UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

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

Date of report (Date of earliest event reported)
August 31, 2022

DIGITAL BRANDS GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

001-40400
(Commission File Number)

46-1942864
(IRS Employer Identification No.)

1400 Lavaca Street, Austin, TX
(Address of Principal Executive Offices)

78701
(Zip Code)

(209) 651-0172
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbols	Name of each exchange on which registered
Common Stock, par value $0.0001	DBGI	The Nasdaq Stock Market LLC
Warrants, each exercisable to purchase one share of Common Stock	DBGIW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company x

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. ¨

Item 1.01. Entry Into a Material Definitive Agreement

On August 31, 2022, Digital Brands Group, Inc. (the "Company") entered into a Subscription and Investment Representation Agreement (the "Subscription Agreement") with John Hilburn Davis IV, its Chief Executive Officer, who is an accredited investor (the "Purchaser"), pursuant to which the Company agreed to issue and sell one (1) share of the Company's Series A Preferred Stock, par value $0.0001 per share (the "Preferred Stock"), to the Purchaser for $25,000 in cash. The sale closed on August 31, 2022. Additional information regarding the rights, preferences, privileges and restrictions applicable to the Preferred Stock is set forth under Item 5.03 of this Current Report on Form 8-K and is incorporated herein by reference.

The Subscription Agreement contains customary representations and warranties and certain indemnification rights and obligations of the parties.

The foregoing summary of the Subscription Agreement does not purport to be complete and is subject to, and qualified in its entirety by, such document, which is filed as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Item 3.02 Unregistered Sales of Equity Securities

The disclosure required by this Item is included in Item 1.01 of this Current Report on Form 8-K and is incorporated herein by reference. Based in part upon the representations of the Purchaser in the Subscription Agreement, the offering and sale of the Preferred Stock was exempt from registration under Section 4(a)(2) of the Securities Act of 1933, as amended.

Item 3.03 Material Modifications to Rights of Security Holders

The disclosure required by this Item is included in Item 5.03 of this Current Report on Form 8-K and is incorporated herein by reference.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year

On August 31, 2022, the Company filed a certificate of designation (the "Certificate of Designation") with the Secretary of State of the State of Delaware, effective as of the time of filing, designating the rights, preferences, privileges and restrictions of the share of Preferred Stock. The Certificate of Designation provides that the Preferred Stock will have 250,000,000 votes per share of Preferred Stock and will vote together with the outstanding shares of the Company's common stock as a single class exclusively with respect to any proposal to amend the Company's Sixth Amended and Restated Certificate of Incorporation (as may be amended and/or restated from time to time, the "Restated Certificate") to effect a reverse stock split of the Company's common stock and to increase the authorized number of shares of the Company's common stock. The Preferred Stock will be voted, without action by the holder, on any such proposal in the same proportion as shares of common stock are voted. The Preferred Stock otherwise has no voting rights except as otherwise required by the General Corporation Law of the State of Delaware.

The Preferred Stock is not convertible into, or exchangeable for, shares of any other class or series of stock or other securities of the Company. The Preferred Stock has no rights with respect to any distribution of assets of the Company, including upon a liquidation, bankruptcy, reorganization, merger, acquisition, sale, dissolution or winding up of the Company, whether voluntarily or involuntarily. The holder of the Preferred Stock will not be entitled to receive dividends of any kind.

The outstanding share of Preferred Stock shall be redeemed in whole, but not in part, at any time: (i) if such redemption is ordered by the Board of Directors in its sole discretion or (ii) automatically upon the approval by the Company's stockholders of an amendment to the Restated Certificate to increase the authorized number of shares of the Company's common stock and an amendment to the Restated Certificate to implement a future reverse stock split. Upon such redemption, the holder of the Preferred Stock will receive consideration of $25,000 in cash.

Furthermore, on August 31, 2022, the Board of Directors of the Company approved a second amendment (the "Second Amendment") to the Company's Amended and Restated Bylaws (as amended, the "Bylaws") that amends the quorum for a stockholders' meeting or action to be at least 33 1/3% of the shares of the capital stock of the Company issued and outstanding and entitled to vote, present in person or represented by proxy.

The foregoing summaries of the Certificate of Designation and Second Amendment to the Bylaws do not purport to be complete and are subject to, and qualified in their entirety by reference to the Certificate of Designation and the Second Amendment, copies of which are attached hereto as Exhibit 3.1 and Exhibit 3.2 and are incorporated herein by reference.

Item 5.08. Shareholder Director Nominations.

The information set forth under the caption "Item 5.03. Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year" is incorporated herein by reference.

Item 8.01 Other Events.

As previously reported on June 23, 2022, Digital Brands Group, Inc., a Delaware corporation (the "Company" or "DBG"), entered into an Amended and Restated Membership Interest Purchase Agreement (the "Agreement") on June 17, 2022 with Moise Emquies, George Levy, Matthieu Leblan and Carol Ann Emquies ("Sellers"), Sunnyside, LLC, a California limited liability company ("Sundry"), and George Levy as the Sellers' representative (the "Sellers' Representative"), pursuant to which the Company will acquire all of the issued and outstanding membership interests of Sundry (such transaction, the "Acquisition").

In connection with the proposed Acquisition, the Company is filing this Current Report on Form 8-K to provide the following financial information with respect to Sundry and the Company:

(1) unaudited pro forma combined balance sheets of DBG and Sundry as of June 30, 2022 and unaudited pro forma combined statements of operations for the six months ended June 30, 2022 and the year ended December 31, 2021; and

(2) unaudited balance sheets of Sundry as of June 30, 2022 and December 31, 2021, and statement of operations for the six months ended June 30, 2022 and 2021, filed as Exhibit 99.1 and incorporated by reference herein.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF SUNNYSIDE, LLC ("SUNDRY")

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the historical financial statements of the relevant entities and the pro forma financial statements and the notes thereto included elsewhere in this Report. This discussion and analysis contains forward- looking statements that involve risks and uncertainties. Sundry's actual results may differ materially from those anticipated in these forward-looking statements.

Overview

Sundry captures coastal casual style with a certain French Chic. Sundry is primarily a wholesale brand that we intend to transition to a digital, direct-to-consumer brand.

Net Revenue

Sundry sells its products directly to customers. Sundry also sells its products indirectly through wholesale channels that include third-party online channels and physical channels such as specialty retailers and department stores.

Cost of Net Revenue

Sundry's cost of net revenue includes the direct cost of purchased and manufactured merchandise; inventory shrinkage; inventory adjustments due to obsolescence including excess and slow-moving inventory and lower of cost and net realizable reserves; duties; and inbound freight.

Operating Expenses

Sundry's operating expenses include all operating costs not included in cost of net revenues and sales and marketing. These costs consist of general and administrative, fulfillment and shipping expense to the customer.

General and administrative expenses consist primarily of all payroll and payroll-related expenses, professional fees, insurance, software costs, occupancy expenses related to Sundry's stores and to Sundry's operations at its headquarters, including utilities, depreciation and amortization, and other costs related to the administration of its business.

Sundry's fulfillment and shipping expenses include the cost to operate its warehouse including occupancy and labor costs to pick and pack customer orders and any return orders; packaging; and shipping costs to the customer from the warehouse and any returns from the customer to the warehouse.

Sales and Marketing

Sundry's sales and marketing expense primarily includes digital advertising; photo shoots for wholesale and direct-to-consumer communications, including email, social media and digital advertisements; and commission expenses associated with sales representatives.

Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

Results of Operations

The following table presents our results of operations for the six months ended June 30, 2022 and 2021:

	Six Months Ended June 30,	
	2022	**2021**
Net revenues	$ 9,449,734	$ 13,765,815
Cost of net revenues	4,948,290	8,410,619
Gross profit	4,501,444	5,355,196
Operating expenses	4,170,137	4,301,578
Operating income	331,307	1,053,618
Other income (expenses)	(36,867)	652,104
Income before provision for income taxes	294,440	1,705,722
Provision for income taxes	(800)	(800)
Net income	$ 293,640	$ 1,704,922

Net Revenues

Revenue decreased by $4.3 million for the six months ended June 30, 2022 compared to the same period in 2021. The decrease was due to less e-commerce and wholesales sales as consumers and companies were affected by macronemic conditions.

Gross Profit

Sundry's gross profit decreased by $0.9 million for the six months ended June 30, 2022 compared to the same period in 2021. The decrease in gross profit was primarily due to the corresponding decreases in revenues, offset by better margins in 2022.

Sundry's gross margin was 47.6% and 38.9% for the six months ended June 30, 2022 and 2021, respectively. The increase in margin was due to write-downs of inventory in the spring of 2021.

Operating Expenses

Sundry's operating expenses decreased by $0.1 million for the six months ended June 30, 2022 compared to the same period in 2021. The decrease was primarily due to lower sales and marketing expenses, partially offset by increased personnel costs in general and administrative departments.

Other Income / Expenses

Other expenses consist of interest expense. In 2021, the Company recorded other income pertainting to PPP forgiveness.

Net Income

Sundry had a net income of $0.3 million in 2022 compared to a net income of $1.7 million in 2021. The decrease in net income was primarily due to lower gross profit and other income recorded in 2021.

Cash Flow Activities

The following table presents selected captions from Sundry's statement of cash flows for the six months ended June 30, 2022 and 2021:

	Six Months Ended June 30,	
	2022	**2021**
Net cash provided by operating activities:		
Net income	$ 293,640	$ 1,704,922
Non-cash adjustments	27,000	(653,742)
Change in operating assets and liabilities	(3,916)	(59,207)
Net cash provided by operating activities	316,724	991,973
Net cash provided by (used in) investing activities	18,982	(5,000)
Net cash provided by (used in) financing activities	272,700	(734,363)
Net change in cash	$ 608,406	$ 252,611

Cash Flows Provided By Operating Activities

Sundry's cash provided by operating activities was $0.3 million in 2022 compared to cash provided by $1.0 million in 2021. The decrease in net cash provided by operating activities was primarily driven by lower net income in 2022, partially offset by non-cash adjustments.

Cash Flows Provided By Investing Activities

In 2022, Sundry received proceeds funds from a deposit.

Cash Flows Provided by Financing Activities

Sundry's cash provided by financing activities was $0.3 million in 2022, consisting of $1.0 million in related party advances partially offset by $0.5 million in related party repayments, $0.2 million factor repayments and $0.1 million in member distributions. Sundry's cash used in financing activities was $0.7 million in 2021, consisting of $0.6 million in proceeds from loans, factor repayments of $0.2 million and distributions of $1.2 million.

Year Ended December 31, 2021 compared to Year Ended December 31, 2020

The following table presents Sundry's results of operations for the year ended December 31, 2021 and 2020:

	Year Ended December 31,	
	2021	**2020**
Net revenues	$ 22,800,825	$ 19,897,696
Cost of net revenues	13,638,553	8,525,612
Gross profit	9,162,271	11,372,084
Operating expenses	8,657,442	7,625,335
Operating income	504,829	3,746,749
Other income (expense)	1,249,881	(45,527)
Income before provision for income taxes	1,754,710	3,701,222
Provision for income taxes	800	800
Net income	$ 1,753,911	$ 3,700,422

Net Revenues

Revenue increased by $2.9 million for the year ended December 31, 2021 compared to 2020. The increase was due to due to recovered customer demand after COVID-19.

Gross Profit

Sundry's gross profit decreased by $2.2 million for the year ended December 31, 2021 compared to 2020. The decrease in gross profit was primarily due to increased product and global shipping costs

Sundry's gross margin was 40.2% and 57.2% for the years ended December 31, 2021 and 2020, respectively.

Operating Expenses

Sundry's operating expenses increased by $1.4 million for the year ended December 31, 2021 compared to 2020. The increase was primarily due to increased headcount and personnel costs in all departments, including general and administrative and sales.

Other Expenses

Other expenses primarily consist of interest expense. In 2022, we recorded $1.3 million in other income pertaining to PPP forgiveness.

Net Loss

Sundry had net income of $1.8 million in 2021 compared to $3.7 million in 2022. The decrease of $1.9 million was primarily due to lower gross profit and increased general and administrative expenses, partially offset by other income in 2022.

Cash Flow Activities

The following table presents selected captions from Sundry's statement of cash flows for the years ended December 31, 2021 and 2020:

	Year Ended December 31,	
	2021	**2020**
Net cash provided by operating activities:		
Net income	$ 1,753,911	$ 3,700,422
Non-cash adjustments	$ (1,255,981)	$ 149,618
Change in operating assets and liabilities	$ 421,928	$ (1,880,989)
Net cash provided by (used in) operating activities	$ 919,859	$ 1,969,051
Net cash used in investing activities	$ -	$ (11,430)
Net cash provided by (used in) financing activities	$ (1,236,063)	$ (1,429,829)
Net change in cash	$ (316,204)	$ 527,792

Cash Flows Provided By Operating Activities

Sundry's cash provided by operating activities was $0.9 million in 2021 compared to cash provided of $2.0 million in 2020. The decrease in net cash provided by operating activities was primarily driven by the lower net income and non-cash items, partially offset by cash provided by changes in operating assets and liabilities, partially offset by Sundry's net loss in 2022.

Cash Flows Provided By Investing Activities

In 2020, Sundry purchased a nominal amount of property and equipment.

Cash Flows Provided by Financing Activities

Sundry's cash used in financing activities was $1.2 million in 2021, consisting of $1.9 million in member distributions partially offset by loan proceeds of $0.4 million and factor advances of $0.1 million. Sundry's cash used in financing activities was $1.4 million in 2020, consisting of $2.0 million in member distributions and factor repayments of $0.3 million, partially offset by loan proceeds of $0.8 million.

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited pro forma combined financial information presents the unaudited pro forma combined balance sheet and statement of operations based upon the combined historical financial statements of DBG and Sundry after giving effect to the business combinations and adjustments described in the accompanying notes.

The unaudited pro forma combined balance sheets of DBG and Sundry as of June 30, 2022 has been prepared to reflect the effects of the acquisition as if it occurred on June 30, 2022. The unaudited pro forma combined statements of operations for the six months ended June 30, 2022 combine the historical results and operations of DBG and Sundry giving effect to the transaction as if it occurred on January 1, 2022. The unaudited pro forma combined statements of operations for the year ended December 31, 2021 combine the historical results and operations of DBG, Harper & Jones, Stateside and Sundry giving effect to the transactions as if they occurred on January 1, 2021.

The unaudited pro forma combined financial information should be read in conjunction with the audited and unaudited historical financial statements of each of DBG, Harper & Jones, Stateside and Sundry and the notes thereto. Additional information about the basis of presentation of this information is provided in Note 2 below.

The unaudited pro forma combined financial information was prepared in accordance with Article 11 of Regulation S-X. The unaudited pro forma adjustments reflecting the transaction have been prepared in accordance with business combination accounting guidance as provided in *Accounting Standards Codification Topic 805, Business Combinations* and reflect the preliminary allocation of the purchase price to the acquired assets and liabilities based upon the preliminary estimate of fair values, using the assumptions set forth in the notes to the unaudited pro forma combined financial information.

