversion of \$200,000 in principal and \$4,462 in interest from their GGI Notes.

- **Ownership in affiliates.** Mr. Mathis is a managing member and holds a controlling interest in The WOW Group, LLC. Non-managing members include certain former DPEC Capital employees and certain GGH stockholders. The WOW Group's only asset is its interest in GGH as of December 31, 2019 and 2018.



• **Accounts payable – related parties.** As part of the Company’s convertible note financing in early 2018, the Company sold promissory notes totaling \$1,163,354 to John I. Griffin and his wholly owned company JLAL LLP. Mr. Griffin is an advisor and director elect upon listing of the Company on Nasdaq. The notes have a 90-day maturity, bear interest at 8% per annum and were 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. These notes matured on June 30, 2019 and are currently outstanding. The principal balance outstanding is no longer convertible, since the notes are past their maturity date. Interest continues to accrue based on the interest rate stated above.

**Director Independence**

Our Board of Directors has undertaken a review of its composition and the independence of each director. Based on the review of each director’s background, employment and affiliations, including family relationships, the Board of Directors has determined that three of our five directors (Peter J.L. Lawrence, Steven A. Moel, and Marc Dumont) are “independent” under the rules and regulations of the SEC and Section 5062(a)(2) of the Nasdaq Rules. In making this determination, our Board of Directors considered the current and prior relationships that each non-employee director has with the Company and all other facts and circumstances our Board of Directors deemed relevant in determining their independence, including the beneficial ownership of the Company’s capital stock. Mr. Mathis was not deemed independent as a result of his service as our Chief Executive Officer, and his significant stock ownership. Mr. Griffin may not be deemed independent because of the promissory notes outstanding with the Company as disclosed above.

**Indemnification Agreements**

Our amended and restated certificate of incorporation and our amended and restated bylaws require us to indemnify our directors to the fullest extent permitted by Delaware law.

Information related to the independence of our directors is provided under the section titled “Directors, Executive Officers and Corporate Governance.”

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table sets forth the aggregate fees billed to us by Marcum, LLP, our independent registered public accounting firm, for the years ended December 31, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Audit fees <sup>(1)</sup>	\$ 300,776	\$ 240,000
Audit-related fees <sup>(2)</sup>	62,004	15,000
Tax fees	55,255	35,000
	<u>\$ 418,035</u>	<u>\$ 290,000</u>

(1) Represents fees for services performed in connection with our public offering, the audit of the Company’s consolidated financial statements for the fiscal years ended December 31, 2019 and 2018, and the reviews of the consolidated financial statements included in the Company’s quarterly reports on Form 10-Q during 2019 and 2018.

(2) Represents primarily travel costs associated with the audit of the Company’s consolidated financial statements for the fiscal years ended December 31, 2019 and 2018.

**Audit Committee Policies and Procedures.**

The Board of Directors approved the audit committee charter effective April 15, 2015. The audit committee must pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for us by our independent auditors, subject to the de-minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act. Each year the independent auditor's retention to audit our financial statements, including the associated fee, is approved by the audit committee before the filing of the previous year's Annual Report on Form 10-K. At the beginning of the fiscal year, the audit committee will evaluate other known potential engagements of the independent auditor, including the scope of work proposed to be performed and the proposed fees, and approve or reject each service, taking into account whether the services are permissible under applicable law and the possible impact of each non-audit service on the independent auditor's independence from management. At each such subsequent meeting, the auditor and management may present subsequent services for approval. Typically, these would be services such as due diligence for an acquisition, that would not have been known at the beginning of the year.

Each new engagement of Marcum, LLP, has been approved by the Board, and none of those engagements made use of the de-minimis exception to the pre-approval contained in Section 10A(i)(1)(B) of the Exchange Act.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULE

EXHIBIT INDEX

The following documents are being filed with the Commission as exhibits to this Annual Report on Form 10K.

<b>Exhibit</b>	<b>Description</b>
1.1	<a href="#">Form of Underwriting Agreement<sup>11</sup></a>
3.1	<a href="#">Amended and Restated Certificate of Incorporation filed September 30, 2013<sup>1</sup></a>
3.2	<a href="#">Amendment to the Amended and Restated Certificate of Incorporation filed September 20, 2018 and effective October 1, 2018<sup>2</sup></a>
3.3	<a href="#">Amendment to the Amended and Restated Certificate of Incorporation filed March 1, 2019 and effective March 11, 2019<sup>10</sup></a>
3.4	<a href="#">Amended and Restated Bylaws<sup>8</sup></a>
3.5	<a href="#">Amendment to the Company's Amended and Restated Bylaws as approved on July 8, 2019<sup>12</sup></a>
4.1	<a href="#">Amended and Restated Certificate of Designation of the Series A Preferred filed September 30, 2013<sup>1</sup></a>
4.2	<a href="#">Amendment No. 1 to the Amended and Restated Certificate of Designation of Series A Convertible Preferred Stock, dated February 28, 2017<sup>2</sup></a>
4.3	<a href="#">Certificate of Designation of Series B Convertible Preferred Stock, dated February 28, 2017<sup>2</sup></a>
4.4	<a href="#">Amendment to the Company's Certificate of Designation of the Series B Convertible Preferred Stock as approved by the Board of Directors and the Series B Preferred stockholders on December 3, 2019 and filed with the Delaware Secretary of State.<sup>13</sup></a>
4.5	<a href="#">Amendment to the Company's Certificate of Designation of the Series B Convertible Preferred Stock as approved by the Board of Directors and the Series B Preferred stockholders on January 30, 2020 and filed with the Delaware Secretary of State.<sup>14</sup></a>
4.6	<a href="#">2016 Stock Option Plan.<sup>3</sup></a>
4.7	<a href="#">First Amendment to 2016 Stock Option Plan as adopted by the Board of Directors on October 20, 2016.<sup>3</sup></a>
4.8	<a href="#">2018 Equity Incentive Plan.<sup>2</sup></a>
4.9	<a href="#">Amendment to the Company's 2018 Equity Incentive Plan as approved by the Board of Directors on May 13, 2019 and the stockholders on July 8, 2019<sup>12</sup></a>
4.10	<a href="#">Amendment to the Company's 2018 Equity Incentive Plan effective July 8, 2019 as approved by the Board of Directors<sup>15</sup></a>
4.11	<a href="#">Underwriters' Warrant<sup>16</sup></a>
4.12	<a href="#">Description of Capital Stock of the Company*</a>
10.1	<a href="#">Employment Agreement by and between the Company and Scott L. Mathis dated September 28, 2015<sup>6</sup></a>
10.2	<a href="#">Agreement of Lease between 135 Fifth Avenue LLC and Diversified Biotech Holdings Corp. dated July 1, 2006 and Amendment of Lease between 135 Fifth Avenue LLC and Diversified Private Equity Corp., dated September 1, 2010.<sup>1</sup></a>
10.3	<a href="#">Second Amendment of Lease between 135 Fifth Avenue LLC and Diversified Private Equity Corp., dated July 10, 2015.<sup>5</sup></a>
10.4	<a href="#">Investor Relations Consulting Agreement between MZHCI, LLC and the Company, dated April 8, 2016.<sup>7</sup></a>
10.5	<a href="#">Expense Sharing Agreement between Hollywood Burger Holdings Inc. and the Company, dated April 1, 2010, as last amended on December 27, 2019<sup>7</sup></a>
14.1	<a href="#">Amended Code of Business Conduct and Ethics and Whistleblower Policy<sup>8</sup></a>
14.2	<a href="#">Audit Committee Charter<sup>4</sup></a>

21.1 [Subsidiaries of Gaucho Group Holdings, Inc.\\*](#)  
31.1 [Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002\\*](#)  
31.2 [Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002\\*](#)  
32 [Certification of the Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002\\*\\*](#)  
99.1 [Algodon Wine Estates Property Map<sup>15</sup>](#)  
101.INS XBRL Instance Document  
101.SCH XBRL Schema Document  
101.CAL XBRL Calculation Linkbase Document  
101.DEF XBRL Definition Linkbase Document  
101.LAB XBRL Label Linkbase Document  
101.PRE XBRL 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 from the Company's Current Report on Form 8-K, filed on March 2, 2017.
3. Incorporated by reference from the Company's Annual Report on Form 10-K, filed on March 31, 2017.
4. Incorporated by reference from the Company's Annual Report on Form 10-K, filed on March 31, 2015.
5. Incorporated by reference from the Company's Annual Report on Form 10-K, filed on March 30, 2016.
6. Incorporated by reference from the Company's Quarterly report on Form 10-Q, filed on November 16, 2015.
7. Incorporated by reference from the Company's Quarterly Report on Form 10-Q, filed on May 16, 2016.
8. Incorporated by reference from the Company's Current Report on Form 8-K, filed on December 20, 2017.
9. Incorporated by reference from the Company's Quarterly Report on Form 10-Q, filed on November 19, 2018.
10. Incorporated by reference from the Company's Current Report on Form 8-K, filed on March 14, 2019.
11. Incorporated by reference to the Company's Amended Registration Statement on Form S-1 filed on September 30, 2019.
12. Incorporated by reference to the Company's Current Report on Form 8-K filed on July 9, 2019.
13. Incorporated by reference to the Company's Current Report on Form 8-K filed on December 4, 2019.
14. Incorporated by reference to the Company's Current Report on Form 8-K filed on January 31, 2020.
15. Incorporated by reference to the Company's Registration Statement on Form S-1 filed on August 30, 2019.
16. Incorporated by reference to the Company's Amended Registration Statement on Form S-1 filed on September 30, 2019.
17. Incorporated by reference to the Company's Amended Registration Statement on Form S-1 filed on January 27, 2020.
- \* Filed herewith.
- \*\* Furnished, not filed herewith.

#### ITEM 16. FORM 10-K SUMMARY

This Item is optional and the registrant is not required to furnish this information.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

**GAUCHO GROUP HOLDINGS, INC.**

Dated: March 30, 2020

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

Dated: March 30, 2020

By: /s/ Maria Echevarria  
Maria I. Echevarria  
Principal Financial and Accounting Officer

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Dated: March 30, 2020

By: /s/ Scott L. Mathis  
Scott L. Mathis  
Chief Executive Officer (principal executive officer) & Chairman of the Board

Dated: March 30, 2020

By: /s/ Maria Echevarria  
Maria I. Echevarria  
Chief Financial Officer (principal financial and accounting officer)

Dated: March 30, 2020

By: /s/ Peter J.L. Lawrence  
Peter J.L. Lawrence  
Director

Dated: March 30, 2020

By: /s/ Steven A. Moel  
Steven A. Moel  
Director

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Gaucho Group Holdings, Inc. and Subsidiaries,

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Gaucho Group Holdings, Inc. and Subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive loss, changes in temporary equity and stockholders' deficiency and cash flows for each of the two years in the period ended December 31, 2019 and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

### Change in Accounting Principle

As discussed in Note 3 to the consolidated financial statements, the Company has changed its method of accounting for leases in 2019 due to the adoption of the guidance in ASC Topic 842, Leases.

### Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has a significant working capital deficiency, has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

*/s/ Marcum LLP*

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Marcum LLP

We have served as the Company's auditor since 2013.

New York, NY  
March 30, 2020

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2019	2018
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 40,378	\$ 58,488
Accounts receivable, net of allowance of \$126,216 and \$1,681 at December 31, 2019 and 2018, respectively	335,622	457,745
Accounts receivable - related parties, net of allowance of \$514,087 at each of December 31, 2019 and 2018, respectively	39,837	71,650
Advances to employees	281,783	281,783
Inventory	1,163,260	1,033,895
Real estate lots held for sale	139,492	139,492
Operating lease right-of-use asset	148,581	-
Investment	74,485	-
Prepaid expenses and other current assets	205,309	193,360
<b>Total Current Assets</b>	<b>2,428,747</b>	<b>2,236,413</b>
<b>Long Term Assets</b>		
Property and equipment, net	2,914,715	2,972,364
Prepaid foreign taxes, net	474,130	369,590
Investment - related parties	3,470	7,840
Deposits	99,298	61,284
<b>Total Assets</b>	<b>\$ 5,920,360</b>	<b>\$ 5,647,491</b>

The accompanying notes are an integral part of these consolidated financial statements.



