

**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, 2020

☐ 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

**Gaucha Group Holdings, Inc.**  
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	52-2158952 (I.R.S. Employer Identification No.)
1445 16 <sup>th</sup> Street, Suite 403, Miami Beach, Florida (Address of Principal Executive Offices)	33139 (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
Common Stock	VINO	The Nasdaq Stock Market LLC

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

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 the check mark whether the registration has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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 (4,005,517 shares, adjusted for the Company's 15:1 reverse stock split, and the conversion of all Series B Convertible Preferred Stock, each of which were effective February 16, 2021) computed by reference to the price at which the common equity was last sold as of June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter (\$6.00), was \$24,031,901. 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 April 12, 2021, there were 7,475,758 shares of the registrant's common stock outstanding.

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## PART I

Certain statements included or incorporated by reference in this annual report constitute forward-looking statements within the meaning of applicable securities laws. All statements contained in this annual report that are not clearly historical in nature are forward-looking, and the words “anticipate”, “believe”, “continue”, “expect”, “estimate”, “intend”, “may”, “plan”, “will”, “shall” and other similar expressions are generally intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”). All forward-looking statements are based on our beliefs and assumptions based on information available at the time the assumption was made. These forward-looking statements are not based on historical facts but on management’s expectations regarding future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Forward-looking statements involve significant known and unknown risks, uncertainties, assumptions and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from those implied by forward-looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this annual report or incorporated by reference herein are based upon what management believes to be reasonable assumptions, there is no assurance that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this annual report or as of the date specified in the documents incorporated by reference herein, as the case may be. Important factors that could cause such differences include, but are not limited to:

- the uncertainties associated with the ongoing COVID-19 pandemic, including, but not limited to uncertainties surrounding the duration of the pandemic, government orders and travel restrictions, and the effect on the global economy and consumer spending;
- the risks and additional expenses associated with international operations and operations in a country (Argentina) which has had significantly high inflation in the past;
- the uncertainties raised by a fluid political situation and fundamental policy changes that could be affected by presidential elections;
- the risks associated with a business that has never been profitable, whose business model has been restructured from time to time, and which continues to have and has significant working capital needs;
- the possibility of external economic and political factors preventing or delaying the acquisition, development or expansion of real estate projects, or adversely affecting consumer interest in our real estate offerings;
- changes in external market factors, as they relate to our emerging e-commerce business;
- changes in the overall performance of the industries in which our various business units operate;
- changes in business strategies that could be necessitated by market developments as well as economic and political considerations;
- possible inability to execute the Company’s business strategies due to industry changes or general changes in the economy generally;
- changes in productivity and reliability of third parties, counterparties, joint venturers, suppliers or contractors; and
- the success of competitors and the emergence of new competitors.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity or performance. You should not place undue reliance on forward-looking statements contained in this annual report.

**We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statements were made or to reflect the occurrence of unanticipated events, except as may be required by applicable securities laws.**

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

### **Risk Factors Summary**

- We face significant business disruption and related risks resulting from the COVID-19 pandemic, which could have a material adverse effect on our business and results of operations, including, but not limited to, the closure of the Algodon Mansion, operated by our indirectly owned Argentinian subsidiary, The Algodon - Recoleta S.R.L. (“TAR”), and the disruption of the operations of the Algodon Wine Estates, operated by our indirectly owned Argentinian subsidiary, Algodon Wine Estates S.R.L. (“SWE”).

- Due to the economic hardships presented by the COVID-19 pandemic, we obtained a loan from the Paycheck Protection Program (“PPP Loan”) from the U.S. Small Business Administration (“SBA”) pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). Although the SBA forgave the PPP Loan in full on March 26, 2021, we may not be entitled to forgiveness under state law for the PPP Loan which could negatively impact our cash flow.
- Economic and political instability in Argentina may adversely and materially affect our business, results of operations and financial condition.
- Argentina’s economy may not support foreign investment or our business.
- The Company is exposed to the risk of changes in foreign exchange rates.
- The stability of the Argentine banking system is uncertain.
- Government measures to preempt or respond to social unrest may adversely affect the Argentine economy and our business.
- We are exposed to risks in relation to compliance with anti-corruption and anti-bribery laws and regulations overseas and in the U.S. 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.
- The real estate market is uncertain in Argentina and the investment in Argentine real property is subject to economic and political risks.
- There are limitations on the ability of foreign persons to own Argentinian real property.
- Our business is subject to extensive domestic and foreign regulation, including regulations and laws imposed by the U.S. and Argentine governments, and additional regulations may be imposed in the future.
- There is limited public information about real estate in Argentina.
- The Company may be subject to certain losses that are not covered by insurance.
- Historically, the Company’s hotel incurs overhead costs higher than the total gross margin.
- The profitability of Algodon Wine Estates operated by SWE will depend on consumer demand for leisure and entertainment.
- Development of the Company’s projects will proceed in phases and is subject to unpredictability in costs and expenses.
- 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.
- Various diseases, pests, contamination, certain weather conditions, and natural disasters may negatively affect our business, operations or financial performance, including the business, operations or financial performance of SWE relating to the operation of the Algodon Wine Estates.
- GGI has no significant operating history and no revenue and we may not recognize any revenue from the Gaucho – Buenos Aires™ line of business in the future.
- The markets in which we operate, and which plan to operate in are highly competitive, and such competition could cause our business to be unsuccessful.
- 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.
- We may not be able to protect our intellectual property rights, which may cause us to incur significant costs.
- GGI is only in the beginning stages of its advertising campaign.
- Labor laws and regulations may adversely affect the Company.
- Insiders continue to have substantial control over the Company.
- The loss of our Chairman, President and Chief Executive Officer could adversely affect the Company’s businesses.
- 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 is dependent upon additional financing which it may not be able to secure in the future.
- Our level of debt may adversely affect our operations and our ability to pay our debt as it becomes due.
- 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.
- We are an “emerging growth company” and our election of reduced reporting requirements applicable to emerging growth companies may make our common stock less attractive to investors.
- 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.
- Raising additional funds through debt or equity financing could be dilutive and may cause the market price of our common stock to decline. We still may need to raise additional funding which may not be available on acceptable terms, or at all. Failure to obtain additional capital may force us to delay, limit, or terminate our product development efforts or other operations.
- We cannot assure you that the market price of our common stock will remain high enough to comply with Nasdaq’s ongoing listing requirements.
- You may experience immediate and substantial dilution in the book value per share of the units you purchase.

Please see “Risk Factors” beginning on page 23 for more details.

## Implications of Being an Emerging Growth Company

We qualify as an “emerging growth company” as defined in the JOBS Act. For so long as we remain an emerging growth company, we are permitted and currently intend to rely on the following provisions of the JOBS Act that contain exceptions from disclosure and other requirements that otherwise are applicable to companies that conduct initial public offerings and file periodic reports with the SEC. These provisions include, but are not limited to:

- being permitted to present only two years of audited financial statements in this prospectus and only two years of related “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our periodic reports and registration statements, including this prospectus;
- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act (“SOX”);
- reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements, including in this prospectus; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We will remain an emerging growth company until:

- the first to occur of the last day of the fiscal year (i) that follows February 19, 2026, (ii) in which we have total annual gross revenue of at least \$1.07 billion or (iii) in which we are deemed to be a “large accelerated filer,” as defined in the Exchange Act, which means the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the end of that year’s second fiscal quarter; or
- if it occurs before any of the foregoing dates, the date on which we have issued more than \$1 billion in non-convertible debt over a three-year period.

We have elected to take advantage of certain of the reduced disclosure obligations in this prospectus and may elect to take advantage of other reduced reporting requirements in our future filings with the SEC. As a result, the information that we provide to our stockholders may be different than what you might receive from other public reporting companies in which you hold equity interests.

We have elected to avail ourselves of the provision of the JOBS Act that permits emerging growth companies to take advantage of an extended transition period to comply with new or revised accounting standards until those standards apply to private companies. As a result, we will not be subject to new or revised accounting standards at the same time as other public companies that are not emerging growth companies.

For additional information, see the section titled “Risk Factors — Risks of being an Emerging Growth Company — We are an “emerging growth company” and the reduced disclosure requirements applicable to emerging growth companies may make our common stock less attractive to investors.

## ITEM 1. BUSINESS



### Recent Business Developments

- Due to COVID-19, temporary closure of our hotel, restaurant, winery operations, and golf and tennis operations. Subsequent reopening of the Algodon Mansion as of November 11, 2020 and recently our winery and golf and tennis facilities with COVID-19 measures implemented.
- Also due to COVID-19, construction on homes was temporarily halted from March to September but has resumed.
- As of March 20, 2021, international tourism by foreign residents, except those foreign residents with direct family contact with an Argentinian, remains prohibited through April 9, 2021.
- Reduced expenses by early termination of our office lease at 135 Fifth Avenue in New York City.

- On May 6, 2020, entered into a PPP Loan from the SBA pursuant to the Paycheck Protection Program (“PPP”). On March 26, 2021, the SBA forgave the PPP Loan in full.
- In November 2020, hired a communications agency, Skoog Co., to provide exposure to all of our brands.
- In December 2020, the independent members of our Board approved an extension to our President and CEO’s employment agreement to expire on June 30, 2021. Please see “Executive Compensation” for additional information.
- In January 2021, Wine Enthusiast rated and reviewed our Algodon 2012 PIMA Red Blend Mendoza and awarded it 91 points.
- On February 14, 2021, the Board approved a reverse stock split of common shares of the Company, par value of \$0.01 per share, wherein each stockholder received one common share in exchange for each fifteen common shares previously held (the 15:1 reverse stock split, the “Reverse Split”).
- On February 16, 2021, the Company effected its Reverse Stock Split and uplisted its shares to Nasdaq under the symbol “VINO,” with trading commencing on February 17, 2021.
- On February 19, 2021, the Company sold and issued an aggregate of 1,333,334 shares of common stock and 1,533,333 warrants, for approximate gross proceeds of \$8.0 million pursuant to a Form S-1 registration statement, before deducting underwriting discounts and commissions and estimated offering expenses, and issued the representative of such underwriters a common stock purchase warrant exercisable for up to 15,333 shares of common stock.
- On March 26, 2021, the Company received notice that the SBA has forgiven the PPP Loan in full. However, the Company may be subject to tax on the forgiveness under state law.
- On April 7, 2021, the Company paid a total of \$58,001 to Mr. Mathis in connection with his voluntarily deferred compensation between March 13, 2020 and August 21, 2020.
- On April 8, 2021, the Company’s subsidiary, Gaucho Group, Inc., entered into a seven-year lease for retail space located in Miami, Florida to sell its Gaucho – Buenos Aires™ products.

For a more thorough discussion of the Company’s business, see “Business” on page 5 and “Recent Developments and Trends” on page 50.

## 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 under the name Algodon Wines (Europe). Most recently, the Company formed a wholly-owned subsidiary, Bacchus Collection, Inc. on March 20, 2020, which is still in the concept stage for the production of elegant wine and bar essentials.

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 23 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
Gaucha Group, Inc.	GGI	Delaware, September 12, 2016	79% by GGH	Luxury fashion and leather accessories brand 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 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

As noted above, Algodon Wine Estates S.R.L. Algodon distributes its wines in Europe under the name Algodon Wines (Europe). The previous entity acting as the Company's wine distributor in Europe, Algodon Europe Ltd., was dissolved on August 13, 2019. In addition, the Company formed a wholly-owned subsidiary, Bacchus Collection, Inc. on March 20, 2020, which is not yet operational.

#### Gaucha - Buenos Aires™



Gaucha – Buenos Aires™ is a luxury leather goods and accessories brand, with a strategic focus on growing its e-commerce business, that is the result of more than a decade's investment in Argentina's heart and soul, featuring luxury products that merge the traditional Gaucha style with a modern twist, infused with uniqueness and modern Buenos Aires glamour. With Gaucha – Buenos Aires, GGH adds a high-end leather goods 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. Gaucha – 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, we believe that 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. We believe that 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 Gaucha – Buenos Aires to become its ambassador. We believe there may be a sizeable appetite in the USA and beyond for our 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 workmanship of an embossed belt buckle, the "Gaucha" style is a world-renowned symbol of Argentine craftsmanship. Though rooted in the traditions of Argentine culture, Gaucha – Buenos Aires intends to become a brand in which Argentine luxury finds its contemporary expression: merging the traditional Gaucha style with a modern twist, infused with uniqueness and modern Buenos Aires glamour.

We believe that Gaucho – 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 *Gaucha*.

On September 12, 2019, during New York Fashion Week, Gaucho – Buenos Aires had its U.S. debut and press launch.

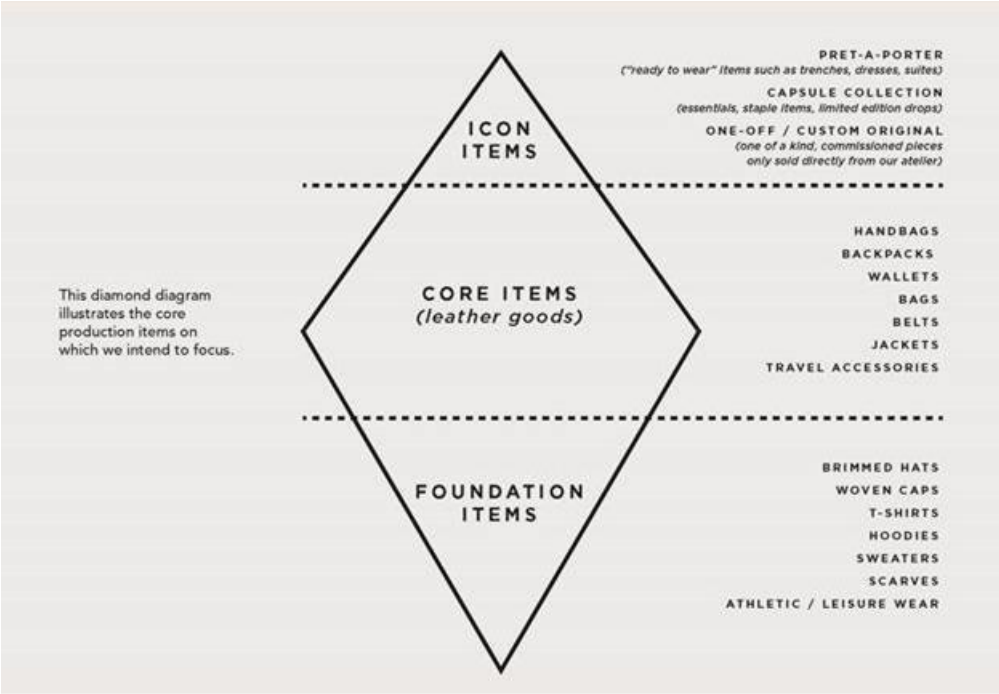
Most recently in April 2021, GGI entered into a seven-year lease for retail space located at 112 N.E. 41<sup>st</sup> Street, Suite 106, in Miami, Florida to sell its Gaucho – Buenos Aires™ products.

**Our Products**

GGI’s Gaucho – Buenos Aires™ primarily sells what Argentina is well known for: leather goods and accessories, all defining the style, quality, and uniqueness of Argentina.

Gaucha – Buenos Aires’s fully optimized e-commerce platform ([www.gauchobuenosaires.com](http://www.gauchobuenosaires.com)) offers a commercial line of designer clothing, with an emphasis on leather goods accessories, including leather jackets, branded hoodies, t-shirts, polo shirts and ponchos. In the following 18 months, we also anticipate a strategic roll-out introducing other new products such as fragrances, a Gaucho Kids clothing line, Gaucho Casa (home goods), and Gaucho Residences as the natural evolution of the brand’s growth.

Blending the quality of a bygone era with what we believe to be a sophisticated, modern, global outlook, the brand’s 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 Gaucho – Buenos Aires™ was 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, 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.

Gaucha – 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, in our view, 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 devaluation of the peso can have positive ramifications for the tourism industry (and Algodon's hospitality businesses). Tourists from outside Argentina can spend more money at hotels, restaurants and other attractions with a favorable exchange rate. We intend to take advantage of the historic low and deep devaluation of the Argentine peso by producing many of our products and wine in Argentina, thereby paying for product and labor in pesos, we then intend to sell to consumers at a favorable exchange rate in USD to the U.S. and the world.

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*

John I. Griffin, Board Advisor. 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.



David Gilmour, Board Advisor. We believe that Mr. Gilmour is an ideal fit for our advisory board due to his shared values of product quality and philosophy, and his broad experience and successes; including having founded Fiji Water, the health & wellness products of Wakaya Perfection, as well as for cofounding with Peter Munk one of the largest gold companies in the world, Barrick Gold, and South Pacific Hotel Corporation, one of the largest hotel chains in the south pacific. Mr. Gilmour has also won multiple awards for his product packaging and designs. In the wake of the global pandemic, the world is looking more at health and wellness than ever before. With this in mind, Mr. Gilmour has taken a keen interest in the Company's subsidiaries, including Algodon Wine Estates' ([www.algodonwineestates.com](http://www.algodonwineestates.com)) wine, wellness, culinary and sport resort and e-commerce products, as well as its focus on promoting healthier lifestyles, wellness and rejuvenation of the mind, body and spirit. These values are strongly aligned with Mr. Gilmour's own most recent venture of the organic wellness products of Wakaya Perfection, LLC, a purveyor of and nutritional products. As a health and wellness advocate, Mr. Gilmour's Wakaya Perfection ([www.wakaya.com](http://www.wakaya.com)) is a mission-driven wellness enterprise on the 2,200-acre island paradise of Wakaya in the Fiji archipelago which, due to its high-nutrient virgin volcanic soil, served as the brand's very first location in the cultivation of its exclusive formula. Volcanic soil is hailed for its purity and multi-faceted rejuvenating properties that can naturally enhance the quality of lives. The brand's production has since branched out to the main island of Fiji, as well as to Nicaragua, which possess the same high nutrient volcanic ash soil. The company continues to seek out the best volcanic ash soil in the world to continue cultivating products of the highest caliber and service global demand. Wakaya Perfection's product line includes hand-cultivated organic ginger, turmeric, teas, and sea salts, all indigenous to the island of Wakaya. Wakaya Perfection seeks to create the world's most powerful health and wellness commodities for the consumer of today seeking integrity in their product selection; from the quality of its source, to the soil it is grown in, and then on to the shelves. Wakaya Perfection products have been distributed through luxury hotels, resorts, fine-dining establishments and luxury department stores.

John Dunagan, Business Advisor. John Dunagan, a West Texas native, is an experienced professional in manufacturing and bottling industry. After finding success bottling with Coca-Cola, Mr. Dunagan traveled all over the United States, Europe and Asia, creating similarly focused manufacturing facilities for the drinks industry. John is now an investor and serves on the board of several companies in the Real Estate, Oil and Gas Exploration, and Defense industries. After receiving his degree from Harvard Business School, John joined the Peace Corps in Cali, Colombia, and shortly thereafter founded several companies across the country - among them Rica Rondo, a major meat processor. Between his first and second years at Harvard Business School Business School, he received a Rotary Foundation Fellowship to study at the University of Buenos Aires, Argentina. John received his Bachelor's degree from University of Texas at Austin.

Juliano de Rossi, Creative Solutions Consultant. Juliano serves as a consultant providing valuable guidance to the GGI team, having significant experience in the high-end fashion world. We entered into an oral 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.

#### *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, Amazon and Google Marketplace using micro and macro/celebrity influencers, and public relations firms specializing in the international fashion scene.

Our communications firm, Skoog Co., is currently creating an action plan to generate buzz about our brand, our designers, and our e-commerce platform. Social media star, 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.

GGI's 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 – Buenos Aires™ 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, Amazon and Google Marketplace, and retargeting ads.

Post-COVID-19, we anticipate presenting at fashion shows 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 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, Women’s Wear Daily, Nista, 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. On April 28, 2020 and October 20, 2020, the trademarks were officially registered with the United States Patent and Trademark Office. The details of the registrations are:

Registration No. 6,043,175

Registration Date: April 28, 2020

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

Registration No. 6,180,633

Registration Date: October 20, 2020

Classes: 3 and 24

Goods:

Class 3 – Fragrances; perfumes

Class 24 – Bed and table linen; bed blankets; bed sheets; pillowcases; comforters; duvets; bath linen

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. At this time Markaria has only requested a nullity of the company's trademark application in Argentina. The Company is working with its Argentine legal counsel to negotiate, distinguish and defend its use of Gaucho—Buenos Aires in Argentina. Since the COVID-19 pandemic suspended all legal cases in Argentina, there have been no notifications of any advancement of this request. The use of the mark in the United States has not been affected, which is the targeted market for the Company.

#### **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 fine 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 new wholly-owned 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 Argentina under the brand name *Gaucho – Buenos Aires*™. See *Gaucho – Buenos Aires*™ on page 54 above.

GGH's senior management is based 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.

Until May 31, 2020, the Company's senior management was based at its corporate office in New York City. Due to COVID-19, we have terminated the corporate office lease and senior management works remotely. 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.

Both pre- and post-COVID-19, we aim at 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 60.

#### ***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*

We believe we are now positioned to utilize the Company's listing on Nasdaq 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, Art Basel, and Andrew Harper Travel.

### *Catalysts for Growth*

#### Gaucha Casa Residences

As Gaucha – 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 Gaucha – 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, Gaucha – 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.



#### Gaucha Casa

Gaucha Casa challenges traditional lifestyle collections with its luxury textiles and home accessories rooted in the singular spirit of the gaucha aesthetic. Using high-quality natural materials sourced from countries that are pioneers in the field of eco production, such as New Zealand, Iceland and, of course, Argentina, each piece within the line embodies the rarefied heritage of Buenos Aires and its deep-rooted connection to artisanship.

Celebrating the equestrian culture that "gaucha country" is world-renowned for, we believe that the collection's silver-plated trays, bottle accessories and more elegant homeware pieces featuring elaborate horn detailing are a perfect embodiment of the contemporary glamour of Buenos Aires. Naturally, the epic wild landscapes have had their own influences, with a curated edit of sheepskin rugs, Tibetan cashmere cushions, mohair throws and Brazilian cow-hide cushions, providing the perfect partnership of form and function – and a chic complement to the more modern details in your home. Whether you're looking to embrace the gaucha lifestyle or bring a touch of the country to the city, Gaucha Casa offers an organic design DNA for every interior space, ideal for modern living.

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 Gaucho – 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.

#### Gaucho – Kids Collection

We envision the possibility of a designer baby and kids' clothes collection at Gaucho – Buenos Aires, so that parents who love our brand can treat their children to a luxury line of fun, Gaucho-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. Gaucho 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.

#### Gaucho – Buenos Aires Boutique at Algodon Mansion

Located in the ground floor lobby of Algodon Mansion, the future location (anticipated opening in the fourth quarter of 2021) of our boutique store is just a stroll away from the city's main shopping boulevards on Alvear. The Gaucho – Buenos Aires boutique will be open to receive direct foot traffic from shoppers along Montevideo. Emulating the great boutiques and ateliers of Europe's fashion capitals, we believe that Algodon Mansion is an inspiring space in which to shop our collection. Built in 1912, the building connects us to the bygone glamor of the city's golden age – and plays an important role in defining Gaucho Buenos Aires' ethos and aesthetic.

#### 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 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 installing a popup shop during the summer season in Punta Del Este, Uruguay, which is a popular vacation spot for wealthy Argentines and other Latin Americans.

#### Currency Devaluation

A currency devaluation can help 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 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 higher revenues. Additionally, non-leveraged real estate can be a hedge against inflation, and we believe that over time our 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, which is 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" and we believe that this 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 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 owned by IPG's subsidiary, The Algodon – Recoleta S.R.L. ("TAR"). The second property, owned 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 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 high-end 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 year ended		Δ amount	Δ %	For the year ended		Δ amount	Δ %
	December 31, 2019	December 31, 2020			December 31, 2019	December 31, 2020		
Occupancy level	54%	14%	-40%	-74%	54%	14%	-40%	-74%
Average daily Rate (ADR)	337	356	19	6%	16,324	21,369	5,045	31%
RevPAR	182	50	-132	-73%	8,815	2,992	-5,823	-66%

<b>Occupancy level:</b>	<p>It is a Hotel KPI calculation that shows the percentage of available rooms or beds being sold for a certain period of time.</p> <p>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.</p> <p>This ratio decreased by 74% which is explained by the Government regulations about the closing of the international border due to the intent for stop the COVID-19. TAR compared to AWE Lodge depends on international tourism.</p>
<b>Average daily Rate (ADR):</b>	<p>This is a metric widely used in the hospitality industry to indicate the average realized room rental per day.</p> <p>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.</p> <p>2020 ADR in USD increased in comparison with previous year from USD 337 to USD 356. The same ratio in ARS has increased by 31% due to the effect of the devaluation</p>
<b>RevPAR:</b>	<p>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.</p> <p>2020 RevPAR in USD has decreased in comparison with previous year from USD 182 to USD 50 due to the low level of occupation during 2020</p>

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 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 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, ADR and RevPAR for Algodon Wine Estates:

	AWE - San Rafael							
	USD				ARS			
	For the year ended				For the year ended			
	December 31, 2019	December 31, 2020	Δ amount	Δ %	December 31, 2019	December 31, 2020	Δ amount	Δ %
Occupancy level	20%	13%	-7%	-35%	20%	13%	-7%	-35%
Average daily Rate (ADR)	219	215	-4	-2%	10,318	15,180	4,862	47%
RevPAR	44	28	-16	-36%	2,064	1,973	-91	-4%

**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 35% which is explained by the Government regulations about the quarantine which was set from March 19th, 2020 to late October 2020 in order to stop COVID-19 spreading. AWE compared to STAR depends on domestic tourism who was looking for open areas.

**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.

2020 ADR in USD is similar with previous year (USD 219 vs USD 215). The same ratio in ARS has increased by 47% due to the effect of the devaluation.

**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.

2020 RevPAR in USD has decreased in comparison with previous year from USD 44 to USD 28 due to the low level of occupation during 2020. However the same 2020 ratio in ARS is similar than 2019 because the low occupation was compensated by the devaluation.





In 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 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 (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.

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 it is reasonable to conclude that consumer confidence (within the fine wine industry) can be positively influenced by 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 the fourth quarter of 2020)

1. California – Vinporter Retail Holdings, LLC
2. California – dba Hollywood Burger
3. California – dba Salvatore Italian Restaurant
4. California – dba Sherry- Lehmann West, LLC
5. California – dba Wally's Wine and Spirits

6. California – Golden State Wine & Spirits
7. California – Peach Systems Inc.
8. Florida – Greystone
9. Georgia – Georgia Crown Distributing - Atlanta
10. Illinois – Louis Glunz Wines Inc
11. Minnesota – Bellboy Corporation
12. Maryland – Lanterna Distributors, Inc.
13. New Jersey – dba Wine Chateau
14. New Jersey – dba Wine Chateau / Le Malt
15. New Jersey – Port Washington Imports
16. New York – Independence Wine & Spirits of NY, LLC
17. New York – dba Ambassador Wine & Spirits
18. New York – dba Beekman Wine & Liquor
19. New York – dba Estancia 460
20. New York – dba Nirvana
21. New York – dba Pascalou
22. New York – dba Tuscany Steakhouse
23. New York – dba Friars National Association Inc.
24. New York – dba Mister Wright
25. New York – dba Sherry Lehman Inc.
26. Nevada – Franco Wine
27. Oklahoma – Elite Wine & Spirits
28. Texas – United Wine and Spirits, LLC

#### Markets - scheduled by Seaview for 2021

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 23.

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.



# ALGODON

FINE WINES



In the third quarter of 2020, Algodon Fine Wines launched e-commerce websites in both the U.S. and Argentina.

In September 2020, Algodon Fine Wines announced the launch of an e-commerce initiative servicing patrons in Argentina, at [AlgodonWines.com.ar](http://AlgodonWines.com.ar). The e-commerce store sells and ships Algodon wines direct from its San Rafael, Mendoza winery to consumers living in Argentina. This debut is part of an expanded effort to rollout the brand's premium Malbec-based wines, as well as the rest of the Algodon portfolio of award-winning varietals and blends.

In September 2020, Algodon Fine Wines also launched an e-commerce initiative servicing the United States, with the backend warehousing and fulfillment provided by the California-based distributor VinPorter Wine Merchants, at [AlgodonFineWines.com](http://AlgodonFineWines.com). The e-commerce store, powered by VinPorter, links to a virtual storefront showcasing the Algodon wines currently distributed in the U.S. This debut is part of an expanded U.S. rollout for Premium Malbec-based wines, as well as the rest of the Algodon portfolio of award-winning varietals and blends. In addition to the Algodon Fine Wines site powered by VinPorter, Algodon wines are also available throughout the U.S. both in-store and online at such retailers as Spec's, Sherry-Lehmann, The Noble Grape and Wine-Searcher.com (among others).

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 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 – Real Estate Development



AWE has acquired a total of 4,3138 acres of contiguous real estate surrounding its project in Mendoza, Argentina. 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. The Company has closed on the sale of all 25 lots and recorded revenue of \$1,468,000. As of December 31, 2019, the Company has \$838,471 of deposits for pending sales and as of December 31, 2020, the Company has \$849,828 of deposits for pending sales.

#### *Potential Value Creation*

After an official “arm’s length” evaluation of the entire property (including the additional recently acquired 2,000 acres), we estimate the discovery and potential development of underground aquifers could help increase the value of the parcel. Due to the prohibition of developing new wells in Mendoza City Metro Area, it may be positive to take advantage of the lack of regulations in San Rafael. Additionally, the current administration of Mendoza Province has asked (upon approval of the Company) to construct a major road through the far reaches of the property in an effort to link the popular tourist destinations of Valle Grande, and Los Reyunos. This development could in effect raise the commercial value of the land significantly, as well as open up potential rental-income opportunities from storefronts, gas stations, and other businesses.

In November 2020, we began the process of drilling two water wells at Algodon Wine Estates, which we believe can significantly increase the value of the land. This initiative can allow us direct access to natural aquifers that can be utilized for a variety of infrastructural and landscape initiatives including crop production capabilities, residential and commercial development potential, or property resale. In the future, we intend to apply for permits to add an additional six water wells throughout the 4,138 acre property.

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

#### *Projects and Business Initiatives in Development*

GGH’s luxury branded assets include fine experiences through our award-winning wines and exceptional luxury destinations. Our U.S.-based e-commerce website GauchoBuenosAires.com is 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. 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 23. Additional information may be found here: <https://www.ttb.gov/itd/international-imports-exports-requirements>.

## Human Capital Resources

Our experienced employees and management team are some of our most valuable resources, and we are committed to attracting, motivating, and retaining top professionals. Including the operating subsidiaries in Argentina, as of the date of this prospectus, the Company has approximately 65 full-time employees. In Argentina, GGH also employs temporary, seasonal employees during the busy harvest season. In the United States, GGH employs approximately 4 full-time employees as of the date of this annual report. 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 success is directly related to the satisfaction, growth, and development of our employees. We strive to offer a work environment where employee opinions are valued and allow our employees to use and augment their professional skills. To achieve our human capital goals, we intend to remain focused on providing our personnel with entrepreneurial opportunities to expand our business within their areas of expertise and continue to provide our personnel with personal and professional growth. The Company emphasizes several measures and objectives in managing our human capital assets, including, among others, employee safety and wellness, talent acquisition and retention, employee engagement, development and training, diversity and inclusion, and compensation and pay equity.

*COVID-19 and Employee Safety and Wellness.* In response to the COVID-19 pandemic, we implemented significant changes that we determined were in the best interest of our employees as well as the communities in which we operate. These measures include allowing all employees to work from home. We believe in supporting our employees' health and well-being. Our goal is to help employees make informed decisions about their health by providing the tools and resources necessary to achieve a healthier lifestyle. We offer our employees a wide array of benefits such as life and health (medical, dental, and vision) insurance, paid time off and retirement benefits, as well as emotional well-being services through our health insurance program.

*Diversity and Inclusion and Ethical Business Practices.* We believe that a company culture focused on diversity and inclusion is a crucial driver of creativity and innovation. We also believe that diverse and inclusive teams make better business decisions, ultimately driving better business outcomes. We are committed to recruiting, retaining, and developing high-performing, innovative and engaged employees with diverse backgrounds and experiences. This commitment includes providing equal access to, and participation in, equal employment opportunities, programs, and services without regard to race, religion, color, national origin, disability, sex, sexual orientation, gender identity, stereotypes, or assumptions based thereon. We welcome and celebrate our teams' differences, experiences, and beliefs, and we are investing in a more engaged, diverse, and inclusive workforce.

We also foster a strong corporate culture that promotes high standards of ethics and compliance for our business, including policies that set forth principles to guide employee, officer, director, and vendor conduct, such as our Code of Business Conduct and Ethics. We also maintain a whistleblower policy and anonymous hotline for the confidential reporting of any suspected policy violations or unethical business conduct on the part of our businesses, employees, officers, directors, or vendors.

Due to the pandemic, on May 31, 2020 Gaucha Group Holdings, Inc. terminated its office lease at 135 Fifth Avenue in New York City. All senior management of Gaucha Group Holdings, Inc. have been working remotely since then. The Company's current mailing address is 1445 16th Street, Suite 403, Miami Beach, Florida 33139. The telephone number remains the same at +1-212-739-7700. The Company is licensed to do business in New York and Florida.

## Ticker Symbol

The Company uplisted its common stock on the Nasdaq Capital Market ("Nasdaq") effective as of February 16, 2021, and the common stock commenced trading on Nasdaq effective as of February 17, 2021 under the symbol "VINO".

## Available Information

Effective upon the uplist of the Company's common stock to Nasdaq, we have updated our corporate governance policies. 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 here: <https://ir.gauchoholdings.com/corporate-governance/governance-documents>, 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 Compensation Committee Charter,
- our Nomination Guidelines,
- 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:

### Risks Relating to the COVID-19 Pandemic

*We face significant business disruption and related risks resulting from the COVID-19 pandemic, which could have a material adverse effect on our business and results of operations.*

We temporarily closed our hotel, restaurant, winery operations, and golf and tennis operations. On October 19, 2020, we re-opened our winery and golf and tennis facilities with COVID-19 measures implemented. Most recently, we reopened the Algodon Mansion as of November 11, 2020 with COVID-19 measures implemented. However, on March 15, 2020, the Argentine government announced the closing of its borders to foreigners. As of March 20, 2021, international tourism by foreign residents, except those foreign residents with direct family contact with an Argentinian, remains prohibited through April 9, 2021. Due to COVID-19, construction on homes was temporarily halted from March to September but has resumed.

The Company reduced expenses by negotiating an early termination of our office lease at 135 Fifth Avenue in New York City, and all employees and contractors are currently working from home. In addition, we are reviewing our labor needs to run the administrative side of the Company in New York.

Beginning Monday, April 13, 2020, GGI's warehouse and fulfillment center, Bergen Logistics, announced it would operate on a four-day schedule from Monday through Thursday, allowing for a 72-hour window from Friday through Sunday for any possible surface viruses to self-eliminate. On June 12, 2020 Bergen Logistics announced that it would increase its warehouse operations to a Sunday through Friday schedule. The warehouse stores and ships all of the items that are for sale on our e-commerce website. Any e-commerce orders that may be received during the time of shutdown are only be fulfilled once the fulfillment center re-opens. Likewise, during their shutdown, the warehouse would not be able to receive and process any returned merchandise from customers, nor would the warehouse be able to receive any merchandise from our manufacturers.

Throughout the pandemic, we also experienced significant delays in product development, production, and shipping from our overseas manufacturing partners, many of whom have been on complete lockdown for the safety of their workers. Some of our manufacturing partners have even had to close permanently. Because of this, we are in the process of pursuing new vendors.

Due to the events stated above, it was necessary for us to reduce our email marketing efforts to our customer database, as we were not able to fulfill orders. This resulted in a significant reduction in our web traffic and sales.

Although the Company presently has enough cash on hand to sustain its operations on a month to month basis, we are continuing to explore opportunities with third parties and related parties to provide some or all of the capital that we need. 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 assets and/or seek reorganization under the U.S. bankruptcy code.

The Company is continuing to monitor the outbreak of COVID-19 and the related business and travel restrictions, and changes to behavior intended to reduce its spread, and the related impact on the Company's operations, financial position and cash flows, as well as the impact on its employees. Due to the rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on the Company's future operations and liquidity is uncertain. While there could ultimately be a material impact on operations and liquidity of the Company, as of the date of this annual report, the impact cannot be determined at this time.

***Due to the economic hardships presented by the COVID-19 pandemic, we obtained a loan from the Paycheck Protection Program ("PPP Loan") from the U.S. Small Business Administration ("SBA") pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). We may not be entitled to forgiveness under state law for the PPP Loan which could negatively impact our cash flow.***

On May 6, 2020, the Company received a potentially forgivable loan from the SBA pursuant to the PPP enacted by Congress under the CARES Act, resulting in net proceeds of \$242,487. To facilitate the PPP Loan, the Company entered into a note payable agreement with Santander Bank, N.A. as the lender. On March 26, 2021, the SBA forgave the PPP Loan in full.

Under the terms of the CARES Act, as amended by the Paycheck Protection Program Flexibility Act of 2020, the Company is eligible to apply for and receive forgiveness for all or a portion of their respective PPP Loan. Such forgiveness will be determined, subject to limitations, based on the use of the loan proceeds for certain permissible purposes as set forth in the PPP, including, but not limited to, payroll costs (as defined under the PPP) and mortgage interest, rent or utility costs (collectively, "Qualifying Expenses") incurred during the 24 weeks subsequent to funding, and on the maintenance of employee and compensation levels, as defined, following the funding of the PPP Loan. The Company used the proceeds of the PPP Loan for Qualifying Expenses. However, no assurance is provided that the Company will be able to obtain forgiveness of the PPP Loan under state law in whole or in part. It is possible that under state law, the loan may not be forgiven in full, which could have a negative impact on the Company's cash flow.

#### **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 of 2020, the International Monetary Fund (IMF) published the “World Economic Outlook” report. The IMF noted that after contracting 2.1 percent in 2019, the Argentine Real GDP is expected to further contract by 11.8 percent in 2020, with a growth of 4.9 percent forecasted in 2021.

In its October 12, 2020 Staff Statement on Argentina, the IMF noted that Argentina is facing economic and social difficulties relating to the unprecedented health crisis created by COVID-19. The IMF stated that the resulting recession is contributing to an increase in already elevated poverty and unemployment levels.

The IMF projected the 2019 inflation rate to be approximately 40 percent. The actual inflation rate was 53.8 percent. The IMF did not make projections for the inflation rate for 2020 or 2021, as the variables used in the forecasts are linked to still-pending IMF program negotiations. However, in March 2020, NASDAQ reported that the inflation rate was projected to be 40 percent in 2020 and 30.5 percent in 2021, according to a central bank poll of analysts. The actual inflation rate, as reported by the Organization for Economic Cooperation and Development (OECD) was 35.8 percent as of November 2020.

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. Following Prat-Gray’s December 2015 announcement that the currency controls would be lifted, the exchange rate of the peso fell from 9.8 pesos per U.S. dollar to 14 pesos per U.S. dollar, resulting in a 30% devaluation of the peso. By August 2019, inflation had risen to more than 50%. 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 took office on December 10, 2019. In late December of 2019, President Fernández’s emergency economic reform package was passed by Congress and was intended to decrease poverty and reduce inflation. The economic reform package included, among other things, tax increases, restrictions on the currency market, and debt renegotiations.

Given the political climate and the ongoing COVID-19 health crisis, 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. The Argentine peso has devalued significantly against the U.S. dollar, from about 6.1 Argentine pesos per dollar in December 2013 to approximately 88.17 pesos per dollar in February 2021, as published by Bloomberg.

The overall state of Argentinian politics and the Argentina economy have resulted in numerous investment reports, including the United Nations Conference on Trade and Development (UNCTAD) 2020 World Investment Report, the World Bank’s 2020 Doing Business Report, the U.S. Department of State’s 2020 Investment Climate Statement on Argentina, and a report by Santander Trade, that discuss the risks of 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.***

Currently there is significant inflation, labor unrest, and currency deflation, in addition to a potential recession brought on by the COVID-19 pandemic. There has also been significant governmental intervention into the Argentine economy, including price controls, foreign currency restrictions, and debt restructuring negotiations. As a result, uncertainty remains as to whether economic growth in Argentina is sustainable and whether foreign investment will be successful.

***Since July 1, 2018, Argentina has had 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, as further described in its May 16, 2018 Document for Discussion, it 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 was 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.

***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. On October 27, 2019, Alberto Fernández won as President of Argentina with Ms. de Kirchner becoming Vice President. Ms. de Kirchner has remained a prominent political figure in Argentina, and there has been speculation surrounding the influence that Ms. de Kirchner may have over Mr. Fernández's policies. In June of 2020, President Fernández announced his plan to nationalize Vicentin SAIC, a major Argentine soybean processor. There is no assurance that any investment in GGH will be safe from government control or nationalization.

