SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2022

or

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

For the transition period from ________________________ to ________________________

Commission File Number: 001-41147

Fresh Vine Wine, Inc.
(Exact name of registrant as specified in its charter)

Nevada	87-3905007
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
505 Highway 169 North, Suite 255	Plymouth, MN 55441
(Address of principal executive offices)	(Zip Code)

(855) 766-9463
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.001 par value	VINE	NYSE American

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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

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

As of May 16, 2022, the registrant had 12,551,864 shares of common stock outstanding.

FRESH VINE WINE, INC.

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Cautionary Statement Concerning Forward-Looking Statements

We make forward-looking statements in this Quarterly Report on Form 10-Q. In some cases, you can identify these statements by forward-looking words such as "may," "might," "should," "would," "could," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential" or "continue," and the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to known and unknown risks, uncertainties and assumptions about us, may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the numerous risks and uncertainties described in the section titled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and elsewhere such Annual Report and in this Quarterly Report on Form 10-Q.

While we believe we have identified material risks, these risks and uncertainties are not exhaustive. New risks and uncertainties emerge from time to time, and it is not possible to predict all risks and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. The forward-looking statements in this report represent our views as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements whether as a result of new information, future developments or otherwise, and we do not intend to do so.

Forward-looking statements include, but are not limited to, statements about:

- our ability to continue as a going concern in the absence of obtaining additional financing;
- our ability to hire additional personnel and to manage the growth of our business;
- our reliance on our brand name, reputation and product quality;
- our ability to adequately address increased demands that may be placed on our management, operational and production capabilities.
- the effectiveness of our advertising and promotional activities and investments;
- our reliance on celebrities to endorse our wines and market our brand;
- general competitive conditions, including actions our competitors may take to grow their businesses;
- fluctuations in consumer demand for wine;
- overall decline in the health of the economy and consumer discretionary spending;
- the occurrence of adverse weather events, natural disasters, public health emergencies, including the COVID-19 pandemic, or other unforeseen circumstances that may cause delays to or interruptions in our operations;
- risks associated with disruptions in our supply chain for grapes and raw and processed materials, including corks, glass bottles, barrels, winemaking additives and agents, water and other supplies;
- the impact of COVID-19 on our customers, suppliers, business operations and financial results;
- disrupted or delayed service by the distributors we rely on for the distribution of our wines;
- our ability to successfully execute our growth strategy, including continuing our expansion in the direct-to-consumer sales channel;
- quarterly and seasonal fluctuations in our operating results;
- our success in retaining or recruiting, or changes required in, our officers, key employees or directors;

- our ability to protect our trademarks and other intellectual property rights, including our brand and reputation;
- our ability to comply with laws and regulations affecting our business, including those relating to the manufacture, sale and distribution of wine;
- the risks associated with the legislative, judicial, accounting, regulatory, political and economic risks and conditions;
- claims, demands and lawsuits to which we are, and may in the future, be subject and the risk that our insurance or indemnities coverage may not be sufficient;
- our ability to operate, update or implement our IT systems;
- our ability to successfully pursue strategic acquisitions and integrate acquired businesses;
- our ability to implement additional finance and accounting systems, procedures and controls in order to satisfy public company reporting requirements;
- our potential ability to obtain additional financing when and if needed;
- Nechio & Novak, LLC's significant influence over us;
- the potential liquidity and trading of our securities; and
- the future trading prices of our common stock and the impact of securities analysts' reports on these prices.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this report. Although we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

INDEX TO FINANCIAL STATEMENTS

FRESH VINE WINE, INC.
BALANCE SHEETS
(unaudited)

	March 31, 2022	December 31, 2021
Assets		
Current assets		
Cash	$ 11,150,158	$ 16,063,941
Accounts receivable	251,905	208,160
Accounts receivable - related party	303,959	153,075
Accounts receivable - other	58,884	-
Receivables with recourse	242,540	146,314
Due from related parties	379,413	376,000
Inventories	785,648	159,060
Prepaid expenses and other	2,641,339	1,150,987
Total current assets	15,813,846	18,257,537
Prepaid expenses (long-term)	912,917	991,167
Intangible assets - net	3,870	3,990
Total Assets	$ 16,730,633	$ 19,252,694
Liabilities, and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 595,794	$ 416,716
Payroll tax payable	410,760	-
Accrued compensation	100,000	416,414
Accrued expenses	312,908	212,866
Accrued expenses - related party	450,000	529,617
Secured borrowings	16,231	171,069
Deferred revenue	57,315	13,750
Promissory note - related party	-	216,000
Due to related parties	173,544	200,272
Total current liabilities	2,116,552	2,176,704
Total Liabilities	2,116,552	2,176,704
Stockholders' Equity		
Common stock, $0.001 par value - 100,000,000 shares authorized at March 31, 2022 and December 31, 2021; 12,485,197 and 12,200,013 shares issued and outstanding at March 31, 2022 and December 31, 2021, respectively	12,485	12,200
Preferred stock, $0.001 par value - 25,000,000 shares authorized at March 31, 2022 and December 31, 2021; 0 shares issued and outstanding at March 31, 2022 and December 31, 2021	-	-
Additional paid-in capital	19,505,190	17,681,141
Accumulated deficit	(4,903,594)	(617,351)
Total Stockholder's Equity	14,614,081	17,075,990
Total Liabilities and Stockholders' Equity	$ 16,730,633	$ 19,252,694

See accompanying notes to the financial statements

FRESH VINE WINE, INC.
STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended March 31, 2022	Three months ended March 31, 2021
Wholesale revenue	$ 529,840	$ 55,393
Direct to consumer revenue	248,401	64,532
Related party service revenue	150,884	-
Total Revenue	929,125	119,925
Cost of revenues	612,052	66,207
Gross Profit	317,073	53,718
Selling, general and administrative expenses	2,705,200	649,733
Equity-based compensation	1,902,584	727,583
Operating Income (Loss)	(4,290,711)	(1,323,598)
Other income (expense)	4,468	657
Net Income (Loss)	**$ (4,286,243)**	**$ (1,322,941)**
Weighted Average Shares Outstanding		
Basic	12,299,417	7,099,339
Diluted	12,299,417	7,099,339
Net Loss per Share – Basic	$ (0.35)	$ (0.19)
Net Loss per Share – Diluted	$ (0.35)	$ (0.19)

See accompanying notes to the financial statements

FRESH VINE WINE, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(unaudited)

	Mezzanine Equity		Member Contributions				Stockholders' Equity				Additional Paid-In	Accumulated	
	Class F Partner Investor Units		Class F		Class W		Common Stock		Preferred Stock				
	Units	Amount	Units	Amount	Units	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balances at December 31, 2020	-	$ -	950,000	$250,000	100,000	$ 10,000	-	$ -	-	$ -	$ -	$ (1,723,158)	$ (1,463,158)
Equity-based compensation	313,000	1,565,000	-	-	-	-	-	-	-	-	-	-	-
Member units issued	-	-	-	-	40,000	200,000	-	-	-	-	-	-	200,000
Net income (loss)	-	-	-	-	-	-	-	-	-	-	-	(1,322,941)	(1,322,941)
Balances at March 31, 2021	313,000	$ 1,565,000	950,000	$250,000	140,000	$210,000	-	$ -	-	$ -	$ -	$ (3,046,099)	$ (2,586,099)

	Mezzanine Equity		Member Contributions				Stockholders' Equity				Additional Paid-In	Accumulated	
	Class F Partner Investor Units		Class F		Class W		Common Stock		Preferred Stock				
	Units	Amount	Units	Amount	Units	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balances at December 31, 2021	-	$ -	-	$ -	-	$ -	12,200,013	$ 12,200	-	$ -	$17,681,141	$ (617,351)	$17,075,990
Equity-based compensation	-	-	-	-	-	-	285,184	285	-	-	1,824,049	-	1,824,334
Net income (loss)	-	-	-	-	-	-	-	-	-	-	-	(4,286,243)	(4,286,243)
Balances at March 31, 2022	-	$ -	-	$ -	-	$ -	12,485,197	$ 12,485	-	$ -	$19,505,190	$ (4,903,594)	$14,614,081

See accompanying notes to the financial statements

FRESH VINE WINE, INC.
STATEMENTS OF CASH FLOWS
(unaudited)

	2022	2021
Cash Flows from Operating Activities		
Net income (loss)	$ (4,286,243)	$ (1,322,941)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization	120	113
Equity-based compensation	1,902,584	727,583
Changes in operating assets and liabilities		
Accounts receivable	(43,745)	(18,316)
Accounts receivable - related party	(150,884)	-
Accounts receivable - other	(58,884)	-
Receivables with recourse	(96,226)	-
Related party receivables	(3,413)	(11,266)
Inventories	(626,588)	(18,892)
Prepaid expenses and other	(1,490,352)	54,261
Accounts payable	179.078	33,305
Payroll tax payable	410,760	-
Accrued compensation	(316,414)	-
Accrued expenses	100,042	50,000
Accrued expenses - related parties	(79,617)	-
Deferred revenue	43,565	87,084
Related party payables	(26,728)	256,953
Net cash provided by (used in) operating activities	(4,542,945)	(162,116)
Cash Flows from Financing Activities		
Payments of related party notes payable	(216,000)	-
Proceeds from secured borrowings	(154,838)	-
Proceeds from issuance of member units	-	200,000
Net cash provided by (used in) financing activities	(370,838)	200,000
Net Increase (Decrease) in Cash	(4,913,783)	37,884
Cash - Beginning of Period	16,063,941	4,485
Cash - End of Period	$ 11,150,158	$ 42,369

Supplemental disclosure of non-cash activities:	**2022**	**2021**
Issuance of units for prepaid marketing services	$ -	$ 1,565,000

See accompanying notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Fresh Vine Wine, Inc. (the Company), a Nevada corporation, is a premium wine brand built to complement consumers' healthy and active lifestyles. The Company provides a competitively priced premium product that is blended to deliver several important benefits, such as low-cal, low-sugar, low-carb. The Company's wines are also gluten-free and keto and vegan friendly.

The Company's revenue is comprised primarily of wholesale and direct to consumer (DTC) sales, and representation and distribution services. Wholesale revenue is generated through sales to distributors located in states throughout the United States of America. DTC revenue is generated from individuals purchasing wine directly from the Company through club membership and the Company's website. Representation and distribution service revenue is generated from related parties by providing such related parties with access to new markets and distribution channels. Service revenues are expected to suspend at the end of the current calendar quarter to allow the company's lean team to prioritize on the growth and expansion of the Fresh Vine Wine brand.

Basis of Presentation

The Company's financial statements have been prepared and are presented in accordance with United States generally accepted accounting principles ("U.S. GAAP"). The financial statements include, in the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair presentation of the financial statements. In certain instances, amounts reported in prior period financial statements have been reclassified to conform to the current financial statement presentation.

Corporate Conversion

On December 8, 2021, in relation to preparing for its initial public offering ("IPO"), Fresh Grapes, LLC filed a certificate of conversion, whereby Fresh Grapes, LLC effected a corporate conversion from a Texas limited liability company to a Nevada corporation and changed its name to Fresh Vine Wine, Inc. Pursuant to the corporate conversion, units of membership interest in the limited liability company were converted into shares of common stock of the corporation at a conversion ratio of 6.1934 units for one share of common stock. As a result of the corporate conversion, accumulated deficit was reduced to zero on the date of the corporate conversion, and the corresponding amount was recorded to additional paid-in capital. The corporate conversion was approved by members holding a majority of the outstanding units, and in connection with such conversion, the Company filed a certificate of incorporation and adopted bylaws. Pursuant to the Company's certificate of incorporation, the Company is authorized to issue up to 100,000,000 shares of common stock $0.001 par value per share and 25,000,000 shares of preferred stock $0.001 par value per share. The Company determined that the corporate conversion is equivalent to a change in the Company's capital structure. As such, all references in the audited financial statements to the number of shares and per-share amounts of member units are now presented as common stock and have been retroactively restated to reflect this conversion.