**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (CONTINUED)**

	December 31,	
	2019	2018
<b>Liabilities, Temporary Equity and Stockholders' Deficiency</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 823,762	\$ 497,817
Accrued expenses, current portion	1,122,345	1,185,367
Deferred revenue	899,920	1,038,492
Operating lease liabilities	157,826	-
Loans payable, current portion, net of debt discount	781,719	871,106
Loans payable - related parties	566,132	-
Debt obligations, net of discount	1,270,354	2,732,654
Investor deposits	29,950	-
Other current liabilities	85,945	99,901
	<b>5,737,953</b>	<b>6,425,337</b>
<b>Long Term Liabilities</b>		
Accrued expenses, non-current portion	86,398	57,786
Loans payable, non-current portion, net of debt discount	96,583	234,791
	<b>5,920,934</b>	<b>6,717,914</b>
<b>Commitments and Contingencies</b>		
Series B convertible redeemable preferred stock, par value \$0.01 per share, 902,670 shares authorized, issued and outstanding at December 31, 2019 and 2018, respectively. Liquidation preference of \$10,376,284 at December 31, 2019.	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; 60,321,615 and 46,738,533 shares issued and 60,271,082 and 46,688,000 shares outstanding as of December 31, 2019 and 2018, respectively.	603,215	467,384
Additional paid-in capital	90,675,518	83,814,442
Accumulated other comprehensive loss	(12,399,833)	(13,110,219)
Accumulated deficit	(87,886,307)	(81,222,499)
Treasury stock, at cost, 50,533 shares at December 31, 2019 and 2018	(46,355)	(46,355)
	<b>(9,053,762)</b>	<b>(10,097,247)</b>
<b>Total Gaucho Group Holdings, Inc. Stockholders' Deficiency</b>	<b>(9,053,762)</b>	<b>(10,097,247)</b>
Non-controlling interest	26,364	-
	<b>(9,027,398)</b>	<b>(10,097,247)</b>
<b>Total Stockholders' Deficiency</b>	<b>(9,027,398)</b>	<b>(10,097,247)</b>
<b>Total Liabilities, Temporary Equity and Stockholders' Deficiency</b>	<b>\$ 5,920,360</b>	<b>\$ 5,647,491</b>

The accompanying notes are an integral part of these consolidated financial statements.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the Years Ended December 31,	
	2019	2018
<b>Sales</b>	\$ 1,284,437	\$ 3,099,608
Cost of sales	(1,040,339)	(1,441,696)
Gross profit	244,098	1,657,912
<b>Operating Expenses (Income)</b>		
Selling and marketing	482,677	317,404
General and administrative	6,428,625	6,423,540
Depreciation and amortization	196,438	171,749
Gain from insurance settlement	(165,508)	-
Total operating expenses	6,942,232	6,912,693
<b>Loss from Operations</b>	(6,698,134)	(5,254,781)
<b>Other Expense (Income)</b>		
Interest expense, net	360,413	611,297
Gains from foreign currency transactions	(101,732)	(187,660)
Total other expense	258,681	423,637
<b>Net Loss</b>	(6,956,815)	(5,678,418)
Net loss attributable to non-controlling interest	293,007	-
Series B preferred stock dividends	(721,057)	(724,108)
<b>Net Loss Attributable to Common Stockholders</b>	\$ (7,384,865)	\$ (6,402,526)
<b>Net Loss per Common Share</b>	\$ (0.14)	\$ (0.14)
<b>Weighted Average Number of Common Shares Outstanding:</b>		
Basic and Diluted	54,649,883	44,889,732

The accompanying notes are an integral part of these consolidated financial statements.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Net loss	\$ (6,956,815)	\$ (5,678,418)
Other comprehensive gain (loss):		
Foreign currency translation adjustments	710,386	(2,314,409)
Comprehensive loss	(6,246,429)	(7,992,827)
Comprehensive loss attributable to non-controlling interests	293,007	-
Comprehensive loss attributable to controlling interests	<u>\$ (5,953,422)</u>	<u>\$ (7,992,827)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN TEMPORARY EQUITY AND**  
**STOCKHOLDERS' DEFICIENCY**

	Series B Convertible Redeemable Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Gaucho Group Holdings Stockholders' Deficiency	Non controlling Interest	Total Stockholders' Deficiency
	Shares	Amount	Shares	Amount	Shares	Amount						
<b>Balance - January 1, 2018</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)	-	(5,020,320)
Stock-based compensation:												
Common stock issued in satisfaction of 401(k) profit sharing liability	-	-	116,284	1,163	-	-	80,236	-	-	81,399	-	81,399
Options and warrants	-	-	-	-	-	-	716,249	-	-	716,249	-	716,249
Common stock issued for cash	-	-	1,890,993	18,911	-	-	1,304,784	-	-	1,323,695	-	1,323,695
Beneficial conversion feature on convertible debt issued	-	-	-	-	-	-	227,414	-	-	227,414	-	227,414
Common stock issued upon conversion of convertible debt and interest	-	-	1,285,517	12,855	-	-	797,020	-	-	809,875	-	809,875
Dividends declared on Series B convertible redeemable preferred stock	-	-	-	-	-	-	(474,719)	-	-	(474,719)	-	(474,719)
Common stock issued in satisfaction of dividends payable	-	-	378,193	3,781	-	-	260,491	-	-	264,272	-	264,272
Common stock returned to the Company to satisfy receivable	-	-	-	-	46,122	(32,285)	-	-	-	(32,285)	-	(32,285)
Comprehensive loss:												
Net loss	-	-	-	-	-	-	-	-	(5,678,418)	(5,678,418)	-	(5,678,418)
Other comprehensive loss	-	-	-	-	-	-	-	(2,314,409)	-	(2,314,409)	-	(2,314,409)
<b>Balance - December 31, 2018</b>	902,670	9,026,824	46,738,533	467,384	50,533	(46,355)	83,814,442	(13,110,219)	(81,222,499)	(10,097,247)	-	(10,097,247)
Stock-based compensation:												
Common stock issued in satisfaction of 401(k) profit sharing liability	-	-	181,185	1,812	-	-	61,602	-	-	63,414	-	63,414
Options and warrants	-	-	-	-	-	-	432,187	-	-	432,187	-	432,187
Common stock issued for cash	-	-	13,173,428	131,734	-	-	4,478,966	-	-	4,610,700	-	4,610,700
Common stock issued upon conversion of convertible debt and interest	-	-	83,587	836	-	-	51,824	-	-	52,660	-	52,660
Debt converted to common stock of GGI	-	-	-	-	-	-	1,787,237	-	-	1,787,237	319,371	2,106,608
Common stock issued in satisfaction of debt obligations	-	-	144,882	1,449	-	-	49,260	-	-	50,709	-	50,709
Comprehensive loss:												
Net loss	-	-	-	-	-	-	-	-	(6,663,808)	(6,663,808)	(293,007)	(6,956,815)
Other comprehensive income	-	-	-	-	-	-	-	710,386	-	710,386	-	710,386
<b>Balance - December 31, 2019</b>	902,670	\$ 9,026,824	60,321,615	603,215	50,533	(46,355)	90,675,518	(12,399,833)	(87,886,307)	(9,053,762)	26,364	(9,027,398)

The accompanying notes are an integral part of these consolidated financial statements.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Years Ended December 31,	
	2019	2018
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (6,956,815)	\$ (5,678,418)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation:		
401(k) stock	55,196	63,414
Options and warrants	432,187	716,249
Gain on foreign currency translation	(101,732)	(187,660)
Net realized and unrealized investment losses	4,370	18,561
Depreciation and amortization	196,438	171,749
Loss on disposal of asset	401	-
ROU asset amortization	212,441	-
Amortization of debt discount	21,336	259,709
Provision for (recovery of) uncollectible assets	126,157	(163,613)
Write-down of inventory	193,564	-
Decrease (increase) in assets:		
Accounts receivable	(181,247)	281,677
Inventory	(322,929)	(191,973)
Deposits	(38,014)	-
Prepaid expenses and other current assets	(116,563)	(255,240)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	615,792	724,014
Changes in operating lease liabilities	(203,196)	-
Deferred revenue	(3,841)	(185,147)
Other liabilities	(13,956)	80,745
Total Adjustments	876,404	1,332,485
<b>Net Cash Used in Operating Activities</b>	<b>(6,080,411)</b>	<b>(4,345,933)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(139,271)	(292,213)
Purchase of investment	(74,485)	-
<b>Net Cash Used in Investing Activities</b>	<b>(213,756)</b>	<b>(292,213)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from loans payable	-	580,386
Proceeds from loans payable - related parties	566,132	-
Repayments of loans payable	(197,034)	(199,910)
Proceeds from convertible debt obligations	786,000	3,507,530
Repayments of debt obligations	(95,500)	-
Dividends paid in cash	-	(127,502)
Proceeds from common stock offering	4,610,700	1,323,695
Proceeds from investor deposits	29,950	-
<b>Net Cash Provided by Financing Activities</b>	<b>5,700,248</b>	<b>5,084,199</b>
<b>Effect of Exchange Rate Changes on Cash</b>	<b>575,809</b>	<b>(745,868)</b>
<b>Net Decrease in Cash</b>	<b>(18,110)</b>	<b>(299,815)</b>
<b>Cash - Beginning of Year</b>	<b>58,488</b>	<b>358,303</b>
<b>Cash - End of Year</b>	<b>\$ 40,378</b>	<b>\$ 58,488</b>

The accompanying notes are an integral part of these consolidated financial statements.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

	For the Years Ended December 31,	
	2019	2018
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Interest paid	\$ 333,091	\$ 358,114
Income taxes paid	\$ -	\$ -
<b>Non-Cash Investing and Financing Activity</b>		
Accrued stock based compensation converted to equity	\$ 63,414	\$ 81,399
Debt and interest payable converted to equity	\$ 52,660	\$ 809,875
Notes payable exchanged for common stock of GGI	\$ 2,106,608	\$ -
Common stock issued in satisfaction of debt obligations	\$ 50,709	\$ -
Common stock returned to Company to satisfy receivable	\$ -	\$ 32,285
Beneficial conversion feature	\$ -	\$ 227,414
Dividends declared on Series B Convertible Redeemable Preferred Stock	\$ -	\$ 474,719
Common stock issued to satisfy dividends payable	\$ -	\$ 264,272

The accompanying notes are an integral part of these consolidated financial statements.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. ORGANIZATION**

Through its subsidiaries, Gaucho Group Holdings, Inc. (“Company”, “GGH”), a Delaware corporation that was incorporated on April 5, 1999, currently invests in, develops and operates international real estate projects. Effective October 1, 2018, the Company changed its name from Algodon Wines & Luxury Development, Inc. to Algodon Group, Inc., and effective March 11, 2019, the Company changed its name from Algodon Group, Inc. to Gaucho Group Holdings, Inc.

As wholly owned subsidiaries of GGH, InvestProperty Group, LLC (“IPG”) and Algodon Global Properties, LLC (“AGP”) operate as holding companies that invest in, develop and operate global real estate and other lifestyle businesses such as wine production and distribution, golf, tennis, and restaurants. GGH operates its properties through its ALGODON® brand. IPG and AGP have invested in two ALGODON® brand projects located in Argentina. The first project is Algodon Mansion, a Buenos Aires-based luxury boutique hotel property that opened in 2010 and is owned by the Company’s subsidiary, The Algodon – Recoleta, SRL (“TAR”). The second project is the redevelopment, expansion and repositioning of a Mendoza-based winery and golf resort property now called Algodon Wine Estates (“AWE”), the integration of adjoining wine producing properties, and the subdivision of a portion of this property for residential development. GGH’s wholly owned subsidiary Algodon Europe, Ltd., is a United Kingdom wine distribution company. GGH also holds a 79% ownership interest in its subsidiary Gaucho Group, Inc. (“GGI”) which began operations in 2019 for the manufacture, distribution and sale of high-end luxury fashion and accessories through an e-commerce platform.

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

The accompanying 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 consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset amounts or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company incurred losses of \$6,956,815 and \$5,678,418 during the years ended December 31, 2019 and 2018, respectively. Cash used in operating activities was \$6,080,411 and \$4,345,933 for the years ended December 31, 2019 and 2018, respectively. Based upon projected revenues and expenses, the Company believes that it may not have sufficient funds to operate for the next twelve months from the date these financial statements are made available. Further, while the Company plans to apply to NASDAQ later this year to uplist its common stock, should that effort not be successful, the Company would be required, on December 31, 2020, to redeem all Series B Shares that have not been previously converted to common stock. The cost to redeem these shares would likely have a materially adverse effect on the Company’s financial position and would likely require either the liquidation of certain Company assets or an effort to raise new equity or debt financing. Whether the Company would be able to consummate any such transaction, should it need to do so, on economically beneficial terms or otherwise, cannot be presently known. The aforementioned factors raise substantial doubt about the Company’s ability to continue as a going concern. During the year ended December 31, 2019 the Company funded its operations with the net proceeds of debt and equity financing of \$5,700,248.

