

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

FORM 10-Q

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

For the quarterly period ended June 30, 2020

OR

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

For the transition period from _____ to _____.

Commission file number: 000-55209

GaUCHO 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.)

8 Union Square 2A
New York, NY 10003
(Address of principal executive offices)

212-739-7700
(Registrant's telephone number, including area code)

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

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

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 (§232.405 of this Chapter) 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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

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

As of August 18, 2020, there were 60,271,082 shares of common stock outstanding.

GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES
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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

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

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	<u>(unaudited)</u>	
Assets		
Current Assets		
Cash and cash equivalents	\$ 150,710	\$ 40,378
Accounts receivable, net of allowance of \$142,365 and \$126,216 at each of June 30, 2020 and December 31, 2019, respectively	352,272	335,622
Accounts receivable - related parties, net of allowance of \$451,680 and \$514,087 at each of June 30, 2020 and December 31, 2019, respectively	40,257	39,837
Advances to employees	281,783	281,783
Inventory	1,006,590	1,163,260
Real estate lots held for sale	139,492	139,492
Operating lease right-of-use asset	-	148,581
Investment	63,376	74,485
Prepaid expenses and other current assets	<u>212,627</u>	<u>205,309</u>
Total Current Assets	2,247,107	2,428,747
Long Term Assets		
Property and equipment, net	2,839,415	2,914,715
Prepaid foreign taxes, net	493,887	474,130
Investment - related parties	3,918	3,470
Deposits	<u>38,014</u>	<u>99,298</u>
Total Assets	<u>\$ 5,622,341</u>	<u>\$ 5,920,360</u>

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

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

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	<u>(unaudited)</u>	
Liabilities, Temporary Equity and Stockholders' Deficiency		
Current Liabilities		
Accounts payable	\$ 867,584	\$ 823,762
Accrued expenses, current portion	1,427,630	1,122,345
Deferred revenue	884,515	899,920
Operating lease liabilities	-	157,826
Loans payable, current portion, net of debt discount	749,757	781,719
Loans payable - related parties	707,529	566,132
Debt obligations	1,270,354	1,270,354
Convertible debt obligations	1,358,420	-
Investor deposits	29,950	29,950
Other current liabilities	117,186	85,945
Total Current Liabilities	<u>7,412,925</u>	<u>5,737,953</u>
Long Term Liabilities		
Accrued expenses, non-current portion	17,196	86,398
Loans payable, non-current portion, net of debt discount	385,744	96,583
Total Liabilities	<u>7,815,865</u>	<u>5,920,934</u>
Commitments and Contingencies		
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 June 30, 2020 and December 31, 2019, respectively. Liquidation preference of \$10,719,820 at June 30, 2020.	9,010,824	9,026,824
Stockholders' Deficiency		
Preferred stock, 11,000,000 shares authorized:		
Series A convertible preferred stock, par value \$0.01 per share; 10,097,330 shares authorized; no shares are available for issuance.	-	-
Common stock, par value \$0.01 per share; 80,000,000 shares authorized; 60,321,615 shares issued and 60,271,082 shares outstanding as of June 30, 2020 and December 31, 2019.	603,215	603,215
Additional paid-in capital	90,881,774	90,675,518
Accumulated other comprehensive loss	(11,981,310)	(12,399,833)
Accumulated deficit	(90,592,519)	(87,886,307)
Treasury stock, at cost, 50,533 shares at June 30, 2020 and December 31, 2019	(46,355)	(46,355)
Total Gaucho Group Holdings, Inc. Stockholders' Deficiency	<u>(11,135,195)</u>	<u>(9,053,762)</u>
Non-controlling interest	(69,153)	26,364
Total Stockholders' Deficiency	<u>(11,204,348)</u>	<u>(9,027,398)</u>
Total Liabilities, Temporary Equity and Stockholders' Deficiency	<u>\$ 5,622,341</u>	<u>\$ 5,920,360</u>

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

GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Sales	\$ 117,332	\$ 268,733	\$ 414,318	\$ 709,228
Cost of sales	(241,205)	(401,498)	(490,626)	(630,108)
Gross profit	(123,873)	(132,765)	(76,308)	79,120
Operating Expenses				
Selling and marketing	12,106	125,369	49,999	236,807
General and administrative	1,253,038	1,551,710	2,482,273	2,929,434
Depreciation and amortization	46,342	62,579	92,503	112,159
Total operating expenses	1,311,486	1,739,658	2,624,775	3,278,400
Loss from Operations	(1,435,359)	(1,872,423)	(2,701,083)	(3,199,280)
Other Expense (Income)				
Interest expense, net	90,903	105,406	121,136	227,029
Gains from foreign currency transactions	(20,025)	15,189	(20,490)	(32,334)
Total other expense	70,878	120,595	100,646	194,695
Net Loss	(1,506,237)	(1,993,018)	(2,801,729)	(3,393,975)
Net loss attributable to non-controlling interest	52,872	46,409	95,517	46,409
Series B preferred stock dividends	(182,353)	(179,770)	(362,123)	(357,565)
Net Loss Attributable to Common Stockholders	\$ (1,635,718)	\$ (2,126,379)	\$ (3,068,335)	\$ (3,705,131)
Net Loss per Common Share	\$ (0.03)	\$ (0.04)	\$ (0.05)	\$ (0.07)
Weighted Average Number of Common Shares Outstanding:				
Basic and Diluted	60,271,082	52,276,732	60,271,082	50,123,454

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

GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Net loss	\$ (1,506,237)	\$ (1,993,018)	\$ (2,801,729)	\$ (3,393,975)
Other comprehensive income:				
Foreign currency translation adjustments	290,472	357,078	418,523	365,417
Comprehensive loss	(1,215,765)	(1,635,940)	(2,383,206)	(3,028,558)
Comprehensive loss attributable to non-controlling interests	52,872	46,409	95,517	46,409
Comprehensive loss attributable to controlling interests	<u>\$ (1,162,893)</u>	<u>\$ (1,589,531)</u>	<u>\$ (2,287,689)</u>	<u>\$ (2,982,149)</u>

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

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

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020
(unaudited)

	Series B Convertible Redeemable Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Gaucho Group Holdings Stockholders' Deficiency	Non controlling Interest	Total Stockholders' Deficiency
	Shares	Amount	Shares	Amount	Shares	Amount						
	-	-	-	-	-	-						
Balance - January 1, 2020	902,670	\$ 9,026,824	60,321,615	\$ 603,215	50,533	\$ (46,355)	\$ 90,675,518	\$ (12,399,833)	\$ (87,886,307)	\$ (9,053,762)	\$ 26,364	\$ (9,027,398)
Options and warrants	-	-	-	-	-	-	103,581	-	-	103,581	-	103,581
Comprehensive loss:	-	-	-	-	-	-	-	-	(1,252,847)	(1,252,847)	(42,645)	(1,295,492)
Net loss	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	128,051	-	128,051	-	128,051
Balance - March 31, 2020	902,670	9,026,824	60,321,615	603,215	50,533	(46,355)	90,779,099	(12,271,782)	(89,139,154)	(10,074,977)	(16,281)	(10,091,258)
Options and warrants	-	-	-	-	-	-	102,675	-	-	102,675	-	102,675
Repurchase of preferred stock	(1,600)	(16,000)	-	-	-	-	-	-	-	-	-	-
Comprehensive loss:	-	-	-	-	-	-	-	-	(1,453,365)	(1,453,365)	(52,872)	(1,506,237)
Net loss	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	290,472	-	290,472	-	290,472
Balance - June 30, 2020	901,070	\$ 9,010,824	60,321,615	\$ 603,215	50,533	\$ (46,355)	\$ 90,881,774	\$ (11,981,310)	\$ (90,592,519)	\$ (11,135,195)	\$ (69,153)	\$ (11,204,348)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019
(unaudited)