Initial Public Offering

On December 17, 2021, the Company completed its IPO whereby it sold 2,200,000 shares of common stock at a public offering price of $10 per share. The aggregate net proceeds received by the Company from the offering were approximately $19.2 million, net of underwriting discounts and commissions of approximately $1.8 million and offering expenses of approximately $1.1 million. Upon the closing of the IPO, 12,200,013 shares of common stock were outstanding. The shares began trading on December 14, 2021 on The New York Stock Exchange under the symbol "VINE".

Liquidity, Going Concern, and Management Plan

Although the Company's revenue generated during the first quarter of 2022 represents a 43% increase over its revenues generated in the fourth quarter of 2021, in addition to paying initial public offering fees and settling pre- initial public offering net outstanding related party debt in the fourth quarter of 2021, the Company's operating expenses have significantly exceeded its revenues over these quarters. The Company has incurred increased expenses to purchase inventory in advance of retail placement and in efforts to mitigate supply chain risks, invest in sales and marketing activities and increase our company staffing and infrastructure to position us for future growth. The Company is looking forward to inclusion in the fall retail resets for both large and national chains.

We currently hold no debt and will require and seek debt or equity financing in the near term to sustain our existing operations. If adequate financing is not available, we may be forced to curtail our near-term growth priorities, take measures to severely reduce our expenses and business operations, or discontinue them completely. Such financing may be dilutive.

At our current pace of incurring expenses, and without receipt of additional financing, we project that our existing cash will be sufficient to fund our current operations into the fourth quarter of 2022, after which additional financing will be needed to continue to satisfy our obligations. As a result, we may defer certain investments in additional inventory, curtail its sales and marketing efforts and staffing, and take other measures to reduce our expenses and business operations as the Company works to obtain debt or equity financing to help support short-term working capital needs, as it has no debt on its balance sheet. These measures may negatively impact the success of our near-term or longer-term growth objectives and prospects.

Additional financing may not be available to us on terms favorable to us or at all. If additional financing is available, it may be highly dilutive to our existing shareholders and may otherwise include burdensome or onerous terms. Our inability to raise additional working capital at all or to raise it in a timely manner would negatively impact our ability to fund our operations, to generate revenues, grow our business and otherwise execute our business plan, leading to the reduction or suspension of our operations and ultimately potentially forcing us to cease operations altogether. Should this occur, the value of any investment in our securities could be adversely affected.

These factors call into question our ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Accounting Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include allowance for doubtful accounts, allowance for inventory obsolescence, the useful lives of intangible assets, equity-based compensation for employees and non-employees, and the valuation of deferred tax assets.

Cash

The Company maintains its accounts at two financial institutions. At times throughout the year the Company's cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Accounts Receivable

Accounts receivable consists of amounts owed to the Company for sales of the Company's products on credit and are reported at net realizable value. Credit terms are extended to customers in the normal course of business. The Company performs ongoing credit evaluations of its customers' financial conditions. The Company estimates allowances for future returns and doubtful accounts based upon historical experience and its evaluation of the current status of receivables. Accounts considered uncollectible are written off against the allowance. As of March 31, 2022 and December 31, 2021, there was no allowance for doubtful accounts.

The Company periodically factors outstanding accounts receivable, with full recourse, at a percentage of face value. See Note 10 for further discussion of this arrangement.

Inventories

Inventories primarily include bottled wine which is carried at the lower of cost (calculated using the first-in-first-out ("FIFO") method) or net realizable value.

The Company reduces the carrying value of inventories that are obsolete or for which market conditions indicate cost will not be recovered to estimated net realizable value. The Company's estimate of net realizable value is based on analysis and assumptions including, but not limited to, historical experience, future demand and market requirements. Reductions to the carrying value of inventories are recorded in cost of revenues. As of March 31, 2022 and December 31, 2021 there was no allowance for inventory obsolescence.

Intangible Assets

The Company assesses for impairment intangible assets with finite useful lives which are amortized on a systematic basis over their estimated useful lives. The amortization period and amortization method for an intangible asset with a finite useful life reflects the pattern in which the assets' future economic benefits are expected to be consumed. Where the pattern cannot be reliably determined, the straight-line method is used. The amortization period and method is reviewed at least at each financial year-end. Amortization of intangible assets with fixed determinable lives is recorded on a straight-line basis over 10 years for trademarks.

Deferred Offering Costs

Deferred offering costs primarily consist of legal, accounting, SEC filing fees, and any other fees relating to the Company's initial public offering. The deferred offering costs were capitalized as incurred and were offset against proceeds from the sale of shares of common stock at the closing of the Company's IPO.

Revenue Recognition

The Company's total revenue reflects the sale of wine domestically in the U.S. to wholesale distributors or DTC and related party service revenues. Under ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), the Company recognizes revenue when control of the promised good is transferred to the customer in an amount that reflects the consideration for which the Company is expected to be entitled to receive in exchange for those products. Each contract includes a single performance obligation to transfer control of the product to the customer. Control is transferred when the product is either shipped or delivered, depending on the shipping terms, at which point the Company recognizes the transaction price for the product as revenue. The Company has elected to account for shipping and handling as a fulfillment activity, with amounts billed to customers for shipping and handling included in total revenue.

Revenue Recognition (continued)

The Company also generates revenue through membership in its wine club. Wine club members pay a monthly fee, which varies depending on level of membership, and are entitled to receive quarterly shipments of wine, free shipping, and discounts on other wine and merchandise purchased. The Company recognizes revenue for the monthly membership dues when product is delivered. Any membership dues received before product is delivered is recorded as deferred revenue on the Company's balance sheet.

The Company has determined that related party service revenue should be recognized over the period of time it provides such services. ASC 606 also notes that when another party is involved in providing goods or services to a customer, the entity should determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (that is, the entity is a principal) or to arrange for those goods or services to be provided by the other party (that is, the entity is an agent). The Company does not bear responsibility for inventory losses and does not have pricing determination; therefore, the Company would be considered the agent and revenue should be recognized as net sales. Service revenues are expected to suspend at the end of the current calendar quarter to allow the Company's lean team to prioritize the growth and expansion of the Fresh Vine Wine brand.

Products are sold for cash or on credit terms. Credit terms are established in accordance with local and industry practices, and typically require payment within 30-60 days of delivery or shipment, as dictated by the terms of each agreement. The Company has elected the practical expedient to not account for significant financing components as its payment terms are less than one year, and the Company determines the terms at contract inception. The Company's sales terms do not allow for the right of return except for matters related to manufacturing defects, which are not material.

Disaggregated Revenue Information

The following table presents the percentages of total revenue disaggregated by sales channels for the three month periods ended March 31, 2022 and 2021:

	Three months ended March 31,	
	2022	**2021**
Wholesale	57.1%	46.2%
Direct to consumer	26.7%	53.8%
Related party service	16.2%	0.0%
Total revenue	100.0%	100.0%

Contract Balances

When the Company receives pre-orders or payment from a customer prior to transferring the product under the terms of a contract, the Company records deferred revenue, which represents a contract liability. The Company will record deferred revenue when cash is collected from customers prior to the wine shipment date. The Company does not recognize revenue until control of the wine is transferred and the performance obligation is met. When the Company does not receive payment from a customer prior to or at the transfer of the product under the terms of a contract, the Company records accounts receivable, which represents a contract asset.

Contract Balances (continued)

The following table reflects the changes in the contract liability balance during the year ended December 31, 2021 and the three month period ended March 31, 2022:

	December 31, 2020	December 31, 2021	March 31, 2022
Outstanding at beginning of period	$ -	$ -	$ 13,750
Increase (decrease) attributable to:			
Upfront payments	-	257,492	57,315
Revenue recognized	-	(243,742)	(13,750)
Outstanding at end of period	$ -	$ 13,750	$ 57,315

Fair Value of Financial Instruments

The Company's accounting for fair value measurements of assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring or nonrecurring basis adheres to the Financial Accounting Standards Board (FASB) fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Company at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The carrying values of cash, accounts receivable, accounts payable, deferred revenue and other financial working capital items approximate fair value at March 31, 2022 and December 31, 2021, due to the short maturity nature of these items.

Income Taxes

The Company recognizes uncertain tax positions in accordance with ASC 740 on the basis of evaluating whether it is more likely than not that the tax positions will be sustained upon examination by tax authorities. For those tax positions that meet the more-likely-than not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement. The Company recognizes interest and/or penalties related to uncertain tax positions in income tax expense. There were no uncertain tax positions as of March 31, 2022 and December 31, 2021, and as such, no interest or penalties were recorded to income tax expense. As of March 31, 2022 and December 31, 2021, the Company has no unrecognized tax benefits. There are no unrecognized tax benefits included on the balance sheet that would, if recognized, impact the effective tax rate. The Company does not anticipate there will be a significant change in unrecognized tax benefits within the next 12 months.

Prior to the conversion, the Company was a limited liability company and therefore was a disregarded legal entity for income tax purposes. Accordingly, no benefit for income taxes was recorded prior to the conversion.

Income Taxes (continued)

For years before 2019, the Company is not subject to U.S. federal or state income tax examinations. The Company's policy is to recognize interest and penalties related to uncertain tax positions as a component of general and administrative expenses.

Equity-Based Compensation

The Company measures equity-based compensation cost at the grant date based on the fair value of the award and recognizes the compensation expense over the requisite service period, which is generally the vesting period. The Company recognizes any forfeitures as they occur. As of March 31, 2022, there was $1,225,917 of unrecognized equity-based compensation expense recorded in prepaid expenses and other assets.

The Company measures equity-based compensation when the service inception date precedes the grant date based on the fair value of the award as an accrual of equity-based compensation and adjusts the cost to fair value at each reporting date prior to the grant date. In the period in which the grant occurs, the cumulative compensation cost is adjusted to the fair value at the date of the grant. As of March 31, 2022 and December 31, 2021, there no accrued equity-based compensation.

Effective December 9, 2021, the Company adopted an equity incentive plan which allows for the granting of incentive and non-qualified stock options, restricted and unrestricted stock and stock units, stock appreciation rights, performance units and other stock-based awards to current and prospective employees and directors of, and consultants and advisors to, the Company.

See Note 7 for further discussion of equity-based compensation incurred in 2022 and 2021.

Advertising

The Company expenses the costs of advertising as incurred. Advertising expense for the three month periods ended March 31, 2022 and 2021 was approximately $578,000 and $190,000, respectively.

Application of New or Revised Accounting Standards

Pursuant to the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), a company constituting an "emerging growth company" is, among other things, entitled to rely upon certain reduced reporting requirements and is eligible to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies.

The Company is an emerging growth company and has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that the Company (i) is no longer an emerging growth company or (ii) affirmatively and irrevocable opts out of the extended transition period provide in the JOBS Act.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842),* to increase transparency and comparability between organizations by recording assets and liabilities on the balance sheet relating to both operating and finance leases with terms longer than 12 months, and disclosing key information about the lease terms. Topic 842, *Leases*, supersedes Topic 840. This guidance will be effective for the Company beginning with the year ended December 31, 2022, with early adoption permitted. The Company does not currently have any leases that require disclosure under Topic 842.