The Company presently has enough cash on hand to sustain its operations on a month to month basis. 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.

In December 2019, the 2019 novel coronavirus (“COVID-19”) surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020. The impacts of the outbreak are unknown and rapidly evolving. To date the outbreak has not had a material adverse impact on our operations. However, the future impact of the outbreak is highly uncertain and cannot be predicted and there is no assurance that the outbreak will not have a material adverse impact on the future results of the Company. The extent of the impact, if any, will depend on future developments, including actions taken to contain COVID-19.

These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**

The accompanying consolidated financial statements include all of the accounts of Gaucho Group Holdings, Inc. and its consolidated subsidiaries. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

**Non-Controlling Interest**

As a result of the conversion of certain convertible debt into shares of GGI common stock, GGI investors obtained a 21% ownership interest in GGI, which is recorded as a non-controlling interest. The profits and losses of GGI are allocated between the controlling interest and the non-controlling interest in the same proportions as their membership interest. (See Note 11 – Debt Obligations)

**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, 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 value of right-of-use assets and related lease liabilities, the useful lives of property and equipment and reserves associated with the realizability of certain assets.

**Highly Inflationary Status in Argentina**

The International Practices Task Force (“IPTF”) of the Center for Audit Quality discussed the inflationary status of Argentina at its meeting on May 16, 2018 and categorized Argentina as a country with a projected three-year cumulative inflation rate greater than 100%. Therefore, the Company has transitioned its Argentine operations to highly inflationary status as of July 1, 2018.

For operations in highly inflationary economies, monetary asset and liabilities are translated at exchange rates in effect at the balance sheet date, and non-monetary assets and liabilities are translated at historical exchange rates. Under highly inflationary accounting, the Company’s Argentina subsidiaries’ functional currency became the United States dollar. Nonmonetary assets and liabilities existing on July 1, 2018 (the date that the Company adopted highly inflation accounting) were translated using the Argentina Peso to United States Dollar exchange rate in effect on June 30, 2018, which was 28.880. Since the adoption of highly inflationary accounting, activity in nonmonetary assets and liabilities is translated using historical exchange rates, monetary assets and liabilities are translated at using the exchange rate at the balance sheet date, and income and expense accounts are translated at the weighted average exchange rate in effect during the period. Translation adjustments are reflected in income (loss) on foreign currency translation on the accompanying statements of operations. During the years ended December 31, 2019 and 2018, the Company recorded gains on foreign currency transactions of \$101,732 and \$187,660, respectively, as a result of the net monetary liability position of its Argentine subsidiaries.



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**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) except for the Company's Argentine subsidiaries since July 1, 2018, as described above. Prior to the transition of Argentine operations to highly inflationary status on July 1, 2018, these foreign subsidiaries translated assets and liabilities from their local currencies to U.S. dollars using period end exchange rates while income and expense accounts were translated at the average rates in effect during the period. The resulting translation adjustment is recorded as part of other comprehensive loss, a component of stockholders' deficit. The Company engages in foreign currency denominated transactions with customers and suppliers, as well as between subsidiaries with different functional currencies. Gains and losses resulting from transactions denominated in non-functional currencies are recognized in earnings.

**Comprehensive Loss**

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

**Accounts Receivable**

Accounts receivable primarily represent receivables from hotel guests who occupy rooms and wine sales to commercial customers. The Company provides an allowance for doubtful accounts when it determines that it is more likely than not a specific account will not be collected. Bad debt expense for the years ended December 31, 2019 and 2018 was \$126,157 and \$367, respectively. Write-offs of accounts receivable for the years ended December 31, 2019 and 2018 were \$516 and \$422, respectively.

**Inventory**

Inventories are comprised primarily of vineyard in process, wine in process, finished wine, food and beverage items, plus luxury clothes and accessories which are stated at the lower of cost or net realizable value (which is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation), with cost being determined on the first-in, first-out method. Costs associated with winemaking, and other costs associated with the creation of products for resale, are recorded as inventory. Costs of producing samples for marketing purposes are expensed as incurred and are included in selling and marketing expense on the accompanying statements of operations. Vineyard in process represents the monthly capitalization of farming expenses (including farming labor costs, usage of farming supplies and depreciation of the vineyard and farming equipment) associated with the growing of grape, olive and other fruits during the farming year which culminates with the February/March harvest. Wine in process represents the capitalization of costs during the winemaking process (including the transfer of grape costs from vineyard in process, winemaking labor costs and depreciation of winemaking fixed assets, including tanks, barrels, equipment, tools and the winemaking building). Finished wines represents wine available for sale and includes the transfer of costs from wine in process once the wine is bottled and labeled. Other inventory consists of olives, other fruits, golf equipment and restaurant food.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
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In accordance with general practice within the wine industry, wine inventories are included in current assets, although a portion of such inventories may be aged for periods longer than one year. The Company carries inventory at the lower of cost or net realizable value in accordance with ASC 330 "Inventory" and reduces the carrying value of inventories that are obsolete or in excess of estimated usage to estimated net realizable value. The Company's estimates of net realizable value are based on analyses and assumptions including, but not limited to, historical usage, future demand and market requirements. The Company records an allowance for excess, slow moving, and obsolete inventory, calculated as the difference between the cost of inventory and net realizable value. Inventory allowances are charged to cost of sales and establish a lower cost basis for the inventory. If future demand and/or pricing for the Company's products are less than previously estimated, then the carrying value of the inventories may be required to be reduced, resulting in additional expense and reduced profitability. During the year ended December 31, 2019, the Company recorded \$193,564 of write-down related to obsolete and excess inventory.

**Property and Equipment**

Property and equipment are stated at cost, net of accumulated depreciation using the straight-line method over their estimated useful lives. Leasehold improvements are amortized over the lesser of (a) the useful life of the asset; or (b) the remaining lease term.

The estimated useful lives of property and equipment are as follows:

Buildings	10 - 30 years
Furniture and fixtures	3 - 10 years
Vineyards	7 - 20 years
Machinery and equipment	3 - 20 years
Leasehold improvements	3 - 5 years
Computer hardware and software	3 - 5 years

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 placed in service until they are sold, capitalized real estate development costs are not depreciated. Land is an inexhaustible asset and is not depreciated.

**Real Estate Lots Held for Sale**

As the development of a real estate lot is completed and the lot becomes available for immediate sale in its present condition, the lot is marketed for sale and is included in real estate lots held for sale on the Company's balance sheet. Real estate lots held for sale are reported at the lower of carrying value or fair value less cost to sell. If the carrying value of a real estate lot held for sale exceeds its fair value less estimated selling costs, an impairment charge is recorded. The Company did not record any impairment charge in connection with real estate lots held for sale during the years ended December 31, 2019 or 2018.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
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**Convertible Debt**

The Company records a beneficial conversion feature (“BCF”) related to the issuance of notes which are convertible at a price that is below the market value of the Company’s stock when the note is issued. The intrinsic value of the BCF is recorded as debt discount which is amortized to interest expense over the life of the respective note using the effective interest method. Beneficial conversion features that are contingent upon the occurrence of a future event are recorded when the contingency is resolved.

**Derivative Financial Instruments**

The Company evaluates its convertible instruments to determine if those contracts or embedded components of those contracts qualify as derivative financial instruments to be separately accounted for in accordance with FASB ASC 815 “Derivatives and Hedging” (“ASC 815”). Embedded derivatives are valued separately from the host instrument and are recognized as derivative liabilities in the Company’s balance sheet. Fair value accounting requires measurement of embedded derivatives at fair value. Changes in the fair value of derivative instruments are recognized in results of operation during the period of change.

**Sequencing Policy**

Under ASC 815-40-35 (“ASC 815”), the Company has adopted a sequencing policy, whereby, in the event that reclassification of contracts from equity to assets or liabilities is necessary pursuant to ASC 815 due to the Company’s inability to demonstrate it has sufficient authorized shares as a result of certain securities with a potentially indeterminable number of shares, shares will be allocated on the basis of the earliest issuance date of potentially dilutive instruments, with the earliest grants receiving the first allocation of shares. Pursuant to ASC 815, issuances of securities granted as compensation in a share-based payment arrangement are not subject to the sequencing policy.

**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 on the date of grant. 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 estimation of stock-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from original estimates, such amounts are recorded as a cumulative adjustment in the period that the estimates are revised. 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 \$29,027 and \$48,929 at December 31, 2019 and 2018, respectively, which represents cash held in Argentine bank accounts.

**Foreign Operations**

The following summarizes key financial metrics associated with the Company’s continuing operations (these financial metrics are immaterial for the Company’s operations in the United Kingdom):

	<b>As of</b>	
	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Assets - Argentina	\$ 5,020,787	\$ 5,151,626
Assets - U.S.	899,573	495,865
<b>Total Assets</b>	<b>\$ 5,920,360</b>	<b>\$ 5,647,491</b>
Liabilities - Argentina	\$ 2,373,203	\$ 4,440,345
Liabilities - U.S.	3,547,731	2,277,569
<b>Total Liabilities</b>	<b>\$ 5,920,934</b>	<b>\$ 6,717,914</b>

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
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	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Revenues - Argentina	\$ 1,272,772	\$ 3,099,608
Revenues - U.S.	11,665	-
Total Revenues	\$ 1,284,437	\$ 3,099,608
Net loss - Argentina	\$ (1,559,766)	\$ (499,101)
Net loss - U.S.	(5,397,049)	(5,179,317)
Total Net Loss	\$ (6,956,815)	\$ (5,678,418)

**Impairment of Long-Lived Assets**

When circumstances, such as adverse market conditions, indicate that the carrying value of a long-lived asset may be impaired, the Company performs an analysis to review the recoverability of the asset's carrying value, which includes estimating the undiscounted cash flows (excluding interest charges) from the expected future operations of the asset. These estimates consider factors such as expected future operating income, operating trends and prospects, as well as the effects of demand, competition and other factors. If the analysis indicates that the carrying value is not recoverable from future cash flows, an impairment loss is recognized to the extent that the carrying value exceeds the estimated fair value. Any impairment losses are recorded as operating expenses, which reduce net income. There were no impairments of long-lived assets for the years ended December 31, 2019 and 2018, respectively.

**Segment Information**

The FASB has established standards for reporting information on operating segments of an enterprise in interim and annual financial statements. The Company currently operates in three segments which are the (i) business of real estate development and manufacture, (ii) the sale of high-end fashion and accessories through an e-commerce platform and (iii) its corporate operations. This classification is consistent with how the Company's chief operating decision maker makes decisions about resource allocation and assesses the Company's performance.

**Revenue Recognition**

The Company recognizes revenue in accordance with Accounting Standards Codification ("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 on January 1, 2018 for all applicable contracts using the modified retrospective method, which would have required 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.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
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The Company earns revenues from the sale of real estate lots and sales of food and wine as well as hospitality, food & beverage, other related services, and from the sale of clothing and accessories. 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 consolidated statements of operations:

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Real estate sales	\$ -	\$ 1,467,714
Hotel rooms and events	740,284	882,213
Restaurants	169,600	277,652
Winemaking	180,692	315,741
Golf, tennis and other	182,196	156,288
Clothes and accessories	11,665	-
<b>Total revenues</b>	<b>\$ 1,284,437</b>	<b>\$ 3,099,608</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. To date, twenty-five lots have been sold. During 2018, the Company closed on the sale of all 25 lots and recorded revenue of \$1,468,000.

Revenue from the sale of food, wine, agricultural products, clothes and accessories 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. Revenues from gift card sales are recognized when the card is redeemed by the customer. The Company does not recognize revenue for the portion of gift card values that is not expected to be redeemed ("breakage") due to the lack of historical data.

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.

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During the year ended December 31, 2019 the Company did not recognized any revenue related to the sale of real estate lots which was included in deferred revenues as of December 31, 2018. For the year ended December 31, 2019, 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 December 31, 2019 and 2018, the Company had deferred revenue of \$838,471 and \$995,327, respectively, associated with real estate lot sale deposits and had \$61,449 and \$43,165, 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 consolidated statements of operations.