***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 Gaucha 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. In October 2020, Argentina's central bank introduced measures to tighten controls on the movement of foreign currency, which resulted in a decline of the Argentine peso. The Argentine peso is stated at approximately 88.17 Argentine pesos per US dollar as of February 2021, as published by Bloomberg.

***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.

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. 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 is 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 2020, Argentina reported that it had successfully negotiated a restructuring of close to \$65 billion in debt with large US investment firms. The government predicted that the deal will bring in billions of dollars in financial relief over the 2020-2030 term and help cut interest rates on foreign bonds by 4%. However, only weeks after the restructuring, investors criticized the Argentine government's mismanagement of the economy, and bonds issued in September had already fallen 25 percent. Most recently, Argentina has begun working with the IMF to repackage close to \$45 billion of debt owed to the fund. In a December 3, 2020 IMF press briefing, the IMF stated that the discussions with Argentina were ongoing with no precise timeline of any eventual agreement.

***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 continued experiencing a decrease in the value of the Argentine peso throughout 2019.

Recently, the Argentine central bank has restricted access to dollars, prohibiting private citizens from buying more than \$200 in foreign currency per month on the official exchange market. Argentine officials have suggested that they will relax controls when the economic has stabilized. 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. 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 foreign and domestic anti-corruption and anti-bribery laws and regulations.***

Our operations are subject to various foreign and domestic anti-corruption and anti-bribery laws and regulations, including the Argentine Corporate Criminal Liability Law 27,401 effective March 1, 2018 (the "Corporate Criminal Liability Law") 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. Such 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 January of 2019, the National Executive enacted Emergency Decree No. 62/2019, which allows for the confiscation of assets that were acquired from drug trafficking, smuggling, money laundering, and other corruption crimes, where there is proof that the assets do not reasonably correspond to the person's income. Additionally, on April 10, 2019, President Macri approved Decree No. 258/2019, which implemented the National Anti-corruption Plan (2019-2023). The plan is intended to consolidate progress in fighting corruption, and includes various initiatives divided into three main categories: (1) initiatives on transparency and open government; (2) initiatives to prevent money laundering; and (3) investigation and sanctions initiatives. 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, litigation 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 our real estate projects 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 had 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, and the Argentine government has recently imposed additional currency controls under new President Alberto Fernández. As a result on the currency controls and the decline in the Argentine peso, the real estate market in Argentina is uncertain. 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.

Pursuant to Executive Order No. 550/13, as published on the Official Bulletin on May 9, 2013, 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, as reported by La Nación, the area under foreign ownership in Mendoza is approximately 8.45 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 in Argentina and the U.S. and additional regulations may be imposed in the future.***

Many aspects of the Company's businesses face substantial government regulation and oversight. 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.

Additionally, 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.

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.

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.

***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 due to the COVID-19 pandemic.***

Due to COVID-19, construction on homes was temporarily halted from March to September but has resumed. 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 due to the COVID-19 pandemic and may continue to occur pending the course of the pandemic. In addition, 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***

Algodon Mansion closed to the public on March 18, 2020 due to the COVID-19 pandemic, which resulted in a decrease in revenues. Algodon Mansion reopened for business on November 11, 2020 with COVID-19 measures implemented, but the operation of the mansion will continue to be affected by governmental restrictions on business and travel, which remain uncertain.

In addition to the risks relating to COVID-19 and the risks that apply to all real estate investments, hotel and hospitality investments are generally 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 profitability of Algodon Wine Estates will depend on consumer demand for leisure and entertainment, and such demand has been severely impacted by the COVID-19 pandemic.***

Algodon Wine Estates is dependent on demand from leisure and business travelers, which may be seasonal and fluctuate based on numerous factors. Business and leisure travel patterns have been severely disrupted, and remain disrupted as a result of COVID-19. Governments have imposed quarantines and travel restrictions, which have led to a significant decrease in both business and leisure travel. COVID-19 has also negatively impacted the global economy, which will likely result in a decrease in discretionary consumer spending. As a result, the consumer demand for leisure travel will decline. The duration of the COVID-19 pandemic and its effect on travel is uncertain, but the Company anticipates that COVID-19 will continue to negatively impact Algodon Wine Estates through 2021 and possibly beyond.

Demand may also 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.

***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 U.S. Centers for Disease Control website currently states that travelers should avoid all travel to Argentina due to the COVID-19 pandemic. On March 15, 2020, the Argentine government announced the closing of its borders to foreigners. As of March 20, 2021, international tourism by foreign residents, except those foreign residents with direct family contact with an Argentinian, remains prohibited through April 9, 2021.

Generally, 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. Business and leisure travel patterns have been severely disrupted, and remain disrupted as a result of COVID-19, which may adversely affect Algodon Wine Estates and consequently, our revenues. 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 and our revenues.

***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***

***The COVID-19 pandemic affected the sales of the Company's wines by driving demand online.***

The COVID-19 pandemic did not adversely affect Algodon's wine production at Algodon Wine Estate's winery in San Rafael, Mendoza, but did spur the Company to avoid losses from in-person sales by expediting the build and launch of e-commerce platforms in Argentina ([algodonwines.com.ar](http://algodonwines.com.ar)) and in the U.S. ([algodonfinewines.com](http://algodonfinewines.com)). As the status of retail stores selling our wines remains uncertain due to COVID-19 restrictions, we may see a drop in in-person sales of our wines.

***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.

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

***Gaucha Group, Inc. (“GGI”) has a limited operating history and no revenue and we may not recognize any revenue from the Gaucha – Buenos Aires™ line of business in the future.***

Though a majority-owned subsidiary of GGH, 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 began operations in 2019 and has few assets and a limited 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 not had any significant revenue from inception through December 31, 2020. Our projections for its 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 neither we nor GGI ever recognize revenue in the future from the Gaucha – Buenos Aires™ line of business. The risk of a total loss exists when dealing with start-up companies.

***The markets in which GGI operates and plans to operate are highly competitive, and such competition could cause its business to be unsuccessful.***

We expect GGI to face intense competition for its 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 GGI's 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, GGI faces 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 GGI's anticipated competitors will be significantly larger and more diversified than it and will likely have significantly greater financial, technological, manufacturing, sales, marketing and distribution resources than it does. Their greater capabilities in these areas may enable them to better withstand periodic downturns in the high-end product sector in which GGI plans 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 GGI competes, which may increase the number of its competitors and adversely affect its competitive position and its business. Any increased competition, or GGI's 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 or GGI are unable to continue to compete effectively on any of the factors mentioned above, GGI 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. For example, the process for obtaining federal trademark registration of our service mark "Gaucho—Buenos Aires™" was completed and the service mark was registered on April 28, 2020. However, 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 GGI's Gaucho 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.

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

GGI briefly ran digital ad campaigns in the third and fourth quarters of 2019, and has relied since then on word-of-mouth and social media to generate attention to its new brand and to attract customers. In November 2020, GGI relaunched its digital ad campaign, with a limited budget, with the goal of attracting new customers. 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 TAR and AWE are members of a labor unions in Argentina. 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.

***GGI 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.

### **Risks of Being an Emerging Growth Company**

***We are an “emerging growth company” and our election of reduced reporting requirements applicable to emerging growth companies may make our common stock less attractive to investors.***

We are an “emerging growth company” as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including (1) not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, or Section 404, (2) reduced disclosure obligations regarding executive compensation in this annual report and our periodic reports and proxy statements and (3) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. In addition, as an emerging growth company, we are only required to provide two years of audited financial statements and two years of selected financial data in this annual report. We could be an emerging growth company for up to 5 years following the completion of this Offering, although circumstances could cause us to lose that status earlier, including if we are deemed to be a “large accelerated filer,” which occurs when the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the prior June 30, or if we have total annual gross revenue of \$1.07 billion or more during any fiscal year before that time, in which cases we would no longer be an emerging growth company as of the following December 31, or if we issue more than \$1.0 billion in non-convertible debt during any three-year period before that time, in which case we would no longer be an emerging growth company immediately. Even after we no longer qualify as an emerging growth company, we could still qualify as a “smaller reporting company,” which would allow us to take advantage of many of the same exemptions from disclosure requirements including: (1) the reduced disclosure obligations regarding executive compensation, and (2) being required to provide only two years of audited financial statements.

### **General Corporate Business Considerations**

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

As of March 30, 2021, the Company's directors and executive officers hold the current right to vote approximately 5.5% of the Company's outstanding common stock. Of this total, 4.1% is owned or controlled, directly or indirectly by Company's 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.

***The loss of our Chairman, President and Chief Executive Officer could adversely affect the Company's businesses.***

We depend on the continued performance of 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 currently hold key man life insurance for Mr. Mathis the benefit of the Company.

***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 registration statement. 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.

***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. Due to the continuing devaluation of the peso, the Company has 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 with respect to its common stock.

The Company reserves the right to declare dividends 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' 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, as amended (the "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 the State of Delaware (the "DGCL") provides for broad indemnification by corporations of their officers and directors, and the Company's Certificate of Incorporation 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 DGCL and to certain limited exceptions in the 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.

***We cannot assure you that the market price of our common stock will remain high enough to comply with Nasdaq’s minimum bid price requirement and if we are not able to comply with the applicable continued listing requirements or standards of Nasdaq, Nasdaq could delist our common stock.***

There can be no assurance that the market price of our common stock will remain at the level required for continuing compliance with that requirement. It is not uncommon for the market price of a company’s common stock to decline in the period following a reverse stock split. Other factors unrelated to the number of shares of our common stock outstanding, such as negative financial or operational results, could adversely affect the market price of our common stock and thus jeopardize our ability to meet or maintain the Nasdaq’s minimum bid price requirement.

In order to maintain our listing, we must satisfy minimum financial and other continued listing requirements and standards, including those regarding director independence and independent committee requirements, minimum stockholders’ equity, minimum share price, and certain corporate governance requirements. There can be no assurances that we will be able to comply with such applicable listing standards.

***Compliance with public reporting requirements will affect the Company’s financial resources.***

The Company is subject to certain public reporting obligations as required by federal securities laws, regulations and agencies. The compliance with such reporting requirements will require the company to incur significant legal, accounting and other administrative expenses. Additionally, because the Company’s stock is now trading on Nasdaq, the Company is subject to additional rules and disclosure obligations as required by Nasdaq, increasing compliance expenses further. The expenses the Company may incur will have a significant impact on the Company’s financial resources and may lead to a decrease in the value and price of our common stock.

***In the event that our common stock is delisted from Nasdaq, U.S. broker-dealers may be discouraged from effecting transactions in shares of our common stock because they may be considered penny stocks and thus be subject to the penny stock rules.***

The SEC has adopted a number of rules to regulate “penny stock” that restricts transactions involving stock which is deemed to be penny stock. Such rules include Rules 3a51-1, 15g-1, 15g-2, 15g-3, 15g-4, 15g-5, 15g-6, 15g-7, and 15g-9 under the Exchange Act. These rules may have the effect of reducing the liquidity of penny stocks. “Penny stocks” generally are equity securities with a price of less than \$5.00 per share (other than securities registered on certain national securities exchanges or quoted on Nasdaq if current price and volume information with respect to transactions in such securities is provided by the exchange or system). Our shares of common stock have in the past constituted, and may again in the future constitute, “penny stock” within the meaning of the rules. The additional sales practice and disclosure requirements imposed upon U.S. broker-dealers may discourage such broker-dealers from effecting transactions in shares of our common stock, which could severely limit the market liquidity of such shares of common stock and impede their sale in the secondary market.

A U.S. broker-dealer selling penny stock to anyone other than an established customer or “accredited investor” (generally, an individual with a net worth in excess of \$1,000,000 or an annual income exceeding \$200,000, or \$300,000 together with his or her spouse) must make a special suitability determination for the purchaser and must receive the purchaser’s written consent to the transaction prior to sale, unless the broker-dealer or the transaction is otherwise exempt. In addition, the “penny stock” regulations require the U.S. broker-dealer to deliver, prior to any transaction involving a “penny stock”, a disclosure schedule prepared in accordance with SEC standards relating to the “penny stock” market, unless the broker-dealer or the transaction is otherwise exempt. A U.S. broker-dealer is also required to disclose commissions payable to the U.S. broker-dealer and the registered representative and current quotations for the securities. Finally, a U.S. broker-dealer is required to submit monthly statements disclosing recent price information with respect to the “penny stock” held in a customer’s account and information with respect to the limited market in “penny stocks”.

Stockholders should be aware that, according to the SEC, the market for “penny stocks” has suffered in recent years from patterns of fraud and abuse. Such patterns include (i) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (ii) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (iii) “boiler room” practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (iv) excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and (v) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, resulting in investor losses. Our management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities.

***You may experience future dilution as a result of future debt or equity offerings.***

In order to raise additional capital, we may in the future offer additional shares of our common stock or other securities convertible into or exchangeable for our common stock that could result in further dilution to investors purchasing our common stock in this Offering or result in downward pressure on the price of our common stock. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take certain actions, such as incurring debt, making capital expenditures or declaring dividends. We may sell shares of our common stock or other securities in other offerings at prices that are higher or lower than the prices paid by investors in this Offering, and investors purchasing shares or other securities in the future could have rights superior to existing stockholders.

***Raising additional funds through debt or equity financing could be dilutive and may cause the market price of our common stock to decline. We still may need to raise additional funding which may not be available on acceptable terms, or at all. Failure to obtain additional capital may force us to delay, limit, or terminate our product development efforts or other operations.***

To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest may be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a stockholder. Furthermore, any additional fundraising efforts may divert our management from their day-to-day activities, which may adversely affect our ability to develop and commercialize our therapeutic candidates.

We estimate that our current cash and cash equivalents, which includes the net proceeds from the Offering, as well as the forecasted cash generated from operating activities which includes projected increases in revenues, will fund our operations for at least 12 months after the issuance date of these financial statements. Without giving effect to the anticipated net proceeds from this Offering, our existing capital resources are not sufficient to meet our projected operating requirements beyond the first quarter of 2021. This raises substantial doubt about our ability to continue as a going concern one year from the date of our consolidated financial statements issued on September 30, 2020. The net proceeds from this Offering may remove such doubt regarding our ability to continue as a going concern. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect. In addition, the expected net proceeds of this Offering may not be sufficient for us to fund any of our product candidates through regulatory approval, and we may need to raise substantial additional capital to complete the development and commercialization of our product candidates. We may continue to seek funds through equity or debt financings, collaborative or other arrangements with corporate sources, or through other sources of financing. Additional funding may not be available to us on acceptable terms, or at all. Any failure to raise capital as and when needed, as a result of insufficient authorized shares or otherwise, could have a negative impact on our financial condition and on our ability to pursue our business plans and strategies.

***There is no public market for our warrants.***

There is no established public trading market for our warrants, and we do not expect a market to develop. In addition, we do not intend to apply to list such warrants on any national securities exchange or other nationally recognized trading system, including Nasdaq. Without an active market, the liquidity of such warrants will be limited.

*Holders of the warrants will not have rights of holders of our shares of common stock until such warrants are exercised.*

Our warrants do not confer any rights of share ownership on their holders, but rather merely represent the right to acquire shares of our common stock at a fixed price. Until holders of warrants acquire shares of our common stock upon exercise of the warrants, holders of warrants will have no rights with respect to our shares of common stock underlying such warrants.

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

Not applicable.

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

GGH and its operating subsidiaries currently do not have physical corporate headquarters due to the termination of the Company's lease in May 2020 and COVID-19 restrictions. All employees and consultants are currently working from home. Management plans to search for new office space once the COVID-19 pandemic is under control.

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 which consists 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.

On April 8, 2021, GGI entered into a seven-year lease for retail space located at 112 N.E. 41<sup>st</sup> Street, Suite 106, in Miami, Florida to sell its Gaucho – Buenos Aires™ products. The space is approximately 1,530 square feet.

#### **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.

Our common stock is presently quoted on Nasdaq effective as of February 16, 2021, and the common stock commenced trading on Nasdaq effective as of February 17, 2021 under the symbol "VINO". On April 8, 2021, the closing bid price of our common stock on the Nasdaq was \$4.31 per share.

A 15:1 reverse stock split of the Company's common stock was effected on February 16, 2021 (the "Reverse Stock Split"). All share and per share information has been retroactively adjusted to give effect to the Reverse Stock Split for all periods presented, unless otherwise indicated. The following table sets forth the range of high and low bids on a post-split basis as reported on the OTC Markets. 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 2020</b>	<b>High</b>	<b>Low</b>
First Quarter	\$ 6.00	\$ 3.18
Second Quarter	\$ 6.00	\$ 3.20
Third Quarter	\$ 9.75	\$ 3.45
Fourth Quarter	\$ 9.30	\$ 3.00
<b>Fiscal Year 2019</b>	<b>High</b>	<b>Low</b>
First Quarter	\$ 7.20	\$ 3.75
Second Quarter	\$ 9.60	\$ 1.92
Third Quarter	\$ 9.00	\$ 3.78
Fourth Quarter	\$ 6.99	\$ 3.66

During the years ended 2020 and 2019, the Company declared \$1,626,306 and \$0, respectively, of dividends on its Series B Preferred Stock and issued shares of common stock of the Company in the amount of \$1,534,086 to holders of Series B Preferred Stock, due to some holders waiving their right to receive the dividends. The Company has not declared any dividends with respect to its common stock.

There were approximately 800 holders of record of the Company's common stock as of April 9, 2021.

#### 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, 2020:

<b>Plan category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
	(a)	(b)	(c)
Equity compensation plans approved by security holders:			
2016 Plan	189,562	\$ 18.47	-
2018 Plan	437,017	7.10	7,243,624
Equity compensation plans not approved by security holders	-	-	-
<b>Total</b>	<b>626,579</b>	<b>\$ 10.54</b>	<b>7,243,624</b>

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, 2020 without registration under the Securities Act of 1933, as amended (the “Securities Act”).

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 most recently on July 17, 2020, unanimously approved an increase to \$8,000,000 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 31, 2020, the company sold Convertible Notes in an aggregate amount of \$725,000 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.

Between April 1, 2020 and June 30, 2020, the Company sold Convertible Notes in an aggregate amount of \$633,420 to accredited investors with a substantive pre-existing relationship with 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, an amended Form D was filed on May 29, 2020 and an amended Form D was filed on July 13, 2020.

Between July 1, 2020 and August 21, 2020, the Company sold Convertible Notes in an aggregate amount of \$604,499 to accredited investors with a substantive pre-existing relationship with 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, an amended Form D was filed on May 29, 2020, an amended Form D was filed on July 13, 2020, and an amended Form D was filed on August 10, 2020.

On October 1, 2020, the Company converted all its remaining Convertible Notes into Units at a price of \$5.10 per Unit (1 share of common stock and 1 warrant to purchase 1 share of common stock at an exercise price equal to the purchase of the Unit, expiring 12 months from the date of issuance of the Units), such that the Company issued an aggregate of 395,136 Units to accredited investors upon the automatic conversion of principal and interest of \$1,962,919 and \$52,164, respectively, outstanding under the New Convertible Notes. A Form D was filed with the Securities and Exchange Commission on March 11, 2020, an amended Form D was filed on May 29, 2020, an amended Form D was filed on July 13, 2020, and an amended Form D was filed on August 10, 2020.

On August 17, 2020 the Board of Directors approved the offer and sale of a series of unsecured convertible promissory notes (the “New Convertible Notes”) in an amount up to \$10,000,000 and a subsequent offering of Units at \$5.10 per Unit to accredited investors, each of whom have a substantive pre-existing relationship with the Company. The New Convertible Notes provide for a mandatory conversion into Units upon the authorization by the stockholders of a sufficient number of authorized common stock of the Company, which occurred on September 2, 2020. A total of \$1,259,000 of New Convertible Notes were sold between August 25, 2020 and September 1, 2020 and on September 2, 2020, a total of \$1,260,314 (of which \$1,314 constituted interest on the New Convertible Notes) were automatically converted into Units. Between September 3, 2020 and September 30, 2020, a total of \$1,341,800 of New Convertible Notes were sold and automatically converted into Units on the same day of purchase. 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 November 12, 2020.

Between October 14, 2020 and December 31, 2020, the Company conducted an offering of Units and received an aggregate amount of \$230,000 from accredited investors with a substantive pre-existing relationship with 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 for this offering was filed with the Securities and Exchange Commission on December 7, 2020, and amended Form D filings for this offering were filed on January 5, 2021, January 14, 2021, and February 22, 2021.

On October 3, 2020, the Company issued 9,509 shares of common stock at a price per share of \$5.55 in settlement of its matching obligations for the year ended December 31, 2019 under the Company's 401(k) profit sharing plan. For these sales of securities, no general solicitation was used, and the Company relied on the exemption from registration available under Section 4(a)(2) and/or Rule 506(b) of Regulation D promulgated under the Securities Act with respect to transactions by an issuer not involving any public offering.

On October 23, 2020, the Company issued 8,334 shares of common stock at a price per share of \$4.95 to Middleton White Imports LTD ("Middleton") as consideration for unpaid consulting services provided by Middleton and James Galtieri. 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.

Also on October 23, 2020, the Board of Directors declared a dividend for holders of Series B Convertible Preferred Shares (relating to the nine consecutive calendar quarters with the first being June 30, 2018 and the last being June 30, 2020), payable in common stock at a rate equivalent to the average closing price of the common stock on the seven trading days preceding October 23, 2020. The Company issued 183,700 shares of common stock at a price per share of \$8.36 to the Series B holders for a total of \$1,534,086 in dividends. 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 January 11, 2021.

On October 30, 2020, the Company entered into an advisory agreement with Kingswood Capital Markets and issued 67,693 shares of common stock as consideration, which represents 1% of the fully diluted common stock outstanding 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 December 7, 2020.

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 Holdings Ltd. 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. On January 8, 2021, the Company issued 237,012 shares of common stock and warrants to purchase 237,012 shares of common stock in total to Mr. Griffin and JLAL Holdings Ltd., reflecting a conversion of \$1,163,354 in principal and \$258,714 in interest. 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 SEC on May 23, 2018.

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, 2020.

#### **Use of Proceeds from Registered Offering**

On February 16, 2021, the SEC declared effective our registration statement on Form S-1 (File No. 333-233586), as amended, filed in connection with an underwritten public offering (the "Offering") of units ("Units") at an offering price of \$6.00 per Unit, each consisting of one share of common stock, par value \$0.01 per share ("Common Stock"), and one common stock purchase warrant to purchase one share of Common Stock (the "Warrant") pursuant to that certain underwriting agreement, dated February 16, 2021, between the Company and the underwriters named therein. We filed a prospectus with the SEC on February 18, 2021 (the "Prospectus").

On February 19, 2021, the Company closed the Offering and sold and issued an aggregate of 1,333,334 shares of Common Stock and 1,533,333 Warrants, for approximate gross proceeds of \$8.0 million, before deducting underwriting discounts and commissions and estimated offering expenses of \$715,000, for net proceeds of approximately \$7,285,000. No offering expenses were paid directly or indirectly to any of our directors or officers (or their associates) or persons owning ten percent or more of any class of our equity securities or to any other affiliates. We issued the representative of such underwriters a five-year common stock purchase warrant exercisable at \$7.50 per share for up to 15,333 shares of Common Stock, exercisable as of August 19, 2021.

The sole book-running managing underwriter of the offering was Kingswood Capital Markets, a division of Benchmark Investments, Inc. R.F. Lafferty Co., Inc. also participated in the offering.

Upon receipt, the net proceeds from the Offering were held in cash and cash equivalents, primarily bank deposits and money market funds. Through March 30, 2021, we have used a portion of the net proceeds from our Offering for working capital and for general corporate purposes, which include, but are not limited to, inventory production and marketing for the Company's subsidiary, Gaucho Group, Inc., costs of this Offering, and operating expenses. There has been no material change in the planned use of proceeds from our Offering from those disclosed in the Prospectus.

#### **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 prospectus. 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, and its subsidiaries. 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 prospectus. 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.*

*A 15:1 reverse stock split of the Company's common stock was effected on February 16, 2021 (the "Reverse Stock Split"). All share and per share information has been retroactively adjusted to give effect to the Reverse Stock Split for all periods presented, unless otherwise indicated.*

### Special Note Regarding Emerging Growth Company Status and Smaller Reporting Company Status

Currently we qualify as both an "emerging growth company" and as a "smaller reporting company" (as defined in Rule 12b-2 of the Exchange Act). We are allowed and have elected to comply with the smaller reporting company rules which allows us to omit certain information, including three years of year-to-year comparisons and tabular disclosure of contractual obligations, from this Management's Discussion and Analysis of Financial Condition and Results of Operations. However, we have provided all information for the periods presented that we believe to be appropriate and necessary.

### Overview

Gaucho Group Holdings, Inc. ("GGH" or the "Company") positions its e-commerce leather goods, accessories, and fashion brand, Gaucho – Buenos Aires™, as one of luxury, creating a platform for the global consumer to access their piece of Argentine style and high-end products. With a concentration on leather goods, ready-to-wear and accessories, this is the luxury brand in which Argentina finds its contemporary expression. By the end of the first quarter of 2021, the Company anticipates launching Gaucho Casa, a Home & Living line of luxury textiles and home accessories, which will be marketed and sold on the Gaucho – Buenos Aires e-commerce platform. Gaucho Casa challenges traditional lifestyle collections with its luxury textiles and home accessories rooted in the singular spirit of the gaucho aesthetic. GGH seeks to grow its direct-to-consumer online products to global markets in the United States, Asia, the United Kingdom, Europe, and Argentina. We intend to focus on e-commerce and scalability of the Gaucho – Buenos Aires and Gaucho Casa brands, as real estate in Argentina is politically sensitive.

GGH's goal is to become recognized as the LVMH ("Louis Vuitton Moët Hennessy") of South America's leading luxury brands. Through one of its wholly owned subsidiaries, GGH also owns and operates legacy investments in the boutique hotel, hospitality and luxury vineyard property markets. This includes a golf, tennis and wellness resort, as well as an award winning, wine production company concentrating on Malbecs and Malbec blends. Utilizing these wines as its ambassador, GGH seeks to further develop its legacy real estate, which includes developing residential vineyard lots located within its resort.

Until May 31, 2020, the Company's senior management was based at its corporate office in New York City. Due to COVID-19, we have terminated the corporate office lease and senior management works remotely. GGH's local operations are managed by professional staff with substantial hotel, hospitality and resort experience in Buenos Aires and San Rafael, Argentina.



## Recent Developments and Trends

We temporarily closed our hotel, restaurant, winery operations, and golf and tennis operations. Recently, we have been able to reopen the Algodon Mansion as of November 11, 2020 with COVID-19 measures implemented. We have also been able to reopen our winery and golf and tennis facilities recently with COVID-19 measures implemented. Also due to COVID-19, construction on homes was temporarily halted from March to September but has resumed. However, as of December 21, 2020, international tourism by foreign residents, except those foreign residents of neighboring countries, is prohibited through January 31, 2021. Additionally, on December 24, 2020, Argentina removed the exception for foreign residents of neighboring countries through January 9, 2021.

We reduced expenses by negotiating an early termination of our office lease at 135 Fifth Avenue in New York City, and all employees and contractors are currently working from home. In addition, we are reviewing our labor needs to run the administrative side of the Company in New York.

On April 13, 2020, GGI's warehouse and fulfillment center, Bergen Logistics, announced it would operate on a four-day schedule from Monday through Thursday, allowing for a 72-hour window from Friday through Sunday for any possible surface viruses to self-eliminate. On June 12, 2020, Bergen Logistics announced that it would increase its warehouse operations to a Sunday through Friday schedule. The warehouse stores and ships all of the items that are for sale on our e-commerce website. Any e-commerce orders that may be received during the time of shutdown are only be fulfilled once the fulfillment center re-opens. Likewise, during their shutdown, the warehouse would not be able to receive and process any returned merchandise from customers, nor would the warehouse be able to receive any merchandise from our manufacturers.

Throughout the COVID-19 pandemic, we also experienced significant delays in product development, production, and shipping from our overseas manufacturing partners, many of whom have been on complete lockdown for the safety of their workers. Some of our manufacturing partners have even had to close permanently. Because of this, we are in the process of pursuing new vendors.

Due to the events stated above, it was necessary for us to reduce our email marketing efforts to our customer database, as we were not able to fulfill orders. This resulted in a significant reduction in our web traffic and sales.

We expect that the cash on hand, which includes the net proceeds from the Offering, as well as the forecasted cash generated from operating activities which includes projected increases in revenues, will fund our operations for a least 12 months after the issuance date of these financial statements.

Since inception, our operations have primarily been funded through proceeds received in equity and debt financings. We believe we have access to capital resources and continue to evaluate additional financing opportunities. There is no assurance that we will be able to obtain funds on commercially acceptable terms, if at all. There is also no assurance that the amount of funds we might raise will enable us to complete our development initiatives or attain profitable operations.

The Company is continuing to monitor the outbreak of COVID-19 and the related business and travel restrictions, and changes to behavior intended to reduce its spread, and the related impact on the Company's operations, financial position and cash flows, as well as the impact on its employees. Due to the rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on the Company's future operations and liquidity is uncertain. While there could ultimately be a material impact on operations and liquidity of the Company, as of the date of this prospectus, the impact cannot be determined at this time.

On May 6, 2020, the Company entered into a potentially forgivable loan from the U.S. Small Business Administration ("SBA") pursuant to the Paycheck Protection Program ("PPP") enacted by Congress under the Coronavirus Aid, Relief, and Economic Security Act (15 U.S.C. 636(a)(36)) (the "CARES Act"), resulting in net proceeds of \$242,487 (the "PPP Loan"). To facilitate the PPP Loan, the Company entered into a note payable agreement with Santander Bank, N.A. as the lender. On March 26, 2021, the SBA forgave the PPP Loan in full.

Under the terms of the CARES Act, as amended by the Paycheck Protection Program Flexibility Act of 2020, the Company is eligible to apply for and receive forgiveness for all or a portion of their respective PPP Loan. Such forgiveness will be determined, subject to limitations, based on the use of the loan proceeds for certain permissible purposes as set forth in the PPP, including, but not limited to, payroll costs (as defined under the PPP) and mortgage interest, rent or utility costs (collectively, "Qualifying Expenses") incurred during the 24 weeks subsequent to funding, and on the maintenance of employee and compensation levels, as defined, following the funding of the PPP Loan. The Company used the proceeds of the PPP Loan for Qualifying Expenses. However, no assurance is provided that the Company will be able to obtain forgiveness under state law of the PPP Loan in whole or in part. It is possible that the loan may not be forgiven in full under state law, which could have a negative impact on the Company's cash flow.

The extent of the impact, if any, will depend on future developments, including actions taken to contain COVID-19. See also "Risk Factors" for more information.

In December 2020, the independent members of our Board approved an extension to our President and CEO's employment agreement to expire on June 30, 2021. Please see "Executive Compensation" for additional information.

In January 2021, Wine Enthusiast rated and reviewed our Algodon 2012 PIMA Red Blend Mendoza and awarded it 91 points.

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 Risk Factors for more information.

Over the past nine months, GGH has been the process of pivoting operations to focus primarily on e-commerce sales of our Gaucho—Buenos Aires brand, in addition to our wines which also serve as ambassador to our 4,138-acre wine and real estate development. We believe that the change in focus and ongoing restructuring of our Argentine operations can have a positive impact and overall improvement on our business.

Our goal for 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.

In November 2020, we hired a communications agency, Skoog Co., to provide exposure to all of our brands. Skoog Co. specializes in brand strategy, communications, media relations, and social and digital content development, and their goals for us is to create a wholistic marketing campaign to drive awareness and sales for Gaucho – Buenos Aires, Gaucho Casa, Algodon Fine Wines, as well as our real estate business segments.

In the fourth quarter of 2020 we micro tested U.S. markets and focus groups to gauge demand and iron out early details of our digital marketing strategy. We continue to test campaigns with micro audiences in the first quarter of 2021, in anticipation of a larger roll out of campaigns after the offering closes.

In the third quarter of 2021, we anticipate launching a popup shop in Los Angeles for the summer season, assuming our production schedule is on track to receive our products here in the U.S. With popup shops, we can for example, work with local public relations ("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. See page 57 below for more information on popup shops.

In 2021, we expect that our Gaucho brand sales will grow to represent a majority of our revenue, with our wine and real estate business making up the remainder.

#### **Financings**

In 2020 and 2019, we raised, net of repayments, approximately \$4,687,000 and \$5,700,000, 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.

On February 19, 2021, the Company closed on an underwritten public offering of 1,333,334 Units at \$6.00 per unit for approximate gross proceeds of \$8 million, before deducting underwriting discounts and commissions and estimated offering expenses. We used the net proceeds 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. Our goal for 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.

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 throughout time. Our goal is ultimately to reduce expenses of between \$1-2 million in 2021. Our goal is to become more self-sufficient and less dependent on outside financing.

## Consolidated Results of Operations

### Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019

The following table represents selected items in our consolidated statements of operations for the years ended December 31, 2020 and 2019, respectively:

	For the Years Ended December 31,	
	2020	2019
<b>Sales</b>	\$ 635,789	\$ 1,284,437
Cost of sales	(726,686)	(1,040,339)
Gross (loss) profit	(90,897)	244,098
<b>Operating Expenses (Income)</b>		
Selling and marketing	320,768	482,677
General and administrative	4,814,312	6,428,625
Depreciation and amortization	170,189	196,438
Gain from insurance settlement	(30,240)	(165,508)
Total operating expenses	5,275,029	6,942,232
<b>Loss from Operations</b>	(5,365,926)	(6,698,134)
<b>Other Expense (Income)</b>		
Interest expense, net	245,174	360,413
Loss on extinguishment of debt	355,602	-
Gain on debt restructuring	(130,421)	-
Gain on settlement of payables	(2,100)	-
Gains from foreign currency translation	(52,498)	(101,732)
Total other expense	415,757	258,681
<b>Net Loss</b>	(5,781,683)	(6,956,815)
Net loss attributable to non-controlling interest	133,162	293,007
Series B preferred stock dividends	(721,752)	(721,057)
<b>Net Loss Attributable to Common Stockholders</b>	<u>\$ (6,370,273)</u>	<u>\$ (7,384,865)</u>

#### Overview

We reported net losses of approximately \$5.8 million and \$7.0 million for the years ended December 31, 2020 and 2019, respectively. The increase in net loss is primarily the result of the decrease in revenues as described below.

#### Revenues

Revenues from operations were approximately \$636,000 and \$1,284,000 during the years ended December 31, 2020 and 2019, respectively, reflecting a decrease of approximately \$648,000 or 50%. Decreases in revenues are primarily due to approximately \$329,000 resulting from the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar and decreases in hotel and restaurant revenues of approximately \$321,000 resulting from closures as a result of the COVID-19 pandemic. The average exchange rate of the Argentina peso increased from 48.1676 for the year ended December 31, 2019 to 73.5358 for the year ended December 31, 2020, which represents a decrease in the average worth of the Argentine peso from US \$0.02 to \$0.01.

Total sales from Argentina were approximately ARS \$42.7 million during the year ended December 31, 2020 as compared to approximately ARS \$58.1 million during the year ended December 31, 2019, reflecting a net decrease of approximately ARS \$15.4 million or 27%. Hotel room and event revenues were approximately ARS \$16.8 million and ARS \$35.7 million during years ended December 31, 2020 and 2019, respectively, representing a decrease of approximately ARS \$18.9 million, or 53% resulting from closures as a result of the COVID-19 pandemic. Restaurant revenues were approximately ARS \$8.9 million and ARS 7.9 million during the years ended December 31, 2020 and 2019, respectively, representing an increase of approximately ARS \$1.0 million or 13%. Argentine winemaking revenues were approximately ARS \$6.9 million and ARS \$6.0 million during the years ended December 31, 2020 and 2019, respectively, representing an increase of approximately ARS \$0.9 million or 15%. Other revenues, including golf, tennis and agricultural revenues, were ARS \$9.7 million and ARS \$8.5 million during the years ended December 31, 2020 and 2019, respectively, representing an increase of approximately ARS \$1.2 million or 14%, of which approximately ARS \$0.6 million represents an increase in agricultural revenues, approximately ARS \$1.7 million represents an increase in maintenance fees, partially offset by approximately ARS \$1.1 million represents a decrease in other operating income.

#### *Gross profit*

We generated a gross loss of approximately \$91,000 for the year ended December 31, 2020 as compared to a gross profit of approximately \$244,000 for the year ended December 31, 2019, representing a decrease of \$335,000 or 137%, primarily as a result of the decrease in revenues as described above and from grapes which were sold at a loss. Due to COVID-19 during 2020, we had to temporarily close our hotel, restaurant, winery operations, and golf and tennis operations. The gross loss during 2020 was primarily due to the hotel and restaurants fixed costs included in the cost of sales which did not decrease during the COVID-19.

Cost of sales, which consists of real estate lots, raw materials, direct labor and indirect labor associated with our business activities, decreased by approximately \$313,000 from \$1,040,000 for the year ended December 31, 2019 to \$727,000 for the year ended December 31, 2020. Decreases in cost of sales are primarily due to approximately \$367,000 resulting from the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar, and a decrease of approximately \$84,000 in hotel and restaurant costs resulting from the temporary closure of our hotel and restaurants due to government restrictions as of a result of COVID-19, partially offset by an increase in the cost of grapes sold during the period of approximately \$121,000.

#### *Selling and marketing expenses*

Selling and marketing expenses were approximately \$321,000 and \$483,000, for the years ended December 31, 2020 and 2019, respectively, representing a decrease of approximately \$162,000 or 34%, primarily resulting from the impact of COVID-19 shut-downs as well as a Gaucho Group marketing event that was held in the second quarter of 2019.

#### *General and administrative expenses*

General and administrative expenses were approximately \$4,814,000 and \$6,429,000 from operations for the years ended December 31, 2020 and 2019, respectively, representing a decrease of approximately \$1,615,000 or 25%. The decrease results primarily from the decreases of approximately \$261,000 in professional fees, approximately \$292,000 in travel expenses, approximately \$483,000 resulting from the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar, and approximately \$592,000 in exchange rate gains.

#### *Depreciation and amortization expense*

Depreciation and amortization expense were approximately \$170,000 and \$196,000 during the years ended December 31, 2020 and 2019, respectively, representing a decrease of approximately \$26,000 or 13%.

#### *Gain from insurance settlement*

Gain from insurance settlement was approximately \$30,000 and \$166,000 during the years ended December 31, 2020 and 2019, respectively, representing a decrease of \$136,000 or 82%. Insurance proceeds received during the year ended December 31, 2019 were to cover for fire damage to property and equipment as a result of a fire at the Company's hotel. Insurance proceeds received during the year ended December 31, 2020 were to cover revenues lost during the rebuilding and repair period after the fire.

#### *Interest expense, net*

Interest expense was approximately \$245,000 and \$360,000 during the years ended December 31, 2020 and 2019, respectively, representing a decrease of approximately \$115,000 or 32%. The decrease is primarily the result of (i) decrease in the average balance of debt outstanding during the year ended December 31, 2020 as compared to the year ended December 31, 2019, and (ii) the decrease in interest expenses to the Federal Administration of Public Revenues in Argentina due to renegotiating the payment plan.

#### *Loss on extinguishment of debt*

Loss on extinguishment of debt of approximately \$356,000 during the year ended December 31, 2020 represents the loss realized from the debt extinguishment due to the modification of convertible debt.

#### *Gain on debt restructuring*

Gain on debt restructuring of approximately \$130,000 during the year ended December 31, 2020 represents the gain realized from the restructuring of debt during the period.

#### *Gain on settlement of payables*

Gain on settlement of payables of approximately \$2,000 during the year ended December 31, 2020 represents the gain realized from the settlement of accounts payable during the period.

### **Liquidity and Capital Resources**

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

	<b>For the Years Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Cash	\$ 134,536	\$ 40,378
Working Capital Deficiency	\$ (2,574,361)	\$ (3,309,206)
Loans Payable	\$ 748,322	\$ 1,444,434
Debt Obligations	\$ 1,270,354	\$ 1,270,354

During the years ended December 31, 2020 and 2019, we financed our activities from proceeds derived from debt and equity financings occurring in prior periods. A significant portion of the funds have been used to cover working capital needs and personnel, office expenses and various consulting and professional fees.

During the years ended December 31, 2020 and 2019, we have relied primarily on debt and equity offerings to third party independent, accredited investors, related parties, and the government to sustain operations. During the year ended December 31, 2020, we received proceeds of approximately \$3,222,000 from the issuance of convertible debt, proceeds of approximately \$1,572,000 from proceeds from common stock offering, proceeds from related party loans payable and non-related party loans payable of approximately \$574,000 and \$28,000, respectively, and proceeds from the PPP Loan of approximately \$242,000, and proceeds from the EIDL of \$94,000.

As of December 31, 2020, we had cash, working capital deficiency, and an accumulated deficit of \$134,536, \$2,574,361 and \$93,534,828, respectively. During the years ended December 31, 2020 and 2019, we incurred a net loss of \$5,781,683 and \$6,956,815, respectively, and used cash in operating activities of \$4,943,758 and \$6,080,411, respectively.