The unaudited pro forma combined financial information is provided for informational purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the transaction had been completed as of the dates set forth above, nor is it indicative of the future results or financial position of the combined company. In connection with the pro forma financial information, DBG allocated the purchase price using its best estimates of fair value. Accordingly, the pro forma acquisition price adjustments are preliminary and subject to further adjustments as additional information becomes available and as additional analyses are performed. The unaudited pro forma combined financial information also does not give effect to the potential impact of current financial conditions, any anticipated synergies, operating efficiencies or cost savings that may result from the transaction or any integration costs.

Furthermore, the unaudited pro forma combined statements of operations do not include certain nonrecurring charges and the related tax effects which result directly from the transaction as described in the notes to the unaudited pro forma combined financial information.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2022

	DBG	Sundry	Total	Pro Forma Adjustments	Pro Forma Combined
Net revenues	$ 7,171,411	$ 9,449,734	$ 16,621,145	$ -	$ 16,621,145
Cost of net revenues	3,526,833	4,948,290	8,475,123	-	8,475,123
Gross profit	3,644,578	4,501,444	8,146,022	-	8,146,022
Operating expenses:					
General and administrative	9,601,467	1,853,295	11,454,762	2,408,227	13,862,989
Sales and marketing	2,745,863	556,910	3,302,773	-	3,302,773
Distribution	424,773	1,759,932	2,184,705	-	2,184,705
Change in fair value of contingent consideration	7,121,240	-	7,121,240	-	7,121,240
Total operating expenses	19,893,343	4,170,137	24,063,480	2,408,227	26,471,707
Loss from operations	(16,248,765)	331,307	(15,917,458)	(2,408,227)	(18,325,685)
Other income (expense):					
Interest expense	(3,771,476)	(36,867)	(3,808,343)	-	(3,808,343)
Other non-operating income (expenses)	2,653,375	-	2,653,375	-	2,653,375
Total other income (expense), net	(1,118,101)	(36,867)	(1,154,968)	-	(1,154,968)
Income tax benefit (provision)	-	(800)	(800)	-	(800)
Net income (loss)	$ (17,366,866)	$ 293,640	$ (17,073,226)	$ (2,408,227)	$ (19,481,453)

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2021

	DBG	H&J	Stateside	Sundry	Total	Pro Forma Adjustments	Pro Forma Combined
Net revenues	$ 7,584,859	$ 980,261	$ 3,269,481	$ 22,800,825	$ 34,635,426	$ -	$ 34,635,426
Cost of net revenues	4,689,200	350,004	1,194,693	13,638,553	19,872,450	-	19,872,450
Gross profit	2,895,659	630,257	2,074,788	9,162,271	14,762,976	-	14,762,976
Operating expenses:							
General and administrative	17,779,903	410,891	1,147,168	3,201,811	22,539,773	6,197,028 (a)	28,736,800
Sales and marketing	3,810,583	349,338	514,742	4,374,667	9,049,330	-	9,049,330
Distribution	489,371	-	115,286	1,080,964	1,685,621	-	1,685,621
Impairment of intangible assets	3,400,000	-	-	-	3,400,000	-	3,400,000
Change in fair value of contingent consideration	8,764,460	-	-	-	8,764,460	-	8,764,460
Total operating expenses	34,244,317	760,229	1,777,195	8,657,442	45,439,184	6,197,028	51,636,212
Loss from operations	(31,348,658)	(129,972)	297,593	504,829	(30,676,207)	(6,197,028)	(36,873,235)
Other income (expense):							
Interest expense	(3,663,921)	(33,668)	-	(70,018)	(3,767,607)	(1,344,000) (b)	(5,111,607)
Other non-operating income (expenses)	1,554,502	-	(12,494)	1,319,899	2,861,907	(1,319,899) (c)	1,542,008
Total other income (expense), net	(2,109,419)	(33,668)	(12,494)	1,249,881	(905,699)	(2,663,899)	(3,569,598)
Income tax benefit (provision)	1,100,120	-	-	(800)	1,099,320	-	1,099,320
Net income (loss)	$ (32,357,957)	$ (163,640)	$ 285,099	$ 1,753,911	$ (30,482,587)	$ (8,860,927)	$ (39,343,514)

UNAUDITED PRO FORMA COMBINED BALANCE SHEET AS OF JUNE 30, 2022

	DBG	Sundry	Total	Pro Forma Adjustments	Pro Forma Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ 802,724	$ 1,025,641	$ 1,828,365	$ -	$ 1,828,365
Accounts receivable, net	190,056	69,773	259,829	-	259,829
Due from factor, net	929,989	552,367	1,482,356	-	1,482,356
Inventory	2,883,613	4,999,496	7,883,109	-	7,883,109
Prepaid expenses and other current assets	813,681	242,982	1,056,663	-	1,056,663
Total current assets	5,620,063	6,890,259	12,510,322	-	12,510,322
Deferred offering costs	367,696	-	367,696	-	367,696
Property, equipment and software, net	65,235	126,102	191,337	-	191,337
Goodwill	18,264,822	-	18,264,822	3,379,691(b)	21,644,513
Intangible assets, net	11,765,688	-	11,765,688	21,454,063(a),(b)	33,219,751
Deposits	137,794	9,612	147,406	-	147,406
Right of use asset	201,681		201,681		201,681
Total assets	$ 36,422,979	$ 7,025,973	$ 43,448,952	$ 24,833,754	$ 68,282,706
LIABILITIES AND STOCKHOLDERS' DEFICIT					
Current liabilities:					
Accounts payable	$ 7,003,333	$ 1,382,180	$ 8,385,512	$ -	$ 8,385,512
Accrued expenses and other liabilities	3,698,717	390,774	4,089,491	-	4,089,491
Deferred revenue	221,363	-	221,363	-	221,363
Due to related parties	250,598	495,000	745,598	-	745,598
Contingent consideration liability	19,300,716	-	19,300,716	-	19,300,716
Convertible notes, current	100,000	-	100,000	-	100,000
Accrued interest payable	1,801,303	-	1,801,303	-	1,801,303
Note payable - related party	154,489	-	154,489	-	154,489
Venture debt, net of discount	6,251,755	-	6,251,755	-	6,251,755
Loan payable, current	1,489,335	-	1,489,335	-	1,489,335
Promissory note payable, current	3,500,000	-	3,500,000	-	3,500,000
Right of use liability, current portion	201,681		201,681	-	201,681
Total current liabilities	43,973,290	2,267,954	46,241,244	-	46,241,244
Convertible note payable, net	5,986,068	-	5,986,068	-	5,986,068
Loan payable	298,900	-	298,900	-	298,900
Derivative liability	1,044,939	-	1,044,939	-	1,044,939
Warrant liability	-	-	-	-	-
Right of use liability	-		-	-	-
Total liabilities	51,303,197	2,267,954	53,571,151	-	53,571,151
Stockholders' equity (deficit):					
Common stock	5,287	-	5,287	-	5,287
Additional paid-in capital	68,185,315	-	68,185,315	32,000,000(b)	100,185,315
Members' equity	-	4,758,019	4,758,019	(4,758,019)(b)	-
Accumulated deficit	(83,070,820)	-	(83,070,820)	(2,408,227)	(85,479,047)
Total stockholders' equity (deficit)	(14,880,218)	4,758,019	(10,122,199)	24,833,754	14,711,555
Total liabilities and stockholders' equity (deficit)	$ 36,422,979	$ 7,025,973	$ 43,448,952	$ 24,833,754	$ 68,282,706

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL STATEMENTS

1. Description of Transactions

On February 12, 2020, the Company entered into an Agreement and Plan of Merger with Bailey 44, LLC ("Bailey"), a Delaware limited liability company. On the acquisition date, Bailey 44 , LLC became a wholly owned subsidiary of the Company.