**Income Taxes**

The Company accounts for income taxes pursuant to the asset and liability method of accounting for income taxes pursuant to FASB ASC 740, “Income Taxes.” Deferred tax assets and liabilities are recognized for taxable temporary differences and operating loss carry forwards. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

**Net Loss per Common Share**

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

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

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Options	9,550,640	9,499,265
Warrants	566,742	1,229,630
Series B convertible preferred stock	9,026,700	9,026,700
Convertible debt	-	4,631,356
Total potentially dilutive shares	19,144,082	24,386,951

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**Operating Leases**

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among organizations by requiring the recognition of operating lease right-of-use (“ROU”) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Company is also required to recognize and measure new leases at the adoption date and recognize a cumulative-effect adjustment in the period of adoption using a modified retrospective approach, with certain practical expedients available.

The Company adopted Accounting Standards Codification (“ASC”) 842, “Leases” (“ASC 842”) effective January 1, 2019 and elected to apply the available practical expedients and implemented internal controls and key system functionality to enable the preparation of financial information on adoption. ASC 842 requires the Company to make significant judgments and estimates. As a result, the Company implemented changes to its internal controls related to lease evaluation. These changes include updated accounting policies affected by ASC 842 as well as redesigned internal controls over financial reporting related to ASC 842 implementation. Additionally, the Company has expanded data gathering procedures to comply with the additional disclosure requirements and ongoing contract review requirements. The standard had an impact on the Company’s consolidated balance sheets but did not have an impact on the Company’s consolidated statements of operations or consolidated statements of cash flows upon adoption. The most significant impact was the recognition of ROU assets and lease liabilities of \$361,020, respectively, for operating leases, while the Company’s accounting for finance leases remained substantially unchanged. The adoption of ASC 842 did not have a material impact on the Company’s results of operations or cash flows in the current year and prior year comparative periods and as a result, a cumulative-effect adjustment was not required.

**Advertising**

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2019 and 2018 was \$319,919 and \$156,006, respectively.

**New Accounting Pronouncements**

In July 2018, the FASB issued ASU No. 2018-09, “Codification Improvements” (“ASU 2018-09”). ASU 2018-09 provides amendments to a wide variety of topics in the FASB’s Accounting Standards Codification, which applies to all reporting entities within the scope of the affected accounting guidance. The transition and effective date guidance are based on the facts and circumstances of each amendment. Some of the amendments in ASU 2018-09 do not require transition guidance and were effective upon issuance of ASU 2018-09. However, many of the amendments do have transition guidance with effective dates for annual periods beginning after December 15, 2018. The Company adopted ASU 2018-09 effective January 1, 2019. ASU 2018-09 did not have a material effect on the Company’s consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement - Disclosure Framework (Topic 820). The updated guidance improves the disclosure requirements on fair value measurements. The updated guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for any removed or modified disclosures. The Company is currently assessing the impact of adopting the updated provisions.

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In March 2019, the FASB issued ASU 2019-01, “Leases (Topic 842): Codification Improvements” (“Topic 842”) (“ASU 2019-01”). These amendments align the guidance for fair value of the underlying asset by lessors that are not manufacturers or dealers in Topic 842 with that of existing guidance. As a result, the fair value of the underlying asset at lease commencement is its cost, reflecting any volume or trade discounts that may apply. However, if there has been a significant lapse of time between when the underlying asset is acquired and when the lease commences, the definition of fair value (in Topic 820, Fair Value Measurement) should be applied. (Issue 1). The ASU also requires lessors within the scope of Topic 942, Financial Services—Depository and Lending, to present all “principal payments received under leases” within investing activities. (Issue 2). Finally, the ASU exempts both lessees and lessors from having to provide certain interim disclosures in the fiscal year in which a company adopts the new leases standard. (Issue 3). The transition and effective date provisions apply to Issue 1 and Issue 2. They do not apply to Issue 3 because the amendments for that Issue are to the original transition requirements in Topic 842. ASU 2019-01 will become effective for the Company for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021; early adoption is still permitted for interim and annual reporting periods beginning after December 15, 2018. Entities will apply the standard’s provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach). The Company is currently evaluating ASU 2019-01 and its impact on its consolidated financial statements and financial statement disclosures.

In July 2019, the FASB issued ASU 2019-07, “Codification Updates to SEC Sections — Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10532, Disclosure Update and Simplification, and Nos. 33-10231 and 33-10442, Investment Company Reporting Modernization and Miscellaneous Updates (SEC Update)” (“ASU 2019-07”). ASU 2019-07 aligns the guidance in various SEC sections of the Codification with the requirements of certain SEC final rules. ASU 2019-07 is effective immediately. The adoption of ASU 2019-07 did not have a material impact on the Company’s consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted, including adoption in an interim period. The Company is evaluating the effect of adopting this new accounting guidance.

**4. INVENTORY**

Inventory at December 31, 2019 and 2018 is comprised of the following:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Vineyard in process	\$ 304,067	\$ 232,436
Wine in process	539,380	747,862
Finished wine	23,467	11,003
Clothes and accessories	224,965	-
Other	71,381	42,594
Total	\$ 1,163,260	\$ 1,033,895



**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
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**5. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Buildings and improvements	\$ 2,026,657	\$ 1,971,057
Real estate development	669,167	587,481
Land	522,225	522,225
Furniture and fixtures	347,819	337,048
Vineyards	199,816	200,217
Machinery and equipment	487,618	492,205
Leasehold improvements	164,375	164,375
Computer hardware and software	231,228	216,082
	<u>4,648,905</u>	<u>4,490,690</u>
Less: Accumulated depreciation and amortization	(1,734,190)	(1,518,326)
Property and equipment, net	<u>\$ 2,914,715</u>	<u>\$ 2,972,364</u>

Depreciation and amortization of property and equipment was \$196,438 and \$197,729 for the years ended December 31, 2019 and 2018, respectively, of which \$196,438 and \$171,749 was recorded as expense in the accompanying statement of operations, and \$0 and \$25,980 was capitalized to inventory, respectively. Most of the Company's property and equipment is located in Argentina and gross asset costs and accumulated depreciation reported in US dollars are impacted by the devaluation of the Argentine peso relative to the U.S. dollar.

During 2018, real estate development costs in the aggregate of \$123,060 incurred in connection with twelve real estate lots that were completed during the period were transferred from property and equipment to real estate lots held for sale on the accompanying consolidated balance sheets.

**6. PREPAID FOREIGN TAXES**

Prepaid foreign taxes, net, of \$474,130 and \$369,590 at December 31, 2019 and 2018, respectively, consists primarily of prepaid value added tax ("VAT") credits. VAT credits are recovered through VAT collections on subsequent sales of products by the Company. Prepaid VAT tax credits do not expire. Prepaid foreign taxes also include Argentine minimum presumed income tax ("MPIT") credits, which are deemed unrealizable and are fully reserved. MPIT credits expire after ten years.

In assessing the realization of the prepaid foreign taxes, management considers whether it is more likely than not that some portion or all of the prepaid foreign taxes will not be realized. Management considers the historical and projected revenues, expenses and capital expenditures in making this assessment. Based on this assessment, management has recorded a valuation allowance related to MPIT credits of \$231,441 and \$228,613 as of December 31, 2019 and 2018, respectively. During the year ended December 31, 2018, the Company recorded a credit to the provision for uncollectible assets of \$163,980 related to the decrease in reserves against prepaid foreign taxes.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

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

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

**Investments at Fair Value:**

<b>As of December 31, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Warrants - Affiliates	\$ -	\$ -	\$ 3,470	\$ 3,470
Government Bond	74,485	-	-	74,485
<b>As of December 31, 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Warrants - Affiliates	\$ -	\$ -	\$ 7,840	\$ 7,840

A reconciliation of Level 3 assets is as follows:

	<b>Warrants</b>
Balance - January 1, 2018	\$ 26,401
Unrealized loss	(18,561)
Balance - December 31, 2018	7,840
Unrealized loss	(4,370)
Balance - December 31, 2019	\$ 3,470

Investment at December 31, 2019 consists of the Company's investment in an Argentine government bond, purchased by the Company on December 3, 2019. The bond had an effective interest rate of 48% per annum and matures on December 31, 2020. There were no material unrealized gains or losses related to the Argentine government bond during the year ended December 31, 2019.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Investments – related party at December 31, 2019 consists of warrants for the purchase of common stock of a related, but independent, entity under common management, of which GGH’s Chief Executive Officer (“CEO”) is Chairman and Chief Executive Officer, and GGH’s Chief Financial Officer (“CFO”) is Chief Financial Officer (collectively referred to as “Related Party”). Warrants retained by the Company are marked-to-market at each reporting date using the Black-Scholes option pricing model. Unrealized losses on affiliate warrants of \$4,370 were recorded during the year ended December 31, 2019 and \$18,561 for the year ended December 31, 2018 are included in revenues on the accompanying consolidated statements of operations.

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

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

**8. ACCRUED EXPENSES**

Accrued expenses are comprised of the following:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Accrued compensation and payroll taxes	\$ 210,900	\$ 149,019
Accrued taxes payable - Argentina	170,873	292,535
Accrued interest	484,026	404,239
Other accrued expenses	256,546	339,574
Accrued expenses, current	1,122,345	1,185,367
Accrued payroll tax obligations, non-current	86,398	57,786
Total accrued expenses	<u>\$ 1,208,743</u>	<u>\$ 1,243,153</u>

During May 2015, the Company entered into a payment plan, under which it agreed to pay its Argentine payroll tax obligations over a period of 36 months. The current portion of payments due under the plan is \$134,989 and \$113,670 as of December 31, 2019 and 2018, respectively, which is included in accrued compensation and payroll taxes above. The non-current portion of accrued expenses represents payments under the plan that are scheduled to be paid after twelve months. The Company incurred interest expenses of \$75,704 and \$52,209 during the years ended December 31, 2019 and 2018, respectively, related to this payment plan.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**9. DEFERRED REVENUES**

Deferred revenues are comprised of the following:

	December 31,	
	2019	2018
Real estate lot sales deposits	\$ 838,471	\$ 995,327
Other	61,449	43,165
<b>Total</b>	<b>\$ 899,920</b>	<b>\$ 1,038,492</b>

The Company accepts deposits in conjunction with agreements to sell real estate building lots at Algodon Wine Estates in the Mendoza wine region of Argentina. These lot sale deposits are generally denominated in U.S. dollars. As of December 31, 2018, the Company had executed agreements to sell real estate building lots for aggregate proceeds of \$3,725,867. No additional agreements for the sale of real estate building lots were executed during 2019. To date, twenty-five lots have been sold. Revenue is recorded when the sale closes, and the deeds are issued. During 2018, the Company closed on the sale of 25 lots and recorded revenue of \$1,468,000.

**10. LOANS PAYABLE**

The Company's loans payable are summarized below:

	December 31, 2019			December 31, 2018		
	Gross Principal Amount	Debt Discount	Loans Payable, Net of Debt Discount	Gross Principal Amount	Debt Discount	Loans Payable, Net of Debt Discount
Demand Loan	\$ 6,678	\$ -	\$ 6,678	\$ 10,647	\$ -	\$ 10,647
2018 Loan	352,395	-	352,395	464,739	-	464,739
2017 Loan	67,491	-	67,491	168,609	-	168,609
Land Loan	468,500	(16,762)	451,738	500,000	(38,098)	461,902
<b>Total Loans Payable</b>	895,064	(16,762)	878,302	1,143,995	(38,098)	1,105,897
Less: current portion	795,064	(13,345)	781,719	893,995	(22,889)	871,106
<b>Loans Payable, non-current</b>	<b>\$ 100,000</b>	<b>\$ (3,417)</b>	<b>\$ 96,583</b>	<b>\$ 250,000</b>	<b>\$ (15,209)</b>	<b>\$ 234,791</b>

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 is secured by Algodon Mansion, the Company's hotel in Argentina, 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 on this loan of \$62,589 and \$85,116 during the years ended December 31, 2019 and 2018, respectively. During 2018, the Company defaulted on certain 2017 Loan payments, and as a result, the 2017 Loan is payable upon demand as of December 31, 2019. Of the decrease in principal of \$101,118 on the 2017 Loan during the year ended December 31, 2019, \$53,278 resulted from principal payments made and \$47,840 resulted from the effect of fluctuations in the foreign currency exchange rate during the period.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
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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, denominated in U.S. dollars (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, which is being amortized over the term of the loan using the effective interest method. Amortization of the note discount in the amount of \$21,336 and \$32,295 for the years ended December 31, 2019 and 2018, respectively, is recorded as interest expense on the accompanying consolidated statements of operations. The balance on the note was \$451,738, net of debt discount of \$16,762 on December 31, 2019, of which \$355,155 (net of discount of \$13,345) is included in loans payable, net, current and \$96,583 (net of discount of \$3,417) is included in loans payable, net, non-current in the accompanying 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 was due on January 25, 2023. Pursuant to the terms of the 2018 Loan, principal and interest is to be paid in 60 equal monthly installments of \$10,311, beginning on February 23, 2018. The Company incurred interest expense of \$24,433 and \$33,420 on this loan during the years ended December 31, 2019 and 2018, respectively. During 2018, the Company defaulted on certain 2018 Loan payments, and as a result, the 2018 Loan is payable upon demand as of December 31, 2019.