On February 19, 2021, the Company closed on an underwritten public offering and sold and issued an aggregate of 1,333,334 shares of common stock and 1,533,333 warrants to purchase common stock at \$6.00 per share for approximate gross proceeds of \$8 million, before deducting underwriting discounts and commissions and estimated offering expenses. See Note 18 – Subsequent Events.

The proceeds from these financing activities were used to fund our existing operating deficits, legal and accounting expenses associated with being a public company and the general working capital needs of the business.

We expect that the cash on hand, which includes the net proceeds from the Offering, as well as the forecasted cash generated from operating activities which includes projected increases in revenues, will fund our operations for a least 12 months after the issuance date of these financial statements.

Since inception, our operations have primarily been funded through proceeds received in equity and debt financings. We believe we have access to capital resources and continue to evaluate additional financing opportunities. There is no assurance that we will be able to obtain funds on commercially acceptable terms, if at all. There is also no assurance that the amount of funds we might raise will enable us to complete our development initiatives or attain profitable operations.

Our operating needs include the planned costs to operate our business, including amounts required to fund working capital and capital expenditures. Our future capital requirements and the adequacy of our available funds will depend on many factors, including our ability to successfully commercialize our products and services, competing technological and market developments, and the need to enter into collaborations with other companies or acquire other companies or technologies to enhance or complement our product and service offerings.

#### **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 and capital expenditures, including GGI inventory production, development of the GGI e-commerce platform, expansion of our winery and additional investments in 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, 2020 and 2019**

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

Net cash used in operating activities for the years ended December 31, 2020 and 2019, amounted to approximately \$4,944,000 and \$6,080,000, respectively. During the year ended December 31, 2020, the net cash used in operating activities was primarily attributable to the net loss of approximately \$5,782,000, adjusted for approximately \$980,000 of non-cash expenses and \$142,000 of cash used to fund changes in the levels of operating assets and liabilities. 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 \$1,141,000 of non-cash expenses and \$264,000 of cash used to fund 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, 2020 and 2019 amounted to approximately \$115,000 and \$214,000, respectively. During the year ended December 31, 2020 the net cash used in investing activities was primarily attributable to the purchase of property and equipment of approximately \$115,000. 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.

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

Net cash provided by financing activities for the years ended December 31, 2020 and 2019 amounted to approximately \$4,687,000 and \$5,700,000, respectively. For the year ended December 31, 2020, the net cash provided by financing activities resulted from approximately \$3,222,000 of proceeds from convertible debt obligations, approximately \$1,572,000 of proceeds from common stock offering, approximately \$574,000 and \$28,000, respectively, from the proceeds from the issuance of related party loans payable and non-related party loans payable, approximately \$242,000 of proceeds from the PPP Loan, and \$94,000 of proceeds from the EIDL, partially offset by loan repayments of approximately \$1,029,000 and the repurchase of preferred stock of \$16,000 from a shareholder. For the year ended December 31, 2019, the net cash provided by financing activities resulted primarily from approximately \$786,000 of proceeds from convertible debt obligations, approximately \$4,611,000 of proceeds from common stock offerings, approximately \$566,000 from the proceeds from the issuance of related party loans payable, and proceeds from investor deposits of approximately \$30,000, partially offset by convertible debt and loan repayments of approximately \$293,000.

#### **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

The preparation of financial statements and related disclosures in conformity with U.S. GAAP. These accounting principles require us to make estimates and judgments that can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenue and expense during the periods presented. We believe that the estimates and judgments upon which it relies are reasonably based upon information available to us at the time that it makes these estimates and judgments. To the extent that there are material differences between these estimates and actual results, our financial results will be affected. The accounting policies that reflect our more significant estimates and judgments and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results are described below.

The following is not intended to be a comprehensive list of all of our accounting policies or estimates. Our accounting policies are more fully described in Note 3 – Summary of Significant Accounting Policies, in our financial statements included elsewhere in this annual report.

### *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. 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. Revenue from real estate lot sales is recorded when the lot is deeded, and legal ownership of the lot is transferred to the customer.

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.

### *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.

### *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.

### *Income Taxes*

We account 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 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.

### **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, 2020, 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, 2020.

## *Changes in Internal Control over Financial Reporting*

During the year ended December 31, 2020, 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**

As part of the Unit offering that commenced in October 2020, the Company received \$439,000 between January 1, 2021 and terminating on January 8, 2021 from accredited investors with a substantive pre-existing relationship with 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 for this offering was filed with the Securities and Exchange Commission on December 7, 2020, and amended Form D filings for this offering were filed on January 5, 2021, January 14, 2021, and February 22, 2021.

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 Holdings Ltd. 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. On January 8, 2021, the Company issued 237,012 shares of common stock and warrants to purchase 237,012 shares of common stock in total to Mr. Griffin and JLAL Holdings Ltd., reflecting a conversion of \$1,163,354 in principal and \$258,714 in interest. 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 SEC on May 23, 2018.

On February 19, 2021, the Company sold and issued an aggregate of 1,333,334 shares of common stock and 1,533,333 warrants, for approximate gross proceeds of \$8.0 million pursuant to a Form S-1 registration statement, before deducting underwriting discounts and commissions and estimated offering expenses, and issued the representative of such underwriters a common stock purchase warrant exercisable for up to 15,333 shares of common stock. Two directors participated in the offering, purchasing a total of 11,666 Units at \$6.00 per share.

On March 26, 2021, the Company received notice that the SBA has forgiven the PPP Loan in full. However, the Company may be subject to tax on the forgiveness under state law.

On April 7, 2021, the Company paid a total of \$58,001 to Mr. Mathis in connection with his voluntarily deferred compensation between March 13, 2020 and August 21, 2020.

On April 8, 2021, GGI entered into a seven-year lease for retail space located at 112 N.E. 41<sup>st</sup> Street, Suite 106, in Miami, Florida to sell its Gaucho – Buenos Aires™ products.

## 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.

<b>Name</b>	<b>Age</b>	<b>Entity</b>	<b>Title</b>	<b>Year Appointed</b>
Scott L. Mathis	58	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
Maria I. Echevarria	41	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
Sergio O. Manzur Odstrcil	51	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
Peter J.L. Lawrence	87	GGH	Class II Director	April 1999
		AEU	Director	November 2009
		GGI	Director	November 2018
Steven A. Moel	77	GGH	Class I Director	April 2019
		GGI	Director	November 2018
Reuben Cannon	74	GGH	Class I Director	July 2020
Marc Dumont	77	GGH	Class I Director	February 2021
Edie Rodriguez	59	GGH	Class I Director	February 2021

(1) Translation of Argentine statutory corporate office.

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

## 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 GGI. 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 of GGH. 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 Odstrcil.** Mr. Odstrcil is Chief Financial Officer ("CFO") and Chief Operating Officer ("COO") of Algodon Mansion & Algodon Wine Estates. Mr. Manzur Odstrcil 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 Odstrcil 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 Odstrcil 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

**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.

**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 GGI 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.

**Reuben Cannon.** Mr. Cannon has been a stockholder of the Company for several years and is a producer and casting director who has helped shape and guide some of the most critically acclaimed film and television projects in Hollywood during the past 30 years. The Company believes Mr. Cannon is uniquely qualified to serve as a director of the Company because of running his successful long-term business in Hollywood and connections to promote the Company's luxury brand goods.

Mr. Cannon worked at Universal Studios from 1970 to 1978, eventually becoming a casting director. He also was the head of television casting for Warner Brothers from 1977 to 1978. In 1978, Mr. Cannon started his own casting agency called Reuben Cannon & Associates. His agency has cast nearly one hundred television series and films. Projects include "The Color Purple" (11 Oscar nominations), "Columbo," "Alfred Hitchcock Presents," "The A Team," the 1990s remake of "Perry Mason", the Emmy-Award winning comedy series "The Bernie Mac Show," "My Wife and Kids," and "Boondocks." Producing credits include "The Women of Brewster Place" and "Brewster Place" (in collaboration with Oprah Winfrey), "Down in the Delta" (directed by Dr. Maya Angelou), and "Get on the Bus" (with Spike Lee). In 2004, Mr. Cannon formed a production alliance with Tyler Perry Studios and is currently Executive Producer for Tyler Perry's "House of Payne." In addition to two Emmy nominations, he has received numerous awards including an Honorary Doctorate of Human Letters from Morehouse College, and the "Behind the Lens Award" for outstanding contributions in entertainment in the areas of film and television. He has been credited with launching the careers of many of today's major film and television stars. He is also a producer in both film and television. Mr. Cannon attended Southeast City College.

**Marc Dumont.** Mr. Dumont became a director of the Company upon the listing of our common stock to Nasdaq on February 16, 2021. He 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) and a Board member of SenesTech, Inc. since 2016. 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. The Company believes Mr. Dumont is uniquely qualified to serve as a director of the Company because of his background in finance, the wine industry, and diverse experience as a board member for multiple companies.

**Edie Rodriguez.** Ms. Rodriguez became a director of the Company upon the listing of our common stock to Nasdaq on February 16, 2021. She is a globally respected thought leader on Luxury and Luxury Branding and frequent speaker on Fox News, Fox Business News, CNN, CNBC and Bloomberg TV in the U.S., U.K., and Hong Kong. She is a Member of the Board of Directors for the Saudi Tourism Authority (SAT) and is also the Chair of the SAT's Nominating and Remuneration Committee. Ms. Rodriguez is also a Director for RAND Corporation's Center for Global Risk and Security (CGRS). As an Advisory Board Member she provides governance and fiduciary guidance, advising from billion-dollar corporations' perspectives. She received a significant honor in 2018 when she was hand selected by The Kingdom of Saudi Arabia to be a Founding Steering Committee Member and Executive Committee Member for The KSA Public Investment Fund (PIF) for a project that was integral for their strategic #SaudiVision2030 plan.

From October 2017 to April 2020, she was Americas Brand Chairwoman for the world's leading Luxury Yacht Expedition Cruise Company, Ponant Cruises – a subsidiary of the multi-billion dollar luxury leader Groupe Artemis/Kering, where she provided strategy, direction and implementation road maps.

Previously, she led as CEO and President of Crystal Cruises Corporation, a multi-billion dollar global brand with ocean cruise ships, river vessels, yacht expedition vessels, private charter air traveling worldwide. She guided the company's strategy, operations, finance, and customer focus. During her tenure with Crystal Cruises Corporation she was a member of the BoD of Cruise Line International Association (CLIA).

She is an Advisory Board Member for The Retail Summit, advising on the convergence of technology, digital disruption, hospitality, corporate social responsibility and global luxury experiences. She has completed Wharton Business School's Executive Management Program, Boards that Lead, Stanford University's Executive Management Program, Finance for C-Suite Executives, Harvard Business School Women's Leadership Forum and holds a Bachelor of Science Degree from Nova Southeastern University. The Company believes Ms. Rodriguez is uniquely qualified to serve as a director of the Company because of her previous experience as Chairwomen of one of the top luxury cruise lines in the world, for her experience in the industries of international luxury travel and hospitality, and for her diverse experience member of the board of directors and board of advisors for multiple companies, as well as for her committee membership for The KSA Public Investment Fund (PIF), which is the sovereign wealth fund of Saudi Arabia and among the largest sovereign wealth funds in the world with total estimated assets of \$382 billion.

#### **Family Relationships**

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

#### **Term of Office**

At the Company's 2020 annual stockholder meeting on September 2, 2020, the stockholders elected Dr. Moel and Mr. Cannon as Class I directors (both terms expire at the Company's 2023 annual meeting of stockholders). The following directors continue to serve the Company: 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. Upon the Company's uplisting of its common stock to Nasdaq on February 16, 2021, Mr. Dumont and Ms. Rodriguez became Class I directors (their terms expiring at the Company's 2021 annual meeting of stockholders).

## **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 the Financial Industry Regulatory Authority, Inc. (“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 to comply with Item 404 of Regulation S-K of the Exchange 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 revised the charter as of March 25, 2021. Effective upon the uplisting of our common stock to Nasdaq on February 16, 2021, 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, Cannon, Dr. Moel, and Ms. Rodriguez. The Board of Directors determined that Messrs. Lawrence, Dumont, Cannon, Dr. Moel, and Ms. Rodriguez are 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 compliant under Nasdaq rules effective April 15, 2015 and most recently updated them on March 25, 2021. Pursuant to Nasdaq Rule 5605, nominations must be made by a majority of the independent directors. Our independent directors are currently Messrs. Lawrence, Dumont, Cannon, Dr. Moel and Ms. Rodriguez. 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***

The Board of Directors established the Compensation Committee effective upon the uplisting of our common stock to Nasdaq and amended the same effective March 25, 2021. Such committee is 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 Exchange Act. The compensation of our CEO, 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 Ethics and Whistleblower Policy***

On March 24, 2015, our Board of Directors adopted a Code of Business Conduct and Whistleblower Policy effective April 15, 2015 and amended on March 25, 2021 (the "Code of Conduct"). Our Code of Conduct 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 Conduct 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>.

### ***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., 1445 16<sup>th</sup> Street, Suite 403, Miami Beach, Florida 33139. 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.



## 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, 2020 and 2019:

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	2020	465,680	115,000	-	-	-	580,680
	2019	408,513	-	-	345,681	-	754,194
Maria I Echevarria <sup>(3)</sup> Chief Financial Officer and Chief Operating Officer	2020	180,000	35,000	-	-	-	215,000
	2019	163,876	31,000	-	30,561	-	225,437

- 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 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 Scott Mathis' employment agreement to expire on April 30, 2019 and on April 29, 2019, Mr. Lawrence, the sole independent director present at the meeting of the Board of Directors extended his employment agreement to expire on June 30, 2019. On July 12, 2019, the Board of Directors extended Mr. Mathis' employment agreement to expire on August 31, 2019 and on September 11, 2019, the Board extended the agreement to expire on October 31, 2019. On March 29, 2020, the Board of Directors further entered into an employment retention bonus agreement with Mr. Mathis, which offered him a retention bonus in recognition for his continued service with GGH for an additional three years. The retention bonus consists of the real estate lot on which Mr. Mathis has been constructing a home at Algodon Wine Estates, to vest in one-third increments over the next three years (the "Retention Period"), provided Mr. Mathis's performance as an employee with the Company continues to be satisfactory, as deemed by the Board of Directors. On March 29, 2020, the independent members of the Board of Directors extended the agreement until December 31, 2020. On December 29, 2020, the independent members of the Board of Directors most recently extended the agreement until June 30, 2021. All other terms of the Employment Agreement remain the same.
- 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 on a post-split basis granted by the Company and held by each of the named executive officers of GGH as of December 31, 2020. There have been no stock awards made to Mr. Mathis or Ms. Echevarria as of December 31, 2020.

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	13,125(1)	16,875(1)	5.78	1/31/2024
	46,040(2)	101,286(2)	5.78	7/8/2024
	15,000(3)	5,000(3)	16.50	11/17/2022
	45,834(4)	20,833(4)	11.55	2/14/2023
	27,188(5)	21,146(5)	8.09	9/20/2023
Maria I. Echevarria	3,230(6)	7,104(6)	5.78	7/8/2024
	2,500(7)	834(7)	16.50	11/17/2022
	1,146(8)	521(8)	11.55	2/14/2023
	1,125(9)	875(9)	8.09	9/20/2023
	2,188(10)	2,812(10)	5.78	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 30,000 shares of the Company's common stock, of which 7,500 shares underlying the option vest on January 31, 2020, and 1,875 shares vest every three months thereafter.
- (2) On July 8, 2019, Mr. Mathis was granted an option to acquire 147,326 shares of the Company's common stock, of which 36,832 shares underlying the option vest on July 8, 2020, 9,208 shares vest on October 8, 2020, and 9,208 shares vest every three months thereafter.
- (3) On November 17, 2017, Mr. Mathis was granted an option to acquire 20,000 shares of the Company's common stock, of which 5,000 shares underlying the option vest on December 17, 2018, and 1,250 shares vest every three months thereafter.
- (4) On February 14, 2018, Mr. Mathis was granted an option to acquire 66,667 shares of the Company's common stock, of which 16,667 shares underlying the option vest on February 14, 2019, and 4,167 shares vest every three months thereafter.
- (5) On September 20, 2018, Mr. Mathis was granted an option to acquire 48,334 shares of the Company's common stock, of which 12,084 shares underlying the option vest on September 20, 2019, and 3,021 shares vest every three months thereafter.
- (6) On July 8, 2019, Ms. Echevarria was granted an option to acquire 10,334 shares of the Company's common stock, of which 2,584 shares underlying the option vest on July 8, 2020, 647 shares underlying the option vest on October 8, 2020, and 646 shares vest every three months thereafter.
- (7) On November 17, 2017, Ms. Echevarria was granted an option to acquire 3,334 shares of the Company's common stock, of which 834 shares underlying the option vest on December 17, 2018, and 209 shares vest every three months thereafter.
- (8) On February 14, 2018, Ms. Echevarria was granted an option to acquire 1,667 shares of the Company's common stock, of which 418 shares underlying the option vest on February 14, 2019, and 105 shares vest every three months thereafter.
- (9) On September 20, 2018, Ms. Echevarria was granted an option to acquire 2,000 shares of the Company's common stock, of which 500 shares underlying the option vest on September 20, 2019, and 125 shares vest every three months thereafter.
- (10) On January 31, 2019, Ms. Echevarria was granted an option to acquire 5,000 shares of the Company's common stock, of which 1,250 shares underlying the option vest on January 31, 2020, and 313 shares vest on April 30, 2020, and 313 shares vest every three months thereafter.

## Director Compensation

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

		Director Compensation				
	Year	Fees Earned or Paid in Cash (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards <sup>(1)</sup> (\$)	Total (\$)
Peter Lawrence (2)	2020	-	-	-	16,944	16,944
	2019	-	-	-	26,292	26,292
Steven A. Moel (3)	2020	-	-	-	16,944	16,944
	2019	-	-	-	8,543	8,543
Reuben Cannon (4)	2020	-	-	-	16,944	16,944
	2019	-	-	-	-	-

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, 2020, Mr. Lawrence held options to acquire 50,003 shares of the Company's common stock, of which 27,918 were vested and exercisable.
- (3) As of December 31, 2020, Dr. Moel held options to acquire 16,002 shares of the Company's common stock, of which 5,459 were vested and exercisable. Of that total, options to acquire 3,334 shares of the Company's common stock were issued to Dr. Moel on November 17, 2017 as compensation for his services on the Board of Advisors.
- (4) As of December 31, 2020, Mr. Cannon held options to acquire 7,667 shares of the Company's common stock, of which 563 were vested and exercisable. Of that total, options to acquire 6,667 shares of the Company's common stock which were issued to Mr. Cannon on September 28, 2020 as compensation for his services on the Board of Directors.

## 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 100,000 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 275,987, 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 396,463 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, 2020, there were 75,027 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 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.

#### **Gaucha 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 Gaucha Plan"). The Company and the Board of Directors of GGI adopted the 2018 Gaucha 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 Gaucha Plan. Authorized shares under the 2018 Gaucha 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 Gaucha 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 December 31, 2020, options to purchase 5,720,000 shares of GGI common stock remain outstanding under the 2018 Gaucha Plan.

The 2018 Gaucha 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 Gaucha 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 Gaucha Plan; take any action for administration of the 2018 Gaucha Plan; and adopt modifications to comply with laws of non-U.S. jurisdictions.

Participants in the 2018 Gaucha 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 Gaucha 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**

The following table sets forth certain information regarding our shares of common stock beneficially owned as of April 9, 2021, 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. 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 at Closing of Offering (1)
<b><u>More than 5% Stockholders</u></b>		
John I. Griffin, 4221 Way Out West Dr, Suite 100 Houston, TX 77092	860,091(2)	11.1%
<b><u>Directors and Named Executive Officers</u></b>		
Scott L. Mathis, 1445 16 <sup>th</sup> Street, Suite 403, Miami Beach, Florida	488,481(3)	6.4%
Maria I. Echevarria, 14 Benmore Ter., Bayonne, NJ 07002	13,535(4)	0.2%
Steven A. Moel, 7934 La Mirada Drive, Boca Raton, FL 33433	32,009(5)	0.4%
Peter J.L. Lawrence, 5 Landsdowne Crescent, London W11 2NH, England	43,675(6)	0.6%
Reuben Cannon, 280 S. Beverly Drive, #208, Beverly Hills, CA 90212	11,214(7)	0.1%
Marc Dumont, 43 rue de la Prétaire, CH-1936, Verbier, Switzerland	54,075(8)	0.7%
Edie Rodriguez, 1764 Victoria Pointe Circle, Weston, FL 33327	16,666(9)	0.2%
All directors and executive officers as a group	659,655(10)	8.6%

\* Less than one percent

- (1) Based on 7,479,127 shares of common stock and 7,475,758 shares of common stock issued and outstanding as of April 9, 2021.
- (2) Consists of (a) 305,592 shares of common stock held by Mr. Griffin individually; (b) 264,570 shares of common stock held by JLAL Holdings Ltd., an entity wholly controlled by Mr. Griffin; (c) 174,248 warrants held by Mr. Griffin individually and 112,764 warrants held by JLAL Holdings Ltd.; and (d) 2,917 shares of our common stock issuable upon the exercise of stock options.
- (3) Consists of (a) 37,225 shares of our common stock owned by Mr. Mathis directly; (b) 251,829 shares owned by The WOW Group, LLC, of which Mr. Mathis is a controlling member; (c) 17,470 shares owned by Mr. Mathis's 401(k) account; and (c) the right to acquire 181,957 shares of common stock subject to the exercise of options.
- (4) Consists of (a) 886 shares owned by Mrs. Echevarria's 401(k) account and (b) 12,649 shares of our common stock issuable upon the exercise of stock options.
- (5) Consists of (a) 10,100 shares owned by Dr. Moel directly; (b) 11,770 shares held by Dr. Moel's Roth IRA; (c) 1,780 shares held by Andrew Moel, his son; (d) 1,900 shares held by Erin Moel, his daughter; and (e) 6,459 shares issuable upon the exercise of stock options.
- (6) Consists of (a) 12,332 shares of our common stock owned by Mr. Lawrence directly; (b) 716 shares owned by Mr. Lawrence and his spouse as trustees for the Peter Lawrence 1992 Settlement Trust; and (c) 30,627 shares of our common stock issuable upon the exercise of stock options.
- (7) Consists of (a) 3,333 shares held by Mr. Cannon individually; (b) 1,961 shares owned by Reuben Cannon Productions; (c) 626 shares issuable upon the exercise of stock options; (d) 3,333 shares issuable upon the exercise of warrants held by Mr. Cannon individually; and (e) 1,961 shares issuable upon the exercise of warrants held by Reuben Cannon Productions.
- (8) Consists of (a) 30,000 shares owned by Mr. Dumont, his wife Vinciane Dumont, and his daughter Catherine Dumont, JTWROS; (b) 19,283 shares held by Mr. & Mrs. Dumont and Patrick Dumont, JTWROS; and (c) 4,792 shares issuable upon the exercise of stock options.
- (9) Consists of (a) 8,333 shares owned directly; and (b) warrants to purchase 8,333 shares of common stock directly.
- (10) Consists of 408,911 shares of our common stock, 236,479 shares of our common stock issuable upon the exercise of stock options, and 13,627 shares of our common stock issuable upon the exercise of warrants.

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

The following is a description of transactions during the last two fiscal years in which the transaction involved an amount that exceeded the lesser of \$120,000 or one percent of the average of the Company's total assets at year end 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 Stock 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 \$246,125 and \$0 as of December 31, 2020 and 2019, 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. During 2019, the Related Party prepaid \$566,132 of its future obligations under the Related Party ESA and prepaid an additional \$574,000 during 2020. The Company applied the contra-expense of \$466,582 to its obligations under the Related Party ESA and repaid \$673,550 of the amounts owed to the Related Party during the year ended December 31, 2020.

- **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. Reuben Cannon, as a director of the Company, holds 25,670 shares of common stock of GGI, reflecting a conversion of \$10,000 in principal and \$268 in interest from his GGI Note. Marc Dumont, as a director of the Company upon our intended Nasdaq uplisting, holds 511,156 shares of common stock of GGI with his son, 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, 2020 and December 31, 2019.
- **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 Holdings Ltd. Mr. Griffin is an advisor to the Company. 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. On January 8, 2021, the Company issued 237,012 shares of common stock and warrants to purchase 237,012 shares of common stock in total to Mr. Griffin and JLAL Holdings Ltd., reflecting a conversion of \$1,163,354 in principal and \$ 258,714 in interest.

#### 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 five of our six directors (Peter J.L. Lawrence, Steven A. Moel, Reuben Cannon, Marc Dumont, and Edie Rodriguez) 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.

All related party transactions must be approved by the independent directors of the Board. A transaction is deemed to be a related party transaction if one or more of the directors, officers or holders of more than 5% of GGH common stock and Series B Preferred Stock on an as-converted basis is involved and the transaction exceeds the lesser of \$120,000 or one percent of the average of the Company’s total assets at year end. A related party transaction will only be approved if the independent directors determine that the terms are fair and beneficial to the Company. This policy is not written but the Board has repeatedly practiced this approval process.

#### Indemnification Agreements

Our Certificate of Incorporation requires 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Audit fees <sup>(1)</sup>	\$ 317,918	\$ 294,281
Audit-related fees <sup>(2)</sup>	-	62,004
Tax fees	-	55,255
	<u>\$ 317,918</u>	<u>\$ 411,540</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, 2020 and 2019, and the reviews of the consolidated financial statements included in the Company's quarterly reports on Form 10-Q during 2020 and 2019.

(2) Represents primarily travel costs associated with the audit of the Company's consolidated financial statements for the fiscal years ended December 31, 2020 and 2019.

#### 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 10-K.

Exhibit	Description
1.1	<a href="#"><u>Underwriting Agreement, dated February 16, 2021 (10)</u></a>
1.2	<a href="#"><u>Warrant Agreement, including the form of Warrant, made as of February 19, 2021, between the Company and Continental (11)</u></a>
3.1	<a href="#"><u>Amended and Restated Certificate of Incorporation filed with the Delaware Secretary of State effective February 16, 2021(10)</u></a>
3.2	<a href="#"><u>Amended and Restated Bylaws (1)</u></a>
3.3	<a href="#"><u>Amendment to the Company's Amended and Restated Bylaws as approved on July 8, 2019 (5)</u></a>
4.1	<a href="#"><u>Amended and Restated Certificate of Designation of the Series A Preferred filed September 30, 2013(1)</u></a>
4.2	<a href="#"><u>Amendment No. 1 to the Amended and Restated Certificate of Designation of Series A Convertible Preferred Stock, dated February 28, 2017 (2)</u></a>
4.3	<a href="#"><u>Certificate of Designation of Series B Convertible Preferred Stock, dated February 28, 2017 (2)</u></a>
4.4	<a href="#"><u>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.(6)</u></a>
4.5	<a href="#"><u>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. (7)</u></a>
4.6	<a href="#"><u>2016 Stock Option Plan (3)</u></a>
4.7	<a href="#"><u>First Amendment to 2016 Stock Option Plan as adopted by the Board of Directors on October 20, 2016. 3</u></a>
4.8	<a href="#"><u>2018 Equity Incentive Plan (4)</u></a>
4.9	<a href="#"><u>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 (5)</u></a>
4.1	<a href="#"><u>Amendment to the Company's 2018 Equity Incentive Plan effective July 8, 2019 as approved by the Board of Directors (8)</u></a>
4.2	<a href="#"><u>Underwriters' Warrant (10)</u></a>
4.3	<a href="#"><u>Form of Unit Warrant (9)</u></a>
4.4	<a href="#"><u>Description of Capital Stock of the Company*</u></a>
10.2	<a href="#"><u>Retention Bonus Agreement by and between the Company and Scott L. Mathis dated March 29, 2020 (13)</u></a>
10.3	<a href="#"><u>Commercial Lease Agreement between Gaucho Group, Inc. and Design District Development Partners, LLC, dated April 8, 2021*</u></a>
14.1	<a href="#"><u>Amended Code of Business Conduct and Ethics and Whistleblower Policy *</u></a>
14.2	<a href="#"><u>Audit Committee Charter*</u></a>
14.3	<a href="#"><u>Compensation Committee Charter*</u></a>

21.1	<a href="#"><u>Subsidiaries of Gaucho Group Holdings, Inc.*</u></a>
31.1	<a href="#"><u>Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</u></a>
31.2	<a href="#"><u>Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</u></a>
32	<a href="#"><u>Certification of the Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**</u></a>
99.1	<a href="#"><u>Algodon Wine Estates Property Map*</u></a>
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 Quarterly Report on Form 10-Q, filed on November 19, 2018.
5.	Incorporated by reference to the Company's Current Report on Form 8-K filed on July 9, 2019.
6.	Incorporated by reference to the Company's Current Report on Form 8-K filed on December 4, 2019.
7.	Incorporated by reference to the Company's Current Report on Form 8-K filed on January 31, 2020.
8.	Incorporated by reference to the Company's Registration Statement on Form S-1 filed on August 30, 2019.
9.	Incorporated by reference to the Company's Amended Registration Statement on Form S-1 filed on January 27, 2020.
10.	Incorporated by reference to the Company's Current Report on Form 8-K filed on February 18, 2021.
11.	Incorporated by reference to the Company's Current Report on Form 8-K filed on February 22, 2021.
12.	Incorporated by reference to the Company's Current Report on Form 8-K filed on May 15, 2020.
13.	Incorporated by reference to the Company's Current Report on Form 8-K filed on April 1, 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: April 12, 2021

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

Dated: April 12, 2021

By: /s/ Maria I. 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: April 12, 2021

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

Dated: April 12, 2021

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

Dated: April 12, 2021

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

Dated: April 12, 2021

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

Dated: April 12, 2021

By: /s/ Reuben Cannon  
Reuben Cannon  
Director

Dated: April 12, 2021

By: /s/ Edie Rodriguez  
Edie Rodriguez  
Director

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

**CONSOLIDATED FINANCIAL STATEMENTS**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of  
Gaucha Group Holdings, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Gaucha Group Holdings, Inc. (the “Company”) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive loss, changes in temporary equity and stockholders’ equity and cash flows for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

### 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 audits to obtain reasonable assurance about whether the 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ *Marcum LLP*

Marcum LLP

We have served as the Company’s auditor since 2013.  
New York, NY  
April 12, 2021

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

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 134,536	\$ 40,378
Accounts receivable, net of allowance of \$180,941 and \$126,216 at December 31, 2020 and 2019, respectively	255,720	335,622
Accounts receivable - related parties, net of allowance of \$332,130 and \$514,087 at December 31, 2020 and 2019, respectively	252,852	39,837
Advances to employees	282,508	281,783
Inventory	1,172,775	1,163,260
Real estate lots held for sale	139,492	139,492
Operating lease right-of-use asset	-	148,581
Investment	53,066	74,485
Deposits, current	35,854	-
Prepaid expenses and other current assets	196,539	205,309
<b>Total Current Assets</b>	<b>2,523,342</b>	<b>2,428,747</b>
<b>Long Term Assets</b>		
Property and equipment, net	2,860,222	2,914,715
Prepaid foreign taxes, net	519,499	474,130
Investment - related parties	457	3,470
Deferred offering costs	67,016	-
Deposits, non-current	-	99,298
<b>Total Assets</b>	<b>\$ 5,970,536</b>	<b>\$ 5,920,360</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,	
	2020	2019
<b>Liabilities, Temporary Equity and Stockholders' Deficiency</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 891,168	\$ 823,762
Accrued expenses, current portion	1,401,402	1,122,345
Deferred revenue	933,941	899,920
Operating lease liabilities	-	157,826
Loans payable, current portion, net of debt discount of \$0 and \$13,345 at December 31, 2020 and 2019, respectively	437,731	781,719
Loans payable - related parties	-	566,132
Debt obligations	1,270,354	1,270,354
Investor deposits	29,950	29,950
Other current liabilities	131,895	85,945
<b>Total Current Liabilities</b>	<b>5,096,441</b>	<b>5,737,953</b>
<b>Long Term Liabilities</b>		
Accrued expenses, non-current portion	169,678	86,398
Loans payable, non-current portion, net of debt discount of \$0 and \$3,417 at December 31, 2020 and 2019, respectively	310,591	96,583
<b>Total Liabilities</b>	<b>5,576,710</b>	<b>5,920,934</b>
<b>Commitments and Contingencies (Note 17)</b>		
Series B convertible redeemable preferred stock, par value \$0.01 per share; 902,670 shares authorized; 901,070 and 902,670 issued and outstanding at December 31, 2020 and 2019, respectively. Liquidation preference of \$9,543,260 at December 31, 2020.	9,010,824	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; 150,000,000 shares authorized; 5,234,406 and 4,021,470 shares issued and 5,231,037 and 4,018,101 shares outstanding as of December 31, 2020 and 2019, respectively.	52,344	40,215
Additional paid-in capital	96,951,440	91,238,518
Accumulated other comprehensive loss	(11,932,801)	(12,399,833)
Accumulated deficit	(93,534,828)	(87,886,307)
Treasury stock, at cost, 3,369 shares at December 31, 2020 and 2019	(46,355)	(46,355)
<b>Total Gaucho Group Holdings, Inc. Stockholders' Deficiency</b>	<b>(8,510,200)</b>	<b>(9,053,762)</b>
Non-controlling interest	(106,798)	26,364
<b>Total Stockholders' Deficiency</b>	<b>(8,616,998)</b>	<b>(9,027,398)</b>
<b>Total Liabilities, Temporary Equity and Stockholders' Deficiency</b>	<b>\$ 5,970,536</b>	<b>\$ 5,920,360</b>

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

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

	<b>For the Years Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Sales</b>	\$ 635,789	\$ 1,284,437
Cost of sales	(726,686)	(1,040,339)
Gross loss	(90,897)	244,098
<b>Operating Expenses (Income)</b>		
Selling and marketing	320,768	482,677
General and administrative	4,814,312	6,428,625
Depreciation and amortization	170,189	196,438
Gain from insurance settlement	(30,240)	(165,508)
Total operating expenses	5,275,029	6,942,232
<b>Loss from Operations</b>	(5,365,926)	(6,698,134)
<b>Other Expense (Income)</b>		
Interest expense, net	245,174	360,413
Loss on extinguishment of debt	355,602	-
Gain on debt restructuring	(130,421)	-
Gain on settlement of payables	(2,100)	-
Gains from foreign currency translation	(52,498)	(101,732)
Total other expense	415,757	258,681
<b>Net Loss</b>	(5,781,683)	(6,956,815)
Net loss attributable to non-controlling interest	133,162	293,007
Series B preferred stock dividends	(721,752)	(721,057)
<b>Net Loss Attributable to Common Stockholders</b>	\$ (6,370,273)	\$ (7,384,865)
<b>Net Loss per Common Share</b>	\$ (1.47)	\$ (2.03)
<b>Weighted Average Number of Common Shares Outstanding:</b>		
Basic and Diluted	4,310,440	3,643,342

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 December 31,</b>	
	<b>2020</b>	<b>2019</b>
Net loss	\$ (5,781,683)	\$ (6,956,815)
Other comprehensive income:		
Foreign currency translation adjustments	467,032	710,386
Comprehensive loss	(5,314,651)	(6,246,429)
Comprehensive loss attributable to non-controlling interests	133,162	293,007
Comprehensive loss attributable to controlling interests	<u>\$ (5,181,489)</u>	<u>\$ (5,953,422)</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	Accumulated Other	Accumulated Deficit	Gaucha Group Holdings	Non	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-In Capital	Comprehensive Loss		Stockholders' Deficiency	controlling Interest	Stockholders' Deficiency
Balance - January 1, 2019	902,670	\$ 9,026,824	3,115,902	\$ 31,159	3,369	\$(46,355)	\$ 84,250,667	(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	-	-	12,079	121	-	-	63,293	-	-	63,414	-	63,414
Options and warrants	-	-	-	-	-	-	432,187	-	-	432,187	-	432,187
Common stock issued for cash	-	-	878,257	8,783	-	-	4,601,917	-	-	4,610,700	-	4,610,700
Common stock issued upon conversion of convertible debt and interest	-	-	5,573	56	-	-	52,604	-	-	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	-	-	9,659	96	-	-	50,613	-	-	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
Balance - December 31, 2019	902,670	9,026,824	4,021,470	40,215	3,369	(46,355)	91,238,518	(12,399,833)	(87,886,307)	(9,053,762)	26,364	(9,027,398)
Stock-based compensation:												
Common stock issued in satisfaction of 401(k) profit sharing liability	-	-	9,509	95	-	-	52,637	-	-	52,732	-	52,732
Options and warrants	-	-	-	-	-	-	361,253	-	-	361,253	-	361,253
Common stock issued for services	-	-	76,027	760	-	-	107,506	-	-	108,266	-	108,266
Common stock and warrants issued for cash	-	-	301,441	3,014	-	-	1,568,787	-	-	1,571,801	-	1,571,801
Common stock and warrants issued upon conversion of convertible debt and interest	-	-	642,259	6,423	-	-	3,624,576	-	-	3,630,999	-	3,630,999
Dividends declared on Series B convertible redeemable preferred stock	-	-	-	-	-	-	(1,534,086)	-	-	(1,534,086)	-	(1,534,086)
Common stock issued in satisfaction of dividends payable	-	-	183,700	1,837	-	-	1,532,249	-	-	1,534,086	-	1,534,086
Repurchase of preferred stock	(1,600)	(16,000)	-	-	-	-	-	-	-	-	-	-
Comprehensive loss:												
Net loss	-	-	-	-	-	-	-	-	(5,648,521)	(5,648,521)	(133,162)	(5,781,683)
Other comprehensive income	-	-	-	-	-	-	-	467,032	-	467,032	-	467,032
Balance - December 31, 2020	901,070	\$ 9,010,824	5,234,406	\$ 52,344	3,369	\$(46,355)	\$ 96,951,440	\$ (11,932,801)	\$ (93,534,828)	\$ (8,510,200)	\$ (106,798)	\$ (8,616,998)

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

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

	<b>For the Years Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (5,781,683)	\$ (6,956,815)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation:		
401(k) stock	31,778	55,196
Options and warrants	361,253	432,187
Common stock	31,350	-
Gain on foreign currency translation	(52,498)	(101,732)
Unrealized investment losses	3,013	4,370
Depreciation and amortization	170,189	196,438
Loss on disposal of asset	-	401
Amortization of right-of-use asset	92,862	212,441
Amortization of debt discount	9,335	21,336
Provision for uncollectible assets	70,535	126,157
Loss on derecognition of right-of-use asset and lease liabilities	39,367	-
Gain on debt restructuring	(130,421)	-
Gain on settlement of payables	(2,100)	-
Loss on extinguishment of debt	355,602	-
Write-down of inventory	-	193,564
Decrease (increase) in assets:		
Accounts receivable	(798,446)	(181,247)
Inventory	(9,515)	(322,929)
Deposits	20,611	(38,014)
Prepaid expenses and other current assets	(40,018)	(116,563)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	703,698	615,792
Operating lease liabilities	(98,641)	(203,196)
Deferred revenue	34,021	(3,841)
Other liabilities	45,950	(13,956)
Total Adjustments	837,925	876,404
<b>Net Cash Used in Operating Activities</b>	<b>(4,943,758)</b>	<b>(6,080,411)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(115,454)	(139,271)
Purchase of investment	-	(74,485)
<b>Net Cash Used in Investing Activities</b>	<b>(115,454)</b>	<b>(213,756)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from loans payable	27,641	-
Proceeds from loans payable - related parties	574,000	566,132
Repayments of loans payable	(355,583)	(197,034)
Repayments of loans payable - related parties	(673,550)	-
Proceeds from convertible debt obligations	3,221,919	786,000
Repayments of debt obligations	-	(95,500)
Proceeds from common stock offering	1,571,801	4,610,700
Proceeds from PPP Loan	242,487	-
Proceeds from SBA Economic Injury Disaster Loan	94,000	-
Proceeds from investor deposits	-	29,950
Repurchase of preferred stock	(16,000)	-
<b>Net Cash Provided by Financing Activities</b>	<b>4,686,715</b>	<b>5,700,248</b>
<b>Effect of Exchange Rate Changes on Cash</b>	<b>466,655</b>	<b>575,809</b>
<b>Net Increase (Decrease) in Cash</b>	<b>94,158</b>	<b>(18,110)</b>
<b>Cash - Beginning of Year</b>	<b>40,378</b>	<b>58,488</b>
<b>Cash - End of Year</b>	<b>\$ 134,536</b>	<b>\$ 40,378</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)**

	<b>For the Years Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Interest paid	\$ 252,772	\$ 333,091
Income taxes paid	\$ -	\$ -
<b>Non-Cash Investing and Financing Activity</b>		
Accrued stock-based compensation converted to equity	\$ 52,732	\$ 63,414
Debt and interest payable converted to equity	\$ 3,630,999	\$ 52,660
Notes payable exchanged for common stock of GGI	\$ -	\$ 2,106,608
Common stock issued in satisfaction of debt obligations	\$ -	\$ 50,709
Common stock issued in satisfaction of payable	\$ 9,900	\$ -
Common stock issued as deferred offering costs	\$ 67,016	\$ -
Dividends declared on Series B Convertible Redeemable Preferred Stock	\$ 1,534,086	\$ -
Common stock issued to satisfy dividends payable	\$ 1,534,086	\$ -

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

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

**1. BUSINESS ORGANIZATION, NATURE OF OPERATIONS AND RISKS AND UNCERTAINTIES**

**Organization and Operations**

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 a collection of luxury assets, including real estate development, fine wines, and a boutique hotel in Argentina, as well as an e-commerce platform for the sale of high-end fashion and accessories.