Recently Issued Accounting Pronouncements (continued)

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments,* and also issued subsequent amendments to the initial guidance, collectively, ASC 326, to replace the incurred loss impairment methodology in current U.S. GAAP with a methodology that requires the reflection of expected credit losses and will also require consideration of a broader range of reasonable and supportable information to determine credit loss estimates. For many entities with financial instruments, the standard will require the use of a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses, which may result in the earlier recognition of credit losses on financial instruments. This guidance will be effective for the Company beginning with the year December 31, 2023, with early adoption permitted.

Net Loss per Share

Basic net loss per share is determined by dividing net loss attributable to shareholders by the weighted-average shares outstanding during the period. Diluted EPS reflects potential dilution and is computed by dividing net loss by the weighted average number of common shares outstanding during the period increased by the numbers of additional common shares that would have been outstanding if all potential common shares had been issued and were dilutive. However, potentially dilutive securities are excluded from the computation of diluted EPS to the extent that their effect is anti-dilutive. The following table shows the components of diluted shares for the three month periods ending:

	March 31, 2022	March 31, 2021
Weighted average shares outstanding – basic	12,299,417	7,099,339
Dilutive effect of shares authorized	-	-
Shares used in computing net loss per share – diluted	12,299,417	7,099,339

At March 31, 2022, 2,531,794 shares have been excluded from the calculation of diluted weighted average shares outstanding as the inclusion of these shares would have an anti-dilutive effect.

Mezzanine Equity

Due to the contingently redeemable nature of Class F partner investor units issued in March 2021, the Company classified these units as temporary equity in the mezzanine section of the balance sheet prior to its conversion to a C-Corporation. These units were recorded at their initial carrying value, which equaled fair value as determined as of the issue date in March 2021. Upon the Company's conversion from a limited liability company to a C-Corporation in December 2021, these units were redeemed and converted to 1,938,534 shares of common stock.

2. INVENTORIES

Inventories consist of the following at:

	March 31, 2022	December 31, 2021
Inventory – finished goods	$ 759,534	$ 137,647
Inventory – merchandise	26,114	21,413
Total	$ 785,648	$ 159,060

3. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of the following at:

	March 31, 2022	December 31, 2021
Prepaid license and fees	$ -	$ 3,395
Prepaid marketing expenses – current	313,000	313,000
Prepaid marketing expenses – long-term	912,917	991,167
Prepaid insurance	686,694	-
Inventory deposits	1,390,144	758,280
Other prepaid expenses	251,501	76,313
Total	$ 3,554,256	$ 2,142,155

4. INTANGIBLE ASSETS

Intangible assets subject to amortization consist of the following at:

	Useful Life	March 31, 2022	December 31, 2021
Trademarks	10 Years	$ 4,788	$ 4,788
Accumulated amortization		(918)	(798)
Intangible assets – net		$ 3,870	$ 3,990

Amortization expense for intangibles for the three month periods ended March 31, 2022 and 2021 was $120 and $113, respectively.

The estimated amortization expense for the periods subsequent to March 31, 2022 is as follows:

	Trademarks
2022	$ 359
2023	479
2024	479
2025	479
2026	479
After 2026	1,595
	$ 3,870

5. DEFERRED REVENUE

Deferred revenue represents amounts received prior to period-end but earned in the following period. Deferred revenue consists of the following at:

	March 31, 2022	December 31, 2021
Orders not yet shipped	$ 41,809	$ 4,099
Direct to consumer prepayments	15,506	9,651
Deferred revenue	$ 57,315	$ 13,750

6. STOCKHOLDERS' EQUITY

The Company had one class of member units through March 2021. Prior to March 2021, the Company had 105 member units issued and outstanding as of December 31, 2020. There was no limitation on the number of Units that may be issued by the Company. Units had no par value. Each member had one vote for each unit owned.

During March 2021, the Company amended its operating agreement to create three classes of units, designated as Class F, Class W and Class P. The Company authorized 1,263,501 of Class F Units, 200,388 Class W Units and 50,000 Class P Units. Each Class F Member had the right of first refusal to purchase their pro rata share of all additional units that the Company may issue from time to time. Each Class F member was entitled to distributions, subject to authorization of certain members, with the first 50% being allocated to pay off a member loan, if applicable, and the remaining 50% in proportion to their percentage interests. Thereafter, distributions would be allocated to Class F, Class W, and vested Class P members in proportion to their respective pro rata ownership interests. In conjunction with the amendment, the Company converted its original member units to Class F and Class W units. As of March 1, 2021, 95 original member units were converted to 950,000 Class F units and 10 original member units were converted to 100,000 Class W units.

Class W and Class P units were non-voting units. Further, Class P units were not entitled to distributions until certain hurdle provisions as set by Board of Managers at the time of the award would be met and the units were fully vested. Any issued units vest 25% after one year with the remaining 75% vesting monthly over an additional three-year period.

Corporate Conversion

On December 8, 2021, in connection with its IPO, Fresh Grapes, LLC filed a certificate of conversion, whereby Fresh Grapes, LLC effected a corporate conversion from a Texas limited liability company to a Nevada corporation and changed its name to Fresh Vine Wine, Inc. Pursuant to the conversion, units of membership interest in the limited liability company were converted into shares of common stock of the corporation at a conversion ratio of 6.1934 units for one share of common stock. The Company had 1,614,615 member units issued and outstanding as of December 8, 2021. After giving effect to the corporate conversion, all outstanding Class F member units were converted to 8,758,915 shares of common stock, and all outstanding Class W member units were converted to 1,241,098 shares of common stock. The number of common shares outstanding as of such date was 10,000,013. As a result of the corporate conversion, accumulated deficit was reduced to zero on the date of the corporate conversion, and the corresponding amount was recorded to additional paid-in capital. The corporate conversion was approved by members holding a majority of the outstanding units, and in connection with such conversion, the Company filed a certificate of incorporation and adopted bylaws. Pursuant to the Company's certificate of incorporation, the Company is authorized to issue up to 100,000,000 shares of common stock $0.001 par value per share and 25,000,000 shares of preferred stock $0.001 par value per share. All references in the audited financial statements to the number of shares and per-share amounts of common stock have been retroactively restated to reflect this conversion.

Initial Public Offering

On December 17, 2021, the Company completed its IPO whereby it sold 2,200,000 shares of common stock at a public offering price of $10 per share. The aggregate net proceeds received by the Company from the offering were approximately $19.2 million, net of underwriting discounts and commissions of approximately $1.8 million and offering expenses of approximately $1.1 million. Upon the closing of the IPO, 12,200,013 shares of common stock were outstanding. The shares began trading on December 14, 2021 on The New York Stock Exchange under the symbol "VINE".

7. EQUITY-BASED COMPENSATION

In March 2021, the Company authorized 140,300 Class F member units in exchange for consulting services related to securing celebrity members and ambassadors of the Company and executed license agreements with the celebrity members, both of which occurred in March 2021. The estimated value of the award at the service inception date in March 2021 was $701,500. The service inception date preceded the grant date as the award had not been mutually agreed to and, therefore, was revalued at fair value as of June 30, 2021. In September 2021, the award was agreed to and the grant date was established. Therefore, the units were granted and the accrued equity-based compensation was reclassified to Class F Member's Equity on the Company's balance sheet at the grant date fair value of $4,902,802. Total equity-based compensation expense recognized related to these units was $0 and $701,500 for the three month periods ended March 31, 2022 and 2021, respectively.

7. EQUITY-BASED COMPENSATION (continued)

In March 2021, the Company issued 313,000 Class F partner investor units in exchange for various advertising and marketing services over a 5 year period with an estimated value of $1,565,000 to be amortized over 5 years. In addition to the 313,000 Class F partner investor units issued in March 2021, the agreement included a put option if a threshold of $5,000,000 in earnings before interest, taxes, depreciation, and amortization (EBITDA) in either fiscal year 2022 or 2023 were not met in which the member would have the option to withdraw from the Company which would trigger the mandatory sale of the member's entire membership interest back to the Company. As these units were contingently redeemable, they were presented as "Mezzanine Equity" on the Company's balance sheet until December 8, 2021 when the Company converted from a limited liability company to a C-Corporation. Upon conversion and amendment of the Company's operating agreement, the units previously recorded under "Mezzanine Equity" were converted to shares of common stock which no longer have the put option. Total equity-based compensation expense recognized related to these units was $78,250 and $78,250 for the three month periods ended March 31, 2022 and 2021, respectively.

The estimated expense for various marketing and advertising services in exchange for Class F partner investor units, now common stock, described in the preceding paragraph for the periods subsequent to March 31, 2022 is as follows:

	Advertising and Marketing Expense
2022	$ 234,750
2023	313,000
2024	313,000
2025	313,000
2026	52,167
	$ 1,225,917

In August 2021, the Company entered into an employment agreement to hire a Chief Executive Officer. As part of this agreement, the Company issued 10,927 additional Class F member units valued at approximately $382,000. The terms of the employment agreement also call for 67,224 additional restricted stock unit awards subject to the successful consummation of the Company's IPO achieving certain market capitalization milestones ranging from $225M to $300M, of which 33,612 is subject to a secondary public offering. The Company successfully completed its IPO on December 17, 2021 but did not reach the target market capitalization milestones per the agreement. Since the performance condition of successfully consummating an IPO has been met, but the market condition of meeting market capitalization milestones has not been met, the probability that the market condition will be met has been factored into the fair value of the award. A securities offering such as an IPO is not considered probable to occur until it's consummated. A secondary public offering has not been contemplated as of the date these financial statements were available to be issued. Under ASC 710 and ASC 718, compensation costs for awards containing performance conditions should only be recorded when considered to be probable to occur; therefore, no equity-based compensation cost was recorded in relation to the award that contains the secondary public offering condition for the three month period year ended March 31, 2022.

7. EQUITY-BASED COMPENSATION (continued)

In November 2021, the Company executed founder option agreements with four Class F members. The terms of the agreements grant each founder the right and option to purchase common stock up to 25% of the total shares in the Founders' Option Pool upon the consummation of the Company's IPO. The Founder's Option Pool is a pool of shares reserved for founding members of the Company and will be comprised of 15% of the total shares of common stock outstanding immediately prior to the initial closing of the IPO. The options will vest in 20% installments. Each installment will vest upon the closing price of common stock reaching certain milestones ranging from 200% to 600% of the IPO price. If the vesting condition is not achieved within three years of the grant date, the options will forfeit. The options have not reached any of the vesting milestones required and as such, the probability of reaching each milestone has been factored into the original fair value to be recognized over the three-year vesting period. As of March 31, 2022, $6,504 of equity-based compensation expense has been recognized relating to these stock options. The total unrecognized equity-based compensation expense was $70,565 as of March 31, 2022.

The Company also granted to the underwriter a 45-day option to purchase up to 330,000 additional shares of common stock at $9.20 per share. As of March 31, 2022, these options had expired as none of the options were exercised.

As of March 31, 2022, the underwriter options and founders' options to purchase common shares of the Company outstanding were as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Outstanding at December 31, 2021	1,830,000	$ 9.86	8.18
Granted	-	-	-
Exercised	-	-	-
Forfeited	(330,000)	-	-
Outstanding at March 31, 2022	1,500,000	$ 10.00	9.96
Exercisable at March 31, 2022	-	$ -	-

Warrants

On December 17, 2021, in connection with the Company's IPO, the Company granted to the underwriter warrants to purchase up to 110,000 shares of common stock at $12 per share. These warrants vest one year from the date of issuance and are exercisable for four years after the vesting date.