On June 4, 2018 the Company received a loan in the amount of \$55,386 (ARS \$1,600,000) which bears interest at 10% per month and is due upon demand of the lender (the “Demand Loan”). Interest is paid monthly. The Company incurred interest expense on this loan of \$21,953 and \$23,427 during years ended December 31, 2019 and 2018, respectively. The decrease in the principal balance of the Demand Loan during the period is the result of changes in the foreign currency exchange rate during the period.

Future minimum principal payments under the loans payable are as follows:

<u>Years ending December 31,</u>	<u>Total Payment</u>
2020	\$ 795,064
2021	100,000
	<u>\$ 895,064</u>

**11. DEBT OBLIGATIONS**

The Company’s debt obligations as of December 31, 2019 and 2018 are summarized below:

	<u>December 31, 2019</u>			<u>December 31, 2018</u>		
	<u>Principal</u>	<u>Interest [1]</u>	<u>Total</u>	<u>Principal</u>	<u>Interest [1]</u>	<u>Total</u>
2010 Debt Obligations	\$ -	\$ 305,294	\$ 305,294	\$ -	\$ 279,735	\$ 279,735
2017 Notes	1,170,354	167,341	1,337,695	1,251,854	75,013	1,326,867
Gaicho Notes	100,000	6,260	106,260	1,480,800	18,787	1,499,587
Total Debt Obligations	<u>\$ 1,270,354</u>	<u>\$ 478,895</u>	<u>\$ 1,749,249</u>	<u>\$ 2,732,654</u>	<u>\$ 373,535</u>	<u>\$ 3,106,189</u>

[1] Accrued interest is included as a component of accrued expenses on the accompanying consolidated balance sheets (see Note 8 – Accrued Expenses).

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

During an offering that ended on September 30, 2010, IPG issued convertible notes with an interest rate of 8% and an amended maturity date of March 31, 2011 (the “2010 Debt Obligations”). During 2017, the Company repaid the remaining principal balance of \$162,500, such that as of December 31, 2017, there is no principal balance owed on the 2010 Debt Obligations. Accrued interest of \$305,294 and \$279,735 owed on the 2010 Debt Obligations remained outstanding as of December 31, 2019 and 2018, respectively. The Company incurred interest expense of \$25,559 and \$24,254 during the years ended December 31, 2019 and 2018, respectively, on the 2010 Debt Obligations. 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, and during 2018, the Company sold additional convertible promissory notes in the aggregate principal amount of \$2,026,730 (together, the “2017 Notes”). The 2017 Notes mature 90 days from the date of issuance, bear interest at 8% per annum and were convertible into the Company’s common stock at \$0.63 per share, which represented a 10% discount to the price used for the sale of the Company’s common stock at the commitment date. The conversion option represented a beneficial conversion feature in the amount of \$227,414 which was recorded as a debt discount with a corresponding credit to additional paid-in capital. Debt discount is amortized over the term of the loan using the effective interest method. On June 30, 2018, principal and interest of \$794,875 and \$15,000, respectively, were converted into 1,285,517 shares of common stock at a conversion price of \$0.63 per share. During 2019, the Company repaid principal and interest of \$30,000 and \$2,151, respectively, and principal and interest of \$51,500 and \$1,160, respectively, were converted into 83,587 shares of common stock at a conversion price of \$0.63 per share. The Company incurred total interest expense of \$95,641 and \$317,427 related to this debt during the years ended December 31, 2019 and 2018, respectively, of which \$0 and \$227,414 represented amortization of debt discount, respectively. The remaining principal balance owed on the 2017 Notes of \$1,170,354 is past due as of December 31, 2019. The 2017 Notes matured on June 30, 2019. The principal balance outstanding on the 2017 Notes at December 31, 2019 is no longer convertible, since the notes are past their maturity date. Interest continues to accrue based on the interest rate stated above.

During 2018, the Company’s subsidiary, Gaucho Group, Inc., sold convertible promissory notes in the amount of \$1,480,800 to accredited investors. Between January 1, 2019 and March 12, 2019, Gaucho Group, Inc. sold convertible promissory notes in the amount of \$786,000 to accredited investors (together, the “Gaucho Notes”). In January 2019, management of GGI gave the option to the noteholders of extending the maturity date from December 31, 2018 to March 31, 2019 of their specific Gaucho Notes. The Gaucho Notes, as amended, bear interest at 7% per annum and mature and became due on March 31, 2019. All holders of Gaucho Notes agreed to extend the maturity date to March 31, 2019. The Gaucho Notes and related accrued interest were convertible into GGI common stock at the option of the holder, at a price representing 20% discount to the share price in a future offering of GGI common stock. During 2019, the Company repaid \$65,500 and \$3,256 of principal and interest due, respectively, and the Company issued a certain noteholder 144,882 shares of its common stock in satisfaction for a note in the principal and accrued interest amount of \$50,000 and \$709, respectively. On April 14, 2019, the Company made a one-time offer to the holders of Gaucho Notes to convert the Gaucho Notes into shares of common stock of GGI at a price per share of \$0.40, and on June 30, 2019, \$2,051,300 and \$55,308 of principal and interest, respectively, was converted into 5,266,520 shares of GGI common stock, representing a 21% non-controlling interest in GGI. As of December 31, 2019, principal and interest of \$100,000 and \$6,260 remain outstanding under the Gaucho Notes. The Company incurred total interest expense of \$ 46,746 and \$18,786 related to the Gaucho Notes during the years ended December 31, 2019 and 2018, respectively. The principal balance of the Gaucho Notes at December 31, 2019 is no longer convertible, since the notes are past their maturity date. Interest continues to accrue based on the interest rate stated above.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**12. INCOME TAXES**

The Company files tax returns in United States (“U.S.”) Federal, state and local jurisdictions, plus Argentina and the United Kingdom (“U.K.”).

United States and international components of income before income taxes were as follows

	<b>For The Years Ended</b>	
	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
United States	\$ (5,397,049)	\$ (5,171,150)
International	(1,559,766)	(507,269)
Income before income taxes	<u>\$ (6,956,815)</u>	<u>\$ (5,678,419)</u>

The income tax provision (benefit) consisted of the following:

	<b>For The Years Ended</b>	
	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Federal</b>		
Current	\$ -	\$ -
Deferred	(745,677)	(979,625)
<b>State and local</b>		
Current	-	-
Deferred	425,387	1,839,145
<b>Foreign</b>		
Current	-	-
Deferred	326,017	1,590
	5,727	861,109
Change in valuation allowance	<u>(5,727)</u>	<u>(861,109)</u>
Income tax provision (benefit)	<u>\$ -</u>	<u>\$ -</u>

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
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For the years ended December 31, 2019 and 2018, the expected tax expense (benefit) based on the statutory rate is reconciled with the actual tax expense (benefit) as follows:

	<b>For The Years Ended</b>	
	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
U.S. federal statutory rate	(21.0)%	(21.0)%
State taxes, net of federal benefit	(0.1)%	(3.1)%
Permanent differences	0.7%	0.7%
Write-off of deferred tax assets	18.9%	3.9%
Prior period adjustments	2.4%	33.4%
Other	(0.9)%	1.3%
Change in valuation allowance	(0.1)%	(15.2)%
Income tax provision (benefit)	<u>0.0%</u>	<u>0.0%</u>

As of December 31, 2019 and 2018, the Company's deferred tax assets consisted of the effects of temporary differences attributable to the following:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Net operating loss	\$ 19,732,170	\$ 18,734,230
Stock based compensation	349,027	1,120,521
Argentine tax credits	109,610	433,407
Accruals and other	37,144	4,991
Receivable allowances	<u>469,017</u>	<u>415,662</u>
Total deferred tax assets	20,696,968	20,708,810
Valuation allowance	<u>(20,695,788)</u>	<u>(20,701,515)</u>
Deferred tax assets, net of valuation allowance	1,180	7,295
Excess of book over tax basis of warrants	<u>(1,180)</u>	<u>(7,295)</u>
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2019, the Company estimates that an aggregate of approximately \$67,600,000, \$53,700,000 and \$30,100,000 of gross U.S. federal, state and local net operating losses ("NOLs") may be available to offset future taxable income, each of which includes approximately \$1,300,000 of GGI 2019 NOLs which is no longer part of the consolidated tax group because GGH's ownership interest is now less than 80%. Approximately \$55,900,000 of the federal NOLs will expire from 2020 to 2037 and approximately \$11,700,000 have no expiration. All of the \$53,700,000 of state NOLs will expire from 2035 to 2039 and approximately \$30,000,000 of the local NOLs will expire from 2035 to 2037, while approximately \$100,000 of the local NOLs have no expiration. These NOL carryovers are subject to annual limitations under Section 382 of the U.S. Internal Revenue Code because there was a greater than 50% ownership change, as determined under the regulations, on or about June 30, 2012. We have determined that, due to those annual limitations under Section 382, approximately \$6,315,000 of NOLs will expire unused and are not included in the available NOLs stated above. Therefore, we have reduced the related deferred tax asset for NOL carryovers by approximately \$2,810,000 from June 30, 2012 forward. The Company's NOLs generated through the date of the ownership change on June 30, 2012 are subject to an annual limitation of approximately \$1,004,000. The Company remains subject to the possibility that a greater than 50% ownership change could trigger additional annual limitations on the usage of NOLs.



**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

As of December 31, 2019, the Company had approximately \$450,000 of gross U.K. NOL carryovers which do not expire, and the Company had approximately \$110,000 of Argentine tax credits which may be carried forward 10 years and begin to expire in 2020.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the future generation of taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and taxing strategies in making this assessment. Based on this assessment, management has established a full valuation allowance against all of the net deferred tax assets for each period, since it is more likely than not that all of the deferred tax assets will not be realized. The valuation allowance for the year ended December 31, 2019 decreased by approximately \$6,000 and for the year ended December 31, 2018 decreased by approximately \$861,000.

Management has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the Company's consolidated financial statements as of December 31, 2019 and 2018. The Company does not expect any significant changes in its unrecognized tax benefits within twelve months of the reporting date. The Company has U.S. tax returns subject to examination by tax authorities beginning with those filed for the year ended December 31, 2016 (or the year ended December 31, 2000 if the Company were to utilize its NOLs). No tax audits were commenced or were in process during the years ended December 31, 2019 and 2018. The Company's policy is to classify assessments, if any, for tax related interest as interest expense and penalties as general and administrative expenses in the consolidated statements of operations.