	Series B Convertible Redeemable Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Gaucho Group Holdings Stockholders' Deficiency	Non controlling Interest	Total Stockholders' Deficiency
	Shares	Amount	Shares	Amount	Shares	Amount						
	-	-	-	-	-	-						
Balance - January 1, 2019	902,670	\$ 9,026,824	46,738,533	\$ 467,384	50,533	\$ (46,355)	\$ 83,814,442	\$ (13,110,219)	\$ (81,222,499)	\$ (10,097,247)	-	\$ (10,097,247)
Common stock issued in satisfaction of 401(k) profit sharing liability	-	-	181,185	1,812	-	-	61,603	-	-	63,415	-	63,415
Options and warrants	-	-	-	-	-	-	157,994	-	-	157,994	-	157,994
Common stock issued for cash	-	-	2,527,857	25,279	-	-	859,471	-	-	884,750	-	884,750
Comprehensive loss:	-	-	-	-	-	-	-	-	(1,400,957)	(1,400,957)	-	(1,400,957)
Net loss	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	8,339	-	8,339	-	8,339
Balance - March 31, 2019	902,670	9,026,824	49,447,575	494,475	50,533	(46,355)	84,893,510	(13,101,880)	(82,623,456)	(10,383,706)	-	(10,383,706)
Options and warrants	-	-	-	-	-	-	68,508	-	-	68,508	-	68,508
Common stock issued for cash	-	-	6,071,428	60,714	-	-	2,064,286	-	-	2,125,000	-	2,125,000
Common stock issued upon conversion of convertible debt and interest	-	-	83,587	836	-	-	-	-	-	52,660	-	52,660
Debt converted to common stock of GGI	-	-	-	-	-	-	-	-	-	-	2,106,608	2,106,608
Comprehensive loss:	-	-	-	-	-	-	-	-	(1,946,609)	(1,946,609)	(46,409)	(1,993,018)
Net loss	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	357,078	-	357,078	-	357,078
Balance - June 30, 2019	902,670	\$ 9,026,824	55,602,590	\$ 556,025	50,533	\$ (46,355)	\$ 87,078,128	\$ (12,744,802)	\$ (84,570,065)	\$ (9,727,069)	\$ 2,060,199	\$ (7,666,870)

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

GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	For the six months ended	
	June 30,	
	2020	2019
Cash Flows from Operating Activities		
Net loss	\$ (2,801,729)	\$ (3,393,975)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation:		
401(k) stock	18,433	28,844
Options and warrants	206,256	226,502
Gain on foreign currency translation	(20,490)	(32,334)
Net realized and unrealized investment losses	(448)	1,773
Depreciation and amortization	92,503	112,159
Loss on disposal of asset	-	410
Amortization of right-of-use asset	92,862	107,411
Amortization of debt discount	7,102	14,736
Recovery of uncollectible assets	(28,897)	-
Loss on derecognition of right-of-use asset and lease liabilities	39,367	-
Decrease (increase) in assets:		
Accounts receivable	(54,914)	(378,729)
Inventory	156,670	(179,889)
Deposits	18,451	-
Prepaid expenses and other current assets	(27,075)	(1,480)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	348,537	182,128
Operating lease liabilities	(98,641)	(92,420)
Deferred revenue	(15,405)	-
Other liabilities	31,241	(14,678)
Total Adjustments	765,552	(25,567)
Net Cash Used in Operating Activities	(2,036,177)	(3,419,542)
Cash Flows from Investing Activities		
Purchase of property and equipment	(17,203)	(121,519)
Net Cash Used in Investing Activities	(17,203)	(121,519)
Cash Flows from Financing Activities		
Proceeds from loans payable	27,641	-
Proceeds from loans payable - related parties	267,397	-
Repayments of loans payable	(102,756)	(80,235)
Repayments of loans payable - related parties	(126,000)	-
Proceeds from convertible debt obligations	1,358,420	786,000
Repayments of debt obligations	-	(95,500)
Proceeds from common stock offering	-	3,009,750
Proceeds from PPP Loan	242,487	-
Proceeds from SBA Economic Injury Disaster Loan	94,000	-
Repurchase of preferred stock	(16,000)	-
Net Cash Provided by Financing Activities	1,745,189	3,620,015
Effect of Exchange Rate Changes on Cash	418,523	230,722
Net Increase in Cash	110,332	309,676
Cash and Cash Equivalents - Beginning of Period	40,378	58,488
Cash and Cash Equivalents - End of Period	\$ 150,710	\$ 368,164

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

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

	For the six months ended	
	June 30,	
	2020	2019
Supplemental Disclosures of Cash Flow Information:		
Interest paid	\$ 125,561	\$ 167,313
Income taxes paid	\$ -	\$ -
Non-Cash Investing and Financing Activity		
Accrued stock-based compensation converted to equity	\$ -	\$ 63,415
Debt and interest payable converted to equity	\$ -	\$ 52,660

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

GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. ORGANIZATION

Through its subsidiaries, Gaucho Group Holdings, Inc. (“Company”, “GGH”), a Delaware corporation that was incorporated on April 5, 1999, currently invests in, develops, and operates 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’s wholly owned subsidiary Algodon Europe, Ltd., is a United Kingdom wine distribution company. GGH also holds a 79% ownership interest in its subsidiary Gaucho Group, Inc. (“GGI”) which began operations in 2019 for the manufacture, distribution and sale of high-end luxury fashion and accessories through an e-commerce platform. On March 20, 2020, the Company formed a wholly-owned subsidiary, Bacchus Collection, Inc., which is still in the concept stage and is not yet operational.

2. GOING CONCERN AND MANAGEMENT’S LIQUIDITY PLANS

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset amounts or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern. During the six months ended June 30, 2020, the Company incurred a net loss of \$2,801,729 and used cash in operations of \$2,036,177. The Company has an accumulated deficit of \$90,592,519 at June 30, 2020. Further, as of June 30, 2020, principal and interest in the amount of \$1,270,354 and \$541,418, respectively, owed in connection with the Company’s debt obligations are past due and are payable on demand, principal and interest in the amount of \$1,358,420 and \$18,956 owed in connection with the Company’s convertible debt matures on December 31, 2020, and \$1,466,203 represents the current portion of the Company’s loans payable which are payable on demand or for which payments are due within twelve months after June 30, 2020. During the six months ended June 30, 2020 the Company funded its operations with the proceeds of debt financing of \$1,989,945.

Based upon projected revenues and expenses, the Company believes that it may not have sufficient funds to operate for the next twelve months from the date these financial statements are made available. Further, while the Company plans to apply to NASDAQ later this year to uplist its common stock, should that effort not be successful, the Company would be required, on December 31, 2020, to redeem all Series B Shares that have not been previously converted to common stock. The cost to redeem these shares would likely have a material adverse effect on the Company’s financial position and would likely require either the liquidation of certain Company assets or an effort to raise new equity or debt financing. Whether the Company would be able to consummate any such transaction, should it need to do so, on economically beneficial terms or otherwise, cannot be presently known. The aforementioned factors raise substantial doubt about the Company’s ability to continue as a going concern.

GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

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 Gaucho factories 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. 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.