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 also holds a 79% ownership interest in its subsidiary Gaucho Group, Inc. (“GGI”) which began operations in 2019 for the distribution and sale of high-end luxury fashion and accessories through an e-commerce platform. On March 20, 2020, the Company formed a wholly-owned subsidiary, Bacchus Collection, Inc., which is still in the concept stage for the production of elegant wine and bar essentials.

**Risks and Uncertainties**

In December 2019, the 2019 novel coronavirus (“COVID-19”) surfaced in Wuhan, China. The World Health Organization declared the outbreak as a global pandemic in March 2020. Recently, we temporarily closed our corporate office, as well as our hotel, restaurant, winery operations, and golf and tennis operations. Further, the outsourced factories which Gaucho ordered products have closed, borders for importing product have been impacted and the Gaucho fulfillment center is also closed. In response, we have reduced costs by negotiating out of our New York lease, renegotiating with our vendors, and implementing salary reductions. We have also created an e-commerce platform for our wine sales in response to the pandemic. On October 19, 2020, we re-opened our winery and golf and tennis facilities with COVID-19 measures implemented. Most recently, we reopened the Algodon Mansion as of November 11, 2020 with COVID-19 measures implemented. Additionally, the construction on homes were temporarily halted from March to September but has resumed. The Company is continuing to monitor the outbreak of COVID-19 and the related business and travel restrictions, and changes to behavior intended to reduce its spread, and the related impact on the Company’s operations, financial position and cash flows, as well as the impact on its employees. Due to the rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on the Company’s future operations and liquidity is uncertain as of the date of this report. While there could ultimately be a material impact on operations and liquidity of the Company, at the time of issuance, the impact could not be determined.

**Reverse Stock Split**

A 15:1 reverse stock split of the Company’s common stock was effected on February 16, 2021 (the “Reverse Stock Split”). All share and per share information has been retroactively adjusted to give effect to the Reverse Stock Split for all periods presented, unless otherwise indicated.

**2. 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. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

**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 10 – Debt Obligations)

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

**Use of Estimates**

To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, the Company must make estimates and assumptions. These estimates and assumptions affect the reported amounts in the financial statements, 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 investments, equity and liability 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.

**Liquidity**

As of December 31, 2020, the Company had cash, working capital deficit and an accumulated deficit of \$134,536, \$2,574,361 and \$93,534,828, respectively. During the year ended December 31, 2020 and 2019, the Company incurred a net loss of \$5,781,683 and \$6,956,815, respectively, and used cash in operating activities of \$4,943,758 and \$6,080,411, respectively.

On February 19, 2021, the Company closed on an underwritten public offering of 1,333,334 Units at \$6.00 per unit for approximate gross proceeds of \$8 million, before deducting underwriting discounts and commissions and estimated offering expenses. See Note 18 – Subsequent Events.

The Company expects that its cash on hand, as well as the forecasted cash generated from operating activities which includes projected increases in revenues, will fund its operations for a least 12 months after the issuance date of these financial statements.

Since inception, the Company's operations have primarily been funded through proceeds received in equity and debt financings. The Company believes it has access to capital resources and continues to evaluate additional financing opportunities. There is no assurance that the Company will be able to obtain funds on commercially acceptable terms, if at all. There is also no assurance that the amount of funds the Company might raise will enable the Company to complete its development initiatives or attain profitable operations.

The Company's operating needs include the planned costs to operate its business, including amounts required to fund working capital and capital expenditures. The Company's future capital requirements and the adequacy of its available funds will depend on many factors, including the Company's ability to successfully commercialize its products and services, competing technological and market developments, and the need to enter into collaborations with other companies or acquire other companies or technologies to enhance or complement its product and service offerings.

**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 ("ARS")" 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 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, 2020 and 2019, the Company recorded gains on foreign currency translations of \$52,498 and \$101,732, respectively, as a result of the net monetary liability position of its Argentine subsidiaries.

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

**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. The assets and liabilities of Algodon Europe, LTD are translated from its local currency (British Pound) to the Company's reporting currency using period end exchange rate while income and expense accounts were translated at the average rate in effect during the period. The resulting translation adjustment is recorded as part of other comprehensive loss, a component of stockholders' deficit. The assets, liabilities and income and expense accounts of the Company's Argentine subsidiaries are translated as described above. 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, 2020 and 2019 was \$70,535 and \$126,157, respectively. Write-offs of accounts receivable for the years ended December 31, 2020 and 2019 were \$151,082 and \$516, 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.

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 Accounting Standards Codification ("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 years ended December 31, 2020 and 2019, the Company recorded \$0 and \$193,564 of write-down related to obsolete and excess inventory.

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

**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, 2020 or 2019.

**Convertible Debt**

The Company evaluates for the existence of a beneficial conversion feature ("BCF") related to the issuance of convertible notes, if such instruments are not deemed to be derivative financial instruments, by comparing the commitment date fair value to the effective conversion price of the instrument. The Company records a BCF as debt discount, which is amortized to interest expense over the life of the respective note using the effective interest method. BCFs that are contingent upon the occurrence of a future event are recognized when the contingency is resolved.

**Sequencing Policy**

Under 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 or the Company's total potentially dilutive shares exceed the Company's authorized share limit, 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.



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

**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 \$54,681 and \$29,027 at December 31, 2020 and 2019, 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>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Assets - Argentina	\$ 5,064,401	\$ 5,020,787
Assets - U.S.	906,135	899,573
<b>Total Assets</b>	<b>\$ 5,970,536</b>	<b>\$ 5,920,360</b>
Liabilities - Argentina	\$ 1,979,719	\$ 2,373,203
Liabilities - U.S.	3,596,991	3,547,731
<b>Total Liabilities</b>	<b>\$ 5,576,710</b>	<b>\$ 5,920,934</b>

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Sales - Argentina	\$ 632,628	\$ 1,272,772
Sales - U.S.	3,161	11,665
<b>Total Revenues</b>	<b>\$ 635,789</b>	<b>\$ 1,284,437</b>
Net loss - Argentina	\$ (1,040,681)	\$ (1,559,766)
Net loss - U.S.	(4,741,002)	(5,397,049)
<b>Total Net Loss</b>	<b>\$ (5,781,683)</b>	<b>\$ (6,956,815)</b>

**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, 2020 and 2019, respectively.

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

**Segment Information**

The Financial Accounting Standards Board (“FASB”) has established standards for reporting information on operating segments of an enterprise in interim and annual financial statements. The Company currently operates in three segments which are the (i) business of real estate development and manufacture (including hospitality and winery operations, which support the ALGODON® brand) (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 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 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>2020</b>	<b>2019</b>
Hotel rooms and events	\$ 258,607	\$ 740,284
Restaurants	127,335	169,600
Winemaking	101,630	180,692
Golf, tennis and other	140,545	182,196
Clothes and accessories	7,672	11,665
Total revenues	<u>\$ 635,789</u>	<u>\$ 1,284,437</u>

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. Revenue from real estate lot sales is recorded when the lot is deeded, and legal ownership of the lot is transferred to the customer.

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.

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

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, 2020 and 2019, the Company had deferred revenue of \$849,828 and \$838,471, respectively, associated with real estate lot sale deposits and had \$84,113 and \$61,449, 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>2020</b>	<b>2019</b>
Options	626,579	636,750
Warrants	969,827	37,790
Series B convertible preferred stock	600,713	601,780
Total potentially dilutive shares	2,197,119	1,276,320

**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.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
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The Company adopted 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 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, 2020 and 2019 was \$306,710 and \$319,919, respectively.

**New Accounting Pronouncements**

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 adopted ASU 2018-13, effective January 1, 2020, which did not have a material effect 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 adopted ASU 2019-12, effective January 1, 2021, which did not have a material effect on the Company’s consolidated financial statements.

In March 2020, the FASB issued ASU 2020-03, “Codification Improvements to Financial Instruments” (“ASU 2020-03”). ASU 2020-03 improves and clarifies various financial instruments topics. ASU 2020-03 includes seven different issues that describe the areas of improvement and the related amendments to GAAP, intended to make the standards easier to understand and apply by eliminating inconsistencies and providing clarifications. The Company adopted ASU 2020-03 upon issuance, which did not have a material effect on the Company’s consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity, which simplifies the accounting for convertible debt instruments and convertible preferred stock by reducing the number of accounting models and the number of embedded conversion features that could be recognized separately from the primary contract. The update also requires the application of the if-converted method to calculate the impact of convertible instruments on diluted earnings per share. The new guidance is effective for annual periods beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. This update can be adopted on either a fully retrospective or a modified retrospective basis. The Company adopted ASU 2020-06, effective January 1, 2021, which did not have a material effect on the Company’s consolidated financial statements.

In October 2020, the FASB issued ASU 2020-10, Codification Improvements, which updates various codification topics by clarifying or improving disclosure requirements to align with the SEC’s regulations. The guidance is effective for the Company beginning in the first quarter of fiscal year 2022 with early adoption permitted. The Company will adopt ASU 2020-10 as of the reporting period beginning January 1, 2021. The adoption of this update is not expected to have a material effect on the Company’s consolidated financial statements.

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

**3. INVENTORY**

Inventory at December 31, 2020 and 2019 was comprised of the following:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Vineyard in process	\$ 286,491	\$ 304,067
Wine in process	576,801	539,380
Finished wine	39,549	23,467
Clothes and accessories	215,951	224,965
Other	53,983	71,381
Total	<u>\$ 1,172,775</u>	<u>\$ 1,163,260</u>

**4. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Buildings and improvements	\$ 1,915,965	\$ 2,026,657
Real estate development	748,764	669,167
Land	660,315	522,225
Furniture and fixtures	349,729	347,819
Vineyards	204,636	199,816
Machinery and equipment	490,169	487,618
Leasehold improvements	-	164,375
Computer hardware and software	230,648	231,228
	<u>4,600,226</u>	<u>4,648,905</u>
Less: Accumulated depreciation and amortization	<u>(1,740,004)</u>	<u>(1,734,190)</u>
Property and equipment, net	<u>\$ 2,860,222</u>	<u>\$ 2,914,715</u>

During the year ended December 31, 2020, upon terminating its New York City lease, the Company wrote-off approximately \$164,000 of fully amortized leasehold improvements.

Depreciation and amortization of property and equipment was \$170,189 and \$196,438 for the years ended December 31, 2020 and 2019, 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.

**5. PREPAID FOREIGN TAXES**

Prepaid foreign taxes, net, of \$519,499 and \$474,130 at December 31, 2020 and 2019, respectively, consists primarily of prepaid 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 \$193,798 and \$231,441 as of December 31, 2020 and 2019, respectively.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
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**6. INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

**Investments at Fair Value:**

<b>As of December 31, 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Warrants - Affiliates	\$ -	\$ -	\$ 457	\$ 457
Government Bond	53,066	-	-	53,066
<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

A reconciliation of Level 3 assets is as follows:

	<b>Warrants - Affiliates</b>
Balance - January 1, 2019	\$ 7,840
Unrealized loss	(4,370)
Balance - December 31, 2019	3,470
Unrealized loss	(3,013)
Balance - December 31, 2020	\$ 457

Investment at December 31, 2020 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 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, 2020. The bond was purchased to settle specific Argentine taxes with interest and penalties, of which majority of the amount was used on the date of purchase. As of December 31, 2020, the Company issued a legal claim with the government to seek a resolution to apply the remaining amount to another debt or to receive a refund.

Investment – related parties at December 31, 2020, consisted of retained certain affiliate warrants which are marked to market at each reporting date using the Black-Scholes option pricing model. The Company recorded unrealized losses on the affiliate warrants of \$3,013 and \$4,370 during the twelve months ended December 31, 2020 and 2019, respectively, which are included in revenues on the accompanying consolidated statements of operations.

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

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.

**7. ACCRUED EXPENSES**

Accrued expenses are comprised of the following:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Accrued compensation and payroll taxes	\$ 169,164	\$ 210,900
Accrued taxes payable - Argentina	201,704	170,873
Accrued interest	609,725	484,026
Other accrued expenses	420,809	256,546
Accrued expenses, current	1,401,402	1,122,345
Accrued payroll tax obligations, non-current	169,678	86,398
Total accrued expenses	<u>\$ 1,571,080</u>	<u>\$ 1,208,743</u>

On November 27, 2020, the Company entered into various payment plans, under which it agreed to pay its Argentine payroll tax obligations over a period of 60 to 120 months. On The current portion of payments due under the plan is \$144,283 and \$134,989 as of December 31, 2020 and 2019, 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 \$29,043 and \$75,704 during the years ended December 31, 2020 and 2019, respectively, related to this payment plan.

**8. DEFERRED REVENUES**

Deferred revenues are comprised of the following:

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Real estate lot sales deposits	\$ 849,828	\$ 838,471
Other	84,113	61,449
Total	<u>\$ 933,941</u>	<u>\$ 899,920</u>

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. No additional agreements for the sale of real estate building lots were executed during 2020 and 2019. To date, twenty-five lots have been sold. Revenue is recorded when the sale closes, and the deeds are issued.

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

**9. LOANS PAYABLE**

The Company's loans payable are summarized below:

	<b>December 31, 2020</b>			<b>December 31, 2019</b>		
	<b>Gross Principal Amount</b>	<b>Debt Discount</b>	<b>Loans Payable, Net of Debt Discount</b>	<b>Gross Principal Amount</b>	<b>Debt Discount</b>	<b>Loans Payable, Net of Debt Discount</b>
PPP Loan	\$ 242,486	\$ -	\$ 242,486	\$ -	\$ -	\$ -
EIDL	94,000	-	94,000	-	-	-
2020 Demand Loan	14,749	-	14,749	-	-	-
2018 Demand Loan	-	-	-	6,678	-	6,678
2018 Loan	301,559	-	301,559	352,395	-	352,395
2017 Loan	15,115	-	15,115	67,491	-	67,491
Land Loan	80,413	-	80,413	468,500	(16,762)	451,738
Total Loans Payable	748,322	-	748,322	895,064	(16,762)	878,302
Less: current portion	437,731	-	437,731	795,064	(13,345)	781,719
Loans Payable, non-current	<u>\$ 310,591</u>	<u>\$ -</u>	<u>\$ 310,591</u>	<u>\$ 100,000</u>	<u>\$ (3,417)</u>	<u>\$ 96,583</u>

During the years ended December 31, 2020 and 2019, the Company made principal payments on loans payable in the aggregate of \$355,583 and \$197,034, respectively, of which \$7,940 and \$0, respectively, were paid on the 2020 Demand Loan, \$5,906 and \$0, respectively, were paid on the 2018 Demand Loan, \$50,836 and \$112,255, respectively, were paid on the 2018 Loan, \$40,662 and \$53,279, respectively, were paid on the 2017 Loan, and \$250,239 and \$31,500, respectively, were paid on the Land Loan. The remaining decrease in principal balances are the result of the impact of the change in exchange rates during the period.

The Company incurred interest expense related to the loans payable in the amount of \$57,633 and \$130,311 during the years ended December 31, 2020 and 2019, respectively, of which \$9,335 and \$21,336, respectively represented amortization of debt discount.

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

<b>Years ending December 31,</b>	<b>Total Payment</b>
2021	\$ 437,731
2022	217,091
2023	2,037
2024	2,105
2025	2,195
Thereafter	87,163
	<u>\$ 748,322</u>



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

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. On August 12, 2020, the terms of the Land Loan were amended such that (i) the original maturity date (August 18, 2021) was changed to December 31, 2020 and (ii) the remaining balance was reduced by \$137,850 from \$459,500 to \$321,652. The Company agreed to pay the loan in four equal payments at the end of each month starting August 30, 2020. The amendment was accounted for as a debt restructuring with the future undiscounted cash flows being less than the net carrying value of the original debt. No interest expense is recorded going forward and all future payments reduce the carrying value. A gain of \$130,421 was recorded in connection with the restructuring of the Land Loan.

**Demand Loan**

On March 1, 2020, the Company received a loan in the amount of \$27,641 (ARS \$1,777,778) (the “2020 Demand Loan”) which bears interest at 10% per month and is due upon demand of the lender (the “Demand Loan”). Interest is paid monthly.

**PPP Loan**

On May 6, 2020, the Company entered into a potentially forgivable loan from the U.S. Small Business Administration (“SBA”) pursuant to the Paycheck Protection Program (“PPP”) enacted by Congress under the Coronavirus Aid, Relief, and Economic Security Act (15 U.S.C. 636(a)(36)) (the “CARES Act”), resulting in net proceeds of \$242,487 (the “PPP Loan”). To facilitate the PPP Loan, the Company entered into a note payable agreement with Santander Bank, N.A. as the lender.

Under the terms of the CARES Act, as amended by the Paycheck Protection Program Flexibility Act of 2020, the Company is eligible to apply for and receive forgiveness for all or a portion of their respective PPP Loan. Such forgiveness will be determined, subject to limitations, based on the use of the loan proceeds for certain permissible purposes as set forth in the PPP, including, but not limited to, payroll costs (as defined under the PPP) and mortgage interest, rent or utility costs (collectively, “Qualifying Expenses”) incurred during the 24 weeks subsequent to funding, and on the maintenance of employee and compensation levels, as defined, following the funding of the PPP Loan. The Company intends to use the proceeds of the PPP Loan for Qualifying Expenses. However, no assurance is provided that the Company will be able to obtain forgiveness of the PPP Loan in whole or in part. Any amounts that are not forgiven incur interest at 1.0% per annum and monthly repayments of principal and interest are deferred to the earlier of (i) when the Small Business Administration remits the forgiven amount to the lender or notifies the lender that no forgiveness is allowed or (ii) October 31, 2021. While the Company’s PPP Loan currently has a two-year maturity, the amended law will permit the Company to request a five-year maturity, subject to the approval of the counterparty. On March 26, 2021, the Company was approved for the forgiveness on the full amount of the PPP Loan. (See Note 18 – Subsequent events).

**SBA Economic Injury Disaster Loans**

On May 22, 2020, the Company received a loan in the principal amount of \$94,000 (the “EIDL Loan”) pursuant to the Economic Injury Disaster Loan (“EIDL”) assistance program offered by the SBA in response to the impact of the COVID-19 pandemic on the Company’s business. The EIDL Loan bears interest at 3.75% per annum and matures on May 22, 2050. Proceeds from the EIDL are being used for working capital purposes. Monthly installment payments of \$459, including principal and interest, are due monthly beginning May 22, 2021. The EIDL Loan is secured by a security interest in all of the Company’s assets.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
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**10. DEBT OBLIGATIONS**

The Company's debt obligations as of December 31, 2020 and 2019 are summarized below:

	December 31, 2020			December 31, 2019		
	Principal	Interest [1]	Total	Principal	Interest [1]	Total
2010 Debt Obligations	\$ -	\$ 330,528	\$ 330,528	\$ -	\$ 305,294	\$ 305,294
2017 Notes	\$ 1,170,354	\$ 261,085	1,431,439	1,170,354	167,341	1,337,695
Gaucha Notes	\$ 100,000	\$ 13,270	113,270	100,000	6,260	106,260
Total Debt Obligations	<u>\$ 1,270,354</u>	<u>\$ 604,883</u>	<u>\$ 1,875,237</u>	<u>\$ 1,270,354</u>	<u>\$ 478,895</u>	<u>\$ 1,749,249</u>

[1] Accrued interest is included as a component of accrued expenses on the accompanying consolidated balance sheets (see Note 7 – Accrued Expenses).

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 \$330,528 and \$305,294 owed on the 2010 Debt Obligations remained outstanding as of December 31, 2020 and 2019, respectively. The Company incurred interest expense of \$25,234 and \$25,559 during the years ended December 31, 2020 and 2019, 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. 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 5,573 shares of common stock at a conversion price of \$9.45 per share. The Company incurred total interest expense of \$93,744 and \$95,641 related to this debt during the years ended December 31, 2020 and 2019, respectively. The remaining principal balance owed on the 2017 Notes of \$1,170,354 is past due as of December 31, 2020. The 2017 Notes matured on June 30, 2019. The principal balance outstanding on the 2017 Notes at December 31, 2020 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 9,659 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, 2020, principal and interest of \$100,000 and \$13,270 remain outstanding under the Gaucho Notes. The Company incurred total interest expense of \$7,010 and \$46,746 related to the Gaucho Notes during the years ended December 31, 2020 and 2019, respectively. The principal balance of the Gaucho Notes at December 31, 2020 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**  
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**11. CONVERTIBLE DEBT OBLIGATIONS**

Between August 25, 2020 and September 2, 2020, the Company sold unsecured convertible promissory notes (“New Convertible Notes”) in an aggregate amount of \$1,259,000 to accredited investors with a substantive pre-existing relationship with the Company. The New Convertible Notes matured on December 31, 2020 and bear interest at 7% per annum. Pursuant to the terms of the New Convertible Notes, principal and interest outstanding under the New Convertible Notes automatically convert into Units at a conversion price of \$5.10 per Unit at such time when the Company has sufficient shares of common stock authorized. Each Unit consists of one share of common stock and a one-year warrant exercisable at a price equal to the purchase of the Unit, expiring 12 months from the date of issuance (“Unit”). The Company incurred total interest expense of \$1,314 related to the New Convertible Notes during the year ended December 31, 2020, respectively. On September 2, 2020, the Company increased the number of authorized shares and issued an aggregate of 247,123 Units to accredited investors upon the automatic conversion of principal and interest of \$1,259,000 and \$1,314, respectively, outstanding under the New Convertible Notes.

During the year ended December 31, 2020, the Company sold unsecured convertible promissory notes (“Convertible Notes”) in an aggregate amount of \$1,962,919 to accredited investors with a substantive pre-existing relationship with the Company. The Convertible Notes matured on December 31, 2020 and bear interest at 7% per annum. Principal and interest outstanding under the Convertible Notes are convertible (i) automatically upon the closing of a firm commitment underwritten public offering registered pursuant to the Securities Act of 1933, as amended (a “Public Offering”, at a conversion price equal to 85% of the price per share of the Company’s common stock sold in the Public Offering (the “Mandatory Conversion Option”), or (ii) at the option of the holder at any time prior to the Public Offering at a conversion price equal to the closing price of the Company’s common stock on the day prior to conversion (the “Holder’s Conversion Option”). The Company incurred total interest expense of \$52,164 related to this debt during the nine months ended September 30, 2020.

On October 1, 2020, the Company converted all its remaining Convertible Notes into Units at a price of \$5.10 per Unit, such that the Company issued an aggregate of 395,136 Units to accredited investors upon the automatic conversion of principal and interest of \$1,962,919 and \$52,164, respectively, outstanding under the New Convertible Notes. The Company accounted for the transaction as a debt extinguishment and, as a result, recognized a loss on extinguishment of \$355,602.

**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 loss before income taxes were as follows:

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
United States	\$ (4,741,002)	\$ (5,397,049)
International	(1,040,681)	(1,559,766)
Loss before income taxes	<u>\$ (5,781,683)</u>	<u>\$ (6,956,815)</u>

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
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The income tax provision (benefit) consisted of the following:

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Federal		
Current	\$ -	\$ -
Deferred	(238,985)	(745,677)
State and local		
Current	-	-
Deferred	5,778,140	425,387
Foreign		
Current	-	-
Deferred	130,114	326,017
	5,669,269	5,727
Change in valuation allowance	(5,669,269)	(5,727)
Income tax provision (benefit)	\$ -	\$ -

For the years ended December 31, 2020 and 2019, 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>2020</b>	<b>2019</b>
U.S. federal statutory rate	(21.0)%	(21.0)%
State taxes, net of federal benefit	0 %	(0.1)%
Permanent differences	1.4 %	0.7 %
Write-off of deferred tax asset	115.4 %	18.9 %
Prior period adjustments	1.5 %	2.4 %
Other	0.8 %	(0.9)%
Change in valuation allowance	(98.1)%	(0.1)%
Income tax provision (benefit)	0.0%	0.0%

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
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As of December 31, 2020 and 2019, the Company's deferred tax assets consisted of the effects of temporary differences attributable to the following:

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Net operating loss	\$ 14,520,050	\$ 19,732,170
Stock based compensation	166,082	349,027
Argentine tax credits	70,201	109,610
Accruals and other	6,720	37,144
Receivable allowances	263,563	469,017
Total deferred tax assets	15,026,616	20,696,968
Valuation allowance	(15,026,520)	(20,695,788)
Deferred tax assets, net of valuation allowance	96	1,180
Excess of book over tax basis of warrants	(96)	(1,180)
Net deferred tax assets	\$ -	\$ -

As of December 31, 2020, the Company has approximately \$69,100,000 of gross U.S. federal net operating losses ("NOLs"), which includes approximately \$1,500,000 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 \$52,400,000 of the federal NOLs will expire from 2021 to 2037 and approximately \$16,700,000 have no expiration date. 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, an additional \$6,300,000 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 \$1,000,000. The Company remains subject to the possibility that a greater than 50% ownership change could trigger additional annual limitations on the usage of NOLs.

As of December 31, 2020, the Company has approximately \$53,700,000 and \$30,100,000 of gross New York State and New York City NOLs, each of which includes approximately \$1,500,000 of GGI 2019 NOLs. All of the state and local NOLs will expire from 2035 to 2038. During the year ended December 31, 2020, the Company wrote-off all of the approximately \$3,500,000 and \$1,900,000 of state and local deferred tax assets (and reduce the valuation allowance by a corresponding amount) associated with the state and local NOLs because the Company no longer has taxable income or losses which are apportioned to New York State or New York City and, at the present time, doesn't expect to realize the benefits of those NOLs.

As of December 31, 2020, the Company has approximately \$450,000 of gross U.K. NOL carryovers, which do not expire. During the year ended December 31, 2020, the Company wrote-off all of the approximately \$90,000 of deferred tax assets (and reduce the valuation allowance by a corresponding amount) associated with the U.K. NOLs because the Company no longer has operations subject to UK income taxes and, at the present time, doesn't expect to realize the benefits of those NOLs. In addition, the Company had approximately \$70,000 of Argentine tax credits which may be carried forward 10 years and begin to expire in 2021.

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 allowances for the years ended December 31, 2020 and 2019 decreased by approximately \$5,669,000 (which was impacted by the write-offs described above) and \$6,000, respectively.

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, 2020 and 2019. 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, 2017 (or the year ended December 31, 2001 if the Company were to utilize its NOLs). No tax audits were commenced or were in process during the years ended December 31, 2020 and 2019. 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.

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

**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.

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, 2020 and 2019:

	For the Year ended December 31, 2020				For the Year ended December 31, 2019			
	Real Estate	Fashion			Real Estate	Fashion		
	Development	(e-commerce)	Corporate <sup>(1)</sup>	TOTAL	Development	(e-commerce)	Corporate <sup>(1)</sup>	TOTAL
Revenues	\$ 632,628	\$ 3,161	\$ -	\$ 635,789	\$ 1,272,772	\$ 11,665	\$ -	\$ 1,284,437
Revenues from Foreign Operations	\$ 632,628	\$ -	\$ -	\$ 632,628	\$ 1,272,772	\$ -	\$ -	\$ 1,272,772
Depreciation and Amortization	\$ 127,692	\$ 2,147	\$ 40,350	\$ 170,189	\$ 146,398	\$ 1,901	\$ 48,139	\$ 196,438
Loss from Operations	\$ (1,162,615)	\$ (745,298)	\$ (3,458,013)	\$ (5,365,926)	\$ (1,469,438)	\$ (1,230,285)	\$ (3,998,411)	\$ (6,698,134)
Interest Expense, net	\$ 60,986	\$ 7,010	\$ 177,178	\$ 245,174	\$ 192,060	\$ 47,034	\$ 121,319	\$ 360,413
Net Loss	\$ (1,040,681)	\$ (752,308)	\$ (3,988,694)	\$ (5,781,683)	\$ (1,559,766)	\$ (1,277,319)	\$ (4,119,730)	\$ (6,956,815)
Capital Expenditures	\$ 116,033	\$ (1,360)	\$ 781	\$ 115,454	\$ 129,325	\$ 9,946	\$ -	\$ 139,271
Total Property and Equipment, net	\$ 2,855,444	\$ 4,538	\$ 240	\$ 2,860,222	\$ 2,866,861	\$ 8,044	\$ 39,810	\$ 2,914,715
Total Property and Equipment, net in Foreign Countries	\$ 2,855,444	\$ -	\$ -	\$ 2,855,444	\$ 2,866,861	\$ -	\$ -	\$ 2,866,861
Total Assets	\$ 5,064,401	\$ 238,491	\$ 667,644	\$ 5,970,536	\$ 5,020,788	\$ 286,658	\$ 612,914	\$ 5,920,360

**14. RELATED PARTY TRANSACTIONS**

**Assets**

Accounts receivable – related parties of \$252,852 and \$39,837 at December 31, 2020 and 2019, respectively, represents the net realizable value of advances made to separate entities under common management.

See Note 6 – Investments and Fair Value of Financial Instruments, for a discussion of the Company's investment in warrants of a separate entities under common management.

**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, 2020 and 2019, the Company recorded a contra-expense of \$705,912 and \$493,944, respectively, related to the reimbursement of general and administrative expenses as a result of the agreement.

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During 2019, the Related Party prepaid \$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. During the year ended December 31, 2020, the Related Party prepaid an additional \$574,000 in connection with the Related Party ESA. The Company applied the contra-expense of \$466,582 to its obligations under the Related Party ESA and repaid \$673,550 of the amounts owed to the Related Party during the year ended December 31, 2020.

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 December 31, 2019, of which the entire balance was deemed unrecoverable and reserved. During the year ended December 31, 2020, the Company received payments from the entity in the amount of \$63,985 and recorded recovery of the bad debt allowance of \$63,985. The balance owed to the Company under this expense sharing agreement as of December 31, 2020 is \$332,131 of which the entire balance is deemed unrecoverable and is 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, 2020 and 2019, the Company recorded a charge associated with its contribution of \$31,778 and \$55,196, 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 \$5.55 and \$5.25 per share during 2020 and 2019, respectively.)

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

**Authorized Shares**

The Company is authorized to issue up to 150,000,000 shares of common stock, \$0.01 par value per share. On September 3, 2020, the Company filed a Certificate of Amendment of Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 80,000,000 to 150,000,000. As of December 31, 2020 and 2019, there were 5,234,406 and 4,021,470 shares of common stock issued, and 5,231,037 and 4,018,101 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, 2020, and 2019 there were 901,070 and 902,670, shares of Series B preferred stock outstanding, respectively. There were no shares of Series A preferred stock outstanding at December 31, 2020 or 2019, and no additional shares of Series A preferred stock are available to be issued.

**Equity Incentive Plans**

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 100,000 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 Stock Option Plan or the 2008 Stock Option 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 396,463, 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, 2020, 75,027 shares remain available to be issued under the 2018 Plan.

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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 August 5, 2019, the Company granted options for the purchase of 100,000 shares of GGI's common stock. As of December 31, 2020, there are 2,280,000 shares of GGI's common stock available to be issued under the 2018 Gaucho Plan.

**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.

On March 29, 2020, the Company's Board of Directors as well as the holders of the Series B Convertible Preferred Stock approved an 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.

On October 18, 2020, holders of a majority of the issued and outstanding shares of Series B Shares of the Company approved an amendment to the Certificate of Designation of the Series B Convertible Preferred Stock (the "Fourth Amendment") which allows for dividends to be paid in either cash or shares of common stock.

On December 30, 2020, the Company's Board of Directors as well as the holders of the Series B Convertible Preferred Stock approved an amendment (the "Fifth Amendment") to extend the period to June 30, 2021. 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 June 30, 2021.

On February 18, 2020, GGH repurchased 1,600 shares of the Series B Preferred Stock from a shareholder at \$10 per share and paid accrued dividends of \$2,451.

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. Dividends earned by the Series B stockholders were \$721,752 and \$721,057 during the years ended December 31, 2020 and 2019, respectively. During the year ended December 31, 2020, the Company declared \$1,626,306 of dividends on its Series B Preferred Stock and issued 183,700 shares of common stock valued at \$8.36 per share to holders of Series B Preferred Stock, due to some holders waiving their right to receive the dividends. Dividends payable of \$82,772 and \$85,945 are included in other current liabilities at December 31, 2020 and 2019. Cumulative unpaid and undeclared dividends in arrears related to the Series B totaled \$449,788 and \$1,264,361 as of December 31, 2020 and 2019, respectively.



**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
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Each share of Series B stock is entitled to 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 approved by the Board of Directors on December 29, 2020 and by the holders of a majority of the Series B stock on March 30, 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 June 30, 2021, 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. Any adjustment to the Company's common stock for purposes of a stock split will be applied after conversion of the Series B shares to common stock on a 1 for 10 basis. Subsequent to December 31, 2020, as a result of the listing of the Common Stock on Nasdaq, all outstanding shares of Series B were converted into shares of Common Stock on a 1 for 10 basis and then adjusted for the reverse stock split on a 15 for 1 basis. See Note 18 – Subsequent Events.

**Common Stock**

On March 13, 2019, the Company issued 12,079 shares of common stock at \$5.25 per share to employees for the year ended December 31, 2018 of the 401(k) profit sharing plan.

During the year ended December 31, 2019, the Company sold 878,257 shares of common stock at \$5.25 per share for aggregate proceeds of \$4,610,700.

Between April 1, 2019 and June 30, 2019, the Company issued 5,573 shares of its common stock upon the conversion of 2017 Notes (see Note 10 – Debt Obligations).

Between July 1, 2019 and August 30, 2019, the Company issued 9,659 shares of its common stock in satisfaction of debt obligations (see Note 10 – Debt Obligations).

On October 3, 2020, the Company issued 9,509 shares of common stock at \$5.55 per share to employees for the year ended December 31, 2019 of the 401(k) profit sharing plan.

On October 23, 2020, the Company issued 183,700 shares of common stock in satisfaction of preferred stock dividends (see Series B Preferred Stock above).

On October 29, 2020, the Company issued an aggregate of 8,334 shares of its common stock at \$4.95 for consulting service received of \$31,350 and to settle accounts payable of \$12,000.

On October 30, 2020, the Company issued 67,693 shares of its common stock with an issuance date fair value of \$335,080 to Kingswood Capital Markets, division of Benchmark Investments, Inc., for advisory services in connection with the Company's capital raising efforts pursuant to an advisory agreement, dated October 30, 2020. Of the shares issued, 20% of the shares were vested immediately (accordingly, \$67,016 was recorded as deferred offering cost) and 80% vest upon the successful closing of a qualified offering within 180 days of the execution of the agreement (no accounting recognition through December 31, 2020, however, the shares vested on February 16, 2021 the shares when the Offering was completed).

**Units**

On September 2, 2020, the Company issued 247,123 Units upon the conversion of the New Convertible Notes. (See Note 11 – Convertible Debt Obligations).

On October 1, 2020, the Company issued 395,136 Units upon the conversion of the Convertible Notes. (See Note 11 – Convertible Debt Obligations).

During the year ended December 31, 2020, the Company sold an aggregate of 301,441 Units to accredited investors with a substantive pre-existing relationship with the Company for aggregate proceeds of \$1,571,800.

**GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES**  
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**Accumulated Other Comprehensive Loss**

For years ended December 31, 2020 and 2019, the Company recorded a gain of \$467,032 and \$710,386, respectively, of foreign currency translation adjustments as accumulated other comprehensive income, primarily related to fluctuations in the Argentine peso to United States dollar exchange rates (see Note 2 – 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 24,309 shares of common stock, with exercise prices between \$30.00 and \$37.50 per share, which includes warrants for the purchase of 10,094 shares of common stock held by the Company's President and CEO.

A summary of warrant activity during the year ended December 31, 2020 is presented below:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Life in Years</b>	<b>Intrinsic Value</b>
Outstanding, January 1, 2020	37,790	\$ 31.67		
Issued	943,700	5.14		
Exercised	-	-		
Cancelled	-	-		
Expired	(11,663)	30.41		
Outstanding, December 31, 2020	<u>969,827</u>	<u>\$ 5.87</u>	<u>0.7</u>	<u>\$ -</u>
Exercisable, December 31, 2020	<u>969,827</u>	<u>\$ 5.87</u>	<u>0.7</u>	<u>\$ -</u>

A summary of outstanding and exercisable warrants as of December 31, 2020 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>
\$ 5.10	Common Stock	905,362	0.7	905,362
\$ 6.00	Common Stock	38,338	0.9	38,338
\$ 30.00	Common Stock	18,345	0.6	18,345
\$ 37.50	Common Stock	7,782	0.3	7,782
	<b>Total</b>	<u>969,827</u>	<u>0.7</u>	<u>969,827</u>

**Stock Options**

On January 31, 2019, the Company granted five-year options for the purchase of 90,006 shares of the Company's common stock under the 2018 Plan, of which options for the purchase of 73,336 shares of the Company's common stock were granted to certain employees of the Company, options for the purchase of 6,668 shares of the Company's common stock were granted to certain members of the Board of Directors and options for the purchase of 10,002 shares of the Company's common stock were granted to consultants. The options had an exercise price of \$5.78 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.

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

Pursuant to agreements with certain option holders, on May 13, 2019, the Company canceled options for the purchase of 209,330 shares of common stock, which had been granted under the Company's 2008 Equity Incentive Plan and were exercisable at prices between \$33.00 and \$37.20 per share, including options for the purchase of 140,660 shares of common stock held by the Company's President & CEO, options for the purchase of 10,000 shares of common stock held by the Company's CFO, and options for the purchase of 10,000 shares of common stock held by a member of the Company's board of directors.

On July 8, 2019, the Company granted options for the purchase of 209,328 shares of common stock at an exercise price of \$5.78 per share to certain employees and consultants under the 2018 Stock Option Plan, which includes options for the purchase of 147,326 common shares granted to the Company's President and CEO, options for the purchase of 10,334 common shares granted to the Company's CFO, and options for the purchase of 10,000 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.

On September 28, 2020, the Company granted five-year options for the purchase of 102,346 shares of the Company's common stock under the 2018 Plan, of which, options for the purchase of 75,678 shares of the Company's common stock were granted to certain employees of the Company, options for the purchase of 20,001 shares of the Company's common stock were granted to certain members of the Board of Directors and options for the purchase of 6,667 shares of the Company's common stock were granted to consultants. The options had an exercise price of \$9.08 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 \$263,642, which will be recognized ratably over the vesting period.

Between October 30, 2020 and December 18, 2020, the Company granted five-year options for the purchase of 13,335 shares of the Company's common stock under the 2018 Plan to consultants. The options had an exercise price between \$8.85 and 9.00 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 \$56,797, 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, 2020 and 2019 was \$0.18 and \$0.10, respectively. Assumptions used in applying the Black-Scholes option pricing model during years ended December 31, 2020 and 2019, respectively, are as follows:

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Risk free interest rate	0.16 - 0.39%	1.84 - 2.43%
Expected term (years)	3.6 - 5.0	3.6 - 5.0
Expected volatility	58.00%	51.00 - 52.00 %
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.

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

During the years ended December 31, 2020 and 2019, the Company recorded stock-based compensation expense of \$361,253 and \$432,187, 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, 2020, there was \$821,049 of unrecognized stock-based compensation expense related to stock option grants that will be amortized over a weighted average period of 2.56 years.

A summary of GGH stock options activity during the year ended December 31, 2020 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, 2020	636,750	\$ 13.11		
Granted	115,681	9.07		
Exercised	-	-		
Expired	(86,187)	17.86		
Forfeited	(39,665)	8.80		
Outstanding, December 31, 2020	<u>626,579</u>	<u>\$ 10.54</u>	<u>3.1</u>	<u>\$ -</u>
Exercisable, December, 2020	<u>283,465</u>	<u>\$ 13.70</u>	<u>2.3</u>	<u>\$ -</u>

The following table presents information related to GGH stock options as of December 31, 2020:

<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>
\$ 5.78	235,998	3.4	81,256
\$ 8.09	85,338	2.7	48,003
\$ 8.85	3,334	-	-
\$ 9.00	10,001	-	-
\$ 9.08	102,346	-	-
\$ 11.55	79,981	2.1	58,210
\$ 16.50	62,908	2.0	49,323
\$ 33.00	46,673	0.7	46,673
	<u>626,579</u>	<u>2.3</u>	<u>283,465</u>

*Gaucha Group, Inc. Stock Options*

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, 2020, options to purchase 5,720,000 shares of GGI common stock are outstanding under the 2018 Gaucha Plan.