As of March 31, 2022, the underwriter warrants to purchase common shares of the Company outstanding were as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Outstanding at December 31, 2021	110,000	$ 12.00	4.96
Granted	-	-	-
Exercised	-	-	-
Forfeited	-	-	-
Outstanding at March 31, 2022	110,000	$ 12.00	4.72
Exercisable at March 31, 2022	-	$ -	-

7. EQUITY-BASED COMPENSATION (continued)

There was no net impact recognized by the Company in the accompanying statements as the warrants and stock options issued to the underwriter were equity-based awards issued for services rendered by the underwriter for the IPO that was offset by the Company recognizing the fair value as direct incremental costs associated with the IPO by reducing paid-in capital for the same amount.

Restricted Stock Units

On December 17, 2021, the Company granted 125,926 and 251,851 restricted stock units to its Chief Financial Officer and Chief Operating Officer, respectively. These restricted stock units have a vesting period of 180 days after the date of the final prospectus. On February 24, 2022, the Company entered into a separation agreement with the former Chief Operating Officer. Among other things, the Company agreed to provide the former COO with cash and expense reimbursements totaling $175,000 and an amendment of the COO's Restricted Stock Agreement to accelerate the vesting of the 251,851 restricted stock units. Due to the modification of the terms of this award, the fair value was remeasured as of the modification date and an incremental $994,000 in equity-based compensation expense was recognized for the three month period ended March 31, 2022. Total equity-based compensation expense related to both of these restricted stock unit awards was approximately $1.4 million for the three month period ended March 31, 2022. The total unrecognized equity-based compensation expense was approximately $298,000.

On January 18, 2022, the Company granted 16,000 restricted stock units to an employee of the Company that vest 210 days after the date of the final prospectus for the IPO. The employee must remain continuously employed by the Company through the periods in order for the units to vest. Total equity-based compensation expense related to these restricted stock units was approximately $37,000 for the three month period ended March 31, 2022. As of March 31, 2022, the total unrecognized equity-based compensation expense was approximately $53,000.

On March 2, 2022, the Company granted 70,000 restricted stock units to members of the Company's Board of Directors that vest on June 18, 2022. Board members must continue to serve on the Company's board through the vesting period in order for the units to vest. Total equity-based compensation expense related to these restricted stock units was approximately $77,000 for the three month period ended March 31, 2022. As of March 31, 2022, the total unrecognized equity-based compensation expense was approximately $209,000.

On March 2, 2022, the Company granted 16,200 restricted stock units to an employee of the Company that vest on June 18, 2022. The employee must remain continuously employed by the Company through the periods in order for the units to vest. Total equity-based compensation expense related to these restricted stock units was approximately $18,000 for the three month period ended March 31, 2022. As of March 31, 2022, the total unrecognized equity-based compensation expense was approximately $48,000.

On March 30, 2022, the Company hired a new Chief Financial Officer. Pursuant to the employment agreement, the Company granted 100,000 restricted stock units. These restricted stock units vest in three equal installments with the first third vesting immediately on the grant date of March 30, 2022, and the remaining tranches will vest on the one year and two year anniversaries of the grant date. Total equity-based compensation expense related to these restricted stock units was approximately $111,000 for the three month period ended March 31, 2022. As of March 31, 2022, the total unrecognized equity-based compensation expense was approximately $219,000.

As of March 31, 2022, the restricted stock units of the Company outstanding were as follows:

	Number of RSUs	**Weighted Average Remaining Contractual Term (Years)**
Outstanding at December 31, 2021	377,777	0.45
Granted	202,200	0.66
Vested	(285,184)	
Forfeited	-	
Outstanding at March 31, 2022	294,793	0.50

Stock Options

On March 11, 2022, the Company granted the option to purchase 427,001 shares of common stock at $3.47 per share to its Chief Executive Officer, pursuant to the employment agreement with the Company. The shares vest in three equal installments on the six month, one year, and two year anniversaries of the grant date and are exercisable for 10 years from the grant date. Total equity-based compensation expense related to these stock options was approximately $42,000 for the three month period ended March 31, 2022. The total unrecognized equity-based compensation expense was approximately $1.1 million.

Stock Options (continued)

On March 30, 2022, in addition to the restricted stock units granted to the Company's new Chief Financial Officer, the Company also granted the option to purchase 200,000 shares of common stock at $3.30 per share, pursuant to the employment agreement. The shares vest in three equal installments. The first third vested immediately on the grant date of March 30, 2022, and the remaining tranches will vest on the one year and two year anniversaries of the grant date and are exercisable for 10 years from the grant date. Total equity-based compensation expense related to these stock options was approximately $173,000 for the three month period ended March 31, 2022. The total unrecognized equity-based compensation expense was approximately $344,000.

As of March 31, 2033, the options to purchase common shares of the Company outstanding were as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Outstanding at December 31, 2021	-	$ -	-
Granted	627,001	3.42	9.97
Exercised	-	-	-
Forfeited	-	-	-
Outstanding at March 31, 2022	627,001	$ 3.42	9.97
Exercisable at March 31, 2022	66,667	$ 3.30	10.00

The Company uses the Black-Scholes option-pricing model to estimate the fair value of equity-based awards. The inputs for the Black-Scholes valuation model require management's significant assumptions. Prior to the Company's IPO, the price per share of common stock was determined by the Company's board based on recent prices of common stock sold in private offerings. Subsequent to the IPO, the price per share of common stock is determined by using the closing market price on the New York Stock Exchange on the grant date. The risk-free interest rates, ranging from 0.02% to 1.64%, are based on the rate for U.S. Treasury securities at the date of grant with maturity dates approximately equal to the expected life at the grant date. The expected term for employee and nonemployee awards ranged from 3 to 10 years based on industry data, vesting period, contractual period, among other factors. The expected volatility was estimated at 75% based on historical volatility information of peer companies that are publicly available in combination with the Company's calculated volatility since being publicly traded. The Company does not expect to pay dividends. For awards with a performance condition, stock compensation is recognized over the requisite service period if it is probably that the performance condition will be satisfied.

8. INCOME TAXES

Components of the provision for income taxes for the three month period ended March 31, 2022 and the year ended December 31, 2021 were as follows:

	March 31, 2022	December 31, 2021
Current	$ -	$ -
Deferred	-	-
Total	$ -	$ -

8. INCOME TAXES (continued)

Following the conversion of Fresh Grapes, LLC to Fresh Vine Wine, Inc. on December 7, 2021, Fresh Vine Wine, Inc. will begin filing federal and state returns where required. No income tax benefit was recorded for the three month period ended March 31, 2022 due to net losses and recognition of a valuation allowance. The following table represents a reconciliation of the tax expense computed at the statutory federal rate and the Company's tax expense for the three months ended March 31, 2022 and the year ended December 31, 2021:

	March 31, 2022		December 31, 2021
Tax expense (benefit) at statutory rate	$ (885,000)	21.0%	$ (2,093,000)
State income tax expense (benefit), net of federal tax effect	(98,000)	2.3%	(14,000)
Change in valuation allowance on deferred tax assets	983,000	(23.4%)	519,000
Conversion from LLC to C Corporation			1,588,000
Income tax expense (benefit)	$ -	0.0%	$ -

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's deferred tax assets relate primarily to its net operating loss carryforwards and other balance sheet basis differences. In accordance with ASC 740, "Income Taxes," the Company recorded a valuation allowance to fully offset the net deferred tax asset, because it is more likely than not that the Company will not realize future benefits associated with these deferred tax assets at December 31, 2021. The tax effects of temporary differences and carryforwards that give rise to significant portions of the deferred tax assets are as follows:

	March 31, 2022	December 31, 2021
Deferred tax assets:		
Accrual to cash	$ 100,000	$ 234,000
Deferred revenue	13,000	3,000
Stock based compensation	194,000	45,000
Net operating losses	1,195,000	237,000
Valuation allowance	(1,502,000)	(519,000)
Net deferred tax assets:	$ -	$ -

At March 31, 2022, the Company had federal and state net operating loss carryforwards of approximately $5.1 million and $1.5 million, respectively. The net operating loss carryforwards have no expiration.

9. SUPPLIER AND CUSTOMER CONCENTRATION

The Company has an agreement with an unrelated party for various wine making activities, including production, bottling, labeling, and packaging. The Company purchases finished goods through blanket sales orders that require a 20% deposit. In addition to the purchases of finished goods, the Company pays certain storage, administrative fees and taxes related to the purchased goods. There is no specified term of the agreement but continues as additional blanket sales orders are issued. For the three month period ended March 31, 2022, 100% of the Company's inventory purchases were from this supplier.

The Company also engages with other suppliers for the purchase of a select varietal of wine to be offered in limited quantities. There are no formal agreements due to the infrequency of activity with these suppliers.

A significant portion of the Company's wholesale revenue comes from a single customer that operates in several markets. For the three month period ended March 31, 2022, 50% of the Company's wholesale revenue came from this customer. At March 31, 2022, this customer accounted for 56% of accounts receivable.

10. COMMITMENTS AND CONTINGENCIES

During March 2021, the Company entered into two license agreements with the Class F partner investors for marketing and advertising services. The agreements require ongoing payments of $300,000 per year for the final four years of the agreement's initial five year term. Additionally, the agreements require the Company to reimburse out of pocket expenses related to promotion of the Company's products. In November 2021, the agreements were amended to include partners investor options to terminate the agreements if a $5 million EBITDA threshold is not met in either 2022 or 2023. The agreement was also amended, among other provisions, to begin monthly payments effective as of the date of the IPO in December 2021. The net expense relating to the agreements was $20,000 for the three month period ended March 31, 2022.

The estimated expense for the periods subsequent to March 31, 2022 is as follows:

	Advertising and Marketing Expense
2022	$ 360,000
2023	480,000
2024	480,000
2025	480,000
2026	80,000
	$ 1,880,000

Sponsorship Agreements

During 2020, the Company entered into multiple sponsorship agreements with unrelated parties within the sports and entertainment industry. The terms of the agreements range from two to four years with annual payments ranging from $100,000 to $250,000 per agreement. Due to the Covid-19 pandemic, many of these agreements were postponed or renegotiated to reduce payments until in-person fan attendance at the stadiums returns to normal. The total expense relating to these agreements for the three month periods ended March 31, 2022 and 2021 was $192,138 and $41,250, respectively.

The estimated expense for the sponsorship agreements as described above for the periods subsequent to March 31, 2022 is as follows:

	Advertising and Marketing Expense
2022	$ 591,752
2023	387,232
2024	54,057
	$ 1,033,041

Accounts Receivable Financing

In September 2021, the Company entered into an agreement with an unrelated party to pledge eligible accounts receivable for a cash advance at a percentage of the outstanding amount, with the remaining balance due upon collection from the customer. The agreement has an initial term of one year which will automatically renew for successive one year terms unless the Company provides a notice of termination at least 60 days prior to the termination date. The receivables are pledged with full recourse, which means the Company bears the risk of nonpayment and, therefore, does not meet the definition of a factoring arrangement under ASC 310-10-05-6. The amounts advanced to the Company are classified as a secured loan on the Company's balance sheet and any fees computed on the outstanding amounts are treated as interest expense on the Company's statement of operations. The Company had pledged approximately $243,000 of customer accounts which is recorded as receivables with recourse, and has secured borrowings of $16,231 as of March 31, 2022. The remaining balance due to the Company for collected factored accounts, net of calculated interest and fees, is approximately $59,000 as of March 31, 2022. Total interest expense recorded in association with the secured loan was $15,500 for the three month period ended March 31, 2022.