On May 18, 2021, the Company closed its acquisition of Harper & Jones, LLC ("H&J") pursuant to its Membership Interest Stock Purchase Agreement with D. Jones Tailored Collection, Ltd. to purchase 100% of the issued and outstanding equity of Harper & Jones, LLC. On the acquisition date, H&J became a wholly owned subsidiary of the Company.

On August 30, 2021, the Company closed its acquisition of Mosbest, LLC dba Stateside ("Stateside") pursuant to its Membership Interest Purchase Agreement with Moise Emquies to purchase 100% of the issued and outstanding equity of Stateside. On the acquisition date, Stateside became a wholly owned subsidiary of the Company.

Sundry

On June 17, 2022, Digital Brands Group, Inc., a Delaware corporation (the "Company" or "DBG"), entered into an Amended and Restated Membership Interest Purchase Agreement (the "Agreement") with Moise Emquies, George Levy, Matthieu Leblan and Carol Ann Emquies ("Sellers"), Sunnyside, LLC, a California limited liability company ("Sundry"), and George Levy as the Sellers' representative (the "Sellers' Representative"), pursuant to which the Company will acquire all of the issued and outstanding membership interests of Sundry (such transaction, the "Acquisition"). Sellers and DBG are sometimes collectively referred to herein as the "Parties" and individually as a "Party."

Pursuant to the Agreement, Sellers, as the holders of all of the outstanding membership interests of Sundry, will exchange all of such membership interests for (i) $5 million in cash, which will be paid at Closing (as defined below), of which $2.5 million is paid to each of George Levy and Matthieu Leblan; (ii) at the Sellers' option at Closing, either (a) $7 million dollars paid in the Company's common stock, with a par value of $0.0001 per share (the "Buyer Shares"), at $0.19 per share, which is the per share closing price of the Buyer Shares on Nasdaq on June 17, 2022 (the "Issuance Price"); or (b) $7 million in cash, to each of the Sellers, Jenny Murphy and Elodie Crichi pro rata in accordance to the percentage set forth in the Agreement; and (iii) $20 million paid in Buyer Shares at a per share price equal to the Issuance Price issued to each of the Sellers, Jenny Murphy and Elodie Crichi pro rata in accordance to the percentage set forth in the Agreement.

Subject to the terms of the Agreement, the Acquisition shall close (the "Closing") on a date no later than two (2) Business Days after the conditions to Closing set forth in the Agreement has been satisfied or waived. At Closing, DBG and each of the Sellers will enter a registration rights agreement to provide registration rights with respect to the Buyer Shares issuable pursuant to the Agreement, and an escrow agreement, in forms agreed to by the parties.

2. Basis of Presentation

The historical financial information has been adjusted to give pro forma effect to events that are directly attributable to the transaction, (ii) factually supportable, and (iii) with respect to the unaudited pro forma combined balance sheets and unaudited pro forma combined statements of operations, expected to have a continuing impact on the combined results.

The transactions were accounted for as a business acquisition whereas Harper & Jones, Stateside and Sundry are the accounting acquirees and DBG is the accounting acquirer.

3. Consideration Transferred - Sundry

Cash	$	12,000,000
Common stock		20,000,000
Purchase price consideration	$	32,000,000

For the purpose of the pro forma consideration, the $7.0 million Seller option was included as cash consideration. As a result of the acquisition, DBG recorded pro forma intangible assets of $23,862,890,including $14,449,360 attributable to brand name and $9,412,930 attributable to customer relationships. DBG recorded $3,716,276 in pro forma goodwill representing the remaining excess purchase price of the fair value of net assets acquired and liabilities assumed.

The following table shows the preliminary allocation of the purchase price for Sundry to the acquired net identifiable assets and pro forma goodwill:

Assets acquired	$	7,025,973
Goodwill		3,379,691
Intangible assets		23,862,290
Liabilities assumed		(2,267,954)
Purchase price consideration	$	32,000,000

(a) To recognize depreciation on the acquired entities' property and equipment, and amortization on the intangible assets recorded as a result of the acquisition.

(b) To record the purchase price allocation of the Sundry pro forma acquisition, including the recognition of goodwill and intangible assets, purchase price consideration by DBG, and elimination of Sundry's equity.

(c) To eliminate the Sundry PPP forgiveness.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
3.1	Certificate of Designation of Series A Preferred Stock, dated August 31, 2022
3.2	Amendment No. 2 to the Amended and Restated Bylaws of Digital Brands Group, Inc., as amended
10.1	Subscription and Investment Representation Agreement, dated August 31, 2022, by and between Digital Brands Group, Inc. and the purchaser signatory thereto
99.1	Unaudited balance sheets of Sunnyside, LLC as of June 30, 2022 and December 31, 2021, and statements of operations for the six months ended June 30, 2022 and June 30, 2021
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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 hereunto duly authorized.

DIGITAL BRANDS GROUP, INC.

Date: August 31, 2022.

By: /s/ John Hilburn Davis IV
Name: John Hilburn Davis IV
Title: President and Chief Executive Officer

Exhibit 3.1

DIGITAL BRANDS GROUP, INC.

CERTIFICATE OF DESIGNATION
OF
SERIES A PREFERRED STOCK

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

THE UNDERSIGNED DOES HEREBY CERTIFY, on behalf of Digital Brands Group, Inc., a Delaware corporation (the "**Corporation**"), that the following resolution was duly adopted by the board of directors of the Corporation (the "**Board of Directors**"), in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware, as amended (the "**DGCL**") on August 31, 2022, which resolution provides for the creation of a series of the Corporation's Preferred Stock, par value $0.0001 per share, which is designated as "Series A Preferred Stock," with the rights, preferences, privileges and restrictions set forth therein.

WHEREAS, the Sixth Amended and Restated Certificate of Incorporation of the Corporation (as amended, the "**Certificate of Incorporation**"), provides for a class of capital stock of the Corporation known as Preferred Stock, consisting of 10,000,000 authorized shares, par value $0.0001 per share (the "**Preferred Stock**"), issuable from time to time in one or more series, and further provides that the Board of Directors is expressly authorized to fix the number of shares of any series of Preferred Stock, to determine the designation of any such shares, and to determine the rights (including but not limited to voting rights), preferences, privileges and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock.

NOW, THEREFORE, BE IT RESOLVED, that, pursuant to authority conferred upon the Board of Directors by the Certificate of Incorporation, (i) a series of Preferred Stock be, and hereby is, authorized by the Board of Directors, (ii) the Board of Directors hereby authorizes the issuance of one share of Series A Preferred Stock and (iii) the Board of Directors hereby fixes the rights, preferences, privileges and restrictions of such share of Preferred Stock, in addition to any provisions set forth in the Certificate of Incorporation that are applicable to all series of the Preferred Stock, as follows:

TERMS OF PREFERRED STOCK

1. Designation, Amount and Par Value. The series of Preferred Stock created hereby shall be designated as Series A Preferred Stock (the "**Series A Preferred Stock**"), and the number of shares so designated shall be one. The share of Series A Preferred Stock shall have a par value of $0.0001 per share and will be uncertificated and represented in book-entry form.