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

**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 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, the Company entered into an employment agreement with Scott Mathis, the Company's CEO (the "Employment Agreement"). Among other things, the agreement provided 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. The Board of Directors extended the Employment Agreement on various dates such that as of December 29, 2020 the Employment Agreement, as amended, expires on June 30, 2021. All other terms of the Employment Agreement remain the same. The Board of Directors also approved the payment of Mr. Mathis' cost of living salary adjustment of 3% for the years 2019 and 2020 to be paid in equal monthly installments beginning January 1, 2021, provided the Company has uplisted to a national stock exchange. The Board of Directors granted a retention bonus to Mr. Mathis that consists of the real estate lot on which Mr. Mathis has been constructing a home at Algodon Wine Estates, to vest in one-third increments over the next three years (the "Retention Period"), provided Mr. Mathis's performance as an employee with the Company continues to be satisfactory, as deemed by the Board of Directors. The current market value of the lot is \$115,000, and before ownership of the lot can be transferred to Mr. Mathis, the Company must be legally permitted to issue a deed for the property. Mr. Mathis is eligible to receive a pro-rata portion of the bonus if his employment is terminated before the end of the Retention Period.

Due to economic circumstances related to the global coronavirus outbreak 2019 (COVID-19), on March 13, 2020, Mr. Mathis voluntarily deferred payment of 85% of his salary through August 21, 2020. The Company is accruing all compensation not paid to Mr. Mathis pursuant to his employment agreement until the Company has sufficient funds to pay his full compensation. Between August 26, 2020 and October 14, 2020, the Company paid out \$141,812 which was owed to Mr. Mathis in connection with his deferred compensation. During December, Mr. Mathis voluntarily deferred an additional \$24,328 of his salary. The balance owed to Mr. Mathis as of December 31, 2020 is \$58,001, which was paid in full on April 7, 2021 (see Note 18 – Subsequent Events).

**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.

**Lease Commitments**

The Company leased one corporate office in New York, New York, through an operating lease agreement (the "New York Lease"), which was set to expire on August 31, 2020. Effective May 31, 2020, the Company terminated the New York Lease. As consideration of the termination, the landlord is entitled to retain and apply the full amount of the \$61,284 security deposit as a partial payment of the rent and the additional rent due and payable under the lease. The Company paid the landlord the following additional amounts: (i) \$5,683, representing the additional amount of unpaid rent and additional rent due and payable under the lease through the termination date, and (ii) \$11,860, representing the landlord's cost for the post-termination date cleaning of the premises. The Company recognized a loss of \$39,367 in connection with the termination of the lease and the derecognition of the ROU asset and related lease liability.

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

As of December 31, 2020, the Company had no leases that were classified as a financing lease and did not have additional operating and financing leases that have not yet commenced.

Total operating lease expenses were \$154,177 and \$232,471, years ended December 31, 2020 and 2019, respectively. Lease expenses are recorded in general and administrative expenses on the consolidated statements of operations.

Supplemental cash flow information related to leases was as follows:

	For the Years Ended	
	December 31,	
	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 78,827	\$ 240,375
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ -	\$ 361,020
Weighted Average Remaining Lease Term:		
Operating leases	0.00 years	0.67 years
Weighted Average Discount Rate:		
Operating leases	8.0%	8.0%

## 18. SUBSEQUENT EVENTS

### Foreign Currency Exchange Rates

The Argentine Peso to United States Dollar exchange rate was 92.3194, 84.0747 and 59.8979 at April 11, 2021, December 31, 2020 and December 31, 2019, respectively.

The British pound to United States dollar exchange rate was 0.7293, 0.7325 and 0.7541 at April 11, 2021, December 31, 2020 and December 31, 2019, respectively.

### Units

As part of the Unit offering that commenced in October 2020, the Company received \$439,000 between January 1, 2021 and terminating on January 8, 2021, from accredited investors with a substantive pre-existing relationship with the Company.

On February 19, 2021, the Company closed an underwritten public offering Units at an offering price of \$6.00 per Unit. The Company sold and issued an aggregate of 1,333,334 shares of common stock and 1,533,333 warrants, for approximate gross proceeds of \$8.0 million, before deducting underwriting discounts and commissions and estimated offering expenses, and issued the representative of such underwriters a common stock purchase warrant exercisable for up to 15,333 shares of common stock.

### Common Stock

Effective February 16, 2021, the Company filed an Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") with the Secretary of State of the State of Delaware to effect a reverse stock split of the Common Stock at a ratio of 15-for-1 (the "Reverse Split").

There were no fractional shares issued as a result of the Reverse Split. All fractional shares as a result of the Reverse Split were rounded up to the nearest whole number. The total number of the Company's authorized shares of Common Stock or preferred stock was not be affected by the foregoing. As a result, after giving effect to the Reverse Split, the Company remains authorized to issue a total of 150,000,000 shares of Common Stock.

On January 8, 2021, the Company issued 237,012 shares of common stock and warrants to purchase 237,012 shares of common stock in total to Mr. Griffin and JLAL Holdings Ltd., reflecting a conversion of \$1,163,354 in principal and \$258,714 in interest.

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

**Series B Preferred Stock**

Effective February 16, 2021, as a result of the listing of the Common Stock on Nasdaq, all outstanding shares of Series B were converted into 600,713 shares of Common Stock.

**Public Offering**

On February 19, 2021, the Company closed on an underwritten public offering of 1,333,334 Units at \$6.00 per unit for approximate gross proceeds of \$8 million, before deducting underwriting discounts and commissions and estimated offering expenses.

The closing of the Offering occurred on February 19, 2021. In connection with the Offering, the Company uplisted its Common Stock on the Nasdaq Capital Market (“Nasdaq”) effective as of February 16, 2021, and the Common Stock commenced trading on Nasdaq effective as of February 17, 2021 under the symbol “VINO”.

**Employment Agreement**

On April 7, 2021, the Company paid a total of \$58,001 to Mr. Mathis in connection with his deferred compensation. (See Note 17 – Commitments and Contingencies)

**PPP Loan**

On March 26, 2021, the Company obtained forgiveness on the PPP Loan in full. However, the Company may still be subject to state income tax on such forgiveness.

**Lease Agreement**

On April 8, 2021, GGI entered into a lease agreement to lease a retail space in Miami, Florida for 7 years at \$26,758 per month, plus applicable sales tax. The base rent is subject to increase at the beginning of the second and each subsequent lease year during the term by an amount equal to 3% of the base rent.

## DESCRIPTION OF OUR SECURITIES

*The following description summarizes important terms of our capital stock and our other securities. For a complete description, you should refer to our Certificate of Incorporation and bylaws, forms of which are incorporated by reference to the exhibits to the registration statement of which this prospectus is a part, as well as the relevant portions of the Delaware General Corporation Law ("DGCL").*

### Capital Stock

The Company has two classes of stock: common and preferred. The Company's Certificate of Incorporation authorizes the issuance of up to 150,000,000 shares of common stock, par value \$0.01 per share, and 11,000,000 shares of preferred stock, par value \$0.01 per share.

In the discussion that follows, we have summarized selected provisions of our Certificate of Incorporation, amended and restated bylaws (the "Bylaws"), and certificates of designation, and the DGCL 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 Certificate of Incorporation, our 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 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.

Effective February 16, 2021 at 4:30 p.m. Eastern Time, the Company filed an Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware to effect a reverse stock split of the common stock at a ratio of 15-for-1 (the "Reverse Split").

There were no fractional shares issued as a result of the Reverse Split. All fractional shares as a result of the Reverse Split were rounded up to the nearest whole number. The total number of the Company's authorized shares of common stock or preferred stock were not affected by the foregoing. As a result, after giving effect to the Reverse Split, the Company remains authorized to issue a total of 150,000,000 shares of common stock.

Also effective February 16, 2021, as a result of the listing of the common stock on Nasdaq, all outstanding shares of Series B Preferred Stock of the Company were converted into 600,713 shares of common stock post-split.

As of December 31, 2020, post-split, there were 5,234,406 shares of common stock issued and 5,231,037 shares of common stock outstanding. 3,369 shares of our common stock that are held by the Company 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 on its shares of common stock since its inception and presently anticipates that no dividends on such shares 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.

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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, 2020, the Company has authorized 11,000,000 shares of preferred stock, with 10,097,330 shares designated as Series A Convertible Preferred Stock, par value \$0.01 per share ("Series A Preferred"), and 902,670 shares designated as Series B Preferred Stock. The Board of Directors has the ability to issue blank check preferred stock under the Certificate of Incorporation.

As of December 31, 2020, there were no shares issued and outstanding of Series A Preferred and 902,670 shares issued and 901,070 outstanding shares of Series B Preferred Stock. As of February 16, 2021, with the simultaneous uplist to Nasdaq of our common stock and 15:1 reverse split of our common stock by the Board (based on an offering price per unit of \$6.00), all shares of Series B Preferred Stock converted into 600,713 shares of our common stock.

### **Warrants**

On February 19, 2021, as of part of the Offering, the Company issued 1,533,333 common stock purchase warrants as part of the units. Each warrant has an exercise price equal to \$6.00. The warrants are immediately exercisable and will expire on the eighteen-month anniversary of the original issuance date. The warrants may be exercised only for a whole number of shares of our common stock, and no fractional shares will be issued upon exercise of the warrants.

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

As of December 31, 2020, there were, post-split, options to acquire a total of 626,579 shares of common stock granted pursuant to our 2016 and 2018 equity incentive plans at a weighted-average exercise price of \$10.54, of which 283,465 shares of our common stock are currently issuable upon exercise of outstanding stock options at a weighted-average exercise price of \$13.70 per share, and there were warrants to acquire a total of 969,827 shares of our common stock all of which are currently exercisable, at a weighted-average exercise price of \$5.87.

### **Effect of Certain Provisions of our 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 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.

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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.

#### **Delaware Anti-Takeover Statute**

We are subject to the provisions of Section 203 of the DGCL 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.
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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 Company. The transfer agent's address is: 1 State Street, 30th Floor, New York, New York 10004-1561. Shares of our common stock offered hereby will be issued in uncertificated form only, subject to limited circumstances.

#### **Market Listing**

Our common stock is currently listed on Nasdaq under the symbol "VINO".

#### **Disclosure of Commission Position on Indemnification for Securities Act Liabilities**

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

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**COMMERCIAL LEASE AGREEMENT**

This Commercial Lease Agreement ("Lease") is made this 8<sup>th</sup> day of April, 2021 (the "Effective Date") between **DESIGN DISTRICT DEVELOPMENT PARTNERS, LLC**, a Florida limited liability company ("Landlord"), and **GAUCHO GROUP, INC.**, a Delaware corporation ("Tenant").

1. **Basic Lease Provisions and Definitions.** This Section 1 is an integral part of this Lease and all of the terms hereof are incorporated into this Lease in all respects. In addition to the other provisions which are elsewhere defined in this Lease, the following, whenever used in this Lease, shall have the meanings set forth in this Section, unless such meanings are expressly contradicted, limited or expanded elsewhere herein:

(a) Effective Date:	<u>April 8<sup>th</sup></u> , 2021
(b) Premises:	Suite 106 consisting of 1,529 rentable square feet (Sect. 2)
(c) Commencement Date:	Date of delivery of possession by Landlord (Sec. 4.2)
(d) Rent Commencement Date:	May 1, 2021 (Sec. 5.1)
(e) Term:	The period commencing on the Commencement Date and ending 7 years after the Rent Commencement Date. (Sec. 4.1)
(f) Intentionally Deleted	Intentionally Deleted
(g) Permitted Use:	Sale of clothing and leather goods and for no other purpose whatsoever (Sec. 3.1)
(h) Intentionally Deleted	Intentionally Deleted
(i) Intentionally Deleted	Intentionally Deleted
(j) Trade Name:	GAUCHO (Sec. 3.1)
(k) Base Rent:	Initially \$321,090.00 per annum, payable in equal monthly installments of \$26,757.50, plus applicable sales tax. The Base Rent shall be increased at the beginning of the second and each subsequent Lease Year during the Term by an amount equal to 3% of the Base Rent for the immediately preceding Lease Year (defined below). (Sec. 5)
(l) Abatement Period:	15% of the Base Rent shall be abated during the first Lease Year and 10% of the Base Rent shall be abated during the second and third Lease Years (Sec. 5.3)
(m) Intentionally Deleted	Intentionally Deleted
(n) Intentionally Deleted	Intentionally Deleted
(o) Tenant's Share of Property Taxes:	8.33% Property Taxes for the Building (Sec. 7(a))
(p) Tenant's Share of Operating Expenses:	3.62% of the Operating Expenses for the Building (Sec. 7(b))
(q) Prepaid Rent:	\$28,065.21 (first month's Base Rent, estimated Operating Payment, estimated Property Taxes and sales tax thereon) (Sec. 10)
(r) Security Deposit:	\$56,130.42 (Sec. 10)
(s) Intentionally Deleted	Intentionally Deleted
(t) Landlord's Work:	None
(u) Tenant's Work:	See Exhibit "B"

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(v) <b>Intentionally Deleted</b>	Intentionally Deleted
(w) <b>Tenant's Work Completion Date:</b>	90 days following the Commencement Date (Sec. 16.1)
(x) <b>Intentionally Deleted</b>	Intentionally Deleted.
(y) <b>Brokerage:</b>	Tenant's Broker: Fortune International Realty  Landlord's Broker: DWTNTWN Realty Advisors, LLC (Sec. 39)
(x) <b>Guarantor:</b>	Gaucha Group Holdings, Inc., a Delaware corporation (Exhibit "E")

2. **Premises.** Subject to the terms and provisions of this Lease, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, those certain premises (the "Premises") consisting of 1,529 rentable square feet in Suite 106 of the building known as "Design 41" located at 112 N.E. 41<sup>st</sup> Street, Miami, in the County of Miami-Dade, State of Florida (the "Building"). A floor plan of the Premises is attached hereto and labeled "Exhibit C". Tenant's taking of possession of the Premises shall constitute Tenant's acceptance of the Premises in all respects, including its square footage configuration and other physical features. By taking possession of the Premises, the Tenant waives any objections to the square footage, configuration and other physical features of the Premises, and Tenant acknowledges that, except as expressly set forth herein, the amount of Base Rent and all other charges due hereunder for the Lease of said Premises does not depend upon the floor area of the Premises.

3. **Use Of Premises.**

3.1. **Permitted Use and Business Name.** The Premises shall be used and occupied only for the sale of clothing and leather goods and for no other purpose whatsoever. The business of Tenant in the Premises shall be carried on under the name and style **GAUCHO** and under no other name and style unless approved by the Landlord in writing, in Landlord's sole and absolute discretion. Tenant shall not use or permit or suffer the use of the Premises for any other business purpose without the Landlord's prior written consent which may be withheld in Landlord's sole and absolute discretion.

3.2. **Hours of Business.** During the Term, the Tenant shall conduct its business in the Premises, at a minimum, on Monday through Saturday from 9:00 a.m. to 9:00 p.m., except on holidays acceptable to Landlord; provided, however, that if a majority of the ground floor retail stores in the Design District do not open for business at 9:00 am, then Tenant may open for business each day at the earlier of 11:00 am or the time that a majority of ground floor retail stores in the Design District open for business. Landlord may require other minimum hours if such requirement is made of at least 75% of all other tenants in the Building. Tenant may conduct business on the Premises, in addition to the foregoing times, at Tenant's sole expense.

3.3. **Opening and Continuous Occupancy.** Tenant shall open the whole of the Premises for business to the public, fully fixtured, stocked and staffed within 30 days after the Commencement Date, as hereinafter defined. The Tenant shall continuously, actively and diligently carry on the business specified in **Section 3.1** on the whole of the Premises during the entire Term, during such hours and upon such days as are herein required, except when prevented from doing so by force majeure (as defined in Section 50 below), and shall conduct its business at all times in a reputable manner and in accordance with the terms and conditions of this Lease. Tenant acknowledges that its continued occupancy of the Premises and the regular conduct of its business therein are of utmost importance to neighboring tenants and to the Landlord in the renting of space in the Building, the renewal of other leases therein, and the efficient and economic supply of services and utilities. Further Tenant understands that if Tenant fails to open for business and operate continuously, and/or leaves the Premises or any part thereof vacant, the risk of fire, other casualty and vandalism to the Premises and the Building will be increased. The Tenant acknowledges that the Landlord is executing this Lease in reliance thereupon and that the same is a material element inducing the Landlord to execute this Lease.

3.4. **Tenant's Covenants as to Use and Occupancy.** Tenant shall exercise reasonable care in its use of the Premises and the Building and shall not do or permit anything to be done in or about the Premises or Building, nor bring nor keep anything in the Premises or Building which will in any way affect the fire or other insurance upon the Building, or any of its contents, or which shall in any way conflict with any statute, ordinance, rule, regulation, order, law or other requirement, including

without limitation, the ADA (as hereinafter defined) (collectively the "Laws") affecting the occupancy and use of the Premises or Building, which is now, or may hereafter be, enacted or promulgated by any public authority. Tenant shall not injure, obstruct or unreasonably interfere with the rights of other tenants of the Building, or injure or annoy them. Tenant shall not use, or allow the Premises to be used, for any illegal purpose, or any purpose constituting a public or private nuisance or for sleeping purposes, or cooking, and nothing shall be prepared, manufactured, or mixed in the Premises which would emit an odor and/or fumes of any type into or around any part of the Building. Tenant shall promptly comply with and execute all of the aforesaid Laws and all rules, orders and regulations of the Southeastern Underwriters Association for the prevention of fires, at Tenant's own cost and expense. Tenant shall pay for any increases in Landlord's insurance due specifically to Tenant's use of the Premises or Building and for all damage and any amounts expended by Landlord to correct a breach by Tenant of this Section. On or prior to the Commencement Date and at all times during the Term of this Lease and any extensions or renewals thereof, Tenant shall, at its expense, obtain and maintain all permits, licenses and other governmental authorizations which are necessary for the operation of its business in accordance with Section 3.1.

**3.5. Inventory, Staff and Fixtures.** The Tenant shall maintain available a substantial stock of goods, wares and merchandise adequate to ensure successful operation of the Tenant's business, and shall employ and maintain sales and other personnel sufficient at all times for proper service to customers. But, the Tenant shall store and stock in the Premises only such inventories as the Tenant intends to sell at retail from or upon the Premises, and unless otherwise agreed by the Landlord, the Tenant shall use for office, storage and other non-selling purposes only such space in the Premises as is reasonably required to maintain the Tenant's retail sales therein. The Tenant shall install and maintain at all times in the Premises modern and high quality fixtures, furnishings, fittings and equipment adequate, appropriate and properly laid out to maximize the Tenant's retail sales. Tenant shall not store or otherwise place its inventory or other personal property within the hallways, vestibules, common areas or any other portion of the Building (other than the Premises) or the areas surrounding the Building. If Tenant shall store or place its inventory or other personal property in violation of the foregoing sentence, Landlord may remove and dispose of the same as Landlord sees fit, without liability to Tenant or any obligation to account to Tenant therefor, and Tenant shall be liable to Landlord for the cost of such removal and disposition.

**3.6. Windows.** Tenant shall keep display windows attractive and neatly dressed. All unsightly items within the Premises which can be seen from the windows shall be kept behind interior partitions. Tenant covenants and agrees that if the display of any signs or placards in or on the Premises at any time or times during the term hereof shall be objected to by the Landlord, and if notice in writing is given by Landlord or its agents of such objection or objections, the Tenant shall immediately and as often as such notices are received remove such signs or placards objected to, and failing so to do, expressly agrees that the Landlord or its agents may enter the Premises and remove such sign or placards objected to, using such force as may be necessary so to do without being deemed guilty of any forcible entry, detainer, trespass or in breach of the covenant of quiet enjoyment.

**3.7. Prohibited Uses.** Tenant shall not use the Premises nor permit them to be used for any of the following purposes: (A) for the sale by the Tenant, as its principal business purpose, of any merchandise which the Tenant, in the course of its normal business practice, purchases at manufacturers' clearances or purchases of ends-of-runs, bankruptcy stock, seconds or other similar merchandise; (B) for the sale of second-hand goods, war surplus articles, insurance salvage stock, fire sale stock, merchandise damaged by or held out to be damaged by fire, except merchandise damaged by fire or smoke occurring in the Building, and then only for thirty (30) days after the date of any such damage; (C) as an auction or flea market; (D) for a bankruptcy sale or going-out-of-business sale or liquidation sale or any similar sale, unless the Tenant is in fact in bankruptcy or is going out of business or is in liquidation, in which case such sale shall not continue beyond thirty (30) days; (E) a business primarily used for a mail order office or catalog store; (F) any business in which the Tenant is engaged in intentionally deceptive or fraudulent advertising or selling practices or any other act or business practice contrary to honest retail practices; (G) or any use other than as specified in paragraph 3.1 above; (H) any use that would constitute a violation of any applicable Law; (I) any use which conflicts with the rules and regulations that Landlord may impose pursuant to Section 13 hereof; (J) any use in violation of any covenant, restriction or other encumbrance, now or hereafter affecting the Premises or Building.

#### **4. Term.**

**4.1.** The term of this Lease (the "Term" or "Lease Term") shall be for a period of seven (7) years commencing on the Commencement Date and ending on the date that is seven (7) years after the Rent Commencement Date (defined below), or sooner, if terminated as provided herein. If Tenant, with Landlord's prior consent, shall occupy the Premises before the Commencement Date, all provisions of this Lease shall be in full force and effect commencing upon the Tenant's occupancy, and

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Base Rent and Additional Rent for such period shall be paid by Tenant at the same rate herein specified for the Term. Promptly following the Commencement Date, the parties shall execute a Certificate in the form of Exhibit "F" hereto, with appropriate insertions.

4.2. Prior to the Commencement Date, Tenant shall have only limited access to the Premises for the purposes of inspection and measurement verification. Tenant agrees that its entry onto and occupation of the Premises prior to the Commencement Date shall be subject to all of the terms of this Lease, except the covenants to pay Rent. Tenant agrees to take physical possession of the Premises upon delivery of possession by Landlord with Landlord's Work described in Exhibit "A" hereto substantially complete. Upon receiving actual possession, Tenant shall have access to the Premises for all purposes set forth under this Lease. Failure of Landlord to deliver possession of the Premises in the manner and condition as provided in this Lease will not give rise to any claim for damages by Tenant against Landlord, or against Landlord's contractor, or permit Tenant to rescind or terminate this Lease; provided that if the Premises are not delivered to Tenant on or before the expiration of 120 days after the Effective Date, then at any time thereafter, either party may deliver written notice to the other terminating this Lease which shall be effective thirty (30) days thereafter unless Landlord delivers possession prior to expiration of such period. Without limiting the generality of the foregoing, Landlord shall have no liability or responsibility whatsoever to Tenant for any delay or refusal of any tenant or other person occupying the Premises as of the Effective Date to timely and properly vacate and surrender the Premises. Landlord shall have the sole and exclusive right to any and all damages, including without limitation, holdover rent, suffered or otherwise incurred as a result of the failure by any such existing tenant or other occupant to so vacate and surrender the Premises.

## **5. Base Rent.**

5.1. As rental for the lease of the Premises, Tenant shall pay to Landlord, at Landlord's address set forth in Section 22 hereof, or at such other place and to such other person as Landlord may from time to time designate in writing for the initial term of this Lease, total monthly base rent ("Base Rent") in the initial amount of Twenty-Six Thousand Seven Hundred Fifty-Seven and 50/100 (\$26,757.50) Dollars, plus applicable sales tax, including, but not limited to all state sales tax thereon, (subject to escalation as described in Section 5.2 and abatement as described in Section 5.3 below) payable in monthly installments, in advance, without notice, due on the first day of each calendar month commencing on the Rent Commencement Date and continuing during the Term of this Lease, free from all claims, demands or setoffs against Landlord of any kind or character whatsoever. If the Term of this Lease shall begin or terminate on other than the first or last day respectively of a calendar month, all Base Rent and other charges accruing under this Lease for such portion of the partial calendar month shall be apportioned and paid on the basis of a thirty day month. In addition to any other sums due under this Lease, simultaneously with Tenant's execution of this Lease, Tenant shall pay Landlord the first month's rent.

5.2. The Base Rent set forth in Section 5.1 above shall be increased at the beginning of each Lease Year (as hereinafter defined) during the term of this Lease (and any renewal hereof) by an amount equal to three (3%) percent of the Base Rent for the immediately preceding Lease Year. A "Lease Year" shall be the twelve month period commencing with the Rent Commencement Date and ending one year later, and each successive period of twelve months thereafter during the Lease Term, except for the last Lease Year, which may be less than twelve months.

The first adjustment of Base Rent shall be made at the beginning of the second Lease Year, and at the beginning of each new Lease Year thereafter. Anything herein to the contrary notwithstanding, in no event shall Base Rent in any Lease Year be less than the amount of Base Rent for the immediately previous Lease Year. Base Rent shall continue to be payable in monthly installments as otherwise described in Section 5.1 above until Landlord notifies Tenant of the new monthly Base Rent installment amount. Landlord shall attempt to so notify Tenant prior to commencement of each new Lease Year. However, failure of Landlord to timely notify Tenant of the new monthly Base Rent installment amount shall not be deemed a waiver by Landlord of the increased rental; the new monthly amount (or any portion not previously paid) shall be payable, retroactive to the commencement of the new Lease Year, upon notification by Landlord to Tenant of the new monthly Base Rent installment amount.

5.3 Notwithstanding the foregoing, fifteen percent (15%) of the Base Rent shall be abated during the first Lease Year and ten percent (10%) of the Base Rent shall be abated during the second and third Lease Years (collectively the "Base Rent Abatement Period"). Notwithstanding the foregoing, if a Tenant default occurs during the Base Rent Abatement Period, then Tenant shall immediately commence paying the full amount of Base Rent which would otherwise be required to be paid under this Lease in the absence of the Base Rent abatement, and Tenant shall further immediately pay to Landlord the entire amount of any previously abated Base Rent. For avoidance of doubt, neither the Property Tax Payment nor the Operating Payment (each defined below) is subject to this abatement

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and Tenant shall commence making Property Tax Payments and the Operating Payment from and after the Commencement Date.

6. **Intentionally Deleted.**

7. **Property Taxes; Operating Payment.**

(a) Property Taxes. From and after the Rent Commencement Date, Tenant shall pay, in addition to Base Rent, the Operating Payment and without deduction or set-off of any kind, Tenant's Share (defined below) of all real property taxes and assessments which may be levied or assessed against the Building and the land on which it is located during the Term by any lawful authority for each calendar year including, without limitation, all Impositions (defined below) and the cost of any contest, review or negotiation of an assessment by Landlord, as described in (c) below (collectively "Property Taxes"). Notwithstanding anything to the contrary contained in this Lease, Property Taxes shall include any form of tax or assessment, license fee, license tax, tax or excise on rent, or any other levy, charge, or similar imposition ("Impositions") imposed by any governmental authority or political subdivision having jurisdiction, or any school, agricultural, lighting, drainage, management, roadway, water, levee, utility or other improvement or special assessment district, on any interest of Landlord or Tenant in the Premises, the Building or the underlying land. The Impositions shall include but not be limited to: (aa) any partial or total substitute impositions for real property taxes; (bb) any impositions imposed upon owners of real estate (including any water and sewer tax assessment) rather than upon persons generally, as well as any tax which may become a lien on the Building or underlying land or other improvements thereon, or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises; (cc) any Impositions upon this Lease or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises, and (dd) any impositions for offsite property or facilities that provide an easement required to be maintained for the benefit of or that serves the Building.

Tenant agrees that "Tenant's Share" of the Property Taxes shall be an amount determined by multiplying the Retail Property Taxes (defined below) by a fraction, the numerator of which shall be the rentable square feet of the Premises and the denominator of which shall be the rentable square feet of all leasable retail space in the Building (including the Premises), which as of the Effective Date is 22.31%. The term "Retail Property Taxes" shall mean 37.31% of the Property Taxes allocable to the total retail space in the Building, based on the relative values of the various types of uses in the Building (including without limitation, retail, showroom, office and restaurant). Landlord reserves the right to adjust such percentage annually based on an appraisal. Notwithstanding the foregoing, Landlord shall have the right, from time to time, in its sole discretion, to remeasure the Building, the common areas (as hereinafter defined) and the individual tenant premises within the Building, using typical property management standards (a "Remeasurement") and Tenant's Share of Property Taxes may be adjusted due to the results of any such Remeasurement.

For the avoidance of doubt, Tenant's share of Retail Property Taxes is equal to 8.33% of the Property Taxes for the entire Building as of the Effective Date.

Tenant agrees to pay Tenant's Share of the Property Taxes, plus applicable sales tax, including but not limited to all state sales tax thereon, in monthly installments simultaneously with Base Rent. Such payments shall be prorated for the first and last calendar years of the Term hereof if the Rent Commencement Date is not the first day, or if the Term does not end on the last day of a calendar year. From time to time, Landlord shall notify Tenant in writing of Landlord's estimate of Tenant's monthly installments due with respect to Property Taxes. Such monthly installments shall be paid on or before the 1st day of each calendar month, in advance. Upon confirmation of all Property Tax bills attributed to any calendar year during the Term, Landlord shall furnish Tenant with a written statement of the actual amount of Tenant's proportionate share of the Property Taxes for that year. If the total amount paid by Tenant for any calendar year during the Term is less than the actual amount due from Tenant for that year, as shown on the statement, Tenant shall pay Landlord the deficiency within 10 days after demand by Landlord. If the total amount paid by Tenant for any calendar year exceeds the amount due from Tenant for that calendar year, Landlord shall credit the excess against payments due. Tenant's liability for Tenant's Share of Property Taxes for the calendar years in which this Lease begins and ends shall be subject to a prorata adjustment based on the number of days in those years. Landlord's and Tenant's obligations under this Section 6 shall survive the expiration of the Term or termination of this Lease. An official tax bill (or copy), if available, shall be submitted by Landlord to Tenant, upon request by Tenant, and shall be conclusive evidence of the amount of the tax assessed or levied, the items taxed and the installments. Tenant's Share of actual Property Taxes for the final calendar year of the Term shall be due and payable even though it may not be finally calculated until after the expiration of the Term. Accordingly, Landlord shall have the right to continue to hold Tenant's security deposit following



expiration of the Term until Tenant's Share of actual Property Taxes for the final calendar year of this Lease has been paid. This covenant shall survive the termination or expiration of this Lease.

If Landlord contests, reviews or negotiates any tax or assessment upon the Building or underlying land, Tenant agrees to pay its proportionate share of Landlord's expenses, whether third party or internal, including but not limited to legal, tax consultant and appraisal fees. Tenant's Share of such expenses shall be calculated and paid in the manner set forth in Section 6. If Tenant pays an amount in excess of Tenant's Share of Property Taxes for any year as the result of a subsequent reduction in total Property Taxes for that year, the excess shall be refunded to Tenant (the "Net Refund") when all refunds to which Landlord is entitled from the taxing authority for that year are received by Landlord. The term "Net Refund" means the refund plus interest, if any actually received thereon less appraisal, engineering, expert testimony, attorneys', printing and filing fees and all other costs and expenses of the contest, review or negotiation to the extent that such fees, costs and expenses have not been previously included in taxes under this Section 6, and less an administrative fee equal to 15% of the original refund.

Notwithstanding anything to the contrary in this Section 6 or elsewhere in this Lease, any excise, transaction, sales or privilege tax (except income, transfer, estate or inheritance tax) imposed upon Landlord on account of, attributed to, or measured by rental or other charges payable by Tenant shall be paid by Tenant to Landlord.

(b) Operating Payment. In addition to Base Rent and adjustments thereto and Tenant's Share of Property Taxes, for each calendar year commencing on the Rent Commencement Date, Tenant shall pay to Landlord as Additional Rent, Tenant's Share of the Operating Expenses (defined below) (the "Operating Payment"), plus applicable sales tax, including, but not limited to all state sales tax thereon, which shall be an amount determined by multiplying the Operating Expenses by a fraction, the numerator of which shall be the rentable square feet of the Premises and the denominator of which shall be the rentable square feet of all leasable space in the Building (including the Premises), which as of the Effective Date is 3.62%. Tenant agrees that Tenant's Share of the Operating Expenses may be adjusted due to the results of Remeasurement. In no event shall any decrease in Operating Expenses for any calendar year below Operating Expenses for a prior year entitle Tenant to any decrease in Base Rent or any credit against sums due under this Lease. For purposes hereof:

(1) The annual Operating Expenses for the calendar year of 2021 are estimated by Landlord to be \$11.16 per rentable square foot, provided, the foregoing shall not be deemed to be a representation or warranty by Landlord of same.

(2) Intentionally Deleted.

(3) "Operating Expenses" shall mean the sum of all charges, costs and expenses of any nature and sort whatsoever, ordinary, foreseen and unforeseen, paid or incurred by Landlord during any calendar year in connection with the ownership, operation, maintenance, insurance, management, and repair of the Building and common areas. However, the term "Operating Expenses" will not include Property Taxes, the costs of special services rendered only to certain tenants, including Tenant, for which a special charge is made under this Lease, any costs of preparation or leasing of space for new tenants in the Building, or any costs borne directly by Landlord under this Lease. By way of example, Operating Expenses will include, without limitation, all expenses paid or incurred by Landlord during any calendar year for electricity, water, gas, sewers, and similar utility services in connection with the operation of the Building and common areas, and for utility taxes, charges, or other similar impositions paid or incurred by Landlord in connection therewith; salaries; wages; bonuses; medical, surgical, and general welfare benefits and pension payments; payroll taxes; workers' compensation insurance expenses; uniforms and dry cleaning of uniforms for employees engaged in the operation, maintenance, and repair of the Building and common areas; the cost of all premiums for fire and extended coverage, liability, and all other insurance of the Building and common areas; the cost of all building and cleaning supplies and materials; the cost of all charges for cleaning, maintenance, repairs, service contracts for HVAC, elevators and other building systems, and other services with independent contractors; the cost of periodic maintenance and restoration of Building surfaces including paint, floor, and wall coverings, and other surface materials on the exterior of the Building and in both interior and exterior common areas, as well as repaving and restriping of the parking facilities; all costs of services for maintaining, managing, reporting, and recommissioning the Building or any part thereof that was designed and/or built to be sustainable and/or conform with USGBC (defined below) ratings and certifications; and the cost of all professional services and management fees. Operating Expenses will not include costs required to be capitalized for federal income tax purposes. However, if Landlord installs equipment or materials or makes other capital improvements to the Building or common areas, which are designed or intended to reduce Operating Expenses or to improve the operation of the Building or common areas, are required to comply with present or anticipated sustainability programs, or are required under any future law or regulation of any governmental entity, the cost of the installation or

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allocable portion of the cost that will be amortized over a reasonable period that Landlord will determine, together with interest at the rate as actually was or would have been paid by Landlord on funds borrowed for the purpose of constructing the capital improvements, will be considered Operating Expenses. Operating Expenses will not include either interest or amortization paid in connection with any loan or loans secured by the property of which the Premises are a part.

(4) The "common areas" shall consist of all parking areas, parking facilities, approaches, streets, sidewalks, malls, driveways, loading platforms, canopies, elevators, escalators, ramps, storm drainage facilities, exits, entrances, sprinkler mains, landscaped areas, light facilities, computer facilities, cable facilities, telecommunications facilities, washrooms, lounges and shelters, utility lines, roofs, roadways and other facilities designed for common use, as they may from time to time exist and be available to the tenants in the Building, their employees, officers, agents, customers, licensees and invitees as designated by Landlord. The common areas shall at all times be subject to the control and management of Landlord and other parties that Landlord may designate. Landlord reserves the right, from time to time, to add, increase, reduce, eliminate, withdraw, convey, alter, relocate or change the number, dimensions or locations of the common areas or any facilities or amenities therein intended for the common use of all tenants in the Building, and to create additional rentable areas through use or enclosure of common areas in any manner that Landlord, in its sole discretion, shall deem advisable and without liability to Tenant. Landlord further reserves the right to make alterations and/or additions to and to build or cause to be built additional stories on the Building or within past, present or future common areas. Landlord shall further have the right to temporarily close any of the common areas for maintenance, alteration, or improvement purposes. Landlord shall also have the right to permit entertainment events, the placement of kiosks, carts, advertising and other displays in the common areas. The activities and uses may be temporary or permanent. Landlord's exercise of any or all of the foregoing rights shall be without any liability to Tenant, and not constitute an eviction, actual or constructive, or a disturbance of Tenant's business or use, enjoyment or occupancy of the Premises.

For avoidance of doubt, Tenant's Operating Payment shall not cover (i) electricity serving the Premises which shall be separately metered and paid by Tenant, (ii) water and sewer service to the Premises which shall be provided through a common meter as set forth in Section 21, (iii) janitorial, security, and telephone service to the Premises which shall be provided by Tenant at Tenant's sole expense, or (iv) improvements to the Premises.

Landlord shall furnish to Tenant, with respect to each calendar year after the Rent Commencement Date, a computation ("Landlord's Interim Statement") setting forth Landlord's estimate of Tenant's Operating Payment for such upcoming calendar year, together with a computation of estimated Operating Expenses for such calendar year. Tenant shall pay to Landlord on the first day of each month during such calendar year, as Additional Rent, an amount equal to one-twelfth of Tenant's estimated Operating Payment for such calendar year. If, however, Landlord furnishes any such Landlord's Interim Statement for a calendar year subsequent to the commencement of such calendar year, then (1) until the first day of the month following the month in which such Landlord's Interim Statement is furnished to Tenant, Tenant shall pay to Landlord on the first day of each month an amount equal to the monthly sum payable by Tenant to Landlord under this Section in respect of the last month of the preceding calendar year; and (2) on the first day of the month following the month in which such Landlord's Interim Statement is furnished to Tenant, and monthly thereafter throughout the remainder of such calendar year, Tenant shall pay to Landlord an amount equal to one-twelfth of Tenant's estimated Operating Payment shown in such Landlord's Interim Statement. Landlord may furnish to Tenant a revised Landlord's Interim Statement with a new estimate of Tenant's estimated Operating Payment for such calendar year and, in such case, Tenant's estimated Operating Payment for such calendar year shall be adjusted and paid or credited, as the case may be, substantially in the same manner as provided in the preceding sentence.

After the end of each calendar year, Landlord shall furnish to Tenant a Landlord's Statement (a "Landlord Statement") for such calendar year. Each such year-end Landlord's Statement shall be accompanied by a computation of Operating Expenses prepared by Landlord, Landlord's manager, or by an accountant designated by Landlord from which Landlord shall make the computation of Additional Rent due in respect of Operating Expenses hereunder. The computation of Operating Expenses may be prepared in reliance on Landlord's good faith estimates and allocations whenever said estimates and allocations are necessary, provided such estimates and allocations are consistently made for each calendar year and are disclosed on the Landlord Statement. If the Landlord's Statement shows that the sums paid by Tenant exceeded amounts required to be paid by Tenant for such calendar year, Landlord shall credit the amount of such excess against subsequent payments of Tenant's Operating Payment or, if at the end of the Term there shall not be any further installments of Rent remaining against which Landlord can credit any such overpayments due Tenant, Landlord shall deliver to Tenant Landlord's check in the amount of the refund due Tenant within thirty (30) days after the date that the Landlord Statement is furnished to Tenant; and if the Landlord's Statement for such calendar year shows

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that the sums so paid by Tenant were less than Tenant's responsibility for such calendar year, Tenant shall pay the amount of such deficiency within thirty (30) days after demand therefor.

Payments shall be made pursuant to this Section notwithstanding the fact that a Landlord's Statement is furnished to Tenant after the expiration (or earlier termination) of the Term of this Lease. The rights and obligations of Landlord and Tenant under the provisions of this Section with respect to any Additional Rent shall survive the expiration or earlier termination of this Lease, and any remaining security deposit may be applied, as far as it goes, against a deficiency in Tenant's Operating Payment, with Tenant remaining liable for payment of the remainder. Landlord's failure to render any Landlord's Statement with respect to any calendar year shall not prejudice Landlord's right thereafter to render a Landlord's Statement with respect thereto or with respect to any subsequent calendar year, as the case may be, nor shall the rendering of a Landlord's Statement prejudice Landlord's right thereafter to render a corrected Landlord's Statement to such calendar year.