The Company presently has enough cash on hand to sustain its operations on a month to month basis. If the Company is not able to obtain additional sources of capital, it may not have sufficient funds to continue to operate the business for twelve months from the date these financial statements are issued. Historically, the Company has been successful in raising funds to support its capital needs. Management believes that it will be successful in obtaining additional financing; however, no assurance can be provided that the Company will be able to do so. Further, there is no assurance that these funds will be sufficient to enable the Company to attain profitable operations or continue as a going concern. To the extent that the Company is unsuccessful, the Company may need to curtail its operations and implement a plan to extend payables, reduce overhead and possibly sell certain Company assets until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful. Such a plan could have a material adverse effect on the Company’s business, financial condition and results of operations, and ultimately the Company could be forced to discontinue its operations, liquidate and/or seek reorganization in bankruptcy.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the unaudited condensed consolidated financial statements of the Company as of June 30, 2020, and for the three and six months ended June 30, 2020 and 2019. The results of operations for the three and six months ended June 30, 2020 are not necessarily indicative of the operating results for the full year. It is suggested that these unaudited condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s annual report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission (“SEC”) on March 30, 2020. The condensed consolidated balance sheet as of December 31, 2019 has been derived from the Company’s audited consolidated financial statements.

Non-Controlling Interest

As a result of the conversion of certain convertible debt into shares of GGI common stock, GGI investors obtained a 21% ownership interest in GGI, which is recorded as a non-controlling interest. The profits and losses of GGI are allocated between the controlling interest and the non-controlling interest in the same proportions as their ownership interest. (See Note 8 – Debt Obligations)

GAUCHO GROUP HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

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.

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, (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.

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 inflationary 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 comprehensive loss. During the three and six months ended June 30, 2020 the Company recorded gains on foreign currency transactions of \$20,025 and \$20,490, respectively, and during the three and six months ended June 30, 2019, respectively, the Company recorded a \$(15,189) and \$32,334 (loss) gain, respectively, on foreign currency transactions as a result of the net monetary liability position of its Argentine subsidiaries.

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 rates while income and expense accounts were translated at the average rates in effect during the during the period. The assets, liabilities and income and expense accounts of the Company’s Argentine subsidiaries are translated as described above. The resulting translation adjustment is recorded as part of other comprehensive loss, a component of stockholders’ deficit. The Company engages in foreign currency denominated transactions with customers and suppliers, as well as between subsidiaries with different functional currencies. Gains and losses resulting from transactions denominated in non-functional currencies are recognized in earnings.

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Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand, demand deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date of such investments.

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 \$20,550 and \$29,027 at June 30, 2020 and December 31, 2019, respectively, which represents cash held in Argentine bank accounts.

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers. ASC Topic 606 provides a single comprehensive model to use in accounting for revenue arising from contracts with customers, and gains and losses arising from transfers of non-financial assets including sales of property and equipment, real estate, and intangible assets.

The Company 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 condensed consolidated statements of operations:

	For The Three Months Ended		For The Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Hotel rooms and events	\$ 3,507	\$ 107,736	\$ 209,762	\$ 367,356
Restaurants	5,864	31,858	65,380	97,781
Winemaking	20,844	12,338	21,887	102,880
Golf, tennis and other	87,117	116,801	116,540	141,211
Clothes and accessories	-	-	749	-
Total revenues	<u>\$ 117,332</u>	<u>\$ 268,733</u>	<u>\$ 414,318</u>	<u>\$ 709,228</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.

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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.

For the three and six months ended June 30, 2020, the Company did not recognize any revenue related to performance obligations satisfied in previous periods. Contracts related to the sale of wine, agricultural products and hotel services have an original expected length of less than one year. The Company has elected not to disclose information about remaining performance obligations pertaining to contracts with an original expected length of one year or less, as permitted under the guidance.

As of June 30, 2020 and December 31, 2019, the Company had deferred revenue of \$841,451 and \$838,471, respectively, associated with real estate lot sale deposits, and had \$43,064 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 excluded from revenues in the condensed consolidated statements of operations.

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.

Derivative Financial Instruments

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

Sequencing Policy

Under ASC 815, 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.

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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:

	June 30,	
	2020	2019
Options	8,979,890	7,409,375
Warrants	474,623	992,166
Series B convertible preferred stock	9,010,700	9,026,700
Convertible debt	3,443,439[1]	-[2]
Total potentially dilutive shares	21,908,652	17,428,241

[1] As of June 30, 2020, certain of the convertible notes had variable conversion prices and the potentially dilutive shares were estimated based on market conditions. See Note 9 – Convertible Debt Obligations.

[2] As of June 30, 2019, all notes are past their maturity date and no longer convertible. See Note 8 – Debt obligations.

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 unaudited condensed 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 unaudited condensed consolidated financial statements.

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4. INVENTORY

Inventory at June 30, 2020 and December 31, 2019 was comprised of the following:

	June 30, 2020	December 31, 2019
Vineyard in process	\$ 94,753	\$ 304,067
Wine in process	609,954	539,380
Finished wine	5,399	23,467
Clothes and accessories	230,429	224,965
Other	66,055	71,381
Total	\$ 1,006,590	\$ 1,163,260

5. 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.

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Investments at Fair Value:

<u>As of June 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Warrants - Affiliates	\$ -	\$ -	\$ 3,918	\$ 3,918
Government Bond	63,376	-	-	63,376
As of December 31, 2019	Level 1	Level 2	Level 3	Total
Warrants - Affiliates	\$ -	\$ -	\$ 3,470	\$ 3,470
Government Bond	74,485	-	-	74,485

A reconciliation of Level 3 assets is as follows:

	<u>Warrants - Affiliates</u>
Balance - January 1, 2020	\$ 3,470
Unrealized gain	448
Balance - June 30, 2020	<u>\$ 3,918</u>

Investment at June 30, 2020, consisted of the Company's investment in an Argentine government bond, purchased by the Company on December 3, 2019. The bond had an effective interest rate of 48% per annum and matures on December 31, 2020. The decrease in the government bond value was a result from the effects of fluctuations in the foreign currency exchange rate during the period.

Investment – related parties at June 30, 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 gains (losses) on the affiliate warrants of \$1,405 and \$448 during the three and six months ended June 30, 2020, respectively, and \$(1,066) and \$(1,773) during the three and six months ended June 30, 2019, respectively, which are included in revenues on the accompanying unaudited condensed consolidated statements of operations.

The fair value of the Company's derivative liabilities as of June 30, 2020 was de minimis (see Note 9 – Convertible Debt Obligations).

6. ACCRUED EXPENSES

Accrued expenses were comprised of the following as of:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Accrued compensation and payroll taxes	\$ 325,217	\$ 210,900
Accrued taxes payable - Argentina	291,913	170,873
Accrued interest	560,374	484,026
Other accrued expenses	250,126	256,546
Accrued expenses, current	1,427,630	1,122,345
Accrued payroll tax obligations, non-current	17,196	86,398
Total accrued expenses	<u>\$ 1,444,826</u>	<u>\$ 1,208,743</u>

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7. LOANS PAYABLE

The Company's loans payable are summarized below:

	<u>June 30, 2020</u>			<u>December 31, 2019</u>		
	<u>Gross Principal Amount</u>	<u>Debt Discount</u>	<u>Loans Payable, Net of Debt Discount</u>	<u>Gross Principal Amount</u>	<u>Debt Discount</u>	<u>Loans Payable, Net of Debt Discount</u>
PPP Loan	\$ 242,487	\$ -	\$ 242,487	\$ -	\$ -	\$ -
EIDL	94,000	-	94,000	-	-	-
2020 Demand Loan	17,614	-	17,614	-	-	-
2018 Demand Loan	-	-	-	6,678	-	6,678
2018 Loan	310,149	-	310,149	352,395	-	352,395
2017 Loan	21,411	-	21,411	67,491	-	67,491
Land Loan	459,500	(9,660)	449,840	468,500	(16,762)	451,738
Total Loans Payable	1,145,161	(9,660)	1,135,501	895,064	(16,762)	878,302
Less: current portion	758,674	(8,917)	749,757	795,064	(13,345)	781,719
Loans Payable, non-current	<u>\$ 386,487</u>	<u>\$ (743)</u>	<u>\$ 385,744</u>	<u>\$ 100,000</u>	<u>\$ (3,417)</u>	<u>\$ 96,583</u>

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.