2. Dividends. The holder of Series A Preferred Stock, as such, shall not be entitled to receive dividends of any kind.

3. Voting Rights. Except as otherwise provided by the Certificate of Incorporation or required by law, the holder of the share of Series A Preferred Stock shall have the following voting rights:

3.1 Except as otherwise provided herein, the outstanding share of Series A Preferred Stock shall have 250,000,000 votes. The outstanding share of Series A Preferred Stock shall vote together with the outstanding shares of common stock, par value $0.0001 per share (the "**Common Stock**"), of the Corporation as a single class exclusively with respect to the Reverse Stock Split and the Increase in Authorized Shares (as defined below) and shall not be entitled to vote on any other matter except to the extent required under the DGCL. As used herein, the term "**Reverse Stock Split**" means any proposal to adopt an amendment to the Certificate of Incorporation to reclassify the outstanding shares of Common Stock into a smaller number of shares of Common Stock at a ratio specified in or determined in accordance with the terms of such amendment. As used herein, the term "**Increase in Authorized Shares**" means any proposal to adopt an amendment to the Certificate of Incorporation to increase the authorized number of shares of the Corporation's Common Stock specified in or determined in accordance with the terms of such amendment.

3.2 The share of Series A Preferred Stock shall be voted, without action by the holder, on the Reverse Stock Split in the same proportion as shares of Common Stock are voted (excluding any shares of Common Stock that are not voted) on the Reverse Stock Split (and, for purposes of clarity, such voting rights shall not apply on any other resolution presented to the shareholders of the Corporation).

4. Rank; Liquidation and Other. The Series A Preferred Stock shall have no rights as to any distribution of assets of the Corporation for any reason, including upon a liquidation, bankruptcy, reorganization, merger, acquisition, sale, dissolution or winding up of the Corporation, whether voluntarily or involuntarily.

5. Transfer. The Series A Preferred Stock may not be Transferred at any time prior to stockholder approval of the Reverse Stock Split without the prior written consent of the Board of Directors. "**Transferred**" means, directly or indirectly, whether by merger, consolidation, share exchange, division, or otherwise, the sale, transfer, gift, pledge, encumbrance, assignment or other disposition of the share of Series A Preferred Stock (or any right, title or interest thereto or therein) or any agreement, arrangement or understanding (whether or not in writing) to take any of the foregoing actions.

6. Redemption.

6.1 The outstanding share of Series A Preferred Stock shall be redeemed in whole, but not in part, at any time: (i) if such redemption is ordered by the Board of Directors in its sole discretion, automatically and effective on such time and date specified by the Board of Directors in its sole discretion, or (ii) automatically upon the approval by the Corporation's stockholders of an amendment to the Certificate of Incorporation to implement the Increase in Authorized Shares and an amendment to the Certificate of Incorporation to implement the Reverse Stock Split (any such redemption pursuant to this Section 6.1, the "**Redemption**"). As used herein, the "**Redemption Time**" shall mean the effective time of the Redemption.

6.2 The share of Series A Preferred Stock redeemed in the Redemption pursuant to this Section 6 shall be redeemed in consideration for the right to receive an amount equal to $25,000.00 in cash (the "**Redemption Price**") for the share of Series A Preferred Stock that is owned of record as of immediately prior to the applicable Redemption Time and redeemed pursuant to the Redemption, payable upon the applicable Redemption Time.

6.3 From and after the time at which the share of Series A Preferred Stock is called for Redemption (whether automatically or otherwise) in accordance with Section 6.1, such share of Series A Preferred Stock shall cease to be outstanding, and the only right of the former holder of such share of Series A Preferred Stock, as such, will be to receive the applicable Redemption Price. The share of Series A Preferred Stock Redeemed by the Corporation pursuant to this Certificate of Designation shall be automatically retired and restored to the status of an authorized but unissued share of Preferred Stock, upon such Redemption. Notice of a meeting of the Corporation's stockholders for the submission to such stockholders of any proposal to approve the Reverse Stock Split shall constitute notice of the Redemption of shares of Series A Preferred Stock and result in the automatic Redemption of the share of Series A Preferred Stock at the Redemption Time pursuant to Section 6.1 hereof. In connection with the filing of this Certificate of Designation, the Corporation has set apart funds for payment for the Redemption of the share of Series A Preferred Stock and shall continue to keep such funds apart for such payment through the payment of the purchase price for the Redemption of such share.

7. Severability. Whenever possible, each provision hereof shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision hereof is held to be prohibited by or invalid under applicable law, then such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or otherwise adversely affecting the remaining provisions hereof.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, Digital Brands Group, Inc. has caused this Certificate of Designation of Series A Preferred Stock to be duly executed by the undersigned duly authorized officer as of this 31st day of August, 2022.

DIGITAL BRANDS GROUP, INC.

By: /s/ John Hilburn Davis IV
John Hilburn Davis IV
Chief Executive Officer

Exhibit 3.2

AMENDMENT NO. 2
TO
AMENDED AND RESTATED BYLAWS
OF
DIGITAL BRANDS GROUP, INC.
a Delaware corporation

The Amended and Restated Bylaws of Digital Brands Group, Inc., a Delaware corporation (the "Company"), as amended and in effect on the date hereof (the "Bylaws"), are hereby amended as follows:

1. Section 1.7 of Article I of the Bylaws of the Company is hereby amended and restated in its entirety to read in its entirety as follows:

"Except as otherwise provided by law or these Bylaws, the holders of at least 33 1/3% of the shares of the capital stock of the corporation issued and outstanding and entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum at all meetings for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (a) the chairperson of the meeting or (b) the holders of the shares of stock entitled to vote who are present, in person or by proxy, shall have the power to adjourn the meeting to another place, if any, date or time. Where a separate class vote by a class or classes or series is required, at least 33 1/3% of the shares of such class or classes or series present in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter."

OFFICER'S CERTIFICATE

I, the undersigned, do hereby certify:

(1) that I am the duly elected and acting Chief Executive Officer of Digital Brands Group, Inc., a Delaware corporation (the "**Company**"); and

(2) that the foregoing amendment to the Corporation's Bylaws, constituting one (1) page, has been duly adopted by the Board of Directors of the Corporation in accordance with the Bylaws.

IN WITNESS WHEREOF, I have hereunto subscribed my name as of this 31st day of August 2022.

/s/ John Hilburn Davis IV
John Hilburn Davis IV
Chief Executive Officer

Exhibit 10.1

It is the responsibility of any investor purchasing these securities to satisfy itself as to full observance of the laws of any relevant territory outside the United States in connection with any such purchase, including obtaining any required governmental or other consents or observing any other applicable requirements. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

Digital Brands Group, Inc.
Series A Preferred Stock

SUBSCRIPTION AND INVESTMENT REPRESENTATION AGREEMENT

THIS AGREEMENT, dated as of August 31, 2022, is by and between Digital Brands Group, Inc., a Delaware corporation (the "**Company**"), and the undersigned subscriber (the "**Subscriber**"). In consideration of the mutual promises contained herein, and other good, valuable and adequate consideration, the parties hereto agree as follows:

1. Agreement of Sale; Closing. The Company agrees to sell to Subscriber, and Subscriber agrees to purchase from the Company, one (1) share of the Company's Series A Preferred Stock, par value $0.0001 per share (the "**Securities**"), which Securities shall have the rights, preferences, privileges and restrictions set forth in the Certificate of Designation attached hereto as Exhibit A (the "**Certificate of Designation**"). Subscriber hereby acknowledges and agrees to the entire terms of the Certificate of Designation, including, without limitation, the voting rights in Section 3, the restrictions on transfer of the Securities in Section 5 and the redemption of the Securities pursuant to Section 6 of the Certificate of Designation. The purchase price will be paid by the Subscriber to the Company in cash at the price of $25,000.00 per share.