11. TRANSACTIONS WITH RELATED PARTIES

In September 2021, the Company issued a promissory note to a Class F member in exchange for $216,000. The term of the note is the later of 2 months from the date of the note or upon successful consummation of the IPO. The annual interest rate on the note is the maximum legal amount allowed under the applicable usury laws minus 1%, which is 7% at December 31, 2021. The Company repaid all of the principal balance plus accrued interest of $9,125 in December 2021.

In October 2021, the Company issued an additional promissory note to a Class F member in exchange for $216,000. The term of the note is the later of 2 months from the date of the note or upon successful consummation of the IPO. The annual interest rate on the note is the maximum legal amount allowed under the applicable usury laws minus 1%, which is 7% at December 31, 2021. The Company repaid all of the principal balance plus accrued interest of $9,125 in January 2022.

In addition to the agreements discussed in Note 10, the Company had an arrangement with Rabbit Hole Equity, LLC (RHE), a related party due to common ownership, under which RHE provided development, administrative and financial services to the Company. RHE is solely owned by the majority member of Nechio and Novak, LLC, which is the majority shareholder of the Company. Under the agreement, the Company will pay or reimburse RHE, as applicable, for any expenses it, or third parties acting on its behalf, incurs for the Company. For any selling, general and administrative activities performed by RHE or RHE employees, RHE, as applicable, charged back the employee salaries and wages, rent and related utilities. Beginning in December 2021, the Company now incurs employee salary and wage expenses, rent, and utilities directly.

In addition to the expenses paid by RHE to be reimbursed by the Company, several other related parties have incurred expenses or advanced cash to be reimbursed by the Company. Damian Novak is the Executive Chairman of the Company and majority member of Nechio and Novak, LLC, which is a majority shareholder of the Company. Damian Novak is also the majority member of Kratos Advisory, LLC, Appellation Brands, LLC, TC Healthcare, LLC and is the sole member of Rabbit Hole Equity DTP, LLC. The Company will pay or reimburse, as applicable, for any expenses the related parties incur while acting on behalf of the Company.

Additionally, the Company records receivables related to any expenses incurred on behalf of or cash advances to related entities.

11. TRANSACTIONS WITH RELATED PARTIES (continued)

In October 2021, the Company entered into a service agreement with Appellation Brands, LLC, a related party due to common ownership in the wine industry, to provide representation and distribution services. The Company provides access to new markets and retail and wholesale customers to the related party. In exchange for these services, the Company receives a management fee of $50,000 per month plus a tiered fee ranging between $5.00 and $6.50 per case of the products sold. For the three month period ended March 31, 2022, the Company had recognized $150,884 in service revenue related to this agreement and subsequently owes Appellation Brands, LLC $61,999 for product revenues collected on behalf of Appellation Brands, LLC during the first quarter of 2022.

In January 2022, the Company entered into a consulting agreement with FELCS, LLC, an entity owned by Damian Novak to provide consulting and advisory services to the Company in exchange for $25,000 per month. The agreement expires in December 2022, subject to automatic on-year renewals unless written notice to terminate the contract is given by either party. For the three month period ended March 31, 2022, the Company had recognized $75,000 in total expense related to this agreement.

Amounts due to related parties were as follows as of March 31, 2022 and December 31, 2021:

	2022	2021
Rabbit Hole Equity, LLC	$ 111,545	$ 111,545
Appellation Brands, LLC	61,999	88,727
	$ 173,544	$ 200,272

Amounts due from related parties were as follows as of March 31, 3022 and December 31, 2021:

	2022	2021
Damian Novak	$ 328,759	$ 325,346
Appellation Brands, LLC	$ 303,959	$ 153,075
TC Healthcare, LLC	5,177	5,177
Kratos Advisory, LLC	45,477	45,477
	$ 683,372	$ 529,075

12. SUBSEQUENT EVENTS

In April 2022, the Company amended its agreement with Whetstone Consulting to include additional bonus commissions ranging from $5,000 to $100,000 subject to specific distribution milestones. The agreement has an initial term of one year and automatically renews for successive one year periods unless terminated by either party with advance notice.

On May 13, 2022, Appellation Brands, LLC delivered notice of its intention to terminate its agreement with the Company pursuant to which the Company has provided representation and distribution services. The Company and Appellation Brands, LLC are in discussions regarding the terms and conditions of such termination, including payment for amounts owed to the Company from Appellation Brand, LLC for services performed prior to such termination.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the financial statements and related notes to those statements as included elsewhere in this Quarterly Report on Form 10-Q. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. See "Cautionary Note Regarding Forward-looking Statements" included elsewhere in this Quarterly Report on Form 10-Q. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed in Part I "Item 1A. Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Overview

Fresh Vine Wine, Inc. is a premier producer of low carb, low calorie, premium wines in the United States. Founded in 2019, Fresh Vine Wine brings an innovative "better-for-you" solution to the wine market. We currently sell five varietals: Cabernet Sauvignon, Pinot Noir, Chardonnay, and Rosé, and a limited Reserve Napa Cabernet Sauvignon,. All varietals are produced and bottled in Napa, California.

Our wines are distributed across the United States and Puerto Rico through wholesale, retail, and direct-to-consumer (DTC) channels. We are able to conduct wholesale distribution of our wines in all 50 states and Puerto Rico, and we are licensed to sell through DTC channels in 42 states. We hold active relationships with wholesale distributors in 32 states and are actively working with leading distributors, including Southern Glazer's Wine & Spirits (SGWS), Johnson Brothers, and Republic National Distributing Company (RNDC), to expand our presence across the contiguous United States.

Our wines are priced strategically to appeal to mass markets and sell at a list price between $15 and $23 per bottle. Given the Fresh Vine Wine brand's celebrity backing, "better-for-you" appeal, and overall product quality, we believe that it presents today's consumers with a unique value proposition within this price category. Additionally, Fresh Vine Wine is one of very few products available at this price point that includes a named winemaker, Jamey Whetstone.

Our marketing activities focus primarily on consumers in the 21-to-34 year old demographic with moderate to affluent income and on those with a desire to pursue a healthy and active lifestyles, which is reinforced through our sports marketing partnerships across all four major United States professional sports leagues.

Our asset-light operating model allows us to utilize third-party assets, including land and production facilities. This approach helps us mitigate many of the risks associated with agribusiness, such as isolated droughts or fires. Because we source product inputs from multiple geographically dispersed vendors, we reduce reliance on any one vendor and benefit from broad availability/optionality of product inputs. This is particularly important as a Napa-based wine producer where droughts or fires can have an extremely detrimental impact to a company's supply chain if not diversified.

The Company delivered strong first quarter 2022 operational results and is looking forward to inclusion in the summer, fall and spring retail resets for both large and national chains. The Company has invested in inventory year to date May 2022, specifically advanced purchases of wine in response to increased demand. The Company believes that this increase in inventory will allow the Company to meet balance of year demand and mitigate supply chain risks the industry is facing. The Company has added headcount in the first quarter 2022 to support operational growth and national sales distribution.

Key Financial Metrics

We use net revenue, gross profit (loss), net income (loss) and EBITDA to evaluate the performance of Fresh Vine Wine. We also use the non-financial key metrics of cases sold and point of distribution (PODs). For the quarter ending, March 31, 2022, Fresh Vine Wine branded offerings sold over 6,000 cases of wine (approximately 300,000 5oz glasses), an approximate 100% increase over the fourth quarter of 2021. The Company added 1,034 PODs in the quarter ending March 31, 2022, bringing total PODS to 1,945, up from 911 PODS as of December 31, 2021. These metrics are useful in helping us to identify trends in our business, prepare financial forecasts and make capital allocation decisions, and assess the comparable health of our business relative to our direct competitors.

	Three months ended March 31,	
	2022	2021
Net revenue	$ 929,125	$ 119,925
Gross profit	$ 317,073	$ 53,718
Net income (loss)	$ (4,286,243)	$ (1,322,941)
EBITDA	$ (4,269,873)	$ (1,322,828)

Net revenue

Net revenue represents all revenues less discounts, promotions, and excise taxes. Net revenue is driven through wine sales, merchandise sales, wine club membership dues and service fees.

Gross profit (loss)

Gross profit (loss) is equal to our net revenue less cost of revenues (or cost of goods sold). Cost of revenues is comprised of all direct product costs such as juice, bottles, caps, corks, labels, capsules, and shipping. Additionally, we also categorize boxes and quality assurance testing within our cost of revenues. As we increase wholesale revenues, we expect compressed margins sharing the product margin with our distributors.

EBITDA

EBITDA is a financial measure that we calculate as operating profits before interest, taxes, depreciation and amortization. We use this metric to evaluate business performance in comparison to budgets, forecasts, and prior year financial results, providing a measure that management believes reflects the Company's core operating performance and overall health.

We believe the presentation of EBITDA is relevant and useful for investors because it allows investors to assess the Company's operating performance and makes it easier to compare our results with other similar companies, despite the potential impacts of varying financial or capital structures, depreciation benefits, or tax strategies. In addition, we believe this measure is among the measures used by investors, analysts and peers in our industry for purposes of evaluating and comparing our operating performance to other companies.

The following table provides a reconciliation of EBITDA to the most comparable financial measure reported under U.S. GAAP, net loss, for the periods presented:

	Three months ended March 31,	
	2022	**2021**
Net loss	$ (4,286,243)	$ 1,322,941)
Adjustments to net loss		
Interest	16,250	0
Amortization	$ 120	$ 113
EBITDA	$ (4,269,873)	$ (1,322,828)

<u>Components of Results of Operations and Trends That May Impact Our Results of Operations</u>

<u>Net Revenue</u>

Our net revenue consist primarily of wine sales to distributors and retailers, which together comprise our wholesale channel, and directly to individual consumers through our DTC channel. Net revenues generally represent wine sales and shipping, when applicable, and to a lesser extent branded merchandise and wine club memberships. For wine and merchandise sales, revenues are generally recognized at time of shipment. For Wine Club memberships, revenues are recognized quarterly at the time of fulfilment and only after the club member has made three consecutive (monthly) payments.

We refer to the volume of wine we sell in terms of cases. Each case contains 12 standard bottles, in which each bottle has a volume of 750 milliliters. Cases are sold through Wholesale/Retail or DTC channels.

The following factors and trends in our business have driven net revenue growth since January 1, 2021, and are expected to be key drivers of our net revenue for the foreseeable future:

Brand recognition: As we expand our marketing presence and drive visibility through traditional and modern marketing methods, we expect to build awareness and name recognition for Fresh Vine Wine in consumers' minds. Brand awareness will be built substantially through social media channels, where we are able to immediately access more than 30 million potential consumers through our celebrities' Instagram and Facebook platforms. Additionally, it will be built through complementary sports marketing partnerships across the National Football League, National Hockey League, National Basketball Association, and Major League Baseball.

Portfolio evolution: As a relatively new, high-growth brand, we expect and seek to learn from our consumers. We will continuously evolve and refine our products to meet our consumers' specific needs and wants, adapting our offering to maximize value for our consumers and stakeholders. Our growth mindset, coupled with our differentiated production and distribution platform, will enable us to accelerate growth and deliver on our value proposition over time.