**13. SEGMENT DATA**

Prior to the commencement of GGI operations, the Company's chief operating decision-maker (CODM) reviewed the operating results of the Company on an aggregate basis and managed the Company's operations as a single operating segment. As a result of the commencement of GGI operations in the fourth quarter of 2019, the Company's financial position and results of operations are classified into three reportable segments, consistent with how the CODM makes decisions about resource allocation and assesses the Company's performance. :

- Real Estate Development, through AWE and TAR, including hospitality and winery operations, which support the ALGODON® brand.
- Fashion (e-commerce), through GGI, including the manufacture and sale of high-end fashion and accessories sold through an e-commerce platform.
- Corporate, consisting of general corporate overhead expenses not directly attributable to any one of the business segments.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
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The Company has recast its financial information and disclosures for the prior period to reflect the segment disclosures as if the current presentation had been in effect throughout all periods presented. The following tables present segment information for the year ended December 31, 2019 and 2018:

	<b>For the Year ended December 31, 2019</b>				<b>For the Year ended December 31, 2018</b>			
	<b>Real Estate Development</b>	<b>Fashion (e- commerce)</b>	<b>Corporate<sup>(1)</sup></b>	<b>TOTAL</b>	<b>Real Estate Development</b>	<b>Fashion (e- commerce)</b>	<b>Corporate<sup>(1)</sup></b>	<b>TOTAL</b>
<b>Revenues</b>	\$ 1,272,772	\$ 11,665	\$ -	\$ 1,284,437	\$ 3,099,608	\$ -	\$ -	\$ 3,099,608
<b>Revenues from Foreign Operations</b>	\$ 1,272,772	\$ -	\$ -	\$ 1,272,772	\$ 3,099,608	\$ -	\$ -	\$ 3,099,608
<b>Depreciation and Amortization</b>	\$ 146,398	\$ 1,901	\$ 48,139	\$ 196,438	\$ 133,251	\$ -	\$ 38,498	\$ 171,749
<b>Loss from Operations</b>	\$ (1,469,438)	\$ (1,230,285)	\$ (3,998,411)	\$ (6,698,134)	\$ 349,252	\$ (767,006)	\$ (4,837,027)	\$ (5,254,781)
<b>Interest Expense, net</b>	\$ 192,060	\$ 47,034	\$ 121,319	\$ 360,413	\$ 252,898	\$ 18,786	\$ 339,613	\$ 611,297
<b>Net Loss</b>	\$ (1,559,766)	\$ (1,277,319)	\$ (4,119,730)	\$ (6,956,815)	\$ 284,014	\$ (785,792)	\$ (5,176,640)	\$ (5,678,418)
<b>Capital Expenditures</b>	\$ 129,325	\$ 9,946	\$ -	\$ 139,271	\$ 237,222	\$ -	\$ 54,991	\$ 292,213
<b>Total Property and Equipment, net</b>	\$ 2,866,861	\$ 8,044	\$ 39,810	\$ 2,914,715	\$ 2,884,415	\$ -	\$ 87,949	\$ 2,972,364
<b>Total Property and Equipment, net in Foreign Countries</b>	\$ 2,866,861	\$ -	\$ -	\$ 2,866,861	\$ 2,884,415	\$ -	\$ -	\$ 2,884,415
<b>Total Assets</b>	\$ 5,020,788	\$ 286,658	\$ 612,914	\$ 5,920,360	\$ 5,132,705	\$ 18,921	\$ 495,865	\$ 5,647,491

(1) - Unallocated corporate assets not directly attributable to any one of the business segments.

**14. RELATED PARTY TRANSACTIONS**

**Assets**

Accounts receivable – related parties of \$39,837 and \$71,650 at December 31, 2019 and 2018, respectively, represents the net realizable value of advances made to related, but independent, entities under common management, of which \$0 and \$4,644 represents amounts owed to the Company in connection with expense sharing agreements as described below.

See Note 7 – Investments and Fair Value of Financial Instruments, for a discussion of the Company’s investment in warrants of a related, but independent, entity.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
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**Expense Sharing**

On April 1, 2010, the Company entered into an agreement with a Related Party to share expenses such as office space, support staff and other operating expenses (the "Related Party ESA"). The agreement was amended on January 1, 2017 to reflect the current use of personnel, office space, professional services. During the years ended December 31, 2019 and 2018, the Company recorded a contra-expense of \$493,944 and \$437,074, respectively, related to the reimbursement of general and administrative expenses as a result of the agreement.

During 2019, the Related Party prepaid approximately \$566,132 of its future obligations under the Related Party ESA, in exchange for a 15% reduction in the Related Party's expense obligations under the Related Party ESA until the prepayment has been reduced to \$0. The prepaid amount is reflected as loans payable – related parties on the accompanying consolidated balance sheet. The Related Party owed \$0 and \$4,644, respectively, to the Company as of December 31, 2019 and 2018, pursuant to the Related Party ESA

The Company had an expense sharing agreement with a different related entity to share expenses such as office space and other clerical services which was terminated in August 2017. The owners of more than 5% of that entity include (i) GGH's chairman, and (ii) a more than 5% owner of GGH. The entity owed \$396,116 to the Company under the expense sharing agreement at each of December 31, 2019 and 2018 of which the entire balance is deemed unrecoverable and reserved.

**15. 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 years ended December 31, 2019 and 2018, the Company recorded a charge associated with its contribution of \$55,196 and \$63,414, respectively. This charge has been included as a component of general and administrative expenses in the accompanying consolidated statements of operations. The Company issues shares of its common stock to settle these obligations based on the fair market value of its common stock on the date the shares are issued (shares were issued at \$0.35 and \$0.70 per share during 2019 and 2018, respectively.)

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

**Authorized Shares**

The Company is authorized to issue up to 80,000,000 shares of common stock, \$0.01 par value per share. As of December 31, 2019 and 2018, there were 60,321,615 and 46,738,533 shares of common stock issued, and 60,271,082 and 46,688,000 shares outstanding, respectively.

The Company is authorized to issue up to 11,000,000 shares of preferred stock, \$0.01 par value per share, of which 10,097,330 shares are designated as Series A convertible preferred stock, and 902,670 shares are designated as Series B convertible preferred stock. As of December 31, 2019, and 2018, respectively, there were 902,670 shares of Series B preferred stock outstanding. There were no shares of Series A preferred stock outstanding at December 31, 2019 or 2018, and no additional shares of Series A preferred stock are available to be issued.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Equity Incentive Plans**

The Company's 2008 Equity Incentive Plan, as amended (the "2008 Plan"), was approved by the Company's Board and stockholders on August 25, 2008. The 2008 Plan provided for grants for the purchase of up to an aggregate 9,000,000 shares, including incentive and non-qualified stock options, restricted and unrestricted stock, loans and grants, and performance awards. As of December 31, 2019, there are 0 shares available for issuance under the 2008 Plan.

On July 11, 2016, the Board of Directors adopted the 2016 Stock Option Plan (the "2016 Plan"), which was approved by the Company's shareholders on September 28, 2017. Under the 2016 Plan, 1,224,308 shares of common stock of the Company were authorized for issuance, with an automatic annual increase on January 1 of each year equal to 2.5% of the total number of shares of common stock outstanding on such date, on a fully diluted basis. During the year ended December 31, 2018, options for the exercise of 1,500,000 were granted under the 2016 plan, and as of December 31, 2019, there are 0 shares available for issuance under the 2016 Plan.

On July 27, 2018, the Board of Directors determined that no additional awards shall be granted under the Company's 2008 Equity Incentive Plan, as amended (the "2008 Plan") or the 2016 Stock Option Plan (the "2016 Plan"), and that no additional shares will be automatically reserved for issuance on each January 1 under the evergreen provision of the 2016 Plan.

On July 27, 2018, the Board of Directors adopted the 2018 Equity Incentive Plan (the "2018 Plan"), which was approved by the Company's shareholders on September 28, 2018. The 2018 Plan provides for grants for the purchase of up to an aggregate of 1,500,000 shares, including incentive and non-qualified stock options, restricted and unrestricted stock, loans and grants, and performance awards. The number of shares available under the 2018 Plan will automatically increase on January 1 of each year by the amount equal to 2.5% of the total number of shares outstanding on such date, on a fully diluted basis. Further, any shares subject to an award issued under the 2018 Plan, the 2016 Plan or the 2008 Plan that are canceled, forfeited or expired shall be added to the total number of shares available under the 2018 Plan.

On July 8, 2019, the Board of Directors approved an increase in the number of shares available for awards under the 2018 Plan to 5,946,933, plus an increase every January 1 of each year by the amount equal to 2.5% of the total number of shares outstanding on such date, on a fully diluted basis. As of December 31, 2019, 7,043 shares remain available to be issued under the 2018 Plan.

Under the 2018 Plan, awards may be granted to employees, consultants, independent contractors, officers and directors or any affiliate of the Company as determined by the Board of Directors. The maximum term of any award granted under the 2018 shall be ten years from the date of grant, and the exercise price of any award shall not be less than the fair value of the Company's stock on the date of grant, except that any incentive stock option granted under the 2018 Plan to a person owning more than 10% of the total combined voting power of the Company's common stock must be exercisable at a price of no less than 110% of the fair market value per share on the date of grant.

On October 5, 2018, GGH, as the sole stockholder of GGI, and the Board of Directors of GGI approved the Gaucho 2018 Equity Incentive Plan (the "2018 Gaucho Plan"). The 2018 Gaucho Plan provides for grants for the purchase of up to an aggregate of 8,000,000 shares of GGI's common stock, including incentive and non-qualified stock options, restricted stock, performance awards and other stock-based awards. On December 18, 2018, the Company granted options for the purchase of 6,495,000 shares of GGI's common stock. On August 5, 2019, the Company granted options for the purchase of 100,000 shares of GGI's common stock. As of December 31, 2019, there are 1,405,000 shares of GGI's common stock available to be issued under the 2018 Gaucho Plan.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Series B Preferred Stock**

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

The Series B shares were offered for sale to accredited investors pursuant to a private placement memorandum dated March 1, 2017. The offering ended on December 4, 2017. During the year ended December 31, 2018, the Company sold 775,931 shares of Series B at \$10.00 per share for gross proceeds of \$7,759,500 and issued 126,739 shares of Series B in connection with the conversion of certain convertible promissory notes (see Note 11 – Debt Obligations).

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 \$721,057 and \$724,108 during the years ended December 31, 2019 and 2018, respectively. During 2018, the Company's Board of Directors declared dividends in the amount of \$474,719. During 2018, the Company issued 378,193 shares of common stock valued at \$0.70 per share, or \$264,272, in satisfaction of certain dividends payable and paid cash dividends of \$127,502. Dividends payable of \$85,945 are included in other current liabilities at December 31, 2019 and 2018. Cumulative unpaid dividends in arrears related to the Series B totaled \$1,264,361 and \$546,355 as of December 31, 2019 and 2018, respectively.

Each share of Series B stock is entitled the number of votes determined by dividing \$10 by the fair market value of the Company's common stock on the date that the Series B shares were issued, up to a maximum of ten votes per share of Series B stock. Each Series B share is convertible at the option of the holder into 10 shares of the Company's common stock and is automatically converted into common stock upon the uplisting of the Company's common stock to a national securities exchange. Pursuant to the amendment unanimously approved by the Board of Directors on March 29, 2020 and by the holders of a majority of the Series B stock on March 27, 2020, if the Series B has not automatically converted to common stock upon the uplisting of the Company's common stock to a national exchange by December 31, 2020, the Company will redeem all then-outstanding Series B shares at a price equal to the liquidation value of \$10 per share, plus all unpaid accrued and accumulated dividends. As a result of this redemption feature and the fact that the Series B shares contain a substantive conversion option, the Series B shares are classified as temporary equity.

**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.

During the year ended December 31, 2018, the Company sold 1,890,993 shares of common stock at \$0.70 per share for aggregate proceeds of \$1,323,695.

During the year ended December 31, 2018, the Company issued 378,193 shares of common stock in satisfaction of preferred stock dividends (see Series B Preferred Stock, above), and 1,285,517 shares of common stock in satisfaction of convertible debt obligations (see Note 11 – Debt Obligations).

On March 13, 2019, the Company issued 181,185 shares of common stock at \$0.35 per share to employees for the year ended December 31, 2018 of the 401(k) profit sharing plan.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

During the year ended December 31, 2019, the Company sold 13,173,428 shares of common stock at \$0.35 per share for aggregate proceeds of \$4,610,700.

Between April 1, 2019 and June 30, 2019, the Company issued 83,587 shares of its common stock upon the conversion of 2017 Notes (see Note 11 – Debt Obligations).

Between July 1, 2019 and August 30, 2019, the Company issued 144,882 shares of its common stock in satisfaction of debt obligations (see Note 11 – Debt Obligations).

**Treasury Stock**

On May 19, 2018, a former employee transferred 46,122 shares of the Company’s common stock to the Company, as payment of a \$32,285 receivable from the former employee.

**Accumulated Other Comprehensive Loss**

For years ended December 31, 2019 and 2018, the Company recorded a gain of \$710,386 and a loss of \$(2,314,409), respectively, of foreign currency translation adjustments as accumulated other comprehensive loss, primarily related to fluctuations in the Argentine peso to United States dollar exchange rates (see Note 3 – Summary of Significant Accounting Policies, Highly Inflationary Status in Argentina).

**Warrants**

On July 23, 2019, pursuant to agreements with certain warrant holders, the Company canceled warrants for the purchase of 364,639 shares of common stock, with exercise prices between \$2.00 and \$2.50 per share, which includes warrants for the purchase of 151,383 shares of common stock held by the Company’s President and CEO.