2. Representations and Warranties of Subscriber. In consideration of the Company's offer to sell the Securities, and in addition to the purchase price to be paid, Subscriber hereby covenants, represents and warrants to the Company as follows:

a. Information About the Company.

i. Subscriber is aware that the Company has limited revenue, is not profitable and that its financial projections and future are purely speculative.

ii. Subscriber has had an opportunity to ask questions of, and receive answers from, the Company concerning the business, management, and financial and compliance affairs of the Company and the terms and conditions of the purchase of the Securities contemplated hereby. Subscriber has had an opportunity to obtain, and has received, any additional information deemed necessary by the Subscriber to verify such information in order to form a decision concerning an investment in the Company.

iii. Subscriber has been advised to seek legal counsel and financial and tax advice concerning Subscriber's investment in the Company hereunder.

b. Restrictions on Transfer. Subscriber covenants, represents and warrants that the Securities are being purchased for Subscriber's own personal account and for Subscriber's individual investment and without the intention of reselling or redistributing the same, that Subscriber has made no agreement with others regarding any of such Securities, and that Subscriber's financial condition is such that it is not likely that it will be necessary to dispose of any of the Securities in the foreseeable future. Moreover, Subscriber acknowledges that any of the aforementioned actions may require the prior written consent of the Company's board of directors pursuant to the Certificate of Designation. Subscriber is aware that, in the view of the Securities and Exchange Commission, a purchase of the Securities with an intent to resell by reason of any foreseeable specific contingency or anticipated change in market values, or any change in the condition of the Company, or in connection with a contemplated liquidation or settlement of any loan obtained by Subscriber for the acquisition of the Securities and for which the Securities were pledged as security, would represent an intent inconsistent with the covenants, warranties and representations set forth above. Subscriber understands that the Securities have not been registered under the Securities Act of 1933, as amended (the "**Securities Act**"), or any state or foreign securities laws in reliance on exemptions from registration under these laws, and that, accordingly, the Securities may not be resold by the undersigned (i) unless they are registered under both the Securities Act and applicable state or foreign securities laws or are sold in transactions which are exempt from such registration, and (ii) except in compliance with Section 5 of the Certificate of Designation, which may require the prior written consent of the Company's board of directors. Subscriber therefore agrees not to sell, assign, transfer or otherwise dispose of the Securities (i) unless a registration statement relating thereto has been duly filed and become effective under the Securities Act and applicable state or foreign securities laws, or unless in the opinion of counsel satisfactory to the Company no such registration is required under the circumstances, and (ii) except in compliance with Section 5 of the Certificate of Designation. There is not currently, and it is unlikely that in the future there will exist, a public market for the Securities; and accordingly, for the above and other reasons, Subscriber may not be able to liquidate an investment in the Securities for an indefinite period.

c. High Degree of Economic Risk. Subscriber realizes that an investment in the Securities involves a high degree of economic risk to the Subscriber, including the risks of receiving no return on the investment and/or of losing Subscriber's entire investment in the Company. Subscriber is able to bear the economic risk of investment in the Securities, including the total loss of such investment. The Company can make no assurance regarding its future financial performance or as to the future profitability of the Company.

d. Suitability. Subscriber has such knowledge and experience in financial, legal and business matters that Subscriber is capable of evaluating the merits and risks of an investment in the Securities. Subscriber has obtained, to the extent deemed necessary, Subscriber's own personal professional advice with respect to the risks inherent in, and the suitability of, an investment in the Securities in light of Subscriber's financial condition and investment needs. Subscriber believes that the investment in the Securities is suitable for Subscriber based upon Subscriber's investment objectives and financial needs, and Subscriber has adequate means for providing for Subscriber's current financial needs and personal contingencies and has no need for liquidity of investment with respect to the Securities. Subscriber understands that no federal or state agency has made any finding or determination as to the fairness for investment, nor any recommendation or endorsement, of the Securities.

e. Tax Liability. Subscriber has reviewed with Subscriber's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement, and has and will rely solely on such advisors and not on any statements or representations of the Company or any of its agents, representatives, employees or affiliates or subsidiaries. Subscriber understands that Subscriber (and not the Company) shall be responsible for Subscriber's own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement. Under penalties of perjury, Subscriber certifies that Subscriber is not subject to back-up withholding either because Subscriber has not been notified that Subscriber is subject to back-up withholding as a result of a failure to report all interest and dividends, or because the Internal Revenue Service has notified Subscriber that Subscriber is no longer subject to back-up withholding.

f. Residence. Subscriber's present principal residence or business address, and the location where the securities are being purchased, is located in the State of Texas.

g. Limitation Regarding Representations. Except as set forth in this Agreement, no covenants, representations or warranties have been made to Subscriber by the Company or any agent, representative, employee, director or affiliate or subsidiary of the Company and in entering into this transaction, Subscriber is not relying on any information, other than that contained herein and the results of independent investigation by Subscriber without any influence by Company or those acting on Company's behalf. Subscriber agrees it is not relying on any oral or written information not expressly included in this Agreement, including but not limited to the information which has been provided by the Company, its directors, its officers or any affiliate or subsidiary of any of the foregoing.

h. Authority.

1. *Entity*. If the undersigned is not an individual but an entity, the individual signing on behalf of such entity and the entity jointly and severally agree and certify that (a) the undersigned was not organized for the specific purpose of acquiring the Securities and (b) this Agreement has been duly authorized by all necessary action(s) on the part of the undersigned, has been duly executed by an authorized officer, agent or representative of the undersigned, and is a legal, valid and binding obligation of the undersigned enforceable in accordance with its terms.

2. *Individual*. If the undersigned is an individual, the undersigned is of legal age.

3. Legend. Subscriber consents to the notation of the Securities with the following legend reciting restrictions on the transferability of the Securities:

The Securities represented hereby have not been registered under the Securities Act of 1933, as amended (the "**Securities Act**"), and have not been registered under any state securities laws. These Securities may not be sold, offered for sale or transferred, without first obtaining (i) an opinion of counsel satisfactory to the Company that such sale or transfer lawfully is exempt from registration under the Securities Act and under the applicable state securities laws or (ii) such registration. Moreover, these Securities may be transferred only in accordance with the terms of the Company's Certificate of Designation of Series A Preferred Stock, a copy of which is on file with the Secretary of the Company.

PARAGRAPH 4 IS REQUIRED IN CONNECTION WITH THE EXEMPTIONS FROM THE SECURITIES ACT AND STATE LAWS BEING RELIED ON BY THE COMPANY WITH RESPECT TO THE OFFER AND SALE OF THE SECURITIES HEREUNDER. ALL OF SUCH INFORMATION WILL BE KEPT CONFIDENTIAL AND WILL BE REVIEWED ONLY BY THE COMPANY AND ITS COUNSEL. THE UNDERSIGNED AGREES TO FURNISH ANY ADDITIONAL INFORMATION THAT THE COMPANY AND ITS COUNSEL DEEM NECESSARY TO VERIFY THE RESPONSES SET FORTH BELOW.

4. Accredited Status. Subscriber covenants, represents and warrants that it does qualify as an "accredited investor" as that term is defined in Regulation D under the Securities Act because the undersigned satisfies the criteria indicated in Exhibit B hereto. Subscriber further covenants, represents and warrants that the information provided under the heading "Accredited Investor Status" in Exhibit B to this Agreement is true and correct. The information provided under this section of the Agreement is required in connection with the exemptions from the Securities Act and state securities laws being relied on by the Company with respect to the offer and sale of the Securities. The undersigned agrees to furnish any additional information which the Company or its legal counsel deem necessary in order to verify the responses set forth above.

5. Holding Status. Subscriber desires that the Securities be held as set forth on the signature page hereto.

6. Confidentiality. Subscriber will make no written or other public disclosures regarding the Company and its business, the terms or existence of the proposed or actual sale of Securities or regarding the parties to the proposed or actual sale of Securities to any individual or organization without the prior written consent of the Company, except as may be required by law.