During the six months ended June 30, 2020, the Company made principal payments on loans payable in the aggregate of \$102,756, of which \$7,940 was paid on the 2020 Demand Loan, \$5,906 was paid on the 2018 Demand Loan, \$42,246 was paid on the 2018 Loan, \$37,664 was paid on the 2017 Loan and \$9,000 was 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 \$16,087 and \$38,707 during the three and six months ended June 30, 2020, respectively, of which \$3,777 and \$7,102, respectively represented amortization of debt discount, and incurred interest expense of \$32,006 and \$72,828 during the three and six months ended June 30, 2019, respectively, of which \$8,241 and \$14,736, respectively represented amortization of debt discount.

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.

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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 for six months after the date of disbursement. While the PPP Loan currently has a two-year maturity, the amended law permits the borrower to request a five-year maturity from its lender.

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.

8. DEBT OBLIGATIONS

The Company's debt obligations are summarized below:

	June 30, 2020			December 31, 2019		
	Principal	Interest [1]	Total	Principal	Interest [1]	Total
2010 Debt Obligations	\$ -	\$ 317,715	\$ 317,715	\$ -	\$ 305,294	\$ 305,294
2017 Notes	1,170,354	213,957	1,384,311	1,170,354	167,341	1,337,695
Gaicho Notes	100,000	9,746	109,746	100,000	6,260	106,260
Total Debt Obligations	<u>\$ 1,270,354</u>	<u>\$ 541,418</u>	<u>\$ 1,811,772</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 condensed consolidated balance sheets.

Each of the debt obligations listed above are past due and are payable on demand. The Company incurred interest expense of \$31,261 and \$62,523 in connection with its debt obligations during the three and six months ended June 30, 2020, respectively, and incurred interest expense of \$35,986 and \$104,003 in connection with its debt obligations during the three and six months ended June 30, 2019, respectively.

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9. CONVERTIBLE DEBT OBLIGATIONS

The Company's convertible debt obligations are summarized below:

	June 30, 2020			December 31, 2019		
	Principal	Interest [1]	Total	Principal	Interest [1]	Total
Convertible Notes	\$ 1,358,420	\$ 18,956	\$ 1,377,376	\$ -	\$ -	\$ -
Total Convertible Debt Obligations	<u>\$ 1,358,420</u>	<u>\$ 18,956</u>	<u>\$ 1,377,376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

During the six months ended June 30, 2020, the Company sold unsecured convertible promissory notes ("Convertible Notes") in an aggregate amount of \$1,358,420 to accredited investors who are all stockholders of the Company. The Convertible Notes mature 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 \$15,595 and \$18,956 related to this debt during the three and six months ended June 30, 2020, respectively.

The Company determined that the Holder's Conversion Option represented a variable conversion feature with no floor. Accordingly, the Company has adopted a sequencing policy in accordance with ASC 815-40-35-12 whereby the Holder's Conversion Option and all future instruments may be classified as a derivative liability with the exception of instruments related to share-based compensation issued to employees or directors.

As of June 30, 2020, the value of Holders' Conversion Option was de minimis. The contingently adjustable, non-bifurcated beneficial conversion feature associated with the Mandatory Conversion Option of the Convertible Notes will be accounted for, if necessary, at the time the contingency is resolved upon the occurrence of the Public Offering.

10. RELATED PARTY TRANSACTIONS

Assets

Accounts receivable – related parties in the amount of \$40,257 and \$39,837 at June 30, 2020 and December 31, 2019, represented the net realizable value of advances made to separate entities under common management.

See Note 5 – Investments and Fair Value of Financial Instruments, for a discussion of the Company's investment in warrants of a separate entity 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 three and six months ended June 30, 2020, the Company recorded a contra-expense of \$203,941 and \$343,857, respectively, and during the three and six months ended June 30, 2019, the Company recorded a contra-expense of \$117,968 and \$189,889, 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 approximately \$566,132 of its future obligations under the Related Party ESA, in exchange for a 15% reduction in the Related Party's expense obligations under the Related Party ESA until the prepayment has been reduced to \$0. During the six months ended June 30, 2020, the Related Party prepaid an additional \$267,397 of its future obligations under the Related Party ESA. The Company repaid \$126,000 of the amounts owed to the Related Party during the second quarter of 2020. The prepaid balance of \$707,529 as of June 30, 2020, is reflected as loans payable – related parties on the accompanying condensed consolidated balance sheet.

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 six months ended June 30, 2020, the Company received payments from the entity in the amount of \$62,406 and recorded recovery of the bad debt allowance of \$62,406. The balance owed to the Company under this expense sharing agreement as of June 30, 2020 is \$333,710 of which the entire balance is deemed unrecoverable and is reserved.

11. BENEFIT CONTRIBUTION PLAN

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

A participant is always fully vested in their account, including the Company's contribution. For the three and six months ended June 30, 2020, the Company recorded a charge associated with its contribution of \$9,925 and \$18,433 respectively, and for the three and six months ended June 30, 2019, the Company recorded a charge associated with its contribution of \$15,531 and \$28,844, respectively. This charge has been included as a component of general and administrative expenses in the accompanying condensed consolidated statements of operations. The Company issues shares of its common stock to settle these obligations based on the fair market value of its common stock on the date the shares are issued (shares were issued at \$0.35 per share during 2019). As of June 30, 2020, shares have not yet been issued in satisfaction of the previous year's 401(k) obligation.

12. TEMPORARY EQUITY AND STOCKHOLDERS' DEFICIENCY

Series B Preferred Stock

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. In addition, the Series B Amendment extends the date upon which the Company shall redeem all then-outstanding Series B Shares and all unpaid accrued and accumulated dividends to December 31, 2020.

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 \$182,360 and \$361,987 for the three and six months ended June 30, 2020, respectively, and were \$179,770 and \$357,565 for the three and six months ended June 30, 2019, respectively. Dividends payable of \$82,772 are included in the current portion of other liabilities at June 30, 2020. Cumulative unpaid and undeclared dividends in arrears related to the Series B totaled \$1,626,348 and \$1,264,361 as of June 30, 2020 and December 31, 2019, respectively.

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Accumulated Other Comprehensive Income

For three and six months ended June 30, 2020, the Company recorded \$290,472 and \$418,523, respectively, of foreign currency translation adjustments as accumulated other comprehensive income, and for the three and six months ended June 30, 2019, the Company recorded benefits of \$357,078 and \$365,417, respectively, primarily related to fluctuations in the Argentine peso to United States dollar exchange rates (see Note 3 – Summary of Significant Accounting Policies, Highly Inflationary Status in Argentina).