One way in which we will evolve our portfolio is through product extensions. Fresh Vine Wine currently has five varietals (Cabernet Sauvignon, Cabernet Sauvignon Reserve, Pinot Noir, Chardonnay, and Rosé) within its product portfolio, and we can use the same knowledge and supplier networks to launch new varietals with much greater efficiency than we were previously able to achieve. We expect to launch a sixth varietal, Sauvignon Blanc, late in the second calendar quarter of 2022.

Distribution expansion and acceleration: Purchasing by distributors and loyal accounts that continue to feature our wines are key drivers of net revenue. We plan to continue broadening our distributor network, adding new geographies, and increasing each distributor's average order size as we accelerate growth.

Opportunistic evaluation of strategic acquisitions: With strong internal knowledge and a depth of experience in private equity and the broader financial services industry, we intend to maintain a strategic and opportunistic approach to evaluating acquisitions and growing through acquisition. We will also remain open to other inorganic growth activities, including joint ventures and strategic alliances, as we seek to accelerate this business to market. While we have not identified any prospective targets to date, we consider this a core competency of our leadership team and believe that this presents us with a viable growth alternative as we move forward.

Seasonality: In line with industry norms, we anticipate our net revenue to peak during the quarter spanning from October through December due to increased consumer demand around the major holidays. This is particularly true in our DTC revenue channel, where marketing programs will often be aligned with the holiday season and product promotions will be prevalent.

Revenue Channels

Our sales and distribution platform is built upon a highly developed network of distributor accounts. Within this network, we have signed agreements in place with several of the nation's largest distributors including Southern Glazer's Wine & Spirits and RNDC, among others. While we are actively working with these distributors in certain markets, they operate across the United States and we intend to grow our geographic/market presence through these relationships. The development of these relationships and impacts to our related product mix will impact our financial results as our channel mix shifts.

- *Wholesale channel*: Consistent with sales practices in the wine industry, sales to retailers and distributors occur below SRP (Suggested Retail Price). We work closely with distributors to increase wine volumes and the number of products sold by their retail accounts in their respective territories.

- *DTC channel*: Wines sold through our DTC channels are generally sold at SRP, although we do periodically offer various promotions. Our DTC channel continues to grow as a result of a number of factors, including expanded e-commerce sites and social media capabilities.

- *Related party services*: We have entered into service agreements with related parties in the wine industry to provide representation and distribution services. Service revenues are expected to suspend at the end of the current calendar quarter to allow the company's lean team to prioritize the growth and expansion of the Fresh Vine Wine brand.

Wholesale channel sales made on credit terms generally require payment within 30 days of delivery; however our credit terms with Southern Glazer's Wine & Spirits requires payment within 60 days of delivery. During periods in which our net revenue channel mix reflects a greater concentration of wholesale sales, we typically experience an increase in accounts receivable for the period to reflect the change in sales mix; payment collections in the subsequent period generally reduce our accounts receivable balance and have a positive impact on cash flows.

While we seek to increase revenue across all channels, we expect the majority of our future revenue to be driven through the wholesale channel. We intend to maintain and expand relationships with existing distributors and form relationships with new distributors as we work to grow the company. With multiple varietals within the Fresh Vine Wine portfolio, we consider ourselves to be a 'one-stop shop' for better-for-you wines. We continue to innovate with new products at competitive price points and strive to enhance the experience as we increase revenue with new and existing consumers.

In the DTC channel, our comprehensive approach to consumer engagement in both online and traditional forums is supported by an integrated e-commerce platform. Our marketing efforts target consumers who have an interest in healthy and active lifestyles. We make every attempt to motivate consumers toward a simple and easy purchasing decision using a combination of defined marketing programs and a modernized technology stack.

Increasing customer engagement is a key driver of our business and results of operations. We continue to invest in our DTC channel and in performance marketing to drive customer engagement. In addition to developing new product offerings and cross-selling wines in our product portfolio, we focus on increasing customer conversion and retention. As we continue to invest in our DTC channel, we expect to increase customer engagement and subsequently deliver greater satisfaction. We also distribute our wines via other wine e-commerce sites such as Wine.com and Vivino.com and plan to continue to add affiliate retail websites.

Net Revenue Percentage by Channel

We calculate net revenue percentage by channel as net revenue made through our wholesale channel to distributors, through our wholesale channel directly to retail accounts, and through our DTC channel, respectively, as a percentage of our total net revenue. We monitor net revenue percentage across revenue channels to understand the effectiveness of our distribution model and to ensure we are employing resources effectively as we engage customers.

	Three months ended March 31,	
	2022	**2021**
Wholesale	57%	46%
Direct to consumer	27%	54%
Related party service	16%	0%
	100%	100%

Cost of Revenues

Cost of revenues (or cost of goods sold). Cost of revenues is comprised of all direct product costs such as juice, bottles, caps, corks, labels, and capsules. Additionally, we also categorize boxes and quality assurance testing within our cost of revenues. We expect that our cost of revenues will increase as our net revenue increases. As the volume of our product inputs increase, we intend to work to renegotiate vendor contracts with key suppliers to reduce overall product input costs as a percentage of net revenue.

Additionally, the Company includes shipping fees in all DTC revenues. These fees are paid by end consumers at time of order and subsequently itemized within the cost of each individual sale.

As a commodity product, the cost of wine fluctuates due to annual harvest yields and the availability of juice. This macroeconomic consideration is not unique to Fresh Vine Wine, although we are conscious of its potential impact to our product cost structure.

Gross Profit (Loss)

Gross profit (loss) is equal to our net revenue less cost of revenues. As we grow our business in the future, we expect gross profit to increase as our revenue grows and as we optimize our cost of revenues.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses consist of selling expenses, marketing expenses, and general and administrative expenses. Selling expenses consist primarily of direct selling expenses in our wholesale and DTC channels, including payroll and related costs, product samples, processing fees, and other outside service fees or consulting fees. Marketing expenses consist primarily of advertising costs to promote brand awareness, contract fees incurred as a result of significant sports marketing agreements, customer retention costs, payroll, and related costs. General and administrative expenses consist primarily of payroll and related costs.

Equity-Based Compensation

Equity-based compensation consists of the accounting expense resulting from our issuance of equity or equity-based grants issued in exchange for employee or non-employee services. We measure equity-based compensation cost at the grant date based on the fair value of the award and recognize the compensation expense over the requisite service period, which is generally the vesting period. We recognize any forfeitures as they occur.

Results of Operations

	Three months ended March 31, 2022	Three months ended March 31, 2021
Net revenue	$ 929,125	$ 119,925
Cost of revenues	612,052	66,207
Gross profit (loss)	317,073	53,718
Selling, general and administrative expenses	2,705,200	649,733
Equity-based compensation	1,902,584	727,583
Loss from operations	(4,290,711)	(1,323,598)
Other income	4,468	657
Net loss	$ (4,286,243)	$ (1,322,941)

Comparison of the Three Months ended March 31, 2022 and 2021

Net Revenue, Cost of Revenues and Gross Profit

We had net revenue in in the first quarter of 2021 of $119,925. Net revenue in in the first quarter of 2022 increased to $929,125. The increase in net revenue was attributable to our increasing presence in the wholesale market and an increase in wine club membership. During the first quarter of 2022, we generated net revenue of $529,840 from our wholesale distribution channel, $248,401 of net revenue from our direct-to-consumer sales channel, and $150,884 from our services channel. This revenue distribution represents 57%, 27% and 16%, respectively, of our net revenue during the period. Service revenues are expected to suspend at the end of the current calendar quarter to allow the company's lean team to prioritize the growth and expansion of the Fresh Vine Wine brand.

	Three months ended March 31, 2022	Three months ended March 31, 2021	Change $
Net revenue	$ 929,125	$ 119,925	$ 809,200
Cost of revenues	$ 612,052	$ 66,207	$ 545,845
Gross profit (loss)	$ 317,073	$ 53,718	$ 263,355

Selling, general and administrative expenses

Selling, general and administrative expenses increased $2,055,467, or 316%, to approximately $2.7 million for the three months ended March 31, 2022, compared to $649,733 for the three months ended March 31, 2021. Selling, general and administrative expense increases were largely driven by increases in selling expense related to our sponsorship agreements in the sports and entertainment industry, from $47,042 for the three months ended March 31, 2021 to $303,200 for the three months ended March 31, 2022, marketing expenses, from $163,852 for the three months ended March 31, 2021 to $500,188 for the three months ended March 31, 2022, and general and administrative expenses, from $438,838 for the three months ended March 31, 2021 to $1,901,812 for the comparable 2022 quarter. The year-over-year increase in marketing expenses primarily resulted from increased advertising and social media marketing. The year-over-year increase in general and administrative expenses is the result of increased staffing and salaries as operational activity increased from 2021 to 2022. We typically expect selling expenses to follow our sales volume growth as the activities are intended to generate revenues.

	Three months ended March 31,		Change
	2022	2021	$
Selling expenses	$ 303,200	$ 47,042	$ 256,158
Marketing expenses	500,188	163,852	336,336
General and administrative expenses	1,901,812	438,839	1,462,973
Total selling, general and administrative expenses	$ 2,705,200	$ 649,733	$ 2,055,467

Cash Flows

Net cash provided by (used in) operating activities was ($4,542,945) and ($162,116) for the three months ended March 31, 2022 and March 31, 2021, respectively. Cash used in operating activities increased in the 2022 period primarily because of increased staffing as operations increased and advertising expenses due to increased sponsorships and marketing agreements during 2022.

Net cash used in investing activities was $0 for the three months ended March 31, 2022 and March 31, 2021.

Net cash used in financing activities was $370,838 and net cash provided by financing activities was $200,000 for the three months ended March 31, 2022 and March 31, 2021, respectively. The cash used in the three months ended March 31, 2022 was primarily to pay off outstanding debt. The cash provided in the three months ended March 31, 2021 was primarily due to proceeds from issuance of member units.

	Three months ended March 31,	
	2022	2021
Cash flows provided by (used in):		
Operating activities	$ (4,542,945)	$ (162,116)
Investing activities	0	0
Financing activities	(370,838)	200,000
Net (decrease) increase in cash	$ (4,913,783)	$ 37,884

Liquidity and Capital Resources

Our primary cash needs are for working capital purposes, such as driving awareness through advertising and marketing spend, adding staff, funding operations, and purchasing inventory. Prior to our December 2021 initial public offering, we funded our operational cash requirements primarily with funds advanced from Damian Novak, our Executive Chairman and co-founder, and entities affiliated with Mr. Novak. We also received proceeds from the sale of Class W Units representing membership interests in the Company, which converted into common stock upon our December 2021 conversion to a corporation (the “LLC Conversion”), and we received short term loans in the form of promissory notes from two of our equity holders, which supplement the loans from Mr. Novak and his affiliates as sources of operating capital, along with limited cash flows from our operating activities. See “Financing Transactions” below.

We have incurred losses and negative cash flows from operations since our inception in May 2019, including an operating loss of $4,290,711 for the three months ended March 31, 2022 and operating losses of approximately $9.97 million and $1.3 million during the years ended December 31, 2021 and 2020, respectively. As of March 31, 2022, we had an accumulated deficit of $4,903,594 and a total stockholders' equity of $14,614,081.

As of March 31, 2022, we had $11,150,158 in cash, accounts receivable (including receivables with recourse) of $857,288, inventory of $785,648, prepaid expenses of $3,554,256 of which $2,641,339 is current prepaid expenses. On March 31, 2022, current assets amounted to $15,813,846 and current liabilities were $2,116,552 resulting in a working capital surplus (with working capital defined as current assets minus current liabilities) of $13,697,294.