7. Notice. Correspondence regarding the Securities should be directed to Subscriber at the address provided by Subscriber to the Company in writing. Subscriber is a bona fide resident of the state of Texas.

8. No Assignment or Revocation; Binding Effect. Neither this Agreement, nor any interest herein, shall be assignable or otherwise transferable, restricted or limited by Subscriber without prior written consent of the Company. Subscriber hereby acknowledges and agrees that Subscriber is not entitled to cancel, terminate, modify or revoke this Agreement in any way and that the Agreement shall survive the death, incapacity or bankruptcy of Subscriber. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective heirs, legal representatives, successors and assigns.

9. Indemnification. The Company agrees to indemnify and hold harmless the Subscriber and each current and future officer, director, employee, agent, representative and shareholder, if any, of the Subscriber from and against any and all costs, loss, damage or liability associated with this Agreement and the issuance and voting of the Securities.

10. Modifications. This Agreement may not be changed, modified, released, discharged, abandoned or otherwise amended, in whole or in part, except by an instrument in writing, signed by the Subscriber and the Company. No delay or failure of the Company in exercising any right under this Agreement will be deemed to constitute a waiver of such right or of any other rights.

11. Entire Agreement. This Agreement and the exhibits hereto are the entire agreement between the parties with respect to the subject matter hereto and thereto. This Agreement, including the exhibits, supersede any previous oral or written communications, representations, understandings or agreements with the Company or with any officers, directors, agents or representatives of the Company.

12. Severability. In the event that any paragraph or provision of this Agreement shall be held to be illegal or unenforceable in any jurisdiction, such paragraph or provision shall, as to that jurisdiction, be adjusted and reformed, if possible, in order to achieve the intent of the parties hereunder, and if such paragraph or provision cannot be adjusted and reformed, such paragraph or provision shall, for the purposes of that jurisdiction, be voided and severed from this Agreement, and the entire Agreement shall not fail on account thereof but shall otherwise remain in full force and effect.

13. Governing Law. This Agreement shall be governed by, subject to, and construed in accordance with the laws of the State of Delaware without regard to conflict of law principles.

14. Survival of Covenants, Representations and Warranties. Subscriber understands the meaning and legal consequences of the agreements, covenants, representations and warranties contained herein, and agrees that such agreements, covenants, representations and warranties shall survive and remain in full force and effect after the execution hereof and payment by Subscriber for the Securities.

[*Remainder of page left blank intentionally - signature page follows*]

For good, valuable and adequate consideration, the receipt and sufficiency of which is hereby acknowledged, Subscriber hereby agrees that ***by signing this Subscription and Investment Representation Agreement, and upon acceptance hereof by the Company,*** that the terms, provisions, obligations and agreements of this Agreement shall be binding upon Subscriber, and such terms, provisions, obligations and agreements shall inure to the benefit of and be binding upon Subscriber and its successors and assigns.

INDIVIDUAL(S):

/s/ John Hilburn Davis
Name: John Hilburn Davis IV

Number of Shares Purchased: 1

Purchase Price Per Share: $25,000.00

Aggregate Purchase Price: $25,000.00

The Subscriber desires that the Securities be held as follows (check one):

xIndividual Ownership	¨Corporation
¨Community Property	¨Trust*
¨Jt. Tenant with Right of Survivorship (both parties must sign)	¨Limited Liability Company*
	¨Partnership*
¨Tenants in Common	¨Other (please describe):

* If Securities are being subscribed for by an entity, Exhibit C to this agreement must also be completed.

The Company hereby accepts the subscription evidenced by this Subscription and Investment Representation Agreement:

DIGITAL BRANDS GROUP, INC.

By: /s/ Laura Dowling
Name: Laura Dowling
Title: Chief Marketing Officer

Exhibit A

DIGITAL BRANDS GROUP, INC.

CERTIFICATE OF DESIGNATION
OF
SERIES A PREFERRED STOCK

See attached.

Exhibit B

CERTIFICATE OF ACCREDITED INVESTOR STATUS

Except as may be indicated by the undersigned below, the undersigned is an "accredited investor," as that term is defined in Regulation D under the Securities Act of 1933, as amended (the "Securities Act"). The undersigned has initialed the box below indicating the basis on which he is representing his status as an "accredited investor":

¨ a bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act"); an insurance company as defined in Section 2(13) of the Securities Act; an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; a small business investment company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, and such plan has total assets in excess of $5,000,000; an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are "accredited investors";

¨ a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

¨ an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000;

¨ a natural person whose individual net worth, or joint net worth with the undersigned's spouse, at the time of this purchase exceeds $1,000,000. For purposes of this item, "net worth" means the excess of total assets at fair market value (including personal and real property, but excluding the estimated fair market value of a person's primary home) over total liabilities. Total liabilities excludes any mortgage on the primary home in an amount of up to the home's estimated fair market value as long as the mortgage was incurred more than 60 days before the Subscription Date, but includes (i) any mortgage amount in excess of the home's fair market value and (ii) any mortgage amount that was borrowed during the 60-day period before the Subscription Date;

¨ a natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with the undersigned's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year. "Income" for this purpose is computed by adding the following items to adjusted gross income for federal income tax purposes: (a) the amount of any tax-exempt interest income received; (b) the amount of losses claimed as a limited partner in a limited partnership; (c) any deduction claimed for depletion; (d) deductions for alimony paid; (e) deductible amounts contributed to an IRA or Keogh retirement plan; and (f) any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income pursuant to the provisions of Section 1202 of the Internal Revenue Code;

¨ a trust with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment;

¨ an entity in which all of the equity holders are "accredited investors" by virtue of their meeting one or more of the above standards; or

þ an individual who is a director or executive officer of Digital Brands Group, Inc.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Accredited Investor Status effective as of August 31, 2022.

Name: John Hilburn Davis IV

Signature: /s/ John Hilburn Davis

Printed Name of Signatory (if entity): _____

Title: _____

(required for any stockholder that is a corporation, partnership, trust or other entity)

If joint ownership, both parties should sign above.

Exhibit 99.1

SUNNYSIDE, LLC, dba Sundry

UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2022 AND 2021

Sunnyside, LLC, dba Sundry

Index to the Financial Statements

As of June 30, 2022

Sunnyside, LLC, dba Sundry

BALANCE SHEETS

UNAUDITED

	June 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash	$ 1,025,641	$ 417,235
Accounts receivable, net of allowance	69,773	124,342
Due from factor	552,367	590,022
Inventory	4,999,496	4,917,128
Prepaid expenses and other current assets	242,982	219,902
Total current assets	6,890,259	6,268,628
Fixed assets, net	126,102	161,954
Deposits	9,612	19,742
Total assets	$ 7,025,973	$ 6,450,324
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,382,180	$ 1,142,671
Accrued liabilities	390,774	773,274
Loan payable, related party	495,000	-
Total liabilities	2,267,954	1,915,945
Commitments and contingencies (Note 7)		
Members' equity	4,758,019	4,534,379
Total members' equity	4,758,019	4,534,379
Total liabilities and members' equity	$ 7,025,973	$ 6,450,324

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

Sunnyside, LLC, dba Sundry

STATEMENTS OF OPERATIONS

UNAUDITED

	Six Months Ended June 30,	
	2022	**2021**
Net revenues	$ 9,449,734	$ 13,765,815
Cost of goods sold	4,948,290	8,410,619
Gross profit	4,501,444	5,355,196
Operating expenses:		
General and administrative	1,853,295	1,551,030
Distribution	556,910	570,665
Sales and marketing	1,759,932	2,179,883
Total operating expenses	4,170,137	4,301,578
Income from operations	331,307	1,053,618
Other income (expense), net		
Other income	-	689,171
Interest expense	(36,867)	(37,067)
Total other income (expense), net	(36,867)	652,104
Provision for income taxes	800	800
Net income	$ 293,640	$ 1,704,922