Any Landlord's Statement sent to Tenant shall be conclusively binding upon Tenant unless, within ninety (90) days after such Landlord's Statement is received by Tenant, Tenant shall send a written notice to Landlord objecting to such Landlord's Statement and specifying, to the extent reasonably practicable, the respects in which such Landlord's Statement is disputed or questioned. If Tenant shall send such notice with respect to a Landlord's Statement, Tenant may, at its own expense, select a reputable, independent certified public accountant which is not being compensated by Tenant, in whole or in part, on a contingency basis (each such, an "Approved Examiner"), provided that such Approved Examiner is not and has not during the Term been a shareholder in, an officer, director, partner, or employee of Tenant, and such Approved Examiner may examine Landlord's books and records relating to Operating Expenses. Tenant recognizes the confidential nature of Landlord's books and records and agrees that information obtained by it or an Approved Examiner during any examination (including any compromise, settlement or adjustment relating to the results of such examination) shall be maintained in strict confidence by Tenant and such Approved Examiner. As a condition precedent to Tenant's exercise of its right to examine Landlord's books and records, Tenant shall deliver to Landlord a confidentiality agreement, reasonably satisfactory to Landlord and Tenant from the Approved Examiner to the same effect as Tenant's agreement contained in the preceding sentence. If, after such examination, such Approved Examiner shall dispute such Landlord's Statement, either party may refer the decision of the issues raised to a reputable independent firm of certified public accountants, selected by Landlord and approved by Tenant, which approval shall not be unreasonably withheld or delayed, and the decision of such accountants shall be conclusively binding upon the parties. The fees and expenses involved in resolving such dispute shall be borne by the unsuccessful party (and if both parties are partially unsuccessful, the accountants shall apportion the fees and expenses between the parties based upon the degree of success of each party). Landlord shall make its books and records available to the Approved Examiner for such examination and shall allow Tenant or Approved Examiner to make copies of same as needed and provided Landlord shall do so in a timely manner, Tenant shall cause such examination to be performed and completed within ninety (90) days after the date of Tenant's notice objecting to Landlord's Statement. Notwithstanding the giving of such notice by Tenant, as a condition of Tenant's right to cause the Approved Examiner to inspect Landlord's books and records and pending the resolution of any such dispute, Tenant shall pay to Landlord when due the amount shown on any such Landlord's Statement, as provided in this Section.

**8. Taxes.** All payments of Base Rent, Operating Payment, Property Taxes and any other charges arising under this Lease shall be paid by Tenant together with applicable Florida sales, use and any other taxes thereon. The Tenant shall pay when due all taxes (whether imposed on the Landlord or Tenant) attributable to the personal property, trade fixtures, business income, occupancy or sales of the Tenant or any other occupant of the Premises and to the use of the Building by the Tenant (collectively the "Business Tax"). If the Tenant's Business Tax is payable by the Landlord, the Tenant shall reimburse Landlord for any such payment immediately on demand.

**9. Rent Past Due; Additional Rent.** In the event any installment of Base Rent, Operating Payment, Property Taxes or other charges accruing under this Lease shall become overdue, a late charge of five percent (5%) of the delinquent sum may be charged by Landlord. If any installment of Base Rent, Operating Payment or other charges accruing under this Lease remain overdue for more than fifteen (15) days, an additional late charge in an amount equal to interest on the delinquent amount at the rate of 1-1/2% per month (18% per annum) or the maximum permitted by law, may be charged by Landlord, such charge to be computed for the entire period for which the amount is overdue. All late charges shall be due immediately upon demand by Landlord without set-off or defense.

In addition to Base Rent, all other payments due and payable by Tenant hereunder, including, but not limited to, Tenant's Share of Property Taxes, the Operating Payment, and charges for promotions pursuant to Section 51, shall be deemed to be "Additional Rent" and shall be due and payable, together with all applicable sales and/or rent taxes thereon, without any demand, setoff or deduction

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whatsoever, at the times provided herein, or, if no time is provided herein, on demand or together with the next succeeding installment of Base Rent, whichever shall first occur. The collection of Additional Rent may be enforced in the same manner permitted for the collection of Base Rent as allowed in the jurisdiction in which the Building is located. Base Rent and Additional Rent are sometimes referred to herein collectively as "Rent".

**10. Security Deposit.** Simultaneously with the execution of this Lease, Tenant has paid to Landlord the sum of **\$84,195.63**, (a) \$28,065.21 of which represents the first month's Base Rent, estimated Operating Payment, estimated Property Taxes and sales tax thereon, and (b) \$56,130.42 of which represents a security deposit, to be held by Landlord without interest for the full and faithful performance by Tenant of the terms and conditions of this Lease. Without written demand or notice thereof, Landlord may, but shall not be required to, apply such security deposit, to the extent sufficient, to any obligation of Tenant under this Lease, which is not paid when due and in such event Tenant shall immediately replace such portions as may be expended by Landlord. Upon the expiration of this Lease (except arising due to a default by Tenant), delivery of the Premises to Landlord in their original condition, ordinary wear and tear excepted, and payment to Landlord of the Operating Payment for the final calendar year of this Lease, then the security deposit shall be returned to Tenant without interest. Upon any conveyance of the Building by Landlord to a successor in title, the successor shall become liable to Tenant for the return of the security deposit and the conveying party released from same. Landlord shall not be required to hold the security deposit in any special account for the benefit of the Tenant and the security deposit may be co-mingled with Landlord's funds, and Tenant shall not be entitled to any interest thereon. In the event any installment of Base Rent or other charges accruing under this Lease shall not be paid when due (including the return of any of Tenant's checks for insufficient or uncollected funds or otherwise), the Landlord shall have the right, at the Landlord's sole discretion, to require the Tenant to place with Landlord an additional security deposit (in excess of the original security deposit), of up to two installments of then current Base Rent, which sum shall become a part of the original security deposit. The rights of the Landlord shall in no way be limited or restricted by the security deposit, and the Landlord shall have the absolute right to pursue any available remedies to protect its interests herein, as if the security deposit had not been made. Tenant will be charged for any checks or payments received by Landlord from Tenant and returned for "insufficient funds", in addition to any late fees which may be accrued.

**11. Improvements and Delivery of Possession.**

**11.1.** By taking of possession of the Premises, Tenant acknowledges that Tenant has inspected the Premises and Tenant is accepting the same in "as is" condition. No representations except those expressly contained herein have been relied on by Tenant with respect to the condition, design, amenities or completion of the Building, the Premises or any common areas, the use which may be made thereof or the sufficiency of the utilities for any purpose. Tenant will make no claim against Landlord on account of any representation of any kind, whether made by any renting agent, broker, officer or other representative of Landlord or which may be contained in any advertisement relating to the Building unless such representation is specifically set forth in this Lease. Any improvements shall become Landlord's property and remain on the Premises upon the expiration or earlier termination of this Lease. Notwithstanding anything to the contrary contained in this Lease (including, without limitation, Section 3.4), the obtaining and maintenance of all permits, licenses, zoning and governmental authorizations required for Tenant's business operations shall be Tenant's sole responsibility and at Tenant's sole cost and expense and in no case shall the obtaining or maintenance of such be a condition to Tenant's obligations hereunder. Notwithstanding any contrary provision of this Lease, if any personal property is located in the Premises, the Tenant accepts such personal property in its existing condition, as-is, and without representation or warranty as to title, condition, fitness for a particular purpose, or any latent defects. Tenant shall indemnify and hold harmless the Landlord of and from any and all liens or other claims which are asserted against any or all of such personal property by the State of Florida Department of Revenue for unpaid personal property taxes arising after the date of this Lease.

**11.2.** Landlord may, from time to time, in Landlord's sole discretion, and without liability to Tenant, eliminate, alter, relocate or add any common areas, including, without limitation, any facilities or amenities intended for the common use of all tenants in the Building.

**12. Negation of Personal Liability.** Notwithstanding anything to the contrary herein contained, Tenant agrees that Landlord (and, in case Landlord is a joint venture, partnership, tenancy in common, association or other form of joint ownership, the partners, members and employees of any such joint venture, partnership, tenancy-in-common, association or other form of joint ownership) shall have absolutely no personal liability with respect to any of the provisions of this Lease, or any obligation or liability arising therefrom or in connection therewith. Furthermore, in no event shall Landlord be liable to Tenant for any indirect, special, consequential, punitive or exemplary damages or lost revenues or profits, whether foreseeable or not, arising out of or in connection with this Lease. Tenant shall look solely to

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Landlord's equity in the Building for the satisfaction of any remedies of Tenant against Landlord including, without limitation, the collection of any judgment (or other judicial process) requiring the payment of money by Landlord in the event of any default or breach by Landlord with respect to any of the terms and provisions of this Lease to be observed and/or performed by Landlord, subject, however, to the prior rights of any holder of any mortgage covering all or part of the Premises and no other assets of Landlord or any principal or partner of Landlord shall be subject to levy, execution or other judicial process for the satisfaction of Tenant's claim and in the event Tenant obtains a judgment against Landlord, the judgment docket shall be so noted. This exculpation of liability shall be absolute and without exception whatsoever. This Section shall inure to the benefit of Landlord's successors and assigns and their respective principals.

**13. Rules and Regulations.** The rules and regulations attached hereto and as may be hereafter adopted by Landlord for the safety, cleanliness and operation of the Building and the preservation of good order therein and for the most efficient use by all tenants, agents, employees, invitees and visitors of the automobile parking spaces provided by Landlord, if any, are expressly made a part of this Lease and Tenant agrees to comply with such rules and regulations. No rules and regulations shall prohibit the reasonable use of the Premises by Tenant, its agents, employees, invitees and visitors for the purposes permitted by this Lease. The Landlord shall not be responsible to Tenant for any nonobservance of such rules and regulations by any other tenant of the Building. The rules and regulations shall be binding upon the Tenant upon delivery of a copy of them to Tenant.

**14. Assignment and Subletting.** Tenant shall not assign, sublet, mortgage, pledge, or hypothecate this Lease or any interest therein, nor shall Tenant permit the use of the Premises by any person or persons other than Tenant, nor shall Tenant sublet the Premises, or any part thereof, without the written consent of Landlord, which shall not be unreasonably withheld, delayed or conditioned. In no event shall Tenant be permitted to lease space to an existing tenant of the Building or a prospective tenant who is engaged in lease negotiations with Landlord. Any direct or indirect sale of stock of Tenant (if a corporation), assignment of partnership interest (if a partnership), assignment of member interest (if a limited liability company), assignment of beneficial interest (if a trust), or other device which has the effect of transferring the practical benefits of this Lease from the parties currently controlling Tenant, shall be a prohibited transfer without Landlord's prior written consent, which shall not be unreasonably withheld, delayed or conditioned. If any Rents required to be paid by any such transferee exceeds the Rents reserved hereunder, then Tenant shall pay to Landlord monthly the entire amount of such excess, which shall be deemed Additional Rent. Notwithstanding Landlord's consent to any such transfer, (a) Tenant shall remain liable to Landlord for the prompt and continuing payment of all Rent payable under this Lease and the performance of all other covenants of this Lease unless specifically provided for in Landlord's consent to the subject transfer, in Landlord's sole discretion, (b) any such assignee, subtenant, transferee or occupancy shall be obligated to comply with all of the provisions under this Lease, and (c) Tenant shall be fully liable and responsible for any breach of this Lease by any such assignee, subtenant, transferee or occupant which shall constitute a default under this Lease. Consent by Landlord to a transfer shall not relieve Tenant from the obligation to obtain Landlord's written consent to any further transfer. If Landlord consents to a transfer, in no event shall any permitted transferee assign or encumber this Lease or its sublease, or further sublet all or any portion of its sublet space, or otherwise suffer or permit the sublet space or any part thereof to be used or occupied by others, without Landlord's prior written consent in each instance. If this Lease is nevertheless assigned, or the Premises are sublet or occupied by anyone other than Tenant, Landlord may accept rent from such assignee, subtenant, or occupant and apply the net amount thereof to the rent reserved in this Lease, but no such assignment, subletting, occupancy, or acceptance of any Rent shall be deemed a waiver of the requirement for Landlord's consent set forth in this Section or constitute a novation or otherwise release Tenant from its obligations under this Lease.

**15. Condition of Demised Premises: Maintenance and Repairs.**

**15.1.** The parties agree that Tenant, except as provided in Section 15.2, will be responsible, at Tenant's sole cost and expense, and at all times throughout the Term and any extensions thereof, for all maintenance, repairs and replacements in, on or about the Premises and all equipment and property thereon shall be maintained in good condition, and in substantially the same condition as same existed upon the Commencement Date, reasonable wear and tear excepted. Tenant's responsibilities hereunder include, but are not limited to, the replacement, repair and maintenance of all improvements, fixtures, appliances, equipment, as well as systems located in and/or serving the Premises, including, but not limited to, the heating, ventilating and air conditioning unit now serving the Premises (the "HVAC Unit") and the plumbing and electrical systems, fire protection and life safety systems, as well as plate glass; and all of the foregoing shall be maintained in good operating and clean condition at all times, free of dirt, rubbish and other obstructions. All replacements, repairs and maintenance shall be performed by contractors or workmen designated or approved by Landlord. Tenant shall maintain, at Tenant's sole expense, a maintenance contract on the HVAC Unit with routine inspections and servicing as

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recommended by the HVAC manufacturer. Such contract shall be with a contractor licensed to do business in Miami-Dade County, Florida, approved by Landlord, and shall cover all parts and labor. From time to time, at Landlord's request, Tenant shall provide copies of such maintenance contract to Landlord. Tenant shall not commit nor allow any waste or damage to be committed on any portion of the Building or Premises. Tenant shall be responsible for the sanitation, storage and daily removal of all garbage generated by Tenant. Tenant shall perform the aforesaid maintenance, repairs, replacements and services and shall otherwise use the Premises in a manner which is sensitive and consistent with the historic nature of the Design District and with the LEED® Certification of the Building as the same may change or other rating systems or practices may be added from time to time. If the Tenant does not make repairs promptly and adequately or otherwise fails to comply with this Section, the Landlord may, but need not, make repairs or correct such failure, and the Tenant shall pay Landlord the cost thereof on demand.

**15.2.** Landlord shall maintain and repair the roof and structure of the Building. The Landlord shall not be liable to the Tenant for any expense, injury, loss or damage, resulting from work done in or upon, or the use of any adjacent or nearby building, land, parking lot, street or alley. The Tenant shall pay the Landlord for overtime and for any other expense incurred in the event repairs, alterations, decorating or other work performed by Landlord are not made during ordinary business hours at the Tenant's request. If any damage to the Premises or Building results from any act or neglect of the Tenant, its employees, agents, invitees, licensees, or contractors, the Landlord may, at the Landlord's option, repair such damage, whether caused to the Building or to tenants thereof, and the Tenant shall thereupon pay to the Landlord, upon demand, the total cost of such repairs and damages both to the Building and to the tenants thereof, plus a sum equal to twenty percent (20%) of such cost, representing Landlord's overhead.

**16. Alterations, Additions or Improvements**

**16.1.** The Tenant shall, at its sole cost and expense, construct all improvements and perform all work necessary for Tenant's use and occupancy of the Premises complete the Premises for its business purposes, including, without limitation, the work specified in Exhibit B hereto (collectively "Tenant's Work"). Tenant shall complete all of Tenant's work no later than ninety (90) days following the Commencement Date (the "Completion Date"). Tenant's failure to complete such work on or before the Completion Date shall constitute a material and incurable breach of this Lease. Tenant shall not commence Tenant's Work or make or allow any other repairs, replacements, additions or modifications to the Premises (collectively the "Alterations") without (a) the Landlord's prior written approval; and (b) complying with all applicable provisions set forth on Exhibit "B" hereto, and Landlord shall not be obligated to consent to or approve any Alterations or any applications for building or other permits unless and until such provisions are satisfied. Not later than fourteen (14) days after the date of signing this Lease, the Tenant shall submit to the Landlord, for Landlord's written approval, details of all proposed alterations including drawings and specifications prepared by qualified architects or engineers conforming to good engineering practice. The Alterations shall include all fire alarm and sprinkler systems or upgrades, if necessary, required by the City of Miami or other applicable governmental authorities for the Premises. All such alterations shall be performed: (i) at the sole cost of the Tenant; (ii) by licensed contractors and subcontractors and workmen approved in writing by the Landlord; (iii) in a good and workmanlike manner; (iv) in accordance with the drawings and specifications approved in writing by the Landlord; (v) in accordance with all applicable Laws, Landlord's rules and regulations and any applicable covenants, restrictions or easements affecting the Building or the land on which the Building is located; (vi) subject to the reasonable regulation, supervision, control and inspection of the Landlord, including without limitation the Rules and Regulations attached hereto; and (vii) subject to such indemnification against liens and expenses as the Landlord reasonably requires. If any alterations would affect the structure of the Building or any of the electrical, plumbing, mechanical, heating, ventilating or air conditioning systems or other base building systems, such work shall, at the option of the Landlord, be performed by the Landlord at the Tenant's cost. The cost of the work performed by Landlord plus a sum equal to twenty percent (20%) of said cost representing the Landlord's overhead shall be paid by the Tenant to the Landlord upon demand. All alterations shall become the property of Landlord upon the expiration or earlier termination of this Lease and shall remain upon and be surrendered with the Premises, unless Landlord requests Tenant to remove any such alterations, in which event Tenant shall do so and shall restore the Premises to their original condition. All such removals and restorations shall be accomplished in a good and workmanlike manner so as not to damage the primary structure or structural qualities of the Building and the remaining improvements to the Premises. In the event that Tenant fails to remove such items required to be removed hereunder, Landlord may remove same and restore the Premises as required hereunder and Tenant shall be liable to Landlord for the cost of such removal and restoration. The right, title and interest of Landlord in all or any portion of the Premises, Building, underlying property or attached fixtures shall not be subject to any liens arising directly or indirectly out of any improvements, alterations or changes made to the Premises, or Building, by or on the behalf of Tenant, its officers, employees, services or agents. The Tenant shall promptly pay

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for all materials supplied and work done with respect to the Premises. (Tenant has no right, power or authority to create any mechanics' or materialmen's lien on the Premises, Building, underlying property, or attached fixtures or Landlord's right, title or interest therein and Tenant shall so notify all suppliers of labor or materials in writing, and obtain written acknowledgment thereof, prior to ordering such labor or materials). The Tenant agrees to indemnify and save harmless the Landlord from any and all liabilities, expenses, costs, expenditures or otherwise, including attorneys' fees at all judicial levels, for breach of this provision, which obligation shall survive the expiration or earlier termination of this Lease. The Tenant shall notify the Landlord of any accident, defect, damage or deficiency in any part of the Premises or Building which comes to the attention of the Tenant, its employees or contractors notwithstanding that the Landlord may have no obligation in respect thereof. Tenant will allow Landlord to install, alter or remove any conduit pipes, water, waste, or service lines that may penetrate the Tenant's premises, serving the Premises or other property, at Landlord's expense. If, in connection with the Tenant's Work or otherwise, the Building's sprinkler system is required to be drained in order to accommodate Tenant, Tenant shall pay to Landlord the actual costs incurred by Landlord in connection therewith.

**16.2.** Tenant accepts the Premises as-is on the date of delivery of the Premises to Tenant, and agrees that if any Tenant Improvement to the Premises undertaken by Tenant shall cause or result in the imposition of any requirement upon Landlord for making alterations, additions or improvements to, or otherwise bringing all or any portion of the Building and/or any surrounding structure, improvement or area into compliance with current or hereafter enacted Governmental Requirements (any and all such work is herein called "Compliance Work"), Tenant shall not undertake any such Tenant Improvement unless Tenant shall first agree in writing to pay the full cost of any Compliance Work, and Tenant shall first deposit with Landlord the full cost) as determined by Landlord, or as determined by architects or engineers selected by Landlord at Tenant's expense) of completing all Compliance Work, whether on the Premises or elsewhere in, on or about the Building. Landlord may at its option undertake any or all of the Compliance Work, or Landlord may at its option require Tenant to perform all Compliance Work. Notwithstanding any contrary provision of this Lease, all Compliance Work shall be performed and completed at Tenant's sole cost and expense. It is understood and agreed between the parties hereto that the expenses, costs and charges above referred to shall be considered as Rent due and shall be included in any lien or other claim for Rent.

**16.3. Construction Liens.** Tenant shall keep the Premises and all parts thereof at all times free of construction liens and any other lien for labor, services, supplies, equipment or material purchased or procured, directly or indirectly, by or for Tenant. Tenant further agrees that Tenant will promptly pay and satisfy all liens of contractors, subcontractors, mechanics, laborers, materialmen and other items of like character, and will indemnify Landlord against all expenses, costs and charges, including bond premiums for release of liens and attorney's fees and costs reasonably incurred in and about the defense of any suit in discharging the Premises, from any liens, judgments, or encumbrances caused or suffered by Tenant. In the event any such lien shall be made or filed, Tenant shall bond against or discharge the same within ten (10) days after the same has been made or filed. It is understood and agreed between the parties hereto that the expenses, costs and charges above referred to shall be considered as Rent due and shall be included in any lien or other claim for Rent.

Landlord shall not be liable for any work performed or to be performed on the Premises for or on behalf of Tenant, its officers, employees or agents and Tenant has no right, power or authority whatsoever to subject Landlord's right, title or interest in all or any portion of the Premises to any liens for labor, service or materials provided to Tenant. All materialmen, contractors, mechanics and laborers, and any other persons contracting with any Tenant for the demolition, construction, installation, alteration or repair of any improvements on, within or about the Premises are hereby further charged with notice that they must look only to any such Tenant and to any such Tenant's interest in the Premises to secure payment for any work done or material furnished at the request or instruction of any such Tenant and Tenant hereby agrees to inform all contractors and material suppliers performing work in or for the Premises, or supplying materials to the Premises, of the foregoing and of the existence of any such notice.

In accordance with Florida Statutes §713.10, Landlord shall have the right to post on the Premises and to file and/or record in the Public Records or court registry, as applicable, notices of non-responsibility and such other notices as Landlord may reasonably deem proper for the protection of Landlord's interest in the Premises. Tenant shall, before the commencement of any work which might result in any lien on the Premises, give Landlord reasonable written notice under the circumstances of its intention to commence said work.

**16.4. LEED CERTIFICATION.** Landlord has informed Tenant that Landlord intends to obtain a Leadership in Energy and Environmental Design ("LEED"™) certification under the Green Building Rating System™ of the U.S. Green Building Council ("USGBC") for the core and shell of the Building (the "LEED Certification" or "LEED Certified"). Landlord makes no representation or warranty to Tenant that such LEED Certification shall be obtained or continue during the entire Term. Landlord

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shall not be obligated to upgrade, retrofit, or otherwise modify or alter the construction of the Building or modify or alter any particular Building system(s) in order to maintain the LEED Certification. Further, Landlord makes no representation or warranty that the Building and Building systems, having attained a particular level of LEED Certification and/or having incorporated other so-called "green" or "sustainable" design elements, will cause any energy savings, efficiencies, carbon impact reductions, or other matters with respect to the LEED Certification or use of other green or sustainable design elements for the Building. Landlord shall not be required to impose on Tenant or any other tenant of the Building, requirements for Tenant or other tenants to comply with any certification requirements under the USGBC's Green Building Rating System or other green or sustainable design elements. In addition, Tenant acknowledges that Landlord has made no representation or warranty with respect to any level of LEED certification for the Tenant's Work, all of which if desired by Tenant shall be the sole and exclusive responsibility of Tenant, at Tenant's expense. Tenant shall not do or permit anything to be done in or about the Premises which will cause the Building or any part thereof not to conform with the LEED Certification, except as otherwise expressly permitted by this Lease or by matters approved by Landlord in connection with this Lease.

**17. Destruction of Premises.** If the Premises or the Building shall be destroyed by fire or other cause, or be so damaged thereby that they are untenantable and cannot be rendered tenantable within two hundred seventy (270) days after the date of such damage, this Lease may be terminated by Landlord by written notice given to Tenant within forty-five (45) days after the event causing such untenantability in which event rent shall cease as of the date of such untenantability and both parties shall be relieved of all further liability hereunder accruing after the effective cancellation date. If the damage or destruction is not sufficient to permit a termination of the Lease as above provided, a proportionate reduction shall be made in the Rent herein reserved corresponding to the time during which, and applicable to the portion of the Premises of which, Tenant shall be deprived of possession. The decision of a licensed Florida architect or engineer hired by Landlord and certified in writing to Landlord and Tenant shall conclusively be deemed binding on the parties as to: (i) whether the Premises or Building are rendered untenantable, (ii) whether the Building or Premises can be rendered tenantable within a reasonable time, (iii) the percentage of the Premises rendered untenantable and the resulting percentage by which rent and other charges hereunder should abate during the period of untenantability, (iv) the date upon which the Premises are restored to tenantability. In no event shall Landlord be liable to Tenant for any damages resulting to Tenant from the happening of such fire or casualty or from the repairing or reconstruction of the Premises, or from the termination of this Lease as herein provided, nor shall Tenant be relieved thereby or in any such event from the Tenant's obligations hereunder except to the extent and upon the conditions expressly stated in this Section. Further, in no event shall Landlord be required to make any repairs or replacement of any improvements other than those provided by Landlord in accordance with this Lease, nor shall Landlord be responsible for the replacement of Tenant's furnishings, furniture, personal property, Tenant Work (as defined in the Work Letter), equipment, goods or inventory, it being agreed and understood that the foregoing shall be Tenant's sole responsibility. Notwithstanding anything contained in this Lease to the contrary, if such repair or restoration is not substantially completed within two hundred seventy (270) days after the date of such casualty, then Tenant may terminate this Lease by delivering written notice thereof to Landlord any time after the expiration of such 270 day period and prior to completion of such work.

**18. Entry, Inspection and Other Rights Reserved to Landlord.** Tenant will permit Landlord, any Mortgagee (as hereinafter defined), and any of their agents to enter the Premises at all reasonable times for the purpose of examining or inspecting the same, or for the purpose of protecting Landlord's reversion, or to make alterations, repairs, or additions to the Premises or to any other portion of the Building, or for maintaining any service provided by Landlord to tenants in the Building, or for the purpose of removing placards, signs, fixtures, alterations or additions which do not conform to this Lease or the rules and regulations of the Building, or for any other purpose which Landlord deems necessary for the safety, comfort or preservation of the Premises or Building and during such operations, Landlord may close entrances, doors, corridors, elevators or other facilities, all without liability to Tenant by reason of interference, inconvenience or annoyance. Tenant will permit Landlord at any time within the earlier of (i) one hundred twenty (120) days prior to the expiration of this Lease or (ii) failure of Tenant to cure a default within twenty-four (24) hours of notice by Landlord to bring prospective tenants upon the Premises for purposes of inspection and to put or keep upon the doors or windows thereof a "For Rent" and/or "For Sale" notice. No entry pursuant to this Section shall in any way be deemed a breach of the covenant of quiet enjoyment. Landlord reserves the right to change the name and/or street address of the Building or the identification of the Premises without liability of Landlord to Tenant.

**19. Indemnity.**

(a) Landlord shall not be responsible or liable for the theft, loss, injury or damage to person or property in, on or about the Premises, and/or the Building. Tenant acknowledges and agrees that Landlord is not responsible for the security of the Premises or the Building in general (and Tenant further

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acknowledges and agrees that notwithstanding that Landlord may provide security guards, controlled access mechanisms, and other security controls, such actions by Landlord shall not be deemed to limit or impair the Landlord's disclaimer of responsibility for the security of the Building nor shall Landlord be deemed to warrant the results or adequacy of such controls). Landlord shall not be liable for any loss, injury or damage to persons or property resulting from fire, explosion, falling plaster, gas, electricity, water, rain or leaks from any part of the Building or by any other cause whatsoever, nor shall Landlord or its agents be liable for any such damage caused by other tenants or persons in the Building; nor shall Landlord be liable for any latent defect in the Premises or in the Building.

(b) Tenant agrees that Tenant, at all times, will indemnify, defend, protect and hold harmless Landlord and its agents, employees, members, managers, lenders, Mortgagee(s) and contractors from all losses, costs, judgments, fines, penalties, damages, claims, liabilities and expenses (including reasonable legal and consultant's fees and court costs) whatsoever, which may arise or be claimed against Landlord or any of the foregoing parties, arising from or consequent upon (i) any injuries or damages to the persons or property of any persons, firms or corporations at the Premises or Building caused by acts or omissions of Tenant, its employees, agents, guests, customers, invitees or contractors (collectively, "Tenant Parties"), (ii) the use or occupancy of the Premises and/or other portions of the Building (including all common areas) by Tenant and any of the Tenant Parties, (iii) any acts, omissions, neglect or fault of Tenant, Tenant's agents, employees, customers, invitees or other Tenant Parties, (iv) Tenant's failure to comply with the terms and provisions of this Lease and/or any applicable laws, rules, orders or regulations.

In case Landlord shall be made a party to any litigation commenced against Tenant, then Tenant shall indemnify, defend, protect and hold Landlord harmless and shall pay all costs, expenses and reasonable attorneys' fees incurred or paid by Landlord in connection with such litigation and any appeal thereof.

The provisions of this Section shall survive any termination or cancellation of the Lease.

**20. Insurance.** The Tenant shall maintain at its expense throughout the Term of this Lease the following insurance coverages: (i) Commercial General Liability (CGL) Policy (written on an occurrence basis), with limits not less than One Million Dollars (\$1,000,000) combined single limit per occurrence, Two Million Dollar (\$2,000,000) annual aggregate covering liability arising from premises, operations, independent contractors, products-completed operations, personal injury, advertising injury and liability assumed under a contract; (ii) Property Damage Insurance on a Causes of Loss-Special Form basis covering on a replacement cost value of all leasehold improvements, fixtures, furnishings, personal property, inventory and equipment located within the Premises; (iii) Business Interruption and Extra Expense insurance in such amounts as will reimburse Tenant for direct or indirect loss of earnings attributable to the perils insured against under this Section; (iv) Workers' Compensation insurance policy as required by the applicable state law, and Employers Liability insurance with limits of not less than One Million Dollars (\$1,000,000.00); (v) to the extent that a motor vehicle owned or leased by Tenant, its agents or employees, is used by the Tenant, its agents or employees, in the conduct of Tenant's business, Automobile Liability insurance with single limit coverage of at least \$1,000,000 for all owned, leased/hired or non-owned vehicles; (vi) if Tenant will serve or sell alcohol at the Project, a liquor liability insurance policy with minimum coverage of One Million Dollars (\$1,000,000.00) (provided that nothing herein shall be deemed to permit such use unless specified in Section 3.1 above; and (vii) Excess/Umbrella liability policy "following form" of not less than Three Million Dollars (\$3,000,000), including a "drop down" feature in case the limits of the primary policy are exhausted. In addition, during the course of any Tenant's Work or other Alterations, Landlord shall have the right to require that Tenant's contractor provide additional types of insurance coverages in amounts and types deemed necessary by Landlord or its Mortgagee(s), including, without limitation, construction All-Risk Builder's risks, Owners and Contractors Protective (OCP) Liability insurance, Professional Errors and Omissions liability insurance, and insurance covering such contractor's equipment and tools.

To the extent permitted by its insurers, Tenant hereby waives any right of recovery against Landlord for any loss covered by Tenant's insurance or for which Tenant is required to maintain insurance hereunder. Tenant shall apply to its insurers to obtain such waiver and shall obtain any special endorsements if required by its insurer to evidence compliance with such waiver.

All Policies referred to above shall: (i) be taken out with insurers licensed to do business in Florida and reasonably acceptable to the Landlord with a rating of A- or better by A.M. Best Company; (ii) be in a form reasonably satisfactory to the Landlord; (iii) be non-contributing with, and shall apply only as primary and not as excess to any other insurance available to the Landlord or the Mortgagee; and (iv) contain an undertaking by the insurers to notify the Landlord by registered or certified mail not less than thirty (30) days prior to any material change, cancellation or termination. An ACORD 25 certificate of such insurance in the most recent edition available and acceptable to Landlord in its reasonable judgment or duplicate policies showing such insurance in force and reflecting Landlord and its

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Mortgagee(s) as an additional insured shall be delivered to Landlord prior to the Commencement Date. Tenant shall deliver to Landlord each year during the Term of this Lease, on or before the anniversary of the Rent Commencement Date, evidence of the renewal, and payment of the premium therefor, of all insurance required to be maintained by Tenant hereunder. Such certificates of insurance or, if required by the Mortgagee, copies of such insurance policies certified by an authorized officer of Tenant's insurer as being complete and current, shall be delivered to the Landlord promptly upon request. If a) the Tenant fails to take out or to keep in force any insurance referred to in this Section, or should any such insurance not be approved by either the Landlord or the Mortgagee, and b) the Tenant does not commence and continue to diligently cure such default within forty-eight (48) hours after written notice by the Landlord to the Tenant specifying the nature of such default, then the Landlord has the right, without assuming any obligation in connection therewith, to effect such insurance at the sole cost of the Tenant and all outlays by the Landlord shall be paid by the Tenant to the Landlord without prejudice to any other rights or remedies of the Landlord under this Lease. In addition, the Tenant's insurance shall include Contractual Liability Coverage which shall cover the following Indemnity Agreement, which Agreement is hereby made a part of this Lease.

Tenant hereby agrees to indemnify, defend, and hold harmless Landlord and its directors, officers, agents and employees from and against any and all suits, actions, legal proceedings, liabilities, claims, demands, damages, costs, expenses, attorneys' fees (collectively the "Claims"), and from all expenses in defending Claims, including without limitation, court costs, attorneys' fees at all judicial levels, the amounts of any judgments recovered, and any other expenses resulting from Claims for bodily injury, sickness or disease, including death resulting therefrom, sustained by any person or entity and/or resulting from injury to or destruction of property, including loss of use thereof, caused by, arising from, incident to, connected with, or arising out of the use of the Premises by Tenant, its directors, officers, agents, employees, customers, servants, invitees, visitors, or any other person whomsoever and/or any failure of Tenant in any respect to comply with any of the requirements or provisions of this Lease, and/or the acts or omissions of Tenant or its directors, officers, agents, employees, customers, servants, invitees, visitors and/or by any contractor, its agents or employees, and/or by any sublessee, its agents, employees and customers, and/or by Landlord, its agents or employees, which obligation shall survive the expiration or earlier termination of this Lease. The certificates or insurance required by this Section shall show that the above Indemnity Agreement has been specifically insured for the limits specified above.

**21. Utilities and Services.** From and after the Commencement Date (and prior thereto, solely with respect to any utilities actually consumed by Tenant), Tenant shall arrange and timely pay for the connection of and on-going service and other charges for or with respect to all electricity, trash removal, recycling, telephone, internet and other utility services for the Premises. Electricity, trash removal, recycling and any other utilities for the Premises shall be separately metered and billed when possible in the name of Tenant and the cost thereof, together with the cost and performance of janitorial, telephone, and security service for the Premises, which shall be Tenant's sole responsibility. Notwithstanding anything to the contrary herein, Tenant agrees to fully cooperate with and participate in any recycling or other conservation program as may be required by Landlord and/or governmental or utility authority. In the event that the utilities cannot be or are not separately metered, Tenant will pay its pro-rata share (based on the premises served by such common meter) of total expenses for such common meter. In furtherance thereof, Tenant acknowledges that there is a common meter for water serving the office and retail space in the Building and Tenant agrees to pay within 30 days of receipt of any invoice therefor, its pro-rata share of water for the Premises based on the proportion that the gross square footage of the Premises bears to the gross square feet of all leasable office and retail space of the Building. In the event any utilities or services to the Premises need to be increased, expanded or modified as a result of Tenant's use, Tenant shall pay for all costs and expenses related to such expansion, modification or other alterations and the cost and expense of any permits, approvals or consents therefor and Tenant shall hold Landlord harmless from and against any loss, cost, damage or expense incurred by Landlord as a result of Tenant's failure to pay such amounts. Landlord shall not be liable to Tenant for any interruption in the service of any utility. No interruption or failure of such utilities or services shall relieve Tenant from the obligation to pay the full amount of rent and other charges herein reserved, nor shall the same constitute a constructive or other eviction of Tenant.

**22. Notices.** In every instance where it shall be necessary or desirable for the Landlord to serve any notice or demand upon the Tenant, it shall be sufficient:

- (a) To deliver or cause to be delivered to the Tenant at the Premises a written copy thereof, or
- (b) To send a written copy thereof by United States certified mail, postage prepaid, addressed to the Tenant at the Premises, or

(c) To leave a written copy thereof in or upon the Premises or to affix the same upon any door leading into the Premises, in which event the notice or demand shall be deemed to have been served at the time the copy is so left or affixed.

All notices or demands shall be signed by the Landlord or its agent. Where the Tenant desires to serve notice or demand upon the Landlord, such notice or demand shall be sent certified mail return receipt requested, postage prepaid to Landlord at the following address: 6547 Midnight Pass Rd #3, Sarasota, FL 33242, Attn: Roy Norton. Any notice to be given to Tenant prior to the commencement or subsequent to Tenant's occupancy under this Lease shall be sent to Tenant at 1445 16<sup>th</sup> Street, Suite 403, Miami Beach, Florida 33139. Except as otherwise provided herein, notice given by personal delivery shall be effective as of the date of delivery; notice mailed shall be effective as of the second day (not a Saturday, Sunday or legal holiday) next following the date of mailing; notice by Federal Express shall be effective on the next business day following the date of sending.

**23. Default.** Tenant covenants and agrees that any of the following events shall be a default (hereinafter "Default") under this Lease: (i) if any financial report or statement furnished or made by or on behalf of Tenant or any guarantor of any of Tenant's obligations hereunder is false or misleading in any material respect; or (ii) if any Base Rent or Additional Rent is in arrears, or Tenant fails to pay the same within five (5) days of the date when it becomes due or (iii) if Tenant or any guarantor of any of Tenant's obligations hereunder shall fail to perform or observe or breach any covenant, condition or agreement to be performed or observed by such party hereunder or under any guaranty agreement (other than the payment of Rent) and such default is not cured within thirty (30) days after written notice of such Default is given by Landlord (or in the case of a Default that cannot be reasonably cured within thirty (30) days, that Tenant or Guarantor has failed to begin and diligently pursue its completion within an additional period not to exceed thirty (30) days); or (iv) intentionally deleted; or (v) if Tenant or any guarantor of any of Tenant's obligations hereunder shall cease doing business as a going concern, make an assignment for the benefit of creditors, generally not pay its debts as they become due, admit in writing its inability to pay its debts as they become due, become insolvent (i.e. greater liabilities than assets), or take any action looking to its dissolution or liquidation; or (vi) if Tenant or any guarantor of Tenant's obligations should file for relief, or have filed against them, an action under any provision of any state or federal bankruptcy or insolvency law, provided, however, that an involuntary filing of such a proceeding by a creditor or other third party of Tenant or Guarantor shall not be a Default if such proceeding is dismissed within sixty (60) days of its filing; or (vii) if Tenant shall abandon or vacate the Premises; or (viii) if Tenant fails to pay all charges for gas, sewer, electricity and other utilities which are separately metered for the Premises within fifteen (15) days after such are due; or (ix) if Landlord determines, in its reasonable discretion, that unpleasant noises, or odors or other nuisance or nuisances emanate from the Premises and Tenant does not take immediate steps to eliminate such noises and/or odors and/or nuisances or fails to eliminate such noises, odors or nuisances permanently within ten (10) days of written notice from Landlord; or (x) if Landlord has sent Tenant, at any time during the term of this Lease, three notices for the same type of lease violation irrespective of whether such violation may have been cured at the time of receipt of the notice.

In the event of any such Default, Landlord may, at its option, without notice (except as otherwise required by this Lease), elect any of the following remedies:

(a) Re-take and recover possession of the Premises, terminate this Lease, and retain Tenant's security deposit.

(b) Re-take and recover possession of the Premises, without terminating this Lease, in which event Landlord may re-rent the Premises as agent for and for the account of Tenant and recover from Tenant the difference between the rental herein specified and the rent provided in such re-rental, less all of Landlord's costs and expenses of re-renting, including, without limitation, attorneys' fees plus all other sums due hereunder.

(c) Permit the Premises to remain vacant in which event Tenant shall continue to be responsible for all Rent and any other rental and other payments due hereunder.

(d) Re-take and recover possession of the Premises and accelerate and immediately collect all Base Rent and Additional Rent hereunder for the balance of the term of this Lease, subject to a credit in favor of Tenant for the rent provided in any re-rental of the Premises, less all of Landlord's costs and expenses of re-renting, including, without limitation, attorneys' fees plus all other sums due hereunder.

(e) To the extent permitted by applicable Laws, Landlord may enter the Premises as agent of Tenant to take possession of any property of Tenant on the Premises, to store such property at the expense and risk of Tenant or to sell or otherwise dispose of such property in such manner as Landlord

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may see fit. Landlord shall not be liable in any way in connection with its actions pursuant to this Section, to the extent that its actions are in accordance with applicable Laws.

(f) Landlord may remedy or attempt to remedy any default of Tenant under this Lease for the account of Tenant and enter upon the Premises for such purposes. No notice of Landlord's intention to perform such covenants need be given Tenant unless expressly required by this Lease. Landlord shall not be liable to Tenant for any loss or damage caused by acts of Landlord in remedying or attempting to remedy such default and Tenant shall pay to Landlord all expenses incurred by Landlord in connection with remedying or attempting to remedy such default. Any expenses incurred by Landlord shall accrue interest from the date of payment by Landlord until repaid by Tenant at the highest rate permitted by law.

(g) Take any other action to cure a Default of Tenant as may be permitted at law or in equity.