A summary of warrant activity during the years ended December 31, 2019 and 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	\$ 2.15		
Issued	-	-		
Exercised	-	-		
Cancelled	-	-		
Expired	(235,666)	2.30		
Outstanding, December 31, 2018	1,229,630	2.15		
Issued	-	-		
Exercised	-	-		
Cancelled	(364,639)	2.12		
Expired	(298,249)	2.26		
Outstanding, December 31, 2019	<u>566,742</u>	<u>\$ 2.11</u>	<u>1.2</u>	<u>\$ -</u>
Exercisable, December 31, 2019	<u>566,742</u>	<u>\$ 2.11</u>	<u>1.2</u>	<u>\$ -</u>

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

A summary of outstanding and exercisable warrants as of December 31, 2019 is presented below:

<b>Warrants Outstanding</b>			<b>Warrants Exercisable</b>	
<b>Exercise Price</b>	<b>Exercisable Into</b>	<b>Outstanding Number of Warrants</b>	<b>Weighted Average Remaining Life in Years</b>	<b>Exercisable Number of Warrants</b>
\$ 2.00	Common Stock	440,451	1.2	440,451
\$ 2.50	Common Stock	126,291	1.2	126,291
	<b>Total</b>	<b>566,742</b>		<b>566,742</b>

**Stock Options**

On February 12, 2018, the Company granted five-year options for the purchase of 1,330,000 shares of the Company's common stock under the 2016 Plan, 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 the 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 \$623,011, which will be recognized ratably over the vesting period.

On September 20, 2018, the Company granted five-year options for the purchase of 1,500,000 shares of the Company's common stock under the 2018 Plan, of which options for the purchase of 1,350,000 shares of the Company's common stock were granted to certain employees of the Company and options for the purchase of 150,000 shares of the Company's common stock were granted to consultants. The options had an exercise price of \$0.539 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 \$253,023, which will be recognized ratably over the vesting period.

On January 31, 2019, the Company granted five-year options for the purchase of 1,350,000 shares of the Company's common stock under the 2018 Plan, of which options for the purchase of 1,100,000 shares of the Company's common stock were granted to certain employees of the Company, options for the purchase of 100,000 shares of the Company's common stock were granted to certain members of the Board of Directors and options for the purchase of 150,000 shares of the Company's common stock were granted to consultants. The options had an exercise price of \$0.385 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 \$200,092, which will be recognized ratably over the vesting period.

Pursuant to agreements with certain option holders, on May 13, 2019, the Company canceled options for the purchase of 3,139,890 shares of common stock, which had been granted under the Company's 2008 Equity Incentive Plan and were exercisable at prices between \$2.20 and \$2.48 per share, including options for the purchase of 2,109,890 shares of common stock held by the Company's President & CEO, options for the purchase of 150,000 shares of common stock held by the Company's CFO, and options for the purchase of 150,000 shares of common stock held by a member of the Company's board of directors.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

On July 8, 2019, the Company granted options for the purchase of 3,139,890 shares of common stock at an exercise price of \$0.385 per share to certain employees and consultants under the 2018 Stock Option Plan, which includes options for the purchase of 2,209,890 common shares granted to the Company's President and CEO, options for the purchase of 155,000 common shares granted to the Company's CFO, and options for the purchase of 150,000 shares granted to a member of the Company's board of directors. The options vest 25% on the first anniversary of the date of grant with the remainder vesting quarterly over the next three years. The options had an aggregate grant date fair value of \$398,199, 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. The weighted average grant date fair value per share of options granted by GGH during the years ended December 31, 2019 and 2018 was \$0.10 and \$0.32, respectively. Assumptions used in applying the Black-Scholes option pricing model during years ended December 31, 2019 and 2018, respectively, are as follows:

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Risk free interest rate	1.84 - 2.43%	2.56 - 2.96%
Expected term (years)	3.6 - 5.0	3.6-5.0
Expected volatility	51.0 - 52.0%	43.5%
Expected dividends	0.00%	0.00%

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

During the years ended December 31, 2019 and 2018, the Company recorded stock-based compensation expense of \$432,187 and \$716,249, respectively, related to stock option grants, which is reflected as general and administrative expenses (classified in the same manner as the grantees' wage compensation) in the consolidated statements of operations. As of December 31, 2019, there was \$1,143,412 of unrecognized stock-based compensation expense related to stock option grants that will be amortized over a weighted average period of 2.69 years.



**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

A summary of GGH stock options activity during the years ended December 31, 2019 and 2018 is presented below:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Life in Years</u>	<u>Intrinsic Value</u>
Outstanding, January 1, 2018	9,234,265	\$ 2.18		
Granted	2,830,000	0.65		
Exercised	-			
Expired	(2,505,000)	2.49		
Forfeited	(60,000)	1.62		
Outstanding, December 31, 2018	9,499,265	1.65		
Granted	4,489,890	0.39		
Exercised	-			
Expired	(992,375)	2.38		
Forfeited	(3,446,140)	2.20		
Outstanding, December 31, 2019	<u>9,550,640</u>	<u>\$ 0.78</u>	<u>3.5</u>	<u>\$ -</u>
Exercisable, December 31, 2019	<u>2,827,029</u>	<u>\$ 1.43</u>	<u>2.4</u>	<u>\$ -</u>

The following table presents information related to GGH stock options as of December 31, 2019:

<u>Options Outstanding</u>		<u>Options Exercisable</u>	
<u>Exercise Price</u>	<u>Outstanding Number of Options</u>	<u>Weighted Average Remaining Life in Years</u>	<u>Exercisable Number of Options</u>
\$ 0.39	4,439,890	-	-
\$ 0.54	1,500,000	3.7	468,753
\$ 0.77	1,320,000	3.1	577,506
\$ 1.10	1,038,750	2.9	528,770
\$ 2.20	1,242,000	1.4	1,242,000
\$ 3.30	10,000	0.4	10,000
	<u>9,550,640</u>	<u>2.4</u>	<u>2,827,029</u>

*Gaucha Group, Inc. Stock Options*

During 2018, GGI granted options for the purchase of 6,495,000 shares of common stock of GGI ("2018 GGI Options") at an exercise price of \$0.14 to certain employees under GGI's 2018 Stock Option Plan. The 2018 GGI options vest 25% on the first anniversary of the date of grant with the remainder vesting quarterly over the next three years. The GGI Options had a grant date value of \$197,768, calculated using the Black Scholes option price model with the valuation assumptions used: risk free interest rate – 2.65%, expected term – 3.75 years, expected volatility – 32%, expected dividends – 0%.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

On August 5, 2019, GGI granted options for the purchase of 100,000 shares of common stock of GGI (“2019 GGI Options”) at an exercise price of \$0.55 per share to an advisor under GGI’s 2018 Stock Option Plan. The GGI options vest 25% on the first anniversary of the date of grant with the remainder vesting quarterly over the next three years. The GGI Options had a grant date value of \$6,280, calculated using the Black Scholes option price model with the valuation assumptions used: risk free interest rate – 1.81%, expected term – 3.75 years, expected volatility – 32%, expected dividends – 0%.

As of December 31, 2019, there are options for the purchase of 6,595,000 shares of GGI common stock outstanding under the 2018 Gaucho Plan, with a weighted average remaining term of 4.0 years.

**17. COMMITMENTS AND CONTINGENCIES**

**Legal Matters**

The Company is involved in litigation and arbitrations from time to time in the ordinary course of business. After consulting with legal counsel, 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.

**Employment Agreement**

On September 28, 2015, we entered into an employment agreement with Scott Mathis, our CEO (the “Employment Agreement”). Among other things, the agreement provides for a three-year term of employment at an annual salary of \$401,700 (subject to a 3% cost-of-living adjustment per year), bonus eligibility, paid vacation and specified business expense reimbursements. The agreement sets limits on Mr. Mathis’ annual sales of GGH common stock. Mr. Mathis is subject to a covenant not to compete during the term of the agreement and following his termination for any reason, for a period of twelve months. Upon a change of control (as defined by the agreement), all of Mr. Mathis’ outstanding equity-based awards will vest in full and his employment term resets to two years from the date of the change of control. Following Mr. Mathis’s termination for any reason, Mr. Mathis is prohibited from soliciting Company clients or employees for one year and disclosing any confidential information of GGH for a period of two years. The agreement may be terminated by the Company for cause or by the CEO for good reason, in accordance with the terms of the agreement. On September 20, 2018, the Board of Directors extended the Employment Agreement on the same terms for a period of 120 days. On January 31, 2019, the Board of Directors of the Company extended the Employment Agreement through April 30, 2019, and on December 27, 2019, the Board of Directors extended the Employment Agreement through February 29, 2020. On February 19, 2020, the Board of Directors extended the Employment Agreement through May 31, 2020.

**Importer Agreement**

The Company entered into an agreement (the “Importer Agreement”) with an importer (the “Importer”) effective June 1, 2016, pursuant to which the Company has engaged the Importer as its sole and exclusive importer, distributor and marketing agent of wine in the United States for certain minimum sales quantities at prices mutually agreed upon by the Company and the Importer. The Importer Agreement terminates on December 31, 2020 and is automatically renewable for an indefinite number of successive three-year terms, unless terminated by the Company or the Importer for cause, as defined in the Importer Agreement.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Lease Commitments**

The Company leases one corporate office through an operating lease agreement. The Company has an obligation for its corporate office located in New York, New York, which expires August 31, 2020. As of December 31, 2019, the lease had a remaining term of approximately 0.7 years. Over the duration of the lease, payments will escalate 3% every year.

As of December 31, 2019, the Company had no leases that were classified as a financing lease. As of December 31, 2019, the Company did not have additional operating and financing leases that have not yet commenced.

Total operating lease expense for this property was \$232,471 and \$211,271 for the years ended December 31, 2019 and 2018, respectively, net of expense allocation to affiliates (see Note 14 – Related Party Transactions – Expense Sharing).

Supplemental cash flow information related to leases was as follows:

	<b>Year Ended December 31, 2019</b>
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>	
Operating cash flows from operating leases	\$ 240,375
<b>Right-of-use assets obtained in exchange for lease obligations:</b>	
Operating leases	\$ 361,020
<b>Weighted Average Remaining Lease Term:</b>	
Operating leases	0.67 years
<b>Weighted Average Discount Rate:</b>	
Operating leases	8.0%

Future minimum payments on this operating lease are as follows:

<b>For the Years Ending December 31,</b>	<b>Amount</b>
2020	\$ 163,424
Total	\$ 163,424

**18. SUBSEQUENT EVENTS**

**Foreign Currency Exchange Rates**

The Argentine Peso to United States Dollar exchange rate was 64.2441, 59.8979 and 37.5690 at March 27, 2020, December 31, 2019 and December 31, 2018, respectively.

The British pound to United States dollar exchange rate was 0.8126, 0.7541 and 0.7851 at March 27, 2020, December 31, 2019 and December 31, 2018, respectively.

**Convertible Notes**

On February 17, 2020, the Board of Directors approved the offer and sale of a series of unsecured convertible promissory notes (the “Convertible Notes”) in an amount up to \$1,500,000 to accredited investors with a substantive pre-existing relationship with the Company, in a private placement. The Convertible Notes each have the same terms with a maturity date of December 31, 2020 (the “Maturity Date”) and mandatory conversion into common stock of the Company registered under the Securities Act of 1933, as amended (the “Securities Act”) with a 15% discount price to the offer and sale of the Company’s common shares upon a registered offering and uplist to Nasdaq (the “Mandatory Conversion”). At any time before the Mandatory Conversion but no later than the Maturity Date, holders of the Convertible Notes will have the right to convert the total principal amount of the Convertible Notes, together with all accrued and unpaid interest thereon into shares of unregistered common stock of the Company at the closing price of the Company’s stock as quoted on the over-the-counter market as of the trading day prior to receipt of the notice to convert. Between February 20, 2020 and March 30, 2020, the Company sold Convertible Notes in an aggregate amount of \$625,000 to accredited investors who are all stockholders of the Company.

**Formation of Subsidiary**

On March 20, 2020, the Company formed a wholly-owned subsidiary, Bacchus Collection, Inc., which is still in the concept stage and is not yet operational.

**DESCRIPTION OF OUR CAPITAL STOCK**

*The following description summarizes important terms of our capital stock. For a complete description, you should refer to our certificate of incorporation and bylaws, forms of which are incorporated by reference to our Annual Report, as well as the relevant portions of the Delaware law.*

**Capital Stock**

The Company has two classes of stock: common and preferred. The Company's amended and restated certificate of incorporation provides for 80,000,000 shares of common stock, par value \$0.01 and 11,000,000 shares of preferred stock par value \$0.01.

In the discussion that follows, we have summarized selected provisions of our amended and restated certificate of incorporation, amended and restated bylaws, and certificates of designation, and the Delaware General Corporation Law relating to our capital stock. This summary is not complete. This discussion is subject to the relevant provisions of Delaware law and is qualified in its entirety by reference to our certificate of incorporation and our bylaws. You should read the provisions of our amended and restated certificate of incorporation, our amended and restated bylaws, and our certificates of designation as currently in effect for provisions that may be important to you. Please also see "Effect of Certain Provisions of our Amended and Restated Bylaws" below.