We expect to incur losses in future periods as we continue to invest in our business. The Company incurred net losses of $4,286,243 and $1,322,941 for the three months ended March 31, 2022 and 2021, respectively. As reflected on its statements of cash flows, the Company's net cash used in operating activities during the quarters ended March 31, 2022, and December 31, 2021, was $4,542,945 and $3,778,330, respectively.

Although the Company's revenue generated during the first quarter of 2022 represents a 43% increase over its revenues generated in the fourth quarter of 2021, the Company's operating expenses have outpaced its revenues over those periods. The Company has incurred increased expenses and cash outflows to purchase inventory in advance of retail placement and in efforts to mitigate supply chain risks, invest in sales and marketing activities and increase our Company staffing and infrastructure to position us for future growth. These investments are critical to position us for future growth including entry into distribution agreements with large regional and national retailers. The Company expects to continue to generate negative cash flows from operations as it implements its plan to invest in inventory for the balance of the year to mitigate potential supply chain challenges. The Company had cash on hand of $8,097,467 as of May 13, 2022. Since March 31, 2022, the Company has purchased or placed deposits on inventory for approximately $2.1 million dollars, with year to date inventory deposits and purchases exceeding $3.5 million dollars. The Company currently holds no debt and plans to seek debt or equity financing to fund its near-term operations.

At the Company's current pace of incurring expenses, and without receipt of additional financing, the Company projects that its existing cash will be sufficient to fund its current operations into the fourth quarter of 2022, after which additional financing will be needed to continue to satisfy its obligations. As a result, the Company may defer certain investments in additional inventory, curtail its sales and marketing efforts and staffing, and take other measures to reduce its expenses and business operations as the Company works to obtain additional debt or equity financing to help support short-term working capital needs, as it has no debt on its balance sheet. These measures may negatively impact the success of the Company's near-term or longer-term growth objectives and prospects.

We do not have any committed sources of additional capital. Company management does not know whether additional financing will be on terms favorable or acceptable to us when needed. If additional financing is available, it may be dilutive to existing shareholders and may otherwise include burdensome or onerous terms. The Company's inability to raise additional working capital at all or to raise it in a timely manner would negatively impact its ability to fund operations, to generate revenues, grow its business and otherwise execute its business plan, which could lead to the reduction or suspension of operations and ultimately potentially forcing the Company to cease operations altogether. These factors call into questions the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Financing Transactions

We have funded our operations through a combination of debt and equity financings.

Since the Company's inception in May 2019, Damian Novak, our Executive Chairman and co-founder, and affiliates of Mr. Novak have incurred expenses on our behalf or advanced funds to us from time to time as needed to satisfy our working capital requirements and expenses. The reimbursable expenses and advances were reflected as related party payables on our balance sheet and were not evidenced promissory notes or other written documentation. On December 17, 2021, we used a portion of the proceeds from our initial public offering to repay $2.0 million, representing the outstanding amount of these related party payables, net of related party receivables that Mr. Novak and his affiliates owed to us at that time.

In November 2020, we sold 50,000 Class W Units representing membership interests in the Company to an investor at a price of $5.00 per unit, for gross proceeds of $250,000. Such Class W Units converted into an aggregate of 309,672 shares of our common stock upon the LLC Conversion.

In January 2021, we sold 40,000 Class W Units representing membership interests in the Company to an investor at a price of $5.00 per unit, for gross proceeds of $200,000. Such Class W Units converted into an aggregate of 247,738 shares of our common stock upon the LLC Conversion.

During the period from April 2021 through September 2021, we sold an aggregate of 60,388 Class W Units representing membership interests in the Company to investors at a price of $34.94 per unit, for gross proceeds of $2,109,945. Such Class W Units converted into an aggregate of 374,017 shares of our common stock upon the LLC Conversion.

In September 2021, the Company entered into an agreement with an unrelated party to pledge certain eligible accounts receivable for a cash advance at a percentage of the outstanding amount, with the remaining balance due upon collection from the customer. The agreement has an initial term of one year which will automatically renew for successive one year terms unless the Company provides a notice of termination at least 60 days prior to the termination date. The receivables are pledged with full recourse, which means we bear the risk of non-payment. The amounts advanced to the Company are classified as a secured loan on our balance sheet and any fees computed on the outstanding amounts are treated as interest expense on our statement of operations. The Company had pledged approximately $243,000 of customer accounts which is recorded as receivables with recourse, and has secured borrowings of approximately $16,231 as of March 31, 2022.

In September 2021, we issued a $216,000 promissory note to a stockholder of the Company that became due and payable upon the December 17, 2021 closing of our initial public offering. In October 2021, we issued another $216,000 promissory note to a different stockholder of the Company that became due and payable upon the December 17, 2021 closing of our initial public offering. Collectively, the stockholders holding these notes owned approximately 3.63% of our outstanding shares immediately prior to our initial public offering.

In December 2021, we completed an initial public of our common stock, in which we sold 2,200,000 shares. The shares began trading on the NYSE American on December 14, 2021. The shares were sold at an initial public offering price of $10.00 per share, resulting in net proceeds to the Company of approximately $19.2 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Critical Accounting Policies and Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

While all significant accounting policies are more fully described in Note 1 (Summary of Significant Accounting Policies) to our financial statements, we believe that the following accounting policies and estimates are critical to our business operations and understanding of our financial results.

Allowance for Doubtful Accounts

Accounts receivable consists of amounts owed to us for sales of our products on credit and are reported at net realizable value. Credit terms are extended to customers in the normal course of business. We perform ongoing credit evaluations of our customers' financial conditions. We estimate allowances for future returns and doubtful accounts based upon historical experience and its evaluation of the current status of receivables. Accounts considered uncollectible are written off against the allowance. As of March 31, 2022 and 2021 there was no allowance for doubtful accounts.

Allowance for Inventory Obsolescence

Inventories primarily include bottled wine which is carried at the lower of cost (calculated using the first-in-first-out ("FIFO") method) or net realizable value. We reduce the carrying value of inventories that are obsolete or for which market conditions indicate cost will not be recovered to estimated net realizable value. Our estimate of net realizable value is based on analysis and assumptions including, but not limited to, historical experience, future demand and market requirements. Reductions to the carrying value of inventories are recorded in cost of revenues. As of March 31, 2022 and 2021 there was no allowance for inventory obsolescence.

Useful Lives of Intangible Assets

We assess intangible assets with finite useful lives which are amortized on a systematic basis over their estimated useful lives. The amortization period and amortization method for an intangible asset with a finite useful life reflects the pattern in which the assets' future economic benefits are expected to be consumed. Where the pattern cannot be reliably determined, the straight-line method is used. The amortization period and method are reviewed at least at each financial year-end. Amortization of intangible assets with fixed determinable lives is recorded on a straight-line basis over 10 years for trademarks.

Equity-Based Compensation

We measure equity-based compensation cost at the grant date based on the fair value of the award and recognize the compensation expense over the requisite service period, which is generally the vesting period. We recognize any forfeitures as they occur.

We measure equity-based compensation when the service date precedes the grant date based on the fair value of the award as an accrual of equity-based compensation and adjusts the cost to fair value at each reporting date prior to the grant date. In the period in which the grant occurs, the cumulative compensation cost is adjusted to the fair value at the date of the grant.

Off-Balance Sheet Arrangements

We have not engaged in any off-balance sheet activities as defined in Item 303(a)(4) of Regulation S-K.

Accounting Standards and Recent Accounting Pronouncements

See Note 1 (Summary of Significant Accounting Policies) to our audited financial statement for a discussion of recent accounting pronouncements.

Emerging Growth Company Status

Pursuant to the JOBS Act, a company constituting an "emerging growth company" is, among other things, entitled to rely upon certain reduced reporting requirements and is eligible to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We are an emerging growth company and have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. Our financial statements may, therefore, not be comparable to those of other public companies that comply with such new or revised accounting standards.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), defines the term “disclosure controls and procedures” as those controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of March 31, 2022. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective as of March 31, 2022 due to the material weaknesses in internal control over financial reporting as described below.

Material Weakness Remediation Activities

Management had previously determined that there were material weaknesses in our internal control over financial reporting resulting from (i) our failure to maintain adequate controls to identify and record transactions incurred by related parties on behalf of the Company, (ii) a lack of segregation of incompatible duties the limited number of the Company employees responsible for accounting and reporting functions, (iii) a lack of regular and timely review of the Company’s accounts receivable subledger, and (iv) the improper application of an assumption used to calculate the fair value of warrants issued to the Company’s underwriters at the closing of the Company’s initial public offering. In an effort to remediate the material weakness in our internal control over financial reporting described above, we intend to take the actions and implement the processes described below.

Accounting for Related Party Transactions. The Company intends to develop and implement a process for capturing related party transactions as they occur, including maintaining related supporting documentation and performing monthly reconciliations, to ensure timely, accurate, and complete financial reporting.

Lack of Segregation of Duties. To ensure timely and accurate financial reporting, management is designing processes to keep authorization, recordkeeping, custody of assets, and reconciliation duties separate, and intends to reevaluate its overall staffing levels within the accounting, finance and information technology departments and may hire additional staff to enable segregation of duties.

Review of Accounts Receivable Subledgers. The Company intends to implement policies requiring regular and timely review of accounts receivable subledgers to prevent and detect possible accuracy issues, existence issues, and ensure the subledger is complete.

Accounting for Equity-Based Compensation. , As part of reevaluating its overall staffing levels within the accounting and finance department, the Company may seek to retain additional resources with qualifications that include a high level of experience with complex accounting transactions and application of U.S. GAAP.

Once the above actions and processes have been in operation for a sufficient period of time for our management to conclude that the material weaknesses has been fully remediated and our internal controls over financial reporting are effective, we will consider these material weaknesses fully addressed.

Changes in Internal Control Over Financial Reporting

There were no other changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during the three months ended March 31, 2022 that has materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, the reader should carefully consider the potential risks and uncertainties discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021, as well as the updated risk factor set forth below.

We will require additional debt or equity financing in the near term to sustain our existing operations, and if adequate financing is not available, we may be forced curtail our near-term growth priorities, take measures to severely reduce our expenses and business operations, or discontinue them completely. Such financing may be dilutive. Our need for near-term financing calls into question our ability to remain a going concern. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources.”

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

See “Exhibit Index” following the signature page of this Quarterly Report on Form 10-Q for a description of the documents that are filed as Exhibits to this Quarterly Report on Form 10-Q or incorporated by reference herein.

SIGNATURES:

Pursuant to the requirements 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.

FRESH VINE WINE, INC.

Date: May 16, 2022	By:	/s/ Janelle Anderson Janelle Anderson Chief Executive Officer
Date: May 16, 2022	By:	/s/ Ellen Scipta Ellen Scipta Chief Financial Officer

EXHIBIT INDEX
FRESH VINE WINE, INC.
FORM 10-Q

Exhibit Number	Description
10.1*#	Form of Employee Restricted Stock Agreement under the Fresh Vine Wine, Inc. 2021 Equity Incentive Plan
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certifications of Principal Executive Officer and Principal Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.
\# Management contract or compensatory plan

FRESH VINE WINE, INC.
RESTRICTED STOCK AGREEMENT
(Employee)

This Restricted Stock Agreement (the "Agreement") is made effective as of , 202 by and between Fresh Vine Wine, Inc., a Nevada corporation (the "Company"), and ("Employee").