All of the Landlord's remedies contained in this Lease shall be cumulative and election by Landlord to take any one remedy shall not preclude Landlord from taking any other remedy not by its nature absolutely incompatible with any previously or contemporaneously elected remedy. The Landlord may, at its option, apply any sums received from the Tenant against any amounts due and payable by the Tenant under this Lease in such manner as the Landlord sees fit and regardless of the express purpose for which the tender was made and regardless of any endorsement placed on the check by which payment is made. Except for any notice expressly provided in this Lease, Tenant expressly waives the service of any demand for the payment of rent or for possession and the service of any notice of the Landlord's election to terminate this Lease or to re-enter the Premises, including any and every form of demand and notice prescribed by a statute or other law, and agrees that the simple breach of any covenant or provision of this Lease by the Tenant shall, of itself, without the service of any notice or demand whatsoever, constitute a forcible detainer by the Tenant of the Premises within the meaning of the statutes of the State of Florida.

Upon a Default, Landlord may, but shall have no obligation to, perform the obligations of Tenant, and if Landlord, in doing so, makes any expenditures or incurs any obligation for the payment of money, including reasonable attorneys' fees, the sums so paid or obligations incurred, plus a sum equal to the greater of eighteen percent (18%) and the maximum amount required under law of said cost representing the Landlord's overhead, shall be paid by Tenant to Landlord within thirty (30) days of rendition of a bill or statement to Tenant therefor.

**24. Attorneys' Fees and Costs.** Tenant shall pay to Landlord on demand all costs, charges and expenses including reasonable attorneys' fees at all tribunal levels, incurred by Landlord in enforcing this Lease or any covenant hereof or in the collection of any rent, or other sum of money, becoming due hereunder or in the recovery of possession of the Premises or reletting of the Premises, in the event of the breach by Tenant of any of the terms or provisions of this Lease. In addition, upon any default by Tenant, Tenant shall also be liable to Landlord for the reasonable and actual expenses to which Landlord may be put in re-entering the Premises; repossessing the Premises; painting, altering, or dividing the Premises; combining the Premises with an adjacent space for any new tenant; putting the Premises in proper repair; protecting and preserving the Premises by placing watchmen and caretakers therein; reletting the Premises (including attorneys' fees and disbursements, marshal's fees, and brokerage fees, in so doing); and any other expenses reasonably incurred by Landlord. If Tenant or Landlord is the prevailing party in any action brought by Landlord or Tenant in connection with or arising out of this Lease, the prevailing party shall be entitled to judgment for its costs and reasonable attorneys' fees incurred at all tribunal levels.

**25. Non-Waiver of Breach.** Landlord's failure to take advantage of any default or breach of covenant on the part of Tenant shall not be construed as a waiver thereof, nor shall any custom or practice which may grow between the parties in the course of administering this Lease be construed or to waive or to lessen the right of Landlord to insist upon the strict performance by Tenant of any term, covenant or condition hereof, or to exercise any rights of Landlord on account of any such default. A waiver of a particular breach or default shall not be deemed to be a waiver of the same or any other subsequent breach or default. The acceptance of any Rent hereunder shall not be, or be construed to be, a waiver of any breach of any term, covenant or condition of this Lease. The presentation of any rent or other charge hereunder in the form of a check marked by Tenant to constitute a waiver of any default shall not constitute such waiver even though endorsed and cashed by Landlord unless Landlord expressly agrees to waive such default by separate written instrument. No surrender of the Premises for the remainder of the term hereof shall operate to release Tenant from liability hereunder.

**26. Subordination by Tenant.** This Lease and Tenant's rights hereunder, are hereby made expressly subject and subordinate to any and all security agreements, mortgages, ground or underlying leases, or like instruments resulting from any financing or refinancing affecting the Premises or Building

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(or any portion thereof) which are currently in existence or which may hereafter be created by Landlord, or its successors or assigns, including any and all extensions and renewals, substitutions, and amendments thereof, and to any and all advances made or to be made under same (collectively the "Mortgage"). This provision shall be self-operative without the execution of any further instruments. Tenant agrees to execute any instrument or instruments which the Landlord or any Mortgagee of Landlord may deem necessary or desirable to further evidence the foregoing subordination. Tenant hereby irrevocably appoints Landlord as attorney-in-fact for Tenant with full power and authority to execute and deliver in the name of Tenant any such instrument which appointment shall be deemed coupled with an interest and irrevocable. Tenant further agrees to make such reasonable modifications to this Lease (not increasing Tenant's obligations or reducing the Term or Tenant's other rights hereunder) as may be requested by the holder of any such Mortgage (the "Mortgagee"). Tenant agrees that in the event of any act or omission by Landlord which could constitute a default by Landlord or give Tenant the right to terminate this Lease or claim a partial eviction, Tenant shall not exercise any such right until (i) Tenant notifies Landlord in writing of such default and Landlord fails to cure such default within thirty (30) days of such notice, or if such default cannot reasonably be cured within such thirty (30) days, then within a reasonable time thereafter; and (ii) until every holder of any Mortgage is notified in writing of such default and fails to commence to cure such default within thirty (30) days after all of Landlord's periods to cure such default have expired. Tenant further agrees to execute any subordination, non-disturbance and/or attornment agreement requested by any mortgagee and/or ground lessor. Without limitation of any other provision of this Section, Tenant acknowledges that the proceeds of casualty loss or condemnation shall be used or distributed in the manner required by the Mortgage.

**27. Time.** It is understood and agreed between the parties hereto that time is of the essence of this Lease, and of all of the terms, conditions and provisions contained herein. Any time period herein described of ten (10) days or more shall mean calendar days; less than ten (10) days shall mean business days. For all purposes of this Lease, a "business day" means any day other than a Saturday, Sunday, or legal holiday declared by the United States federal government.

**28. Transferability by Landlord.** Landlord shall have the right to transfer and assign, in whole or in part, all and every feature of its rights and obligations hereunder as part of a conveyance of the Building and underlying property and upon such assignment of this Lease or conveyance of the Building, the Landlord named herein shall be released from all subsequent obligations or liabilities hereunder, Landlord's successor in interest shall become the new Landlord hereunder and responsible to Tenant for all obligations of Landlord, and Tenant shall attorn to such successor in interest and recognize such successor in interest as the Landlord under this Lease.

**29. Amendment of Lease.** This Lease may not be altered, changed, or amended, except by an instrument in writing, signed by the party against whom enforcement is sought. This Lease and any exhibits contain the entire agreement reached in all previous negotiations between the parties hereto and there are no other representations, agreements or understandings of any kind, either written or oral, except as specifically set forth herein.

**30. Condemnation.** In the event all or any material part of the Building shall be taken or condemned for any public or quasi-public use or purpose, the Landlord may, at its option, terminate this Lease from the time title to or right to possession of the Building shall vest in or be taken for such public or quasi-public use or purpose. Tenant shall not be entitled to receive any portion of any award made or paid to Landlord representing the property or interest of Landlord taken or damaged and Tenant hereby expressly waives and relinquishes any right or claim to any portion of any such award regardless of whether any such award includes any value attributable to Tenant's leasehold estate. However, Tenant shall have the right to claim and recover from the condemning authority, but not from Landlord or any Mortgagee, such special and separate damages as may be recoverable by Tenant independent of and without diminution of Landlord's recovery. If the Lease is not terminated as above provided, a proportionate reduction shall be made in the rent herein reserved corresponding to the time during which, and applicable to the portion of the Premises of which, Tenant shall be deprived of possession. The decision of a licensed Florida architect or engineer hired by Landlord and certified in writing to Landlord and Tenant shall conclusively be deemed binding on the parties as to: (i) whether the Premises or Building are rendered untenantable, (ii) the percentage of the Premises rendered untenantable and the resulting percentage by which rent and other charges hereunder should abate during the period of untenantability, and (iii) the date upon which the Premises are restored to tenantability.

**31. Surrender of Demised Premises.** Subject only to Section 16.1 hereof, Tenant agrees to surrender the Premises at the termination of the tenancy herein created in the same condition as received by Tenant, reasonable use and wear thereof excepted. On termination of this Lease or of Tenant's right to possession hereunder, Tenant shall remove from the Premises, the Building and the areas surrounding the Building all of its inventory and other personal property, other than any alterations, fixtures and other installations which are the property of Landlord and not required to be removed pursuant to Section 16.1

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of this Lease. If Tenant shall not remove any inventory, or other personal property which it is required to remove pursuant to this Lease, the Landlord may remove and dispose of the same as Landlord sees fit, without liability to Tenant or any obligation to account to Tenant therefor, and Tenant shall be liable to Landlord for the cost of such removal and disposition, including, without limitation, any costs to restore the Premises.

**32. Holding Over.** In case of holding over by Tenant after expiration or termination of this Lease, Tenant shall be deemed a tenant at sufferance and will be liable for Landlord's damages due to such holdover, including, without limitation, any liability of Landlord for failure to deliver the Premises pursuant to the terms of a new lease for the Premises, and, in addition, shall pay for each month of such holdover period 150% of the amount of the Base Rent, Additional Rent, and other charges accruing for the last month during the term of this Lease. No holding over by Tenant after the term of this Lease shall operate to extend the Lease, except that Landlord, at its option, by written notice to Tenant, may elect to consider Tenant's withholding of the Premises as a holdover of this Lease and treat Tenant as a tenant for another year on the same terms and conditions as are contracted in this Lease, in which case the total rental shall be 150% of the rate stipulated herein.

**33. Quiet Enjoyment.** Tenant shall and may peaceably have, hold and enjoy the Premises subject to the terms of this Lease and provided Tenant pays the rental herein reserved and performs all the covenants and agreements herein contained.

**34. Attornment.** In the event of any foreclosure of any mortgage encumbering the Building, or deed-in-lieu thereof, or sale of the Building, Landlord shall be released from all liability hereunder and Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as the Landlord under this Lease.

**35. Estoppel Certificate.** Within ten (10) days after request therefor by Landlord, Tenant shall deliver to Landlord, in a form satisfactory to Landlord, a certificate certifying (i) the good standing and absence of default under this Lease; (ii) the absence of set-offs to charges hereunder; (iii) the validity and completeness of a copy of this Lease and all amendments to be attached to the certificate; (iv) the amount of pre-paid rent; (v) the amount of security deposit; (vi) the commencement and expiration dates hereof; (vii) the dates and amounts of the last made and next due rental installments; and (viii) such other matters as Landlord shall request, noting any exceptions to any such items as may exist. Without limiting the generality of the foregoing, and notwithstanding any other provision of this Lease, Landlord may, at its option, require that Tenant deliver to Landlord such a certificate as a condition to delivery of the Premises to Tenant or within ten (10) days following Landlord's written request therefor following delivery of the Premises to Tenant, as elected by Landlord.

**36. Signage and Window Treatments.** Except with the prior written consent of Landlord, such consent to be in Landlord's sole and absolute discretion, the Tenant shall not erect, install, display, inscribe, paint or affix any window treatments, signs, lettering or advertising mediums, in, upon, or above any exterior or interior portion of the Premises including, without limitation, the common corridor walls, entrance door to the Premises or the exterior wall and glass surfaces thereof.

**37. Impact Fees.** Tenant shall be responsible, at Tenant's sole cost and expense, for the payment of all parking, impact or other fees related to Tenant's use or occupancy of the Premises or Building.

**38. Alarm Box.** Should Tenant install an alarm box, that alarm box must not be visible from the street.

**39. Brokerage.** Tenant represents and warrants that there are no brokers involved in this Lease transaction except **DWNTWN Realty Advisors** and **Fortune International Realty** to whom a commission shall be paid by Landlord by separate agreement. Tenant agrees to indemnify, defend and hold Landlord harmless from and against all costs, claims, liabilities, expenses or damages of any kind whatsoever (including but not limited to attorneys' fees and costs at all tribunal levels) arising from any such brokerage claim made by anyone purporting to be acting on Tenant's behalf other than the above named broker.

**40. Recording.** Neither Tenant nor anyone claiming under Tenant shall record this Lease or any memorandum thereof without the prior written consent of Landlord. Landlord shall be entitled, but not required, to record a short form of memorandum (the "Memorandum") of this Lease. Within five (5) days of written request by Landlord, Tenant shall execute Landlord's form Memorandum and promptly return such to Landlord.

41. **Authority.** Tenant is a corporation duly organized and existing under the laws of the State of Delaware and qualified to do business in the State of Florida, and Tenant has full right and authority to enter into this Lease, and each of the persons signing on Tenant's behalf are authorized to do so. In addition, Tenant warrants that it is not necessary for any other person, firm, corporation, or entity to join in the execution of this Lease to make the Tenant's execution complete, appropriate and binding.

42. **Severability.** Inapplicability, invalidation, or unenforceability of any one or more of the provisions of this Lease or any instrument executed and delivered pursuant hereto, by judgment, court order or otherwise, shall in no way affect any other provision of this Lease or any other such instrument, which shall remain in full force and effect.

43. **Lien upon Tenant's Property.** Subject to rights in favor of any secured party providing financing to Tenant for the purchase of inventory, furniture or trade fixtures, Tenant hereby pledges and assigns to Landlord as security for the payment of any and all Base Rent, Additional Rent, and all other sums or amounts provided for herein, all of the furniture, fixtures, equipment, inventory, goods and chattels of Tenant which shall or may be brought or put into the Premises. Tenant agrees that said lien may be enforced by distress, foreclosure or otherwise, at the election of the Landlord. Tenant hereby expressly waives and renounces for himself and family any and all homestead and exemption rights he may now or hereafter acquire under or by virtue of the constitution and laws of the State of Florida or of any other state, or of the United States, as against the payment of said rent or any other obligation or damage that may accrue under the terms of this Lease. To the extent permitted by law, this Lease shall constitute a security agreement under Article 9 of the Florida Uniform Commercial Code, and Landlord shall have the right to file any applicable UCC-1 financing statements evidencing such security pursuant to applicable law. Landlord, as secured party, shall be entitled to all the rights and remedies afforded a secured party under the Uniform Commercial Code, which rights and remedies shall be in addition to and cumulative of the Landlord's liens and rights provided by law or by the other terms and provisions of this Lease.

44. **Effect of Unlawful Retention of Premises by Other.** If Landlord is unable to deliver possession of the Premises to Tenant on the Commencement Date because of construction delays or the unlawful retention of possession by a previous tenant, Landlord shall not be liable to Tenant in damages or otherwise and this Lease shall not terminate, but Tenant shall have no obligation to pay rent until possession of the Premises is delivered to Tenant.

45. **Binding Effect.** Submission of this instrument for examination does not constitute a reservation of or option for the Premises nor an offer to rent the same. The instrument becomes effective as a Lease only upon execution and delivery by both Landlord and Tenant.

46. **Trial by Jury; Litigation.** Tenant and Landlord hereby waive any and all right to a jury trial of any issue or controversy arising under this Lease, related to the Premises or the relationship of the parties created hereby. Any litigation arising between the parties shall be maintained solely in the state court of competent jurisdiction in Miami-Dade County, Florida, and the Landlord, Tenant and Guarantors, if any, hereby irrevocably submit themselves to the jurisdiction of said courts for all purposes in connection herewith.

47. **No Exterior Light or Sound Emission.** Tenant further agrees not to install any exterior lighting (other than approved signage), amplifiers or similar devices or use in or about the Premises any advertising medium which may be heard or seen outside the Premises, such as flashing lights, searchlights, loudspeakers, phonographs or radio broadcasts.

48. **Covenant of Rent.** Tenant agrees that the provisions for payment of Rent herein are independent covenants of Tenant and Tenant shall not interpose any counterclaim or counterclaims in a summary proceeding or in any action based upon non-payment of rent or any other payment required of Tenant hereunder.

49. **Conclusiveness of Landlord's Billing.** If Tenant has any objection to or dispute with any billing, invoicing or other sum claimed by the Landlord under or pursuant to this Lease, Tenant shall object in writing to the Landlord within thirty (30) days from the date of Tenant's receipt of such billing invoice or other claim. In the event Tenant fails to so object in writing to any invoice from the Landlord, the parties agree that it shall be conclusively presumed that such billing is accurate in all respects that Tenant has no defenses to the payment of such amount, and that Tenant is fully liable for the payment of such amount.

50. **Force Majeure.** This Lease and the obligations of the Tenant hereunder shall not be affected or impaired and Landlord shall not be liable in the event Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so if such inability or delay is caused by "force majeure".

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The term "force majeure" as used in this Lease shall mean "Acts of God", labor disputes (whether lawful or not), material or labor shortages, restrictions by any governmental authority, civil riots, floods or other cause beyond Landlord's control. Force Majeure shall not operate to excuse Tenant from the prompt payment of Rent or any other payments required under the terms of this Lease.

**51. Promotions.** Landlord, in its sole discretion, may conduct advertising, promotions, events, and public relations activities on behalf of and for the benefit of its tenants in the Building and other buildings owned by Landlord and its affiliates located in the Miami Design District. Landlord, in its sole discretion, may charge the cost of such promotions to the lessees of the Building and such other buildings on a monthly or quarterly basis at Landlord's discretion. There is currently no promotion charge, however if Landlord elects to exercise this right, Tenant's share of such cost shall be \$2.00 per square foot of the Premises, subject to the annual increases of five percent (5%). Landlord agrees that in any one calendar year said charges shall not exceed five percent (5%) of the yearly Rent then being paid by Tenant to Landlord.

**52. Hazardous Substances.** For the purposes of this Section the following terms have the following meanings:

(a) "Environmental Law" means any local, state or federal law, statute, ordinance or regulation pertaining to health, industrial hygiene or the environment including, without limitation CERCLA (Comprehensive Environmental Response, Compensation and Liability Act of 1980) and RCRA (Resources Conservation and Recovery Act of 1976) and SARA (Superfund Amendments and Reauthorization Act of 1986).

(b) "Hazardous Substance" means any substance material or waste which is or becomes designated, classified or regulated as being "toxic" or "hazardous" or a "pollutant" or which is or becomes similarly designated classified or regulated under any Environmental Law including but not limited to asbestos, petroleum and petroleum products and mold.

(c) Tenant hereby assumes the risks associated with mold, mildew, fungus or other potentially dangerous organisms in amounts sufficient to create a health risk to humans ("mold"), waives any claim or cause of action against Landlord arising out of the existence of mold in the Premises and/or the Building, and releases Landlord from any and all liabilities resulting from mold and any conditions promoting mold growth.

**52.1 Tenant's Responsibilities.** At its own expense Tenant will procure, maintain in effect and comply with all conditions of any and all permits licenses and other governmental and regulatory approvals required for Tenant's use of the Premises and operation of its business. Tenant will not cause or permit any Hazardous Substance to be brought upon, kept or used in or about the Premises or Building by Tenant its agents, employees, contractors or invitees without the prior written consent of Landlord, such consent to be in Landlord's sole and absolute discretion. Tenant will cause any and all Hazardous Substance brought upon the Premises by Tenant to be removed from the Premises and transported solely by duly licensed haulers to duly licensed facilities for final disposal of such materials and waste. Tenant will in all respects handle, treat, deal with and manage any and all Hazardous Substances in on under or about the Premises in total conformity with all applicable Environmental Laws and prudent industry practices regarding management of such Hazardous Substances. Upon expiration or earlier termination of the term of the Lease, Tenant will cause all Hazardous Substances placed on, under or about the Premises by Tenant or at Tenant's direction to be removed and transported for use, storage or disposal in accordance and in compliance with all applicable Environmental Laws. Tenant will not take any remedial action in response to the presence of any Hazardous Substance in or about the Premises or Building nor enter in to any settlement agreement, consent decree or other compromise with respect to any claims relating to any Hazardous Substance in any way connected with the Premises without first notifying Landlord of Tenant's intention to do so and affording Landlord ample opportunity to appear, intervene or otherwise appropriately assert and protect Landlord's interests with respect thereto.

**52.2 Indemnification.** If the Premises or the Building become contaminated in any manner or otherwise become affected by any release or discharge of a Hazardous Substance as a result of Tenant's breach of its obligations pursuant to Section 52.1, Tenant shall immediately notify Landlord of the release or discharge of the Hazardous Substance and Tenant shall indemnify, defend (by counsel reasonably acceptable to Landlord) and hold harmless Landlord from and against any and all claims, damages, fines, judgments, penalties, costs, liabilities or losses (including without limitation, a decrease in value of the Building or the Premises, damages caused by loss or restriction of rentable or usable space, or any damages caused by adverse impact on marketing of the space and any and all sums paid for settlement of claims, attorneys' fees, and expert fees) arising during or after the term of this Lease and arising as a result of such contamination, release or discharge. This indemnification includes, without limitation, any and all costs incurred because of any investigation of the site or any cleanup, removal, or

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restoration mandated by federal, state or local agency or political subdivision. The provisions of this paragraph shall survive the expiration of the Term or earlier termination of this Lease.

**53. Interpretation.** The captions, sections, clauses, article numbers, section numbers and table of contents, if any, of this Lease are inserted for convenience only and in no way limit, enlarge, define or otherwise affect the scope or intent of the Lease or any provision thereof. The parties hereto intend that the interpretation and enforcement of this Lease be governed by the laws of the State of Florida. If there is more than one Tenant, the obligations and liabilities hereunder imposed upon Tenant shall be joint and several. The words "Landlord" and "Tenant" shall also extend to and mean the successors in interest of the respective parties hereto and their permitted assigns, although this shall not be construed as conferring upon the Tenant the right to assign this Lease or sublet the Premises or confer rights of occupancy upon anyone other than Tenant. All charges due from Tenant to Landlord hereunder, including, without limitation, any charges against Tenant by Landlord for services or work done on the Premises by order of Tenant, except sales tax, shall be deemed Additional Rent, shall be included in any lien for rent, and shall be paid (including sales tax) without setoff or defense of any kind. This Lease has been fully negotiated and reviewed by the parties and their counsel and is the work product of both Landlord and Tenant; it shall not be more strictly construed against either party. Provisions inserted herein or affixed hereto shall not be valid unless appearing in the duplicate original hereof held by the Landlord and initialed by the Parties hereto. In the event of variation or discrepancy, the Landlord's duplicate shall control. This Lease and the exhibits, schedules, addenda, riders, and guaranty, if any, attached hereto are incorporated herein and set forth the entire agreement between the Landlord and Tenant concerning the Premises and Building and there are no other agreements or understandings between them. This Lease and its exhibits, schedules, addenda, riders, and guaranty, if any, may not be modified except by agreement in writing executed by the Landlord and Tenant. Nothing in this Lease creates any relationship between the parties other than that of lessor and lessee and nothing in this Lease constitutes the Landlord a partner of the Tenant or a joint venturer or member of a common enterprise with the Tenant.

**54. Financial Data.** At the request of the Landlord, but no more than one time per calendar year, Tenant will provide to Landlord information on gross revenues, employment and payroll generated at Premises. Landlord will keep this information strictly confidential and will not share or distribute that information to any third party without Tenant's permission except and unless such information is required by a financial institution that has or is considering providing financing for the Building, or to the extent required by the United States Citizenship and Immigration Services in connection with financing for the Building through the EB-5 visa program or to the extent required by law or court order.

**55. Radon Gas Notification.** RADON GAS: Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit.

**56. Intentionally Deleted.**

**57. Access to Premises.** Subject to the other terms and conditions of this Lease, Tenant shall have access to the Premises twenty four (24) hours per day seven (7) days per week. Tenant acknowledges that access to the Building shall be controlled through a security system installed by Landlord for the entire Building. In the event that Tenant desires to tie-in the Premises to the Building security system, Tenant agrees to pay the cost of \$1,452.80 to purchase and install (through Landlord's contractor) the equipment necessary to tie-in the Premises to the Building security system.

**58. OFAC Compliance.** Tenant represents and warrants to Landlord that (a) neither Tenant nor any person or entity that owns an equity interest in it nor any of its officers, directors, or managing members is a person or entity (each, a "Prohibited Person") with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including those named on OFAC's Specially Designated and Blocked Persons List) or under any statute, executive order (including Executive Order 13224 (the "Executive Order") signed on September 24, 2001 and entitled "Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism"), or other governmental action, (b) Tenant's activities do not violate the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 or the regulations or orders promulgated thereunder (as amended from time to time, the "Money Laundering Act") (i.e., Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "Patriot Act"), and (c) Tenant shall comply with the Executive Order, the Money Laundering Act, and the Patriot Act.

59. **WAIVERS BY TENANT.** Tenant expressly waives all of the following: (i) the requirement under Section 83.12 of the Florida Statutes that the plaintiff in his distress for rent action file a bond payable to Tenant in at least double the sum demanded by the plaintiff, it being understood that no bond shall be required in any such action; (ii) intentionally deleted; (iii) in the event of suit by or against Landlord, then the venue of such suit shall be in Miami-Dade County, Florida, and Tenant hereby waives for itself whatever rights it may have in the selection of venue; (iv) the right of counterclaim in any action brought by Landlord against Tenant for damages or for possession of the Premises due to nonpayment of Base Rent or other sums required of Tenant under this Lease; and (v) the notice requirement set forth in Section 83.20 of the Florida Statutes.

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IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Lease in several counterparts as of the day and year first above written, each of which counterpart shall be considered an executed original. In making proof of this Lease it shall not be necessary to produce or account for more than one counterpart.

LANDLORD:

DESIGN DISTRICT DEVELOPMENT  
PARTNERS, LLC, a Florida limited liability  
company

By:   
Benjamin R. Norton, Manager

TENANT:

GAUCHO GROUP, INC., a Delaware corporation

By: \_\_\_\_\_

Its \_\_\_\_\_

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Lease in several counterparts as of the day and year first above written, each of which counterpart shall be considered an executed original. In making proof of this Lease it shall not be necessary to produce or account for more than one counterpart.

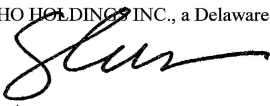
LANDLORD:

DESIGN DISTRICT DEVELOPMENT  
PARTNERS, LLC, a Florida limited liability  
company

By: \_\_\_\_\_  
Benjamin R. Norton, Manager

TENANT:

GAUCHO HOLDINGS INC., a Delaware corporation

By:  \_\_\_\_\_  
Its President \_\_\_\_\_

**SCHEDULE OF EXHIBITS**

EXHIBIT "A" - LANDLORD'S WORK

EXHIBIT "B" - TENANT'S WORK

EXHIBIT "C" - FLOOR PLAN

EXHIBIT "D" - RULES & REGULATIONS

EXHIBIT "E" – GUARANTY OF LEASE

EXHIBIT "F" - AFFIRMATION OF DATES

**EXHIBIT "A"**  
**LANDLORD'S WORK**

None

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Schedule of Exhibits

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**EXHIBIT "B"**

**TENANT'S WORK**

1. Construction of the Tenant's Work. All of Tenant's Work shall be performed by a licensed contractor selected by Tenant, and approved by Landlord in its reasonable discretion ("Tenant's Contractor").

2. Tenant's Plans. Prior to the commencement of the Tenant's Work, Tenant shall deliver to Landlord for its approval: (i) a final set of Tenant's plans and specifications prepared by Tenant's Architect; (ii) a copy of its executed construction contract with Tenant's Contractor for the construction of the Tenant's Work in accordance with Tenant's plans and specifications; (iii) certificates of the insurance required to be obtained by Tenant hereunder; and (iv) a copy of the building permit and all other necessary governmental approvals (collectively, the "Governmental Approvals") for Tenant's Work in accordance with Tenant's plans and specifications. Within fifteen (15) days after Landlord's receipt of the foregoing items, Landlord shall deliver written notice to Tenant stating whether Landlord approves the same, or whether Landlord disapproves the same (in which event, the bases for such disapproval shall be stated), or whether Landlord requires additional information in order to approve or disapprove. If Landlord does not approve the foregoing items or requests additional information, Tenant shall modify and resubmit such items for Landlord's approval within fifteen (15) days after Tenant's receipt of Landlord's notice of disapproval or request for additional information, as the case may be and the foregoing process shall be repeated until such items are approved. Tenant shall pay \$1,000.00 toward Landlord's review and processing expenses, plus third-party costs actually incurred by Landlord in connection with reviewing the plans and specifications, which sum shall be paid simultaneously with delivery to Landlord of Tenant's plans and specifications and shall reimburse Landlord for all other expenses incurred by Landlord in connection with its review of Tenant's plans and specifications, application for Governmental Approvals and other submittals made pursuant to the Work Letter or Section 7 of the Lease, including, without limitation, reasonable attorney's fees (whether in house or outside counsel) associated with Tenant's Work.

3. Construction By Tenant. Once Tenant's plans and specifications and such other items have been approved by Landlord, Tenant shall record a notice of commencement, which shall first be approved by Landlord, in the public records, which shall be signed by Tenant and reflect Tenant as owner of the job and shall name Landlord as fee simple titleholder and thereafter commence and cause the Tenant's Work to be constructed in accordance with the approved plans and specifications in a first class, good and workmanlike manner. Tenant shall be responsible for providing, at Tenant's sole cost and expense, security service to the Premises during the course of the Tenant's Work. Tenant's Work shall not unreasonably impede vehicular or pedestrian, ingress or egress to or from the Building or any part thereof.

Prior to commencement of any of Tenant's Work, Tenant and Tenant's contractor(s) shall attend a preconstruction meeting with the Landlord and shall provide Landlord with copies of contractor(s)' Florida license and evidence of insurance as set forth below.

From and after Tenant's commencement of construction of the Tenant's Work, when and as set forth above, Tenant shall thereafter diligently prosecute such construction to completion. After Landlord's approval of the Tenant's plans and specifications, no material change shall be made therein except with the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed. All permits necessary for the performance of Tenant's Work shall be obtained by Tenant at its cost and expense. Tenant shall be responsible for proper closing out of any and all permits issued for any work performed by Tenant, including, without limitation, signage. Within thirty (30) days of the completion of the Tenant's Work, Tenant shall provide Landlord with a set of as-built plans for the Premises.

Landlord may charge Tenant a construction administration fee not to exceed \$5,000 for any subsequent Alteration request after the completion of the initial Tenant's Work to cover Landlord's overhead as it relates to the proposed Alterations or inspecting the progress of completion of the same, with all such amounts being due five (5) days after Landlord's demand.

Tenant covenants that the Tenant's Work shall comply with all applicable Laws and all governmental regulations, including the codes and ordinances of the City of Miami, Miami-Dade County and the State of Florida, the United States of America and all other governmental agencies having jurisdiction over the Building, including without limitation the Americans with Disabilities Act, as amended from time to time ("ADA"). Tenant shall, at its sole expense, in doing any work, including, without limitation, any Tenant's Work, making any installations, or in using, occupying or conducting business at the Premises, comply with all present and future Laws, regulations, ordinances, building codes and/or fire codes, including the ADA, that are applicable to the Premises or to Tenant's use or occupancy or business operations, including those that relate to installation, maintenance, upgrading, repair or replacement of sprinkler systems, and Tenant shall defend, indemnify and hold Landlord harmless from all losses, damages, claims, liabilities, costs and expenses (including reasonable legal fees) arising out of any failure to do so. Landlord reserves the right, at all reasonable times upon reasonable written notice to Tenant, to enter the Premises and inspect Tenant's Work in progress for the purpose of verifying conformity of Tenant's Work with the approved Tenant's plans and specifications, provided that any such entrance and inspection shall be accomplished in such manner as to not unreasonably interfere with or delay Tenant's construction of the Tenant's Work. The Tenant's Work shall comply with all of the terms and provisions of any insurance policy covering or applicable to the Premises and with the reasonable requirements of any national or local Board of Fire Underwriters (or any other insurance body exercising similar functions) having jurisdiction as to the Premises. Landlord shall have no liability with respect to Tenant's materials or equipment stored in the Premises or elsewhere in or about the Building.

Tenant shall be responsible for the payment of utility charges from and after the date of commencement of Tenant's Work.

Tenant shall perform and cause Tenant's contractor and subcontractors to perform Tenant's Work in a manner so as not to damage the Building and so as not to damage, or unreasonably delay or interfere with the prosecution or completion of any work being performed by Landlord or its contractors in the Premises or by Landlord or any other tenant or their respective contractors or in or about any other portion of the Building, and also so as not to injure, obstruct or unreasonably interfere with the operation of business by other tenants in the Building or adjacent buildings, and shall comply with all reasonable construction procedures and regulations now existing or hereafter prescribed by Landlord in its reasonable business judgment, including permitted days and hours of work which Landlord or its agent may determine from time to time. Tenant shall cause its contractor and subcontractors to keep the work area clean and to remove all debris on a daily basis. If Tenant fails to comply with its obligations set forth in the preceding sentence, Landlord, in its reasonable discretion, shall have the right to give written notice to Tenant to suspend any construction work at any time being performed by or on behalf of Tenant in the Premises. Upon receipt of such notification from Landlord to Tenant to cease any such work, as aforesaid, Tenant shall, if requested by Landlord, forthwith remove from the Premises all agents, employees and contractors of Tenant performing such work until such time as Landlord shall have given its consent for the resumption of such construction work and Tenant shall have no claim of any nature whatsoever against Landlord in connection therewith.

Prior to the commencement of the Tenant's Work and until the last to occur of (a) the completion of the Tenant's Work, or (b) the opening of the Premises for business, Tenant shall maintain, or cause to be maintained insurance in builder's risk or similar form, naming Landlord as an additional insured as its interests may appear, against loss or damage by fire, vandalism and malicious mischief and such other risks as are customarily covered by the so-called extended coverage endorsement, covering all of the Tenant's Work, and all materials stored at the site of the Tenant's Work, in the full insurable value thereof by a reputable insurance company licensed to do business in the State of Florida. In addition, Tenant agrees to require all contractors and subcontractors engaged in the performance of the Tenant's Work to effect and maintain and deliver to Tenant and Landlord certificates evidencing the existence of, prior to the commencement of the Tenant's Work and until completion thereof the following insurance coverages:

- (a) Workers' Compensation Insurance - in accordance with the laws of the State of Florida, in amounts required by law.



- (b) Commercial General Liability Insurance naming Tenant and Landlord as additional insureds, with a combined single limit of not less than \$1,000,000.00.
- (c) Flood Insurance as provided by the Federal Flood Program.
- (d) Fire and water damage legal liability coverages of not less than \$1,000,000.00.

All such insurance shall provide, and certificates thereof shall state, that the same is non-cancelable and non-amendable without at least thirty (30) days prior written notice to Landlord.

4. Design 41 Building LEED Standards.

See the Design 41 Building LEED Standards attached as Schedule B-1 to this Exhibit "B" for design and construction standards for this Building.

### **The Design 41 Building LEED Standards**

When building out space in The Design 41 Building, tenants are required to meet the following specifications. All tenant build outs are required to meet the following criteria and tenant design teams will need to demonstrate compliance in order to be approved by Design District Development Partners LLC.

**LEED Requirements for all Tenants at the Design 41 Building. Signature on this document verifies that the future Tenant agrees to the design requirements below and that the Building owner or owner representative has provided “Tenant Guidelines” for further information.**

### **Energy Efficiency measures required for all Tenant build outs:**

- Glazing U-Value: 0.870
- Glazing SHGC: 0.430
- R-19 insulation average insulation above roof decks – confirm with contractor
- R-5 insulation or better + 1/2" Gypsum Board at exterior walls and walls adjacent to unconditioned space (provided by future tenants or confirm with contractor)
- **20% reduction in lighting power density vs. ASHRAE 90.1-2007**
  - 1.36 W/SF for Retail;
  - 0.88 W/SF for Office;
  - 0.96 W/SF for Restaurant – Food Preparation Area (Kitchen);
  - 1.12 W/SF for Restaurant – Bar Lounge/Leisure Dining;
  - 1.68 W/SF for Restaurant – Family Dining;
- **Tenants must purchase future equipment as per current Mechanical Specifications** (Efficiencies between 17.5 – 19 SEER depending on tonnage, as per sheet M-401)  
Refer to sheet M-401 attached.
- Heating, Refrigeration, and Air Conditioning (HVAC) equipment must use one of these refrigerant types: R-410, R-410A, and R-134a, or zero refrigerants.

### **Water Efficiency Measures Require for Tenant’s Work and Any Alterations:**

- Maximum flow rate of **0.5 gallons per minute** (GPM) maximum for all lavatories
- Maximum flush rate of **0.5 gallons per flush** (GPF) for urinals
- Maximum flush rate of **1.5 gallons per minute** (GPM) for kitchen sink
- Maximum flush rate of **1.28 GPF** for toilets

### **Indoor Environmental Quality Measures Required for Tenant’s Work & Any Alterations:**

- Tenant shall supply minimum levels of ventilation, for the Premises, through compliance with ASHRAE Standard 62.1-2007 Standard (sections 4-7). The Standard specifies minimum ventilation rates and Indoor Air Quality levels so as to reduce the potential for adverse health effects. The standard specifies that systems be designed to prevent uptake of contaminants, minimize growth and dissemination of microorganisms, and if necessary, filter particulates.
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- Tenant shall use the ASHRAE Ventilation Rate Procedure for calculating acceptable ventilation for HVAC system design in the Premises. The ventilation rate procedure prescribes outdoor air quality levels acceptable for many space use types including retail, commercial, institutional, vehicular and industrial spaces. The ventilation rate procedure methodology is found in section 6.2 of ASHRAE Standard 62.1-2007.
- The following minimum performance criterion is requested of the tenants HVAC ventilation design.

**Tenant Office Shell Spaces**

**Table 1**

Space Type	People Outdoor Air Rate (cfm/person)	Area OutdoorDefault Air Rate (cfm/ sq. ft.)	Occupant density (Persons/1000 sq. ft)*
Offices	5	0.06	5
Reception areas	5	0.06	30
Telephone/ data Entry	5	0.06	60
Main entrance Lobbies	5	0.06	10
Computer (not printing)	5	0.06	4
Break rooms	5	0.06	25
Coffee Station	5	0.06	20
Conference/ meeting	5	0.06	50
Corridors	-	0.06	-
Storage rooms	-	0.12	-
Telephone closets	-	0.00	-
Electrical equipment rooms	-	0.06	-

The Design 41 Building Tenant agrees to satisfy all of the above criteria when designing mechanical, electrical and plumbing systems for the space they will occupy and build out.

For Tenant:

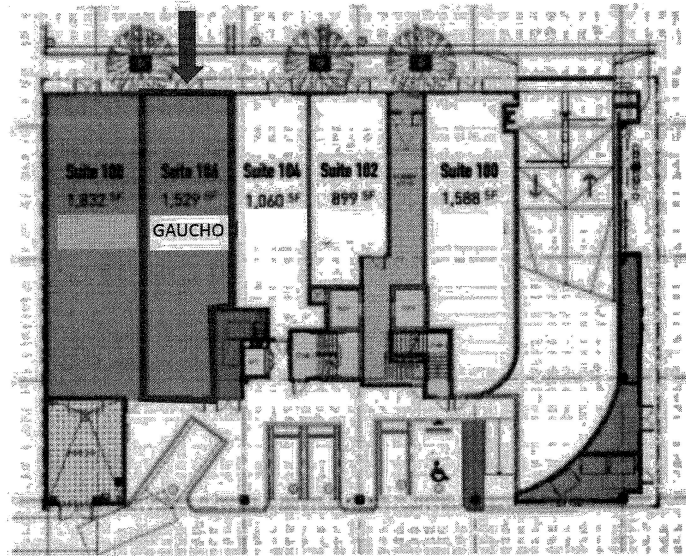
For Owner:

Print/Date:



**EXHIBIT "C"**

**FLOOR PLAN**



{38789807;4}R

Exhibit "D"

**EXHIBIT "D"**

**RULES AND REGULATIONS**

1. In the event of any conflict between the terms of these rules and regulations and the express provisions of the Lease, the express, applicable provisions of the Lease shall control. Landlord reserves the right, without the approval of Tenant, to rescind, add to and amend any rules or regulations with respect to any tenant or tenants. Tenant shall provide a copy of these rules and regulations to each of its employees to facilitate compliance with these standards.
2. The sidewalks, walks, plaza entries, corridors, ramps, staircases and elevators of the premises shall not be obstructed, and shall not be used by Tenant, or the employees, agents, servants, visitors or invitees of Tenants, for any purpose other than ingress and egress to and from the Premises.
3. No freight, furniture or other large or bulky merchandise or equipment of any description will be received into the Premises or carried into the elevators except in such a manner, during such hours and using such elevators and passageways as may be approved or designated by Landlord, and then only upon having been scheduled in advance. Although Landlord or its personnel may participate or assist in the supervision of such movement, Tenant assumes financial responsibility for all risks as to damage to articles moved and injury to persons or public engaged or not engaged in such movement, including any equipment, property or personnel of Landlord damaged or injured in connection with carrying out this service for Tenant.
4. Tenant, or the employees, agents, servants, visitors or invitees of Tenant, shall not at any time place, leave or discard any rubbish, paper, articles, or object of any kind whatsoever outside the doors of the Premises or in the corridors or passageways of the Premises.
5. Tenant shall not place, or cause or allow to be placed, any sign, placard, picture, advertisement, notice or lettering whatsoever, in, about or on the exterior of the Premises or Building except in and at such places as may be designated by Landlord and consented to by Landlord in writing. Any such sign, placard, advertisement, picture, notice or lettering so placed without such consent may be removed by Landlord without notice to and at the expense of Tenant. All lettering and graphics on corridor doors shall conform to the building standard prescribed by Landlord.
6. Tenant shall not place, or cause or allow to be placed, any satellite dish, communications equipment, computer or microwave receiving equipment, antennae or other similar equipment about or on the exterior of the Premises. Any such equipment so placed may be removed by Landlord without notice to and at the expense of Tenant.
7. Canvassing, soliciting or peddling in the Building and or Premises is prohibited and Tenant shall cooperate reasonably to prevent same.
8. Only workmen employed, designated or approved by Landlord may be employed for repairs, installations, alterations, painting, material moving and other similar work that may be done in or on the Premises.
9. Tenant shall not bring or permit to be brought or kept in or on the Premises any inflammable, combustible, corrosive, caustic, poisonous, or explosive substance, or firearms, or cause or permit any odors to permeate in or emanate from the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of light, radiation, magnetism, noise odors and/or vibrations.
10. Tenant shall not mark, paint, drill into, or in any way deface any part of the Premises. No boring, driving of nails or screws, cutting or stringing of wires shall be permitted, except with the prior written consent of Landlord which consent shall not be unreasonable or delayed.
11. All entrance doors to the Premises shall be left closed at all times and left locked when the Premises are not in use.