Warrants

A summary of warrants activity during the six months ended June 30, 2020 is presented below:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Life in Years</u>	<u>Intrinsic Value</u>
Outstanding, January 1, 2020	566,742	\$ 2.11		
Issued	-	-		
Exercised	-	-		
Cancelled	-	-		
Expired	(92,119)	1.38		
Outstanding, June 30, 2020	<u>474,623</u>	<u>\$ 2.13</u>	<u>0.9</u>	<u>\$ -</u>
Exercisable, June 30, 2020	<u>474,623</u>	<u>\$ 2.13</u>	<u>0.9</u>	<u>\$ -</u>

A summary of outstanding and exercisable warrants as of June 30, 2020 is presented below:

<u>Warrants Outstanding</u>			<u>Warrants Exercisable</u>	
<u>Exercise Price</u>	<u>Exercisable Into</u>	<u>Outstanding Number of Warrants</u>	<u>Weighted Average Remaining Life in Years</u>	<u>Exercisable Number of Warrants</u>
\$ 2.00	Common Stock	348,332	1.0	348,332
\$ 2.50	Common Stock	126,291	0.7	126,291
	Total	<u>474,623</u>		<u>474,623</u>

Stock Options

During the three and six months ended June 30, 2020, the Company recorded stock-based compensation expense of \$102,675 and \$206,256, respectively, and during the three and six months ended June 30, 2019, the Company recorded stock-based compensation expense of \$68,508 and \$226,502, respectively related to the amortization of stock option grants, and which is reflected in general and administrative expenses in the accompanying condensed consolidated statements of operations. As of June 30, 2020, there was \$861,664 of unrecognized stock-based compensation expense related to stock option grants that will be amortized over a weighted average period of 2.27 years.

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A summary of GGH stock options activity during the six months ended June 30, 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	9,550,640	\$ 0.78		
Granted	-	-		
Exercised	-	-		
Expired	(570,750)	2.18		
Forfeited	-	-		
Outstanding, June 30, 2020	<u>8,979,890</u>	<u>\$ 0.69</u>	<u>3.2</u>	<u>\$ 66,598</u>
Exercisable, June 30, 2020	<u>3,142,546</u>	<u>\$ 1.06</u>	<u>2.5</u>	<u>\$ 6,094</u>

The following table presents information related to GGH stock options at June 30, 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>
\$ 0.385	4,439,890	3.6	406,251
\$ 0.539	1,500,000	3.2	656,259
\$ 0.770	1,320,000	2.6	742,506
\$ 1.100	1,020,000	2.4	637,530
\$ 2.200	700,000	1.2	700,000
	<u>8,979,890</u>	2.5	<u>3,142,546</u>

Gaicho Group, Inc. Stock Options

As of June 30, 2020, options to purchase 6,570,000 shares of GGI common stock are outstanding under the 2018 Gaucho Plan.

13. LEASES

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.

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As of June 30, 2020, the Company had no leases that were classified as a financing lease and did not have any additional operating and financing leases that have not yet commenced.

Total operating lease expenses were \$96,361 and \$154,177, for the three and six months ended June 30, 2020, respectively, and were \$57,816 and \$115,633 for the three and six months ended June 30, 2019, respectively. Lease expenses are recorded in general and administrative expenses on the unaudited condensed consolidated statements of operations.

Supplemental cash flows information related to leases was as follows:

	For the six months ended	
	June 30,	
	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 78,827	\$ 118,998
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ -	\$ 361,020
Weighted Average Remaining Lease Term:		
Operating leases	0.00 years	1.17 years
Weighted Average Discount Rate:		
Operating leases	8.0%	8.0%

14. 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.

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The Company has recast its financial information and disclosures for the prior period to reflect the segment disclosures as if the current presentation had been in effect throughout all periods presented. The following tables present segment information for the three and six months ended June 30, 2020 and 2019:

	<u>For the Three Months Ended June 30, 2020</u>				<u>For the Six Months Ended June 30, 2020</u>			
	<u>Real Estate Development</u>	<u>Fashion (e- commerce)</u>	<u>Corporate⁽¹⁾</u>	<u>TOTAL</u>	<u>Real Estate Development</u>	<u>Fashion (e- commerce)</u>	<u>Corporate⁽¹⁾</u>	<u>TOTAL</u>
Revenues	\$ 117,332	\$ -	\$ -	\$ 117,332	\$ 413,570	\$ 749	\$ -	\$ 414,318
Revenues from Foreign Operations	\$ 117,332	\$ -	\$ -	\$ 117,332	\$ 413,570	\$ -	\$ -	\$ 413,570
Loss from Operations	\$ (548,424)	\$ (251,695)	\$ (635,239)	\$ (1,435,359)	\$ (846,380)	\$ (569,308)	\$ (1,285,395)	\$ (2,701,083)

	<u>For the Three Months Ended June 30, 2019</u>				<u>For the Six Months Ended June 30, 2019</u>			
	<u>Real Estate Development</u>	<u>Fashion (e- commerce)</u>	<u>Corporate⁽¹⁾</u>	<u>TOTAL</u>	<u>Real Estate Development</u>	<u>Fashion (e- commerce)</u>	<u>Corporate⁽¹⁾</u>	<u>TOTAL</u>
Revenues	\$ 268,733	\$ -	\$ -	\$ 268,733	\$ 709,228	\$ -	\$ -	\$ 709,228
Revenues from Foreign Operations	\$ 268,733	\$ -	\$ -	\$ 268,733	\$ 709,228	\$ -	\$ -	\$ 709,228
Loss from Operations	\$ (568,053)	\$ (179,453)	\$ (1,124,917)	\$ (1,872,423)	\$ (590,708)	\$ (514,861)	\$ (2,093,711)	\$ (3,199,280)

(1) Unallocated corporate operating losses resulting from general corporate overhead expenses not directly attributable to any one of the business segments.

15. 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.

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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' 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 March 29, 2020 the Employment Agreement, as amended, expires on December 31, 2020. 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. 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.

16. SUBSEQUENT EVENTS

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

Convertible Notes

Between July 1, 2020 and August 4, 2020, the Company sold Convertible Notes in an aggregate amount of \$577,763 to accredited investors who are all stockholders of the Company. The Convertible Notes mature 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 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").

Foreign Currency Exchange Rates

The Argentine peso to United States dollar exchange rate was 73.0484, 70.3968 and 59.8979 at August 18, June 30, 2020 and December 31, 2019, respectively.

The British pound to United States dollar exchange rate was 0.7633, 0.8137 and 0.7541 at August 18, June 30, 2020, and December 31, 2019, respectively.

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

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

The independent registered public accounting firm's report on the Company's consolidated financial statements as of December 31, 2019, and for each of the years in the two-year period then ended, includes a "going concern" explanatory paragraph, that describes substantial doubt about the Company's ability to continue as a going concern.

Unless the context requires otherwise, references in this document to "GGH", "we", "our", "us" or the "Company" are to Gaucho Group Holdings, Inc. and its subsidiaries.

Please note that because we qualify as an emerging growth company and as a smaller reporting company, we have elected to follow the smaller reporting company rules in preparing this Quarterly Report on Form 10-Q.

Overview

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

Through our subsidiaries, we currently operate Algodon Mansion, a Buenos Aires-based luxury boutique hotel property and we have redeveloped, expanded and repositioned a winery and golf resort property called Algodon Wine Estates for subdivision of a portion of this property for residential development. We have also established an e-commerce platform for the sale of high-end luxury fashion and accessories.

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

Recent Developments and Trends

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 Gaucho factories have closed, borders for importing product have been impacted and the Gaucho fulfillment center is also closed. In response, we have negotiated out of our New York lease, renegotiated with our vendors and implemented salary reductions in order to reduce Company costs. We have also created an e-commerce platform for our wine sales in response to the pandemic. We are continuing to monitor the outbreak of COVID-19 and the related business and travel restrictions, and the changes to behavior intended to reduce its spread, and the related impact on our operations, financial position and cash flows, as well as the impact on our employees. Due to the rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on our future operations and liquidity is uncertain as of the date of this report. While there could ultimately be a material impact on our operations and liquidity, this impact cannot currently be determined.