Background

A. The Company has adopted the Fresh Vine Wine, Inc.2021 Equity Incentive Plan (the "Plan"), to increase stockholder value and to advance the interests of the Company by furnishing a variety of economic incentives ("Incentives") designed to attract, retain and motivate employees, certain key consultants and directors of the Company;

B. The Board of Directors of the Company (the "Board") or the Compensation Committee of the Board (the "Committee") believes that entering into this Agreement with Employee is consistent with the stated purposes for which the Plan was adopted; and

C. The Company desires to grant restricted stock to Employee, and Employee desires to accept such restricted stock, on the terms and conditions set forth herein and in the Plan.

AGREEMENT

NOW, THEREFORE, it is agreed as follows:

1. Grant of Stock. Subject to the terms and provisions of this Agreement and the Plan, the Company hereby grants to Employee ( ) shares of common stock, par value $0.001 per shares, of the Company (such shares are referred to hereinafter as the "Shares"). Upon the execution of this Agreement, the Shares shall be registered on the books of the Company, and the Company shall cause the transfer agent and registrar of its common stock to issue one or more certificates in Employee's name evidencing the Shares (each a "Stock Certificate"). Employee shall immediately thereafter deposit with the Company (and, if required by the Company, a stock power duly endorsed in blank in the form provided by the Company), each Stock Certificate to be held by the Company until such time as the restrictions set forth herein and under the Plan have lapsed pursuant to paragraph 4 of this Agreement. The Stock Certificate(s) shall bear a legend in substantially the following form:

> The transferability of this certificate and the shares of Common Stock represented by it are subject to the terms and conditions (including conditions of forfeiture) contained in the 2021 Equity Incentive Plan (the "Plan") of Fresh Vine Wine, Inc. (the "Company"), and an agreement entered into between the registered owner and the Company. A copy of the Plan and the agreement is on file in the office of the secretary of the Company.

At the Company's election, Shares may be held in book entry form subject to a restricted stock legend (and corresponding stop transfer instructions) until restrictions relating to the Shares have lapsed.

2. Rights of Employee. Upon the execution of this Agreement and issuance of the Shares, Employee shall become a stockholder with respect to the Shares and shall have all of the rights of a stockholder with respect to the Shares, including the right to vote the Shares and to receive all dividends and other distributions paid with respect to the Shares; *provided, however,* that the Shares shall be subject to the restrictions set forth in paragraph 3 of this Agreement.

Notwithstanding the preceding paragraph, the Board or the Committee may, in its discretion, instruct the Company to withhold any stock dividends or stock splits issued on or with respect to Shares that are subject to the restrictions provided for in paragraph 3 of this Agreement, which stock dividends or splits shall also be subject to the restrictions provided for in paragraph 3 of this Agreement.

3. Restrictions. Employee agrees that, in addition to the restrictions set forth in the Plan, at all times prior to the lapse of such restrictions pursuant to paragraph 4 hereof:

(a) Employee shall not sell, transfer, pledge, hypothecate or otherwise encumber the Shares; and

(b) In the event that Employee ceases to be employed by or engaged as a consultant to the Company (for any reason or no reason, and regardless of whether ceasing to be an employee or consultant is voluntary or involuntary on the part of Employee), then, subject to paragraphs 4 and 5 hereof, Employee shall, for no consideration, forfeit and transfer to the Company all of the Shares that remain subject to the restrictions set forth in this paragraph 3.

4. Lapse of Restrictions. Subject to Section 10.13 of the Plan, and except as may otherwise be provided in a written agreement between Employee and the Company, the restrictions set forth in paragraph 3 shall lapse with respect to the Shares as set forth in the following schedule:

No. of Shares	**Date of Lapse**

Upon request of Employee at any time after the date that the restrictions set forth in paragraph 3 of this Agreement have lapsed with respect to any of the Shares, and such Shares have become vested, free and clear of all restrictions, except as provided in the Plan, the Company shall remove any restrictive notations placed on the books of the Company and the Stock Certificate(s) in connection with such restrictions.

5. No Right to Continuation of Employment or Corporate Assets. Nothing contained in this Agreement shall be deemed to grant Employee any right to continue in the employ of the Company for any period of time or to any right to continue his or her present or any other rate of compensation, nor shall this Agreement be construed as giving Employee, Employee's beneficiaries or any other person any equity or interests of any kind in the assets of the Company or creating a trust of any kind or a fiduciary relationship of any kind between the Company and any such person.

6. Withholding of Tax. To the extent that the receipt of the Shares or the lapse of any restrictions thereon results in income to Employee for federal or state income tax purposes, Employee shall deliver to the Company at the time of such receipt or lapse, as the case may be, such amount of money as the Company may require to meet its withholding obligation under applicable tax laws or regulations, and, if Employee fails to do so, the Company may elect to take such actions permitted under the Plan. Only if and to the extent permitted by the Committee in its sole discretion, Employee may satisfy this obligation in whole or in part by electing (the "Election") to forfeit and have the Company withhold from the Shares, shares of Common Stock having a value up to the minimum amount of withholding taxes required to be collected on the transaction, in accordance with the Plan. The Committee may disapprove of any Election.

7. Section 83(b) Election. Employee understands that Employee shall be responsible for his or her own federal, state, local or foreign tax liability and any of his other tax consequences that may arise as a result of transactions in the Shares. Employee shall rely solely on the determinations of Employee's tax advisors or Employee's own determinations, and not on any statements or representations by the Company or any of its agents, with regard to all such tax matters. Employee understands that Section 83 of the Internal Revenue Code of 1986, as amended, (the "Code") taxes as ordinary income the difference between the amount paid for the Shares and the fair market value of the Shares as of the date any restrictions on the Shares lapse. Employee understands that Employee may elect to be taxed at the time the Shares are received rather than when and as the restrictions on the Shares lapse or expire by filing an election under Section 83(b) of the Code with the Internal Revenue Service within 30 days from the date of the acquisition. If Employee files an election under Section 83(b) of the Code, such election shall contain all information required under the applicable treasury regulation(s) and Employee shall deliver a copy of such election to the Company contemporaneously with filing such election with the Internal Revenue Service. EMPLOYEE ACKNOWLEDGES THAT IT IS EMPLOYEE'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO FILE TIMELY THE ELECTION UNDER SECTION 83(B) OF THE CODE, EVEN IF EMPLOYEE REQUESTS THAT THE COMPANY OR ITS REPRESENTATIVES MAKE THIS FILING ON EMPLOYEE'S BEHALF.

8. Employee Representations. Employee hereby represents and warrants that Employee has reviewed with his or her own tax advisors the federal, state, and local tax consequences of the transactions contemplated by this Agreement. Employee is relying solely on such advisors and not on any statements or representation of the Company or any of its agents. Employee understands that he or she will be solely responsible for any tax liability that may result to him or her as a result of the transactions contemplated by this Agreement.

9. The Plan; Administration. The Shares are granted pursuant to the Plan and is governed by the terms thereof, which are incorporated herein by reference. The Board and/or the Committee shall have the sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of the Board and/or the Committee with respect thereto and to this Agreement shall be final and binding upon the Employee. In the event of any conflict between the terms and conditions of this Agreement and the Plan, the provisions of the Plan shall govern and control. By the execution of this Agreement, Employee acknowledges receipt of a copy of the Plan.

10. General.

(a) Any notice required to be delivered to the Company under this Agreement shall be in writing and addressed to the Chief Executive Officer of the Company at the Company's principal corporate offices. Any notice required to be delivered to Employee under this Agreement shall be in writing and addressed to Employee at Employee's address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

(b) This Agreement may be amended only by a written agreement executed by the Company and Employee.

(c) This Agreement and the Plan embody the entire agreement made between the parties hereto with respect to matters covered herein and shall not be modified except in accordance with paragraph 10(b) of this Agreement.

(d) Nothing herein expressed or implied is intended or shall be construed as conferring upon or giving to any person, firm, or corporation other than the parties hereto, any rights or benefits under or by reason of this Agreement.

(e) Each party hereto agrees to execute such further documents as may be necessary or desirable to effect the purposes of this Agreement.

(f) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement.

(g) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall be constitute but one in the same agreement. Delivery of an executed counterpart of a signature page by facsimile or other means of electronic transmission utilizing reasonable image scan technology (or DocuSign technology) shall be as effective as delivery of a manually executed counterpart of this Agreement.

(h) If the parties should have a dispute arising out of, or relating to, this Agreement or the parties' respective rights and duties hereunder, then the parties will resolve such dispute in the following manner: (i) any party may at any time deliver to the others a written dispute notice setting forth a brief description of the issue for which such notice initiates the dispute resolution mechanism contemplated by this Section 10(h); (ii) during the 30-day period following the delivery of the notice described in this Section 10(h) above, the parties will refer the issue (to the exclusion of a court of law) to final and binding arbitration in Minnesota in accordance with the then existing rules (the "Rules") of the American Arbitration Association ("AAA"), and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof; provided, that the law applicable to any controversy shall be the laws of the state of Nevada, regardless of principles of conflicts of laws. In any arbitration pursuant to this Agreement, (1) discovery shall be allowed and governed by the Rules, and (2) the award or decision shall be rendered by a single arbitrator who shall be appointed by mutual agreement of the Company and Employee. In the event of failure of the parties subject to the dispute to agree within 30 days after the commencement of the arbitration proceeding upon the appointment of the single arbitrator, the single arbitrator shall be appointed by the AAA in accordance with the Rules. Upon the completion of the selection of the single arbitrator, an award or decision shall be rendered within no more than 30 days. Failure of the arbitrator to meet the time limits of this subsection will not be a basis for challenging the award. The arbitrator will not have the authority to award punitive damages to either party. Each party will bear its own expenses, but the parties will share equally the expenses of the arbitrator. The arbitrator may elect to award attorneys' fees and other related costs payable by the losing party to the successful party. This Agreement will be enforceable, and any arbitration award will be final and non-appealable, and judgment thereon may be entered in any court of competent jurisdiction.

THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, THE RELATED DOCUMENTS OR THE RELATIONSHIP ESTABLISHED UNDER THIS AGREEMENT.

(i) This Agreement, in its interpretation and effect, shall be governed by the laws of the State of Nevada, without regard to its conflicts-of-law principles; provided that if the jurisdiction of incorporation of the Company is a jurisdiction other than Nevada, then this Agreement shall instead be governed by the laws of the jurisdiction of incorporation of the Company, without regard to its conflicts-of-law principles. The venue for any action relating to this Agreement shall be the federal or state courts located in Minneapolis, Minnesota, to which venue each party hereby submits.

Signature Page follows.

IN WITNESS WHEREOF, the parties have executed this Restricted Stock Agreement to be effective as of the date first set forth above.

EMPLOYEE:

____

FRESH VINE WINE, INC.:

By: __________________________

Name: ________________________

Title __________________________

Signature Page – Restricted Stock Agreement

Exhibit 31.1

CERTIFICATION

I, Janelle Anderson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Fresh Vine Wine 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-d-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(s) 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.

Date: May 16, 2022

/s/ Janelle Anderson
Janelle Anderson
Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Ellen Scipta, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Fresh Vine Wine 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-d-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(s) 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.

Date: May 16, 2022

/s/ Ellen Scipta
Ellen Scipta
Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

CERTIFICATION

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Fresh Vine Wine Inc. (the “Company”) for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Janelle Anderson, Chief Executive Officer, and I, Ellen Scipta, Chief Financial Officer, of the Company, certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. § 1350, that to our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 16, 2022

/s/ Janelle Anderson
Janelle Anderson
Chief Executive Officer (Principal Executive Officer)

/s/ Ellen Scipta
Ellen Scipta
Chief Financial Officer (Principal Financial Officer)