(38789807;4)R

Exhibit "D"

12. Tenant shall give immediate notice to Landlord in case of known theft, unauthorized solicitation or accident in the Premises or of known defects therein or in any fixtures or equipment, or of any known emergency in the Building.

13. Tenant shall not use the Premises or permit the Premises to be used for photographic, multilith or multigraph reproductions, except in connection with its own business and not as a service for others without Landlord's prior written permission.

14. No animals or birds shall be brought or kept in or about the Premises, with the exception of certified service animals dogs accompanying handicapped persons.

15. No awnings, draperies, shutters or other interior or exterior window coverings that are visible from the exterior of the Building or from the exterior of the Premises within the Building may be installed by Tenant without Landlord's prior written consent.

16. Tenant shall not place, install or operate within the Premises or any other part of the Building any engine, stove, or machinery, or conduct mechanical operations therein, without the written consent of Landlord.

17. No portion of the Premises or any other part of the Building shall at any time be used or occupied as sleeping or lodging quarters.

18. Tenant shall at all times keep the Premises neat and orderly.

19. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein. The expenses of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the tenant who (or whose employees or invitees) shall have caused such damage.

20. All tenant modifications resulting from alterations or physical additions in or to the Premises must conform to all applicable building and fire codes. Tenant shall obtain written approval from the management office prior to commencement of any such modifications and shall deliver as built plans to the management office upon completion.

21. Tenant and its agents, contractors and subcontractors shall not, during business hours, perform demolition, operate jackhammers, drills, or conduct other activities which produce excessive noise or vibrations.

22. Tenant shall not park (and shall insure that Tenant's employees, agents, and invitees do not park) in any reserved parking space other than those reserved parking spaces, if any, specifically assigned to Tenant. Any vehicle improperly parked, or parked in any unauthorized parking area, shall be towed at the vehicle owner's expense and without further or additional notice.

23. Persons using the parking area do so at their own risk. Landlord specifically disclaims all liability, except when caused solely by its gross negligence or willful misconduct, for any personal injury incurred users of the parking area, their agents, employees, family, friends, guests or invitees, or as a result of damage to, theft of, or destruction of any vehicle or any contents thereof as a result of the operation or parking of vehicles.

**EXHIBIT "E"**

**GUARANTY OF LEASE**

**WHEREAS**, GAUCHO GROUP, INC., a Delaware corporation ("**Tenant**") is desirous of entering into a lease agreement ("**Lease**") with DESIGN DISTRICT DEVELOPMENT PARTNERS, LLC, a Florida limited liability company, ("**Landlord**"), dated of even date herewith, consisting of Suite 106 of the building known as "Design 41" located at 112 N.E. 41st Street, Miami, in the County of Miami-Dade, State of Florida.

**WHEREAS**, GAUCHO GROUP HOLDINGS, INC., a Delaware corporation ("**Guarantor**") as the parent company of Tenant or as otherwise related to the Tenant that it will be benefited if Tenant obtains the Lease from Landlord.

**WHEREAS**, Landlord has refused to enter into the Lease with Tenant unless Guarantor guarantees the payment and performance of the obligations under the Lease in the manner herein set forth.

**NOW, THEREFORE**, as a material inducement for Landlord to enter into the Lease, the Guarantor hereby unconditionally guarantees to Landlord, its successors and assigns, the prompt and full payment and performance of all Tenant's obligations under the Lease, as follows:

1. Guarantor unconditionally guarantees to Landlord and the successors and assigns of Landlord, the prompt payment of all rent (fixed, additional or other) under the Lease, beyond any applicable curative periods. Each such payment may be recovered in a separate action as it comes due under the Lease. Landlord shall have the absolute right to seek one or more money judgments for each cause of action based solely upon this Guaranty.

2. Guarantor unconditionally guarantees the prompt performance of all of Tenant's obligations under the Lease, whether now existing or arising in the future, of any nature and description whatsoever, or any other document or agreement entered into in connection therewith, at such time or times as required by the terms of the Lease or any such other document or agreement.

3. Any act of Landlord or the successors or assigns of Landlord consisting of a waiver or change of any of the terms or conditions of the Lease, or the giving of any consent to any matter or thing relating to the Lease including, without limitation, consent to a change in ownership of the Tenant or to the assignment and the successive assignments of the Lease and any modifications thereof including, without limitation, the subletting and changing of the use of the subject premises, or the granting of any indulgences or extensions of time to Tenant, may be done without notice to Guarantor and without releasing the obligations of Guarantor hereunder.

4. The obligations of Guarantor under this Guaranty are direct, unconditional and completely independent of the obligations of Tenant. Landlord may exercise any of its rights under this Guaranty, including, without limitation, bringing and prosecuting any action against Guarantor without the necessity of joining Tenant to the action, of previously realizing upon any security then held by Landlord under the Lease, or previously proceeding against or exhausting any remedy against Tenant, any other guarantor of the Lease, or any other person who might have become liable for Tenant's obligations under the Lease.

5. The liability of Guarantor hereunder shall in no way be affected by: (a) the release or discharge of Tenant in any creditors', receivership, bankruptcy or other proceedings; (b) the impairment, limitation or modification of the liability of the Tenant or the estate of the Tenant in bankruptcy, or of any remedy for the enforcement of Tenant's said liability under the Lease, resulting from the operation of any applicable bankruptcy law or other statute or from the decision in any court; (c) the rejection or disaffirmance of the Lease in any such proceedings; (d) any disability or other defense of Tenant; or (e) the cessation from any cause whatsoever of the liability of Tenant.

6. Guarantor hereby specifically waives any and all defenses to any action or proceeding brought to enforce this Guaranty or any part of this Guaranty, either at law or in equity, except the defense that payment or performance has actually been made to Landlord. Without limiting the foregoing in any way, but merely by way of illustration, Guarantor



specifically waives all technical, dilatory or non-meritorious defenses, and any defense predicated upon: (a) disability on the part of Tenant; (b) change or modification in the terms of the Lease; (c) indulgence or forbearance by Landlord and the enforcement of any term of the Lease; (d) a release of all or any part of the security for the Lease, whether for valuable consideration or otherwise; (e) Landlord's acquiring additional security for the Lease; (f) the substitution of different security in exchange for all or any part of the original security for the Lease obligations; (g) the fact that there may be persons other than Guarantor solvent and responsible for the payment or performance of all or any part of Tenant's obligations under the Lease; (h) the fact that there may hereafter be another guarantor or other guarantors of all or any part of the Tenant's obligations under the Lease; (i) the full or partial release of the obligations of any other or future guarantors of all or any part of the Tenant's obligations under the Lease ; and/or the failure of the Landlord to exhaust any remedies against Tenant.

7. Landlord shall not be required (a) to notify Guarantor of any failure by Tenant to meet any obligations under the Lease; (b) to notify Guarantor of any other default by Tenant under the Lease or by any other guarantor of the Lease; nor (c) to make any presentment or demand on Guarantor. Guarantor hereby waives any right to any notice or demand whatsoever before Landlord commences to enforce its rights under this Guaranty, whether by judicial proceedings or in any other manner.

8. Until all the covenants and conditions in the Lease on Tenant's part to be performed and observed are fully performed and observed, Guarantor; (a) shall have no right of subrogation against Tenant by reason of any payments or acts or performance by the Guarantor in compliance with the obligations of the Guarantor hereunder; (b) waives any right to enforce any remedy which Guarantor now or hereafter shall have against Tenant by reason of any one or more payment or acts of performance in compliance with the obligations of Guarantor hereunder; and (c) subordinates any liability or indebtedness of Tenant now or hereafter held by Guarantor to the obligations of Tenant to the Landlord under the Lease.

9. Guarantor agrees to pay any expenses incurred by Landlord in the collection or enforcement of this Guaranty, including costs and reasonable attorney's fees (including those incurred for appellate proceedings) in the event that Landlord shall be obligated to resort to the courts or require the services of an attorney to collect under this Guaranty. In this regard, in the event of any litigation between the parties under this Guaranty, the prevailing party shall be entitled to reasonable attorney's fees and court costs at all trial and appellate levels.

10. In order to induce Landlord to enter into the Lease with Tenant, and knowing that Landlord shall rely on the within warranty and representation, Guarantor warrants and represents to Landlord that Guarantor shall be benefited if Landlord enters into the Lease with Tenant.

11. The rights and authority granted to Landlord in this Guaranty shall inure to the benefit of its successors and assigns, and the agreements by Guarantor contained in this Guaranty shall bind Guarantor and Guarantor's heirs, personal representatives, successors and assigns, jointly and severally.

12. Landlord may assign this Guaranty, in whole or as to such part which has not been realized upon, to any successor to Landlord without prior notice to or the consent of Guarantor.

13. Time shall be of the essence with respect to all of the provisions of this Guaranty.

14. Any determination by a court of competent jurisdiction that any provision of this Guaranty is not valid or enforceable as specifically set forth shall not result in such provision being declared invalid, but the same shall be modified, if possible, in such a manner so as to result in it being valid and enforceable to the maximum extent permitted by law; if such modification is not possible, then such provision shall be deemed stricken and severed from this Guaranty, and the remaining provisions shall remain in full force and effect.

15. This Guaranty shall be governed by, and construed and enforced in accordance with the laws of the State of Florida.

**16. GUARANTOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY AND ALL RIGHTS WHICH HE MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT**

**AGAINST HIM BY LANDLORD ON ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS GUARANTY.**

17. This instrument may not be changed, modified, discharged or terminated orally or in any manner other than by an agreement in writing signed by both the Guarantor and the Landlord.

18. Any litigation arising between the parties shall be maintained solely in the state court of competent jurisdiction in Miami-Dade County, Florida, and the Landlord, Tenant and Guarantor hereby irrevocably themselves to the jurisdiction of said courts for all purpose in connection herewith.

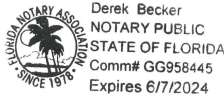
gjh **IN WITNESS WHEREOF**, the Guarantor has hereunto signed this document as of the day of April, 2021.

GAUCHO GROUP HOLDINGS, INC., a  
Delaware corporation

By: [Signature]  
Print Name: Scott Mathis  
Its: CEO  
Tax ID #: 52-2158952

STATE OF FLORIDA       )  
  ) ss:  
COUNTY OF DADE       )

The foregoing instrument was acknowledged before me by means of ☒ physical presence or ☐ online notarization, this gjh day of APRIL, 2021 by SCOTT Mathis as CEO of GAUCHO GROUP HOLDINGS, INC., a Delaware corporation, who is personally known to me or who has produced Public as identification.



[Notary Seal]

[Signature]  
Notary  
Print Name: Derek Becker  
My Commission

**EXHIBIT "F"**

**CERTIFICATE AFFIRMING DATES**

This Certificate is being provided pursuant to that certain Commercial Lease Agreement dated as of \_\_\_\_\_, 202\_ (the "**Lease**"), by and between DESIGN DISTRICT DEVELOPMENT PARTNERS, LLC, a Florida limited liability company ("**Landlord**") and GAUCHO GROUP, INC., a Delaware corporation ("**Tenant**"). The parties to the Lease desire to confirm the following:

1. The Commencement Date is \_\_\_\_\_, \_\_\_\_.
2. The Rent Commencement Date is \_\_\_\_\_, \_\_\_\_.
3. The Expiration Date is \_\_\_\_\_, \_\_\_\_.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Certificate under seal on \_\_\_\_\_, \_\_\_\_.


LANDLORD:

DESIGN DISTRICT DEVELOPMENT  
PARTNERS, LLC, a Florida limited  
liability company

By: \_\_\_\_\_  
Benjamin R. Norton, Manager

TENANT:

GAUCHO GROUP, INC., a Delaware  
corporation

By:   
Print Name: Supt Mathus  
Title: Resident

## GAUCHO GROUP HOLDINGS, INC.

CODE OF BUSINESS CONDUCT AND ETHICS  
AND WHISTLEBLOWER POLICY

Adopted by the Board of Directors on December 17, 2017 and adopted as updated on March 25, 2021

**Introduction**

Gacho Group Holdings, Inc. ("GGH") is committed to the highest standards of legal and ethical business conduct. This Code of Business Conduct and Ethics and Whistleblower Policy (the "Code") summarizes the legal, ethical and regulatory standards that GGH must follow and is a reminder to our directors, officers and employees of the seriousness of that commitment. Compliance with this Code and high standards of business conduct is mandatory for every director, officer and employee of GGH and its subsidiaries. This Code is intended to comply with the requirements of SEC Regulation S-K, Item 406 as well as SEC Rule 10A-3(b)(3) and NASDAQ Listing Rule 5610.

Our business is becoming increasingly complex in terms of the geographies in which we function and the laws with which we must comply. To help our directors, officers and employees understand what is expected of them and to carry out their responsibilities, we have created this Code. All employees, officers and directors are required to be familiar with the Code and comply with its provisions. Our Compliance Officer will have the primary responsibility of overseeing adherence to the Code. Maria I. Echevarria has been appointed as our Compliance Officer; her telephone number is: 212-739-7668, and her e-mail address is: [mechevarria@gauchoholdings.com](mailto:mechevarria@gauchoholdings.com). You should address any questions to our Compliance Officer and also, if appropriate, notify the chair of the audit committee at 212-739-7700.

This Code is not intended to be a comprehensive guide to all of our policies or to all your responsibilities under law or regulation. It provides general parameters to help you resolve the ethical and legal issues you encounter in conducting our business. Think of this Code as a guideline, or a minimum requirement, that must always be followed. If you have any questions about anything in the Code or appropriate actions in light of the Code, you may contact GGH's Compliance Officer.

This Code should be read in conjunction with our other corporate policies, including our Insider Trading Policy and Related Party Transactions Policy. If you have questions about this Code, other GGH policies, or how to comply with the law in a certain situation, it is important that you immediately bring your questions to the Compliance Officer or any of GGH's executive officers. *If you are in or observe a situation that you believe may violate or lead to a violation of this Code, you should refer to Section D of this Code for guidance on how to report questionable behavior.*

Anyone who violates the standards of this Code will be subject to disciplinary action. Such action may include immediate termination of employment.

For the purpose of this Code the term “GGH” should be interpreted to apply to Gaucho Group Holdings, Inc. (a Delaware corporation), Gaucho Group, Inc. (a Delaware corporation), InvestProperty Group, LLC (a Delaware limited liability company), Algodon Global Properties, LLC (a Delaware limited liability company), DPEC Capital, Inc. (a Delaware corporation), Bacchus Collection, Inc. (a Delaware corporation), The Algodon – Recoleta S.R.L, Algodon Properties II S.R.L., Algodon Wine Estates S.R.L., Algodon Wines (Europe) and any and all other related or affiliated entities. The terms “we,” “our,” “us” and similar terms refer to GGH and the terms “you” and “your” refer to the directors, officers and employees of GGH.

#### **A. Compliance with All Laws, Rules and Regulations**

GGH requires that all its directors, officers and employees strictly adhere to all applicable local, state and federal laws. If you have questions about what laws we are subject to, or about how to comply with certain laws, it is important that you alert an officer of GGH to your question. We rely on you not only to act ethically, but also to assist your fellow employees and management in following the law.

When appropriate, GGH will provide information and training to promote compliance with laws, rules and regulations, including insider-trading laws, and all GGH employees, officers and directors must at all times comply with GGH’s Insider Trading Policy.

#### **B. Ethical Conduct, Conflicts of Interest and Related Party Transactions**

GGH’s employees, officers and directors are expected to make or participate in business decisions and actions based on the best interests of GGH as a whole, and not based on personal relationships or personal gain. As we define it, a “conflict of interest” exists when a person’s private interest (or the interest of a member of his or her family) interferes in any way with the interest of GGH, or even when a private interest creates an appearance of impropriety. A conflict situation can arise when you have interests that make it difficult for you to perform your work objectively, or when a director, officer or employee receives improper personal benefits as a result of his or her position with GGH.

It is almost always a conflict of interest for an GGH employee to work simultaneously for a competitor, customer or supplier.

It is also almost always a conflict of interest for a full-time GGH employee to have a second job elsewhere, whether or not with a competitor, customer or supplier unless you have notified the president of GGH of the second job, and the president approves.

Loans by GGH to, or guarantees by GGH of obligations of, employees or their family members are of special concern and could constitute improper personal benefits to the recipients of such loans or guarantees, depending on the facts and circumstances. Loans by the Company to, or guarantees by the Company of obligations of, any director or executive officer are expressly prohibited.

You should avoid any relationship that would cause a conflict of interest with your duties and responsibilities at GGH. All directors, officers and employees are expected to disclose to management any situations that may involve inappropriate or improper conflicts of interests affecting them personally or affecting other employees or those with whom we conduct business.

Members of GGH's Board of Directors have a special responsibility to our company and to our stockholders. To avoid conflicts of interest, directors are required to disclose to their fellow directors any personal interest they may have in a transaction being considered by the Board of Directors and, when appropriate, to recuse themselves from any decision involving a conflict of interest. Unless and until such responsibility is delegated to a committee of the Board of Directors, the Audit Committee of the Board of Directors is charged with reviewing and approving all related party transactions and potential conflict of interest situations. Waivers of a conflict of interest or this Code involving executive officers and directors require approval by the Board of Directors. Any such waiver will be disclosed to our stockholders within four business days, along with the reasons for the waiver, through the filing of a Form 8-K.

Any discovery of a potential or existing conflict of interest should be immediately disclosed to management in accordance with the procedures set forth in Section D of this Code.

#### **C. Our Commitment to Full, Fair, Accurate, Timely and Plain English Disclosure**

As a public company, it is critical that GGH's filings with the Securities and Exchange Commission (the "SEC") be complete, timely and accurate in all material respects. At GGH, all our employees, officers and directors are charged with the responsibility of providing management with accurate and complete information to assure we are complying with our public disclosure requirements and our commitment to our stockholders.

Commensurate with these special duties, all executive officers, directors and other employees each agree that he or she will:

1. Act honestly and ethically in the performance of their duties at GGH, avoiding actual or apparent conflicts of interest in personal and professional relationships.
2. Provide information that is accurate, complete, objective, relevant, timely and understandable to ensure full, fair, accurate, timely and understandable disclosure in reports and documents filed with or submitted to the SEC or used in other public communications by GGH.
3. Cooperate fully with GGH's accounting and internal audit departments, as well as GGH's independent public accountants and counsel.
4. Comply with applicable rules and regulations of federal, state, provincial, local and overseas governments, as well as those of other appropriate private and public regulatory agencies that affect the conduct of GGH's business and GGH's financial reporting.

5. Act in good faith, responsibly, with due care, competence and diligence, without misrepresenting material facts or allowing one's independent judgment to be subordinated.
6. Respect the confidentiality of information acquired in the course of one's work, except when authorized or otherwise legally obligated to disclose such information. Further, confidential information acquired in the course of performing one's duties for GGH will not be used for personal advantage.
7. Share knowledge and maintain skills relevant to carrying out the member's duties within GGH.
8. Proactively promote and set an example of ethical behavior as a responsible partner among peers and colleagues in the work environment and community.
9. Achieve responsible use of and control over all assets and resources of GGH to which they are entrusted.
10. Promptly bring to the attention of our Compliance Officer any information concerning (a) any conduct believed to be a violation of law or business ethics, or this Code, including any transaction or relationship that reasonably could be expected to give rise to such a conflict, (b) significant deficiencies in the design or operation of internal controls which could adversely affect GGH's ability to record, process, summarize and report financial data or (c) any fraud, whether or not material, that involves management or other employees who have a significant role in GGH's financial reporting, disclosures or internal controls.

**D. GGH's Enforcement Mechanisms and Open Door Policy on Reporting Violations**

Our employees are encouraged to talk to senior management about observed illegal or unethical behavior and to ask questions when in doubt as to how to comply with this Code, our policies, and the law. Any person who has complaints or concerns about GGH's accounting, internal accounting controls or auditing matters, who becomes aware of questionable accounting or auditing matters, or who becomes aware of any violation by any person of law or GGH policies, is strongly encouraged to report such matters to the Compliance Officer.

To protect persons reporting questionable behavior, it is the policy of GGH not to allow retaliation for reports of misconduct by others made in good faith by our employees. Further, employees, officers and directors, are expected to cooperate and be forthcoming with information during an internal or regulatory investigation of misconduct. Any employee may submit a good faith concern regarding questionable accounting or auditing matters without fear of dismissal or retaliation of any kind.

In order to facilitate a complete investigation, employees should be prepared to provide as many details as possible, including a description of the questionable practice or behavior, the names of any persons involved, the names of possible witnesses, dates, times, places and any other available details. GGH encourages all employees with complaints or concerns to come forward with information and prohibits retaliation against employees raising concerns. Nonetheless, if an employee feels more comfortable doing so, reports may be made confidentially and/or anonymously to the Compliance Officer or to the Board of Directors.

At GGH, we all work as a team to ensure prompt and consistent action against violations of this Code or applicable laws. To establish clear and objective standards for compliance and a fair process by which to determine violations, this procedure should be followed:

1. Gather Facts. In the event some behavior or action raises a question as to your own or someone else's compliance with this Code, the first step is to collect all available facts, as time permits.
2. Clarify the Circumstances at Issue. In most situations, there is shared responsibility. It may help to get others involved to discuss a perceived problem.
3. Discuss the Problem with Management. This is your most basic responsibility. If you have a concern, discuss it with our Compliance Officer.
4. You May Report Violations in Confidence Without Fear of Retaliation. If the situation requires that your identity be kept secret, your anonymity will be protected to the extent permitted by law.
5. Ask First, Then Act. If you are unsure of what to do in any situation, seek guidance **before** you act.

Given the broad scope of this Code, violations may occur in differing degrees. In most cases, management is charged with enforcement of this Code. In other cases, a committee of the Board of Directors may be involved. However, any waiver of the Code for executive officers or directors may be made only by the board and must be disclosed to Shareholders, along with the reasons for the waiver. GGH itself must then disclose such waivers within four business days by filing a current report on Form 8-K with the SEC, or, in cases where a Form 8-K is not required, by distributing a press release.

To ensure consistency, management will take the following steps when it receives information that there has been a violation of this Code and/or the law:

Reports Related to Financial Practices: Complaints, questions or concerns related to our financial practices should be addressed to our Compliance Officer.

Questions Related to General Business Practices: If after reviewing a complaint or question, management reasonably believes a material violation of this Code may have occurred, management will either begin an internal investigation, or where appropriate, engage the services of an independent, outside professional to conduct an investigation. If the results of an investigation indicate that a violation of the Code and/or the law has occurred, management will take appropriate disciplinary action. Such disciplinary action, which may include termination of employment, will take into account the seriousness of the violation, whether the conduct was willful or inadvertent, applicable laws related to employee rights, and general industry standards.



## **E. CONFIDENTIALITY AND CORPORATE ASSETS**

Our directors, officers and employees are entrusted with our confidential information and with the confidential information of our business partners. This information may include: (1) technical or other information about current and future projects or endeavors; (2) business or marketing plans or projections; (3) earnings and other internal financial data; (4) personnel information; (5) lists of current, past and potential business partners; and (6) other non-public information that, if disclosed, might be of use to our competitors, or harmful to our business partners. This information is our property, or the property of our business partners, and in many cases was developed at great expense. Unless authorized by written approval or required by applicable law, our directors, officers and employees shall not:

1. Discuss confidential information with or in the presence of any unauthorized persons, including family members and friends.
2. Use confidential information for illegitimate business purposes or for personal gain.
3. Disclose confidential information to unauthorized third parties.
4. Use GGH property or resources for any personal benefit or the personal benefit of anyone else. GGH's property includes, without limitation, GGH's internet, email and voicemail services, which should be used only for business related activities, and which may be monitored by GGH at any time without notice.

Notwithstanding the foregoing, this provision shall not be interpreted as restraining an officer's, director's or employee's ability to report suspected wrongdoing to the SEC.

## **F. HEDGING OF GGH'S SECURITIES**

Section 955 of the Dodd-Frank Wall Street Reform and Consumer Protection Act added Section 14(j) to the Securities Exchange Act of 1934 which requires each issuer (including GGH) to disclose whether any employee or member of the Board of Directors, or any designee of any employee or board member, is permitted to purchase hedges on GGH's securities—that is, financial instruments that are designed to hedge or offset against any decrease in the market price for GGH's securities. The GGH Board of Directors has concluded that it is inappropriate for employees or members of the Board of Directors, or any designee of such persons, to purchase hedges.

Acknowledgement. Each employee, officer, and director of GGH must acknowledge that he or she has received a copy of this Code of Ethics and has reviewed this Code of Ethics. This acknowledgement will be maintained in your employee files.

**GAUCHO GROUP HOLDINGS, INC.**  
**AUDIT COMMITTEE CHARTER**

**Adopted by the Board of Directors on December 6, 2017 and adopted as amended on March 25, 2021**

The Audit Committee (the “Committee”) is a standing committee of Gaucho Group Holdings, Inc.’s (the “Company”) Board of Directors.

The purpose of the Committee is to oversee the Company’s accounting and financial reporting processes and the audit of the Company’s financial statements. The primary role of the Committee is to oversee the financial reporting and disclosure process. To fulfill this obligation, the Committee relies on: management for the preparation and accuracy of the Company’s financial statements; for establishing effective internal controls and procedures to ensure the Company’s compliance with accounting standards, financial reporting procedures and applicable laws and regulations; and the Company’s independent auditors for an unbiased, diligent audit or review, as applicable, of the Company’s financial statements and the effectiveness of the Company’s internal controls. The members of the Committee are not employees of the Company and are not responsible for conducting the audit or performing other accounting procedures.

The Committee will report to the stockholders in the Company’s annual information statement or proxy statement. The Committee will keep an open line of communication between the Committee, the independent accountant, the internal auditor and financial management.

In carrying out its responsibilities, the Committee believes that the policies and procedures delineated in this Charter should remain flexible in order to react to changing business and regulatory requirements.

**A. MEMBERSHIP**

1. **Independence.** The Committee will be composed of at least three independent directors who are not officers or employees of the Company or its subsidiaries and who meet the definition of “independent” as set forth in Rules 5605(a)(2) and 5605(c)(2)(A) of the Nasdaq Listing Rules and Rule 10A-3 of the Securities Exchange Act of 1934 (the “Exchange Act”). No member of the Committee can have participated in the preparation of the Company’s or any of its subsidiaries’ financial statements at any time during the past three years.

2. **Accounting Expertise.** Each member of the Committee must be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement and cash flow statement. At least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background that leads to financial sophistication. At least one member of the Committee must be an “audit committee financial expert” as defined in Item 407(d)(5)(ii) of Regulation S-K. A person who satisfies this definition of audit committee financial expert will also be presumed to have financial sophistication.

3. **Service on Other Boards.** No member of the Committee may serve simultaneously on the audit committee of more than two other public companies. In addition, the chairman of the Committee may not serve simultaneously on the audit committee of more than one other public company.

4. **Appointment.** The members of the Committee shall be appointed by the Board. The members of the Committee shall serve for such term or terms as the Board may determine or until earlier resignation or death. The Board may remove any member from the Committee at any time with or without cause.

5. **Funding.** The Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to the Company's independent auditors, any other accounting firm engaged to perform services for the Company, any outside counsel and any other advisors to the Committee.

6. **Operations and Structure.** The Board shall designate a member of the Committee as the chairperson. The Committee shall meet at least eight times a year at such times and places as it deems necessary to fulfill its responsibilities. The Committee shall report after each committee meeting to the Board on its discussions and actions, including any significant issues or concerns that arise at its meetings, and shall make recommendations to the Board as appropriate. The Committee is governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board.

7. **Participation in Committee Meetings.** The Committee shall meet separately, and periodically, with management, members of the Company's internal audit department, and representatives of the Company's independent auditors, and shall invite such individuals to its meetings as it deems appropriate, to assist in carrying out its duties and responsibilities. However, the Committee shall meet regularly without such individuals present.

8. **Charter.** The Committee shall annually review and assess the adequacy of this Charter with the Board and recommend any changes to the Board.

9. **Evaluation.** The Committee shall annually conduct a self-evaluation of the performance of the Committee and its activities and communicate the results to the Board.

## **B. DUTIES & RESPONSIBILITIES**

In furtherance of the Committee's purpose, the Committee shall have the following duties and responsibilities:

1. **Independent Auditors.** The sole discretion to (a) select and retain an independent registered public accounting firm to act as the Company's independent auditors for the purpose of auditing the Company's annual financial statements, books, records, accounts and internal controls over financial reporting; (b) set the compensation of the Company's independent auditors; (c) oversee the work done by the Company's independent auditors; and (d) terminate the Company's independent auditors, if necessary.

2. **Other Accountants.** To select, retain, compensate, oversee and terminate, if necessary, any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.

3. **Pre-Approval.** To approve all audit engagement fees and terms; and to pre-approve all audit and permitted non-audit and tax services that may be provided by the Company's independent auditors or other registered public accounting firms, and establish policies and procedures for the Committee's pre-approval of permitted services by the Company's independent auditors or other registered public accounting firms on an on-going basis.

4. **Report on Quality Control and Independence.** At least annually, to obtain and review a report by the Company's independent auditors that describes: (a) the accounting firm's internal quality control procedures; (b) any issues raised by the most recent internal quality control review, peer review or Public Company Accounting Oversight Board review or inspection of the firm or by any other inquiry or investigation by governmental or professional authorities in the past five years regarding one or more audits carried out by the firm and any steps taken to deal with any such issues; (c) all relationships between the firm and the Company or any of its subsidiaries; and to discuss with the independent auditors this report and any relationships or services that may impact the objectivity and independence of the auditors.

5. **Evaluation and Rotation.** At least annually, to evaluate the qualifications, performance and independence of the Company's independent auditors, including an evaluation of the lead audit partner; and to assure the regular rotation of the lead audit partner at the Company's independent auditors and consider regular rotation of the accounting firm serving as the Company's independent auditors.

6. **Discussion of the Audit.** To review and discuss with the Company's independent auditors (a) the auditors' responsibilities under generally accepted auditing standards and the responsibilities of management in the audit process; (b) the overall audit strategy; (c) the scope and timing of the annual audit; (d) any significant risks identified during the auditors' risk assessment procedures; and (e) when completed, the results, including significant findings, of the annual audit.

7. **Accounting Report.** To review and discuss with the Company's independent auditors: (a) all critical accounting policies and practices to be used in the audit; (b) all alternative treatments of financial information within generally accepted accounting principles ("GAAP") that have been discussed with management, the ramifications of the use of such alternative treatments and the treatment preferred by the auditors; and (c) other material written communications between the auditors and management.

8. **Audit Problems.** To review and discuss with the Company's independent auditors and management: (a) any audit problems or difficulties, including difficulties encountered by the Company's independent auditors during their audit work (such as restrictions on the scope of their activities or their access to information); (b) any significant disagreements with management; and (c) management's response to these problems, difficulties or disagreements; and to resolve any disagreements between the Company's auditors and management.

9. **Financial Statement Issues.** To review with management and the Company's independent auditors: any major issues regarding accounting principles and financial statement presentation, including any significant changes in the Company's selection or application of accounting principles; any significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including the effects of alternative GAAP methods; and the effect of regulatory and accounting initiatives and off-balance sheet structures on the Company's financial statements.

10. **Related Party Information and the Audit.** To keep the Company's independent auditors informed of the Committee's understanding of the Company's relationships and transactions with related parties that are significant to the Company; and to review and discuss with the Company's independent auditors the auditors' evaluation of the Company's identification of, accounting for, and disclosure of its relationships and transactions with related parties, including any significant matters arising from the audit regarding the Company's relationships and transactions with related parties.

11. **Internal Controls.** To review with management, and the Company's independent auditors the adequacy and effectiveness of the Company's internal controls, including any significant deficiencies or material weaknesses in the design or operation of, and any material changes in, the Company's internal controls and any special audit steps adopted in light of any material control deficiencies, and any fraud involving management or other employees with a significant role in such internal controls.

12. **Other Communications with the Auditors.** To review and discuss with the Company's independent auditors any other matters required to be discussed by applicable auditing standards/*PCAOB Auditing Standards No. 1301, Communications with Audit Committees*, including, without limitation, the auditors' evaluation of the quality of the company's financial reporting, information relating to significant unusual transactions and the business rationale for such transactions and the auditors' evaluation of the company's ability to continue as a going concern.

13. **Required Audit Disclosure and Audit Committee Report.** To recommend to the Board that the audited financial statements and the MD&A section be included in the Company's Form 10-K and produce the audit committee report, if required to be included in the Company's proxy statement.

14. **Quarterly Financial Information.** To review and discuss with the Company's independent auditors and management the Company's quarterly financial statements and the disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's quarterly report on Form 10-Q before the Form 10-Q is filed.

15. **Complaints.** To select and oversee the Company's compliance officer who will report to the Committee in carrying out established procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.

16. **Risk Oversight.** To review and discuss with management the risks faced by the Company and the policies, guidelines and process by which management assesses and manages the Company's risks, including the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

17. **Related Party Transactions.** To review, oversee and make recommendations to disinterested members of the full Board any transaction between the Company and any related person (as defined in Item 404 of Regulation S-K) and any other potential conflict of interest situations on an ongoing basis, in accordance with Company policies and procedures, and to develop policies and procedures for the Committee's approval of related party transactions.

18. **Outside Advisors.** The Committee shall have the authority, in its sole discretion, to retain and obtain the advice and assistance of independent outside counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall set the compensation, and oversee the work, of any outside counsel and other advisors.

**GAUCHO GROUP HOLDINGS, INC.  
COMPENSATION COMMITTEE CHARTER**

**Adopted by the Board of Directors on December 6, 2017 and adopted as amended on March 25, 2021**

**A. PURPOSE**

The purpose of the Compensation Committee (the “Committee”) is to carry out the responsibilities delegated by the board of directors (the “Board”) of Gauchio Group Holdings, Inc. (the “Company”) relating to the review and determination of executive compensation.

**B. MEMBERSHIP**

1. **Independence.** The Committee shall consist of two or more directors. Each Committee member shall be an “independent director” in accordance with NASDAQ Listing Rule 5605(a)(2). In affirmatively determining the independence of the directors serving on the Committee, the Board considered all factors relevant to whether the director has a relationship to the Company which is material to his or her ability to be independent from management, including:

- (a) The source of compensation of the director, including any consulting, advisory or other compensatory fee paid by the Company (or any parent or subsidiary) to the director;
- (b) Whether the director receives compensation from any person or entity that would impair the director’s ability to make independent judgments about the Company’s executive compensation;
- (c) Whether the director is affiliated with the Company (or any parent), any subsidiary of the Company or any affiliate of the company’s subsidiaries, and whether the relationship places the director under the direct or indirect control of the Company or its senior management, or creates a direct relationship between the director and members of senior management, that would impair the director’s ability to make independent judgments about the Company’s executive compensation.

2. **Qualifications.** At least two Committee members must qualify as “non-employee directors” for purposes of Rule 16b-3 under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), and as “outside directors” for the purposes of Section 162(m) of the Internal Revenue Code, as amended.

3. **Appointment.** Committee members shall be appointed by the Board. The Committee members shall serve for such term or terms as the Board may determine or until earlier resignation or death. The Board may remove any Committee member at any time with or without cause.

### **C. DUTIES AND RESPONSIBILITIES**

The Committee shall have the following authority and responsibilities:

1. **CEO Compensation.** To annually approve and review the corporate goals and objectives applicable to the compensation of the chief executive officer (“CEO”), evaluate at least annually the CEO’s performance in light of those goals and objectives, and determine and approve the CEO’s compensation level based on this evaluation. To review and approve, and when appropriate recommend to the Board for approval, any employment agreements and any severance arrangements or plans, including any benefits to be provided in connection with a change in control, for the CEO, which includes the ability to adopt, amend and terminate such agreements, arrangements or plans. The CEO cannot be present during any voting or deliberations by the Committee on his or her compensation.

2. **Non-CEO Executive Officer Compensation.** To review and make recommendations to the Board regarding the compensation of all other executive officers.

3. **Other Compensation Plans.** To review and make recommendations to the Board regarding incentive compensation plans and equity-based plans, which includes the ability to adopt, amend and terminate such plans. The Committee shall, where appropriate or required, recommend incentive compensation or equity-based plans for approval by the stockholders of the Company. The Committee shall also have the authority to administer the Company’s incentive compensation plans and equity-based plans, including designation of the employees to whom the awards are to be granted, the amount of the award or equity to be granted and the terms and conditions applicable to each award or grant, subject to the provisions of each plan.

4. **Risk and Compensation.** To review the Company’s incentive compensation arrangements to determine whether they encourage excess risk-taking, to review and discuss at least annually the relationship between risk management policies and practices and compensation, and to evaluate compensation policies and practices that could mitigate any such risk.

5. **Stockholder and Other Engagement.** To oversee engagement with stockholders and proxy advisory firms on executive compensation matters.

### **D. OUTSIDE ADVISORS**

1. **Retaining Outside Advisors.** The Committee shall have the authority, in its sole discretion, to select, retain and obtain the advice of a compensation consultant as necessary to assist with the execution of its duties and responsibilities as set forth in this Charter. The Committee shall set the compensation, and oversee the work, of the compensation consultant. The Committee shall have the authority, in its sole discretion, to retain and obtain the advice and assistance of outside legal counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall set the compensation, and oversee the work, of its outside legal counsel and other advisors. The Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to its compensation consultants, outside legal counsel and any other advisors. However, the Committee shall not be required to implement or act consistently with the advice or recommendations of its compensation consultant, legal counsel or other advisor to the compensation committee, and the authority granted in this Charter shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under this Charter.



2. **Compensation Consultant Independence.** The Committee shall evaluate whether any compensation consultant retained or to be retained by it has any conflict of interest in accordance with Item 407(e)(3)(iv) of Regulation S-K and Rule 5605(d)(3) of the NASDAQ Listing Rules.

#### **E. STRUCTURE AND OPERATIONS**

1. **General.** The Board shall designate a member of the Committee as the chairperson. The Committee shall meet at least four times a year at such times and places as it deems necessary to fulfill its responsibilities. The Committee shall report regularly to the Board regarding its actions and make recommendations to the Board as appropriate. The Committee is governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board.

2. **Participation in Committee Meetings.** The Committee may invite such members of management to its meetings as it deems appropriate. However, the Committee shall meet regularly without such members present, and in all cases the CEO and any other such officers shall not be present at meetings in which their compensation or performance is discussed or determined.

3. **Annual Review.** This Committee shall review this Charter at least annually and recommend any proposed changes to the Board for approval.

4. **Performance Evaluation.** The Committee shall conduct an annual evaluation of the performance of its duties under this Charter and shall present the results of the evaluation to the Board. The Committee shall conduct this evaluation in such a manner as it deems appropriate.

**Subsidiaries of Gaucho Group Holdings, Inc.**

1. Gaucho Group, Inc., a Delaware corporation (owned 79% by GGH)
  2. InvestProperty Group, LLC, a Delaware limited liability company
  3. Algodon Global Properties, LLC, a Delaware limited liability company
  4. Bacchus Collection, Inc., a Delaware corporation (not yet operational)
  5. DPEC Capital, Inc., a Delaware corporation (non-operating)
  6. 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.)
  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.)
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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, 2020;
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

April 12, 2021

/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, 2020;
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.

April 12, 2021

/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 Gaucha Group Holdings , Inc. (the “Company”) on Form 10-K for the year ended December 31, 2020, 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: April 12, 2021

*/s/ Maria I. Echevarria*

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Maria I. Echevarria  
Chief Financial Officer and Principal Financial Officer  
Dated: April 12, 2021

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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Algodon Wine Estates Map