Financings

During the six months ended June 30, 2020, we raised approximately \$2.1 million of new capital through the issuance of convertible and non-convertible debt, proceeds from the U.S. Small Business Administration (“SBA”) Paycheck Protection Program Loan (the “PPP Loan”), and the Economic Injury Disaster Loan (“EIDL”), partially offset by approximately \$0.2 million due to repayments of convertible and non-convertible debt and repurchase of preferred stock from a shareholder. We used the net proceeds from these issuances for general working capital and capital expenditures.

Liquidity and Going Concern

As reflected in our accompanying condensed consolidated financial statements, we have generated significant losses which have resulted in a total accumulated deficit of approximately \$90 million, raising substantial doubt that we will be able to continue operations as a going concern. In the audit opinion for our financial statements as of and for the year ended December 31, 2019, our independent auditors included an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern based upon our accumulated deficit and our working capital deficit as of December 31, 2019, and our need to raise additional funds to meet our obligations and sustain our operations. Our ability to execute our business plan is dependent upon our generating cash flow and obtaining additional debt or equity capital sufficient to fund operations. If we are able to obtain additional debt or equity capital (of which there can be no assurance), we hope to acquire additional management as well as increase the marketing of our products and continue the development of our real estate holdings.

Our business strategy may not be successful in addressing these issues and there can be no assurance that we will be able to obtain any additional capital. If we cannot execute our business plan on a timely basis (including acquiring additional capital), our stockholders may lose their entire investment in us, because we may have to delay vendor payments and/or initiate cost reductions and possibly sell certain company assets, which would have a material adverse effect on our business, financial condition and results of operations, and we could ultimately be forced to discontinue our operations, liquidate and/or seek reorganization under the U.S. bankruptcy code. The conditions outlined above indicate that there is substantial doubt about our ability to continue as a going concern within one year after the financial statement issuance date.

Our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which contemplate our continuation as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the unaudited condensed consolidated financial statements do not necessarily purport to represent realizable or settlement values. The unaudited condensed consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

Consolidated Results of Operations

Three months ended June 30, 2020 compared to three months ended June 30, 2019

Overview

We reported net losses of approximately \$1.5 million and \$2.0 million for the three months ended June 30, 2020 and 2019, respectively.

Revenues

Revenues were approximately \$117,000 and \$269,000 during the three months ended June 30, 2020 and 2019, respectively, representing a decrease of \$152,000 or 57%. Decreases in revenue results primarily from a decrease in hotel and restaurant revenues of approximately \$126,000 resulting from the temporary closure of our hotel and restaurants due to government restrictions as of a result of COVID-19, and a decrease of approximately \$52,000 resulting from the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar for the three months ended June 30, 2020 compared to the three months ended June 30, 2019, partially offset by an increase in wine sales of approximately \$15,000 as a result of our e-commerce wine sales and an increase in agricultural revenues of approximately \$11,000 resulting from the sale of grapes during the quarter.

Gross loss

We generated a gross loss of approximately \$124,000 for the three months ended June 30, 2020 as compared to a gross loss of approximately \$133,000 for the three months ended June 30, 2019, representing a decrease of \$9,000 or 7%, primarily as the result of the decrease in our revenues as described above.

Cost of sales, which consists of real estate lots, raw materials, direct labor and indirect labor associated with our business activities, decreased by approximately \$160,000 from \$401,000 for the three months ended June 30, 2019 to \$241,000 for the three months ended June 30, 2020. The decrease in cost of sales results from the decrease in hotel and restaurant costs of approximately \$146,000 resulting from the temporary closure of our hotel and restaurants due to government restrictions as of a result of COVID-19, and a decrease of approximately \$117,000 resulting from the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar for the three months ended June 30, 2020 compared to the three months ended June 30, 2019, were partially offset by an increase in the cost of grapes sold during the period of \$113,000.

Selling and marketing expenses

Selling and marketing expenses were approximately \$12,000 and \$125,000 for the three months ended June 30, 2020 and 2019, respectively, representing a decrease of \$113,000 or 90% in 2020, primarily resulting from the impact of COVID-19 shut-downs during the quarter, 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 \$1,253,000 and \$1,552,000 for the three months ended June 30, 2020 and 2019, respectively, representing a decrease of \$299,000 or 19%. The decrease results primarily from the decreases of approximately \$141,000 in professional fees, approximately \$95,000 in travel expenses, and approximately \$100,000 resulting from the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar for the three months ended June 30, 2020 compared to the three months ended June 30, 2019, partially offset by the \$39,000 loss recognized in connection with the termination of the Company's New York office lease.

Depreciation and amortization expense

Depreciation and amortization expense was approximately \$46,000 and \$63,000 during the three months ended June 30, 2020 and 2019, respectively, representing a decrease of \$17,000 or 27%, primarily resulting from the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar for the three months ended June 30, 2020 compared to the three months ended June 30, 2019.

Interest expense, net

Interest expense, net was approximately \$91,000 and \$105,000 during the three months ended June 30, 2020 and 2019, respectively, representing a decrease of \$14,000 or 13%, primarily resulting from the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar for the three months ended June 30, 2020 compared to the three months ended June 30, 2019.

Six months ended June 30, 2020 compared to six months ended June 30, 2019

Overview

We reported net losses of approximately \$2.8 million and \$3.4 million for the six months ended June 30, 2020 and 2019, respectively.

Revenues

Revenues were approximately \$414,000 and \$709,000 during the six months ended June 30, 2020 and 2019, respectively, representing a decrease of \$295,000 or 42%. Decreases in revenues are primarily due to approximately \$196,000 resulting from the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar for the six months ended June 30, 2020 compared to the six months ended June 30, 2019, decreases in wine sales of approximately \$74,000, and a decrease in hotel and restaurant revenues of approximately \$57,000, partially offset by an increase in agricultural revenues of approximately \$11,000 resulting from the sale of grapes during the quarter.

Gross (loss) profit

We generated a gross loss of approximately \$(76,000) for the six months ended June 30, 2020 as compared to a gross profit of approximately \$79,000 for the six months ended June 30, 2019, representing a decrease of \$155,000 or 196%, primarily as a result of the decrease in revenues as described above.

Cost of sales, which consists of real estate lots, raw materials, direct labor and indirect labor associated with our business activities, decreased by approximately \$139,000 from \$630,000 for the six months ended June 30, 2019 to \$491,000 for the six months ended June 30, 2020. The decrease in cost of sales results consists primarily of decrease of approximately \$20,000 in hotel and restaurant costs resulting from the decline in revenues as described above, and approximately \$226,000 related to the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar, partially offset by an increase in the cost of grapes sold during the period of approximately \$113,000.

Selling and marketing expenses

Selling and marketing expenses were approximately \$50,000 and \$237,000 for the six months ended June 30, 2020 and 2019, respectively, representing a decrease of \$187,000 or 79% in 2020, 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 \$2,482,000 and \$2,929,000 for the six months ended June 30, 2020 and 2019, respectively, representing a decrease of \$447,000 or 15%. The decrease results primarily from the decreases of approximately \$264,000 in professional fees, approximately \$196,000 in travel expenses, and approximately \$249,000 resulting from the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar for the six months ended June 30, 2020 compared to the six months ended June 30, 2019, partially offset by an increase of approximately \$199,000 in exchange rate losses and \$39,000 loss recognized in connection with the termination of the Company's New York office lease.