**Common Stock**

Each share of common stock has equal and identical rights to every other share for purposes of dividends, liquidation preferences, voting rights and any other attributes of the Company's common stock. No voting trusts or any other arrangement for preferential voting exist among any of the stockholders, and there are no restrictions in the articles of incorporation, or bylaws precluding issuance of further common stock or requiring any liquidation preferences, voting rights or dividend priorities with respect to this class of stock.

As of December 31, 2019, there were 60,321,615 shares of common stock issued and 60,271,082 shares of common stock outstanding. Shares in treasury are the result of the redemption of WOW Group membership interests and indirectly, GGH's shares. Each share of common stock entitles the holder thereof to one vote, either in person or by proxy, at a meeting of stockholders. The holders are not entitled to vote their shares cumulatively. Accordingly, the holders of more than 50% of the issued and outstanding shares of common stock can elect all of the directors of the Company.

All shares of common stock are entitled to participate ratably in dividends when and as declared by the Company's board of directors out of the funds legally available. Any such dividends may be paid in cash, property or additional shares of common stock. The Company has not paid any dividends since its inception and presently anticipates that no dividends will be declared in the foreseeable future. Any future dividends will be subject to the discretion of the Company's board of directors and will depend upon, among other things, future earnings, the operating and financial condition of the Company, its capital requirements, general business conditions and other pertinent facts. Therefore, there can be no assurance that any dividends on the common stock will be paid in the future.

Holders of common stock have no preemptive rights or other subscription rights, conversion rights, redemption or sinking fund provisions. In the event of the dissolution, whether voluntary or involuntary of the Company, each share of common stock is entitled to share ratably in any assets available for distribution to holders of the equity securities of the Company after satisfaction of all liabilities.

**Preferred Stock**

As of December 31, 2019, there were 11,000,000 shares of authorized preferred stock, with 10,097,330 shares designated as Series A Convertible Preferred Stock ("Series A Preferred") and 902,670 designated as Series B Convertible Preferred Stock ("Series B Preferred"). As of December 31, 2019, there were no shares issued and outstanding of Series A Preferred and 902,670 shares issued and outstanding of Series B Preferred.

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The holders of Series B Preferred Shares are entitled to, among other things, the following:

- 8% annual dividend, payable quarterly, within thirty (30) following the end of the quarter, subject only to a determination by the Company's Board of Directors that payment of dividends would jeopardize the Company's ongoing operations.
- A liquidation preference to be paid ahead of shares of the Company's common stock.
- Upon listing of the Company's common stock to a national exchange such as Nasdaq, mandatory conversion to common stock, at a ratio of ten shares of common stock for each Series B Share.
- If Series B Shares had not been previously converted into common stock, redemption of Series B Shares on April 15, 2020.
- Each holder of Series B Shares was entitled to vote on all matters and shall be entitled to the number of votes determined by a formula set forth in the certificate of designation, subject to a maximum of ten votes per Series B Share. Holders of Series B Shares also voted as a class to the extent Series B Shares would be treated differently from another series of preferred stock, such as any action that would amend any of the rights, preferences or privileges of the holders of Series B Shares, or that would authorize the Company to issue a class of preferred stock that would be senior to Series B Shares, and in each such instance consent or approval of holders of at least 50.01% of the then outstanding Series B Shares was required for such action to become effective.

On December 3, 2019, the Board of Directors and stockholders holding a majority of the Series B Shares approved the Amendment to the Certificate of Designation of the Series B Convertible Preferred Stock (the "Series B Amendment") which extended the period in which holders of the Series B Shares may voluntarily elect to convert such shares into shares of common stock of the Company to January 31, 2020. In addition, the Series B Amendment extended the date upon which the Company shall redeem all then-outstanding Series B Shares and all unpaid accrued and accumulated dividends to January 31, 2020.

On January 28, 2020, the Board approved an additional Amendment to the Certificate of Designation of the Series B Convertible Preferred Stock (the "Second Amendment") and on January 30, 2020, holders of a majority of the issued and outstanding shares of Series B Shares approved the Second Amendment which extends the period in which holders of the Series B Shares may voluntarily elect to convert such shares into shares of common stock of the Company to April 15, 2020. In addition, the Series B Amendment extends the date upon which the Company shall redeem all then-outstanding Series B Shares and all unpaid accrued and accumulated dividends to April 15, 2020. The Second Amendment was filed with the Secretary of State of the State of Delaware on January 30, 2020.

On March 29, 2020, the Board unanimously approved an additional Amendment to the Certificate of Designation of the Series B Convertible Preferred Stock (the "Third Amendment") which extends the period in which holders of the Series B Shares may voluntarily elect to convert such shares into shares of common stock of the Company to December 31, 2020. In addition, the Series B Amendment extends the date upon which the Company shall redeem all then-outstanding Series B Shares and all unpaid accrued and accumulated dividends to December 31, 2020. The Third Amendment was approved by the holders of a majority of the Series B Shares on March 27, 2020.

The Board of Directors has the ability to issue blank check preferred stock under the Company's Amended and Restated Certificate of Incorporation.

#### **Stock Options and Warrants**

As of December 31, 2019, there were options to acquire a total of 9,550,640 shares of common stock granted pursuant to our 2008, 2016 and 2018 equity incentive plans at a weighted-average exercise price of \$0.78, of which 2,827,029 shares of our common stock are currently issuable upon exercise of outstanding stock options at a weighted-average exercise price of \$1.43 per share, and there were warrants to acquire a total of 566,742 shares of our common stock all of which are currently exercisable, at a weighted-average exercise price of \$2.11.

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## Effect of Certain Provisions of our Amended and Restated Bylaws

Our bylaws contain provisions that could have the effect of delaying, deferring, or discouraging another party from acquiring control of us. These provisions and certain provisions of Delaware law, which are summarized below, could discourage takeovers, coercive or otherwise.

Our bylaws provide for our Board of Directors to be divided into three classes serving staggered terms. Approximately one-third of the Board of Directors will be elected each year. This method of electing directors makes changes in the composition of the Board of Directors more difficult, and thus a potential change in control of a corporation a lengthier and more difficult process. A classified board of directors is designed to assure continuity and stability in a board of directors' leadership and policies by ensuring that at any given time a majority of the directors will have prior experience with our Company and be familiar with our business and operations.

The classified board structure may increase the amount of time required for a takeover bidder to obtain control of the Company without the cooperation of our Board of Directors, even if the takeover bidder were to acquire a majority of the voting power of our outstanding common stock. Without the ability to obtain immediate control of our Board of Directors, a takeover bidder will not be able to take action to remove other impediments to its acquisition of our Company. Thus, a classified Board of Directors could discourage certain takeover attempts, perhaps including some takeovers that stockholders may feel would be in their best interests. Further, a classified Board of Directors will make it more difficult for stockholders to change the majority composition of our Board of Directors, even if our stockholders believe such a change would be beneficial. Because the a classified Board of Directors will make the removal or replacement of directors more difficult, it will increase the directors' security in their positions, and could be viewed as tending to perpetuate incumbent management.

Since the creation of a classified Board of Directors will increase the amount of time required for a hostile bidder to acquire control of our Company, the existence of a classified board of directors could tend to discourage certain tender offers which stockholders might feel would be in their best interest. However, our Board of Directors believes that forcing potential bidders to negotiate with our Board of Directors for a change of control transaction will allow our Board of Directors to better maximize stockholder value in any change of control transaction.

Our bylaws also provide that, unless we consent in writing to an alternative forum, the federal and state courts of the State of Delaware will be the sole and exclusive forum for: (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or employees to us or our stockholders; (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law; or (iv) any action asserting a claim that is governed by the internal affairs doctrine, in each case subject the court having personal jurisdiction over the indispensable parties named as defendants therein. This exclusive forum provision would not apply to suits brought to enforce any liability or duty created by the Securities Act or the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. This forum selection provision may limit our stockholders' ability to bring a claim in a judicial forum that they find favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and our directors, officers, employees and agents even though an action, if successful, might benefit our stockholders.

Our bylaws establish an advance notice procedure for stockholder proposals to be brought before any meeting of our stockholders, including proposed nominations of persons for election to our board of directors. At an annual or special meeting, stockholders may only consider proposals or nominations (i) specified in the notice of meeting; (ii) brought before the meeting by or at the direction of our board of directors or (iii) otherwise properly brought before the meeting by any stockholder who is a stockholder of record on the date of the giving of the notice and on the record date of the meeting and who complies with the notice procedures set forth in our bylaws. The bylaws do not give our board of directors the power to approve or disapprove stockholder nominations of candidates or proposals regarding other business to be conducted at a special or annual meeting of our stockholders. However, our bylaws may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed. These provisions may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of the Company.

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### **Delaware Anti-Takeover Statute**

We are subject to the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. These provisions can discourage certain coercive and inadequate takeover bids of the Company by requiring those seeking control of the Company to negotiate with the Board of Directors first. In general, Section 203 prohibits a publicly-held Delaware corporation from engaging, under certain circumstances, in a business combination with an interested stockholder (one who owns 15% or more of the Company's outstanding voting stock) for a period of three years following the date the person became an interested stockholder unless:

- Before the stockholder became an interested stockholder, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- On completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced with the total number of shares outstanding calculated when the transaction commenced (excluding certain shares owned by officers or directors or under employee stock plans); or
- At or subsequent to the time of the transaction, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Generally, a business combination includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. We expect the existence of this provision to have an anti-takeover effect with respect to transactions that our Board of Directors does not approve in advance and could result in making it more difficult to accomplish transactions that our stockholders may see as beneficial such as (i) discouraging business combinations that might result in a premium over the market price for the shares of our common stock; (ii) discouraging hostile takeovers which could inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts; and (iii) preventing changes in our management.

### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is Continental Stock Transfer & Trust. The transfer agent's address is: 1 State Street, 30th Floor, New York, New York 10004-1561. Shares of our common stock are issued in uncertificated form only, subject to limited circumstances.

### **Market Listing**

Our common stock is currently listed on the OTC Market's OTCQB tier under the symbol "VINO" and we intend to list our common stock on the Capital Markets tier of the Nasdaq under the same symbol.

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**Subsidiaries of Gaucho Group Holdings, Inc.**

1. Gaucho Group, Inc., a Delaware corporation (owned 79% by Gaucho Group Holdings)
  2. InvestProperty Group, LLC, a Delaware limited liability company
  3. Algodon Global Properties, LLC, a Delaware limited liability company
  4. DPEC Capital, Inc., a Delaware corporation (dormant)
  5. The Algódon – Recoleta S.R.L., an Argentine Sociedad de Responsabilidad Limitada (owned 100% through InvestProperty Group, LLC, Algodon Global Properties, LLC, and Algodon Properties II S.R.L.)
  6. Algodon Europe Limited, a United Kingdom private company (owned 100% by InvestProperty Group, LLC)
  7. Algodon Properties II S.R.L., an Argentine Sociedad de Responsabilidad Limitada (owned 100% through InvestProperty Group, LLC and Algodon Global Properties, LLC)
  8. Algodon Wine Estates S.R.L., an Argentine Sociedad de Responsabilidad Limitada (owned 100% through InvestProperty Group, LLC, Algodon Global Properties, LLC, Algodon Properties II S.R.L. and The Algódon – Recoleta S.R.L.)
  9. Bacchus Collection, Inc., a Delaware corporation (newly-formed, not operating)
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**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Scott L. Mathis, certify that:

1. I have reviewed this annual report on Form 10-K of Gaucho Group Holdings, Inc. for the year ended December 31, 2019;
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

March 30, 2020

*/s/ Scott L. Mathis*

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

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**CERTIFICATION OF THE PRINCIPAL ACCOUNTING OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Maria I. Echevarria, certify that:

1. I have reviewed this annual report on Form 10-K of Gaucho Group Holdings, Inc. for the year ended December 31, 2019;
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:
  - e. 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;
  - f. 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;
  - g. 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
  - h. 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):
  - c. 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
  - d. 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.

March 30, 2020

*/s/ Maria I. Echevarria*

Name: Maria I. Echevarria  
Title: Chief Financial Officer  
(Principal Accounting 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 Annual Report of Gaucho Group Holdings , Inc. (the “Company”) on Form 10-K for the year ended December 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: March 30, 2020

*/s/ Maria I. Echevarria*

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Maria I. Echevarria  
Chief Financial Officer and Principal Financial Officer  
Dated: March 30, 2020

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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