Depreciation and amortization expense

Depreciation and amortization expense was approximately \$93,000 and \$112,000 during the six months ended June 30, 2020 and 2019, respectively, representing a decrease of \$19,000 or 17%, primarily resulting from the impact of the decline in the value of the Argentine peso vis-à-vis the U.S. dollar for the three months ended June 30, 2020 compared to the three months ended June 30, 2019.

Interest expense, net

Interest expense, net was approximately \$121,000 and \$227,000 during the six months ended June 30, 2020 and 2019, respectively, representing a decrease of \$106,000 or 47%. The decrease is primarily the result of (i) decrease in the average balance of debt outstanding during the six months ended June 30, 2020 as compared to the six months ended June 30, 2019, as a result of principal payments on loans payable and debt obligations of approximately \$220,000 and \$50,000, respectively, as well as the conversion of approximately \$2,107,000 of debt principal and related interest payable into equity of GGI on June 30, 2019, and (ii) the decrease in interest expenses to the Federal Administration of Public Revenues in Argentine due to renegotiating the payment plan.

Liquidity and Capital Resources

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Cash	\$ 150,710	\$ 40,378
Working Capital (Deficiency)	\$ (5,165,818)	\$ (3,309,206)

Based upon our working capital deficiency as of June 30, 2020, we require additional equity and/or debt financing in order to sustain operations. These conditions raise substantial doubt about our ability to continue as a going concern.

During the six months ended June 30, 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 six months ended June 30, 2020, we received proceeds of approximately \$1,358,000 from the issuance of convertible debt, proceeds from related party loans payable and non-related party loans payable of approximately \$267,000 and \$28,000, respectively, proceeds from the PPP Loan of approximately \$242,000, and proceeds from the EIDL of \$94,000.

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

Availability of Additional Funds

As a result of the above developments, we have been able to sustain operations. However, we will need to raise additional capital in order to meet our future liquidity needs for operating expenses 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 Six months ended June 30, 2020 and 2019

Net Cash Used in Operating Activities

Net cash used in operating activities for the six months ended June 30, 2020 and 2019 amounted to approximately \$2,036,000 and \$3,420,000, respectively. During the six months ended June 30, 2020 the net cash used in operating activities was primarily attributable to the net loss of approximately \$2,802,000, adjusted for approximately \$407,000 of net non-cash expenses, and approximately \$359,000 of cash provided by changes in the levels of operating assets and liabilities. During the six months ended June 30, 2019, the net cash used in operating activities was primarily attributable to the net loss of approximately \$3,394,000, adjusted for approximately \$459,000 of net non-cash expenses, and approximately \$485,000 of cash used for changes in the levels of operating assets and liabilities.

Cash Used in Investing Activities

Cash used in investing activities for the six months ended June 30, 2020 and 2019 amounted to approximately \$17,000 and \$122,000, respectively. Cash used in investing activities during the six months ended June 30, 2020 and 2019 resulted entirely from the purchase of property and equipment.

Net Cash Provided by Financing Activities

Net cash provided by financing activities for the six months ended June 30 and 2019 amounted to approximately \$1,745,000 and \$3,620,000, respectively. For the six months ended June 30, 2020 the net cash provided by financing activities resulted from approximately \$1,358,000 of proceeds from convertible debt obligations, approximately \$267,000 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 \$229,000 and the repurchase of preferred stock of \$16,000 from a shareholder. For the six months ended June 30, 2019, the net cash provided by financing activities resulted primarily from approximately \$786,000 of proceeds from convertible debt obligations and approximately \$3,010,000 of proceeds from common stock offerings, partially offset by debt and loan repayments of approximately \$176,000.

Going Concern and Management's Liquidity Plans

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

We are continuing to monitor the outbreak of COVID-19, as described above, and the related impact on our operations, financial position and cash flows, as well as the impact on our employees. Recently, we temporarily closed our corporate office, as well as our hotel, restaurant, winery operations, and golf and tennis operations. Further, the Gaucho factories 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. Due to the rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on our future operations and liquidity are uncertain as of the date of this report. While there could ultimately be a material impact on our operations and liquidity, this impact cannot currently be determined.

Based on current cash on hand and subsequent activity as described herein, our cash-on-hand only allows us to operate our business operations on a month-to-month basis. Because of our limited cash availability, we have scaled back our operations to the extent possible. While we are exploring opportunities with third parties and related parties to provide some or all of the capital we need, we have not entered into any agreement to provide us with the necessary capital. Historically, we have been successful in raising funds to support our capital needs. However, if we are unable to obtain additional financing on a timely basis, we may have to delay vendor payments and/or initiate cost reductions, which would have a material adverse effect on our business, financial condition and results of operations, and ultimately, we could be forced to discontinue our operations, liquidate assets and/or seek reorganization under the U.S. bankruptcy code. As a result, our auditors have issued a report which includes an explanatory paragraph relating to our ability to continue as a going concern in conjunction with their audit of our December 31, 2019 and 2018 consolidated financial statements.

Off-Balance Sheet Arrangements

None.

Contractual Obligations

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

Critical Accounting Policies and Estimates

There are no material changes from the critical accounting policies, estimates and new accounting pronouncements set forth in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” set forth in our Annual Report on Form 10-K filed with the SEC on March 30, 2020. Please refer to that document for disclosures regarding the critical accounting policies related to our business.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

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

Item 4: Controls and Procedures

Disclosure Controls and Procedures

Our management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer (who is our Principal Executive Officer) and our Chief Financial Officer (who is our Principal Financial Officer and Principal Accounting Officer), of the effectiveness of the design of our disclosure controls and procedures (as defined by Exchange Act Rules 13a-15(e) or 15d-15(e)) as of June 30, 2020, pursuant to Exchange Act Rule 13a-15(b). Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2020.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended June 30, 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations of Controls

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

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time 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 1A. Risk Factors

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, we are not required to provide information required by this Item. However, our current risk factors are set forth in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 30, 2020, our Quarterly Report on Form 10-Q for the period ended March 31, 2020, filed with the SEC on July 6, 2020 and below.

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.

To update the risk factors disclosed in our Quarterly Report for the period ended March 31, 2020, the Company has 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, Gaucho – Buenos Aires’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, Bergen announced that it would increase its warehouse operations to a Sunday through Friday schedule.

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 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 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. As a result, our auditors have issued a report which includes an explanatory paragraph relating to our ability to continue as a going concern in conjunction with their audit of our December 31, 2019 and 2018 consolidated financial statements.

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

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 subsequently on March 29, 2020, unanimously approved an increase to \$3,000,000 to accredited investors with a substantive pre-existing relationship with the Company, in a private placement. The Convertible Notes each have the same terms with a maturity date of December 31, 2020 (the “Maturity Date”) and mandatory conversion into common stock of the Company registered under the Securities Act of 1933, as amended (the “Securities Act”) with a 15% discount price to the offer and sale of the Company’s common shares upon a registered offering and uplist to Nasdaq (the “Mandatory Conversion”). At any time before the Mandatory Conversion but no later than the Maturity Date, holders of the Convertible Notes will have the right to convert the total principal amount of the Convertible Notes, together with all accrued and unpaid interest thereon into shares of unregistered common stock of the Company at the closing price of the Company’s stock as quoted on the over-the-counter market as of the trading day prior to receipt of the notice to convert.

Between April 1, 2020 and June 30, 2020, the Company sold Convertible Notes in an aggregate amount of \$633,420 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, 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.

Item 3. Defaults upon Senior Securities

On March 31, 2017, the Company received a bank loan in the amount of \$519,156 (ARS \$8,000,000) (the “2017 Loan”). The loan bears interest at 24.18% per annum and is due on March 1, 2021. Principal and interest will be paid in forty-two monthly installments beginning on October 1, 2017 and ending on March 1, 2021. During 2018, the Company defaulted on certain 2017 Loan payments, and as a result, the 2017 Loan is currently payable upon demand.

On January 25, 2018, the Company received a bank loan in the amount of \$525,000 (the “2018 Loan”), denominated in U.S. dollars. The loan bears interest at 6.75% per annum and is due on January 25, 2023. Principal and interest will be paid in 60 equal monthly installments of \$10,311, beginning on February 23, 2018. During 2018, the Company defaulted on certain 2018 Loan payments, and as a result, the 2018 Loan is currently payable upon demand.

As previously reported on the Company’s Annual Reports on Forms 10-K for the years ending December 31, 2017, December 31, 2018, and December 31, 2019, the Company sold convertible promissory notes in the aggregate principal amount of \$2,046,730 (together, the “2017 Notes”). The 2017 Notes matured 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. As of June 30, 2020, principal of \$1,170,354 and interest of \$190,649 outstanding on the 2017 Notes is past due and is payable on demand. The 2017 Notes are no longer convertible.

As disclosed previously in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019, the Company’s subsidiary, Gaucho Group, Inc. (“GGI”) sold convertible promissory notes in the total amount of \$2,266,800 to accredited investors (the “GGI Notes”). The maturity date of the notes was March 31, 2019, and at the option of the holder, the principal amount of the note plus accrued interest could be converted into GGI common stock at a 20% discount to the share price in a future offering of common stock by GGI. One GGI Note representing \$100,000 of principal and \$4,498 of interest is past due as of June 30, 2020 and payable on demand. GGI Notes are no longer convertible since the notes are past their maturity date.

Item 4. Mine and Safety Disclosure

Not applicable.

Item 5. Other Information

Between July 1, 2020 and August 4, 2020, the Company sold Convertible Notes in an aggregate amount of \$577,763 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, 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.

Item 6. Exhibits

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

Exhibit	Description
3.1	Amended and Restated Certificate of Incorporation filed September 30, 2013¹
3.2	Amendment to the Amended and Restated Certificate of Incorporation filed September 20, 2018 and effective October 1, 2018¹⁷
3.3	Certificate of Amendment of the Amended and Restated Certificate of Incorporation filed March 1, 2019 and effective March 11, 2019⁹
3.7	Amended and Restated Bylaws⁷
3.8	Amendment to the Company's Amended and Restated Bylaws as approved on July 8, 2019¹⁰
4.1	Amended and Restated Certificate of Designation of the Series A Preferred filed September 30, 2013¹
4.2	Amendment No. 1 to the Amended and Restated Certificate of Designation of Series A Convertible Preferred Stock, dated February 28, 2017²
4.3	Certificate of Designation of Series B Convertible Preferred Stock, dated February 28, 2017²
4.4	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.¹¹
4.5	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.¹²
4.5	Amendment to the Company's Certificate of Designation of the Series B Convertible Preferred Stock as approved by the Board of Directors on March 29 and the Series B Preferred stockholders on March 27, 2020 and filed with the Delaware Secretary of State.¹⁵
4.6	2016 Stock Option Plan.³
4.7	First Amendment to 2016 Stock Option Plan as adopted by the Board of Directors on October 20, 2016.³
4.8	2018 Equity Incentive Plan.⁸
4.9	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, 2019¹⁰
4.10	Amendment to the Company's 2018 Equity Incentive Plan effective July 8, 2019 as approved by the Board of Directors¹³
10.1	Employment Agreement by and between the Company and Scott L. Mathis dated September 28, 2015⁵
10.1	Retention Bonus Agreement by and between the Company and Scott L. Mathis dated March 29, 2020¹⁵
10.2	Agreement of Lease between 135 Fifth Avenue LLC and Diversified Biotech Holdings Corp. dated July 1, 2006 and Amendment of Lease between 135 Fifth Avenue LLC and Diversified Private Equity Corp., dated September 1, 2010¹
10.3	Second Amendment of Lease between 135 Fifth Avenue LLC and Diversified Private Equity Corp., dated July 10, 2015⁴
10.4	Investor Relations Consulting Agreement between MZHCI, LLC and the Company, dated April 8, 2016⁶
10.5	Expense Sharing Agreement between Hollywood Burger Holdings Inc. and the Company, dated April 1, 2010, as last amended on December 27, 2019⁴
10.6	Loan Agreement between the Company and Santander Bank, N.A., dated May 6, 2020¹⁶
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32	Certification of the Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
101.INS	XBRL Instance Document*
101.SCH	XBRL Schema Document*
101.CAL	XBRL Calculation Linkbase Document*
101.DEF	XBRL Definition Linkbase Document*
101.LAB	XBRL Label Linkbase Document*
101.PRE	XBRL Presentation Linkbase Document*

1. Incorporated by reference from the Company's Registration of Securities Pursuant to Section 12(g) on Form 10 dated May 14, 2014.
 2. Incorporated by reference from the Company's Current Report on Form 8-K, filed on March 2, 2017.
 3. Incorporated by reference from the Company's Annual Report on Form 10-K, filed on March 31, 2017.
 4. Incorporated by reference from the Company's Annual Report on Form 10-K, filed on March 30, 2016.
 5. Incorporated by reference from the Company's Quarterly report on Form 10-Q, filed on November 16, 2015.
 6. Incorporated by reference from the Company's Quarterly Report on Form 10-Q, filed on May 16, 2016.
 7. Incorporated by reference from the Company's Current Report on Form 8-K, filed on December 20, 2017.
 8. Incorporated by reference from the Company's Quarterly Report on Form 10-Q, filed on November 19, 2018.
 9. Incorporated by reference from the Company's Current Report on Form 8-K, filed on March 14, 2019.
 10. Incorporated by reference to the Company's Current Report on Form 8-K filed on July 9, 2019.
 11. Incorporated by reference to the Company's Current Report on Form 8-K filed on December 4, 2019.
 12. Incorporated by reference to the Company's Current Report on Form 8-K filed on January 31, 2020.
 13. Incorporated by reference to the Company's Registration Statement on Form S-1 filed on August 30, 2019.
 14. Incorporated by reference to the Company's Amended Registration Statement on Form S-1 filed on January 27, 2020.
 15. Incorporated by reference to the Company's Current Report on Form 8-K filed on April 1, 2020.
 16. Incorporated by reference to the Company's Current Report on Form 8-K filed on May 15, 2020.
 17. Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on July 6, 2020.
- *
Filed herewith.
- **
Furnished, not filed herewith.

SIGNATURES

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

Date: August 19, 2020

GAUCHO GROUP HOLDINGS, INC.

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

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

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

I, Scott L. Mathis, certify that:

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

August 19, 2020

/s/ Scott L. Mathis

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

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

I, Maria Echevarria, certify that:

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

August 19, 2020

/s/ Maria Echevarria

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

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

In connection with the Quarterly Report of Gaucho Group Holdings, Inc. (the "Company's Quarterly Report") on Form 10-Q for the period ended June 30, 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

Scott L. Mathis
Chief Executive Officer and Principal Executive Officer

Dated: August 19, 2020

/s/ Maria I. Echevarria

Maria I. Echevarria
Chief Financial Officer and Principal Financial Officer

Dated: August 19, 2020

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