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

Sunnyside, LLC, dba Sundry

STATEMENTS OF MEMBERS' EQUITY

UNAUDITED

		Members' Equity
Balances at December 31, 2020	$	4,630,468
Distributions		(1,180,000)
Net income		1,704,922
Balances at June 30, 2021	$	5,155,390
Balances at December 31, 2021	$	4,534,379
Distributions		(70,000)
Net income		293,640
Balances at June 30, 2022	$	4,758,019

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

Sunnyside, LLC, dba Sundry

STATEMENTS OF CASH FLOWS

UNAUDITED

	Six Months Ended June 30,	
	2022	**2021**
Cash flows from operating activities:		
Net income	$ 293,640	$ 1,704,922
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	27,000	28,800
Bad debt	-	6,629
Other income - PPP forgiveness	-	(689,171)
Changes in operating assets and liabilities:		
Accounts receivable	54,569	(260,403)
Due from factor	189,953	448,791
Inventory	(82,367)	854,796
Prepaid expenses and other current assets	(23,080)	6,673
Accounts payable	239,509	(453,122)
Accrued liabilities	(382,500)	(655,942)
Net cash provided by operating activities	316,724	991,973
Cash flows from investing activities:		
Purchase of property and equipment	-	(5,000)
Proceeds from sale of property and equipment	8,852	-
Deposits	10,130	-
Net cash provided by (used in) investing activities	18,982	(5,000)
Cash flows from financing activities:		
Proceeds from loans payable	-	630,637
Proceeds from loan payable, related party	995,000	-
Repayments to loan payable, related party	(500,000)	-
Factor advances (repayments), net	(152,300)	(185,000)
Distributions	(70,000)	(1,180,000)
Net cash provided by (used in) financing activities	272,700	(734,363)
Net change in cash and cash equivalents	608,406	252,611
Cash at beginning of period	417,235	733,440
Cash at end of period	$ 1,025,641	$ 986,051
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 800	$ 800
Cash paid for interest	$ 36,867	$ 37,067

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

Sunnyside, LLC, dba Sundry

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

NOTE 1 — NATURE OF OPERATIONS

Sunnyside, LLC, dba Sundry, (the "Company") was formed on January 1, 2014, in the State of California.

The Company is headquartered in Los Angeles and its principal business activity is the design and manufacture of coastal casual women's apparel. The Company sells predominantly to department and specialty stores located throughout the United States of America and internationally. The Company also sells directly to the consumer through its website.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Unaudited Interim Financial Information

The accompanying financial statements for the six months ended June 30, 2022 and the related footnote disclosures are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in our opinion, reflect all adjustments, consisting of only normal recurring adjustments, necessary to present fairly our financial position as of June 30, 2022 and results of operations, and cash flows for the six months ended June 30, 2022 and 2021. The results for the six months ended June 30, 2022 are not necessarily indicative of the results to be expected for the year ending December 31, 2022 or for any other periods. These unaudited financial statements should be read in conjuncture with the annual financial statements filed in the Digital Brands Group, Inc. prospectus on Form 424B4 on May 9, 2022.

Use of Estimates

Preparation of the financial statements in conformity with U.S. GAAP requires us to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could ultimately differ from these estimates. It is reasonably possible that changes in estimates may occur in the near term.

Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. While the majority of pandemic related restrictions have been lifted, the Company expects to continue to have periodic issues in 2022 and potentially beyond, that may be a result of lingering pandemic related issues, including but not limited to: supply chain delays, human capital hiring and retention, and remaining restrictions in geographical locations where we source products and services from.

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date. Applicable accounting guidance provides an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect our assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value:

Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2 — Include other inputs that are directly or indirectly observable in the marketplace.
Level 3 — Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Fair-value estimates discussed herein are based upon certain market assumptions and pertinent information available to us as of June 30, 2022 and December 31, 2021. Fair values of the Company's financial instruments were assumed to approximate carrying values because of the instruments' short-term nature.

Cash

The Company maintains its cash in various commercial banks in the United States ("U.S."). Accounts at U.S. banks are insured by the Federal Deposit Insurance Corporation up to $250,000. While the Company's accounts at these institutions, at times, may exceed the federally insured limits, management believes that the risk of loss is not significant and the Company has not experienced any losses in such accounts to date.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and are non-interest-bearing. An allowance for doubtful accounts is maintained based on the length of time receivables are past due, the status of a customers' financial position, and other factors. As of June 30, 2022 and December 31, 2021, there was an allowance for doubtful accounts of $19,000.

Inventory

Inventory consists of raw materials purchased from the Company's suppliers, work in progress and finished goods. Inventory is valued at the lower of first-in, first-out, cost, or net realizable value. As of June 30, 2022 and December 31, 2021, there was an allowance for obsolescence of $100,000.

Fixed Assets, Net

Fixed assets are stated at cost less accumulated depreciation. The Company's fixed assets are depreciated using the straight-line method over the estimated useful life of three (3) to seven (7) years. Leasehold improvements are depreciated over the lesser of the term of the respective lease or estimated useful economic life. At the time of retirement or other disposition of property and equipment, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets in accordance with Accounting Standards Codification ("ASC") 360-10-35, *Impairment or Disposal of Long-Lived Assets*. Under that directive, long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Such group is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. When such factors and circumstances exist, the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives are compared against their respective carrying amount. Impairment, if any, is based on the excess of the carrying amount over the fair value, based on market value when available, or discounted expected cash flows, of those assets and is recorded in the period in which the determination is made. For the six months ended June 30, 2022 and 2021, there were no impairment charges.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606 - *Revenue from Contracts with Customers* (ASC 606). The Company determines revenue recognition through the following steps:

- Identification of a contract with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the performance obligations are satisfied.

Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. As a practical expedient, the Company does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the period between customer payment and the transfer of goods or services is expected to be one year or less.

In accordance with ASC 606, the Company recognizes revenue via the sale of the Company's merchandise to its customers. Sales contracts (purchase orders) generally have a single performance obligation, which is satisfied upon shipment of merchandise at a point in time. Revenue is measured based on the consideration stated on an invoice, net of estimated returns, chargebacks, and allowances for other deductions based upon management's estimates and the Company's historical experience. The Company accepts product returns from customers in line with the Company's return policy, with each return depending on the underlying reason for and timing of the returned merchandise.

Wholesale revenues are recognized upon shipment of product to the customer. Revenues are recorded, net of expected returns, discounts and allowances. The Company reviews and refines these estimates using historical trends, seasonal results and current economic and market conditions.

E-commerce revenues of products ordered through the Company's website are recognized upon shipment to the customers. E-commerce revenues are also reduced by expected returns and discounts.

The Company evaluates the allowance for sales returns and allowances based on historical percentages, utilizing a multiple-month lookback period. As part of its evaluation, the Company considers actual returns and allowances to date that are in process and its actual sales within the past months that may result in returns and allowances in the future. The allowance for sales returns is recorded within accrued expenses and amounted to approximately $8,600 and $73,000 at June 30, 2022 and December 31, 2021, respectively. Under ASC 606, the Company also records an asset on the balance sheet within prepaid expenses and other current assets for the cost of the estimated returns of inventory, which amounted to approximately $4,300 and $30,000 at June 30, 2022 and December 31, 2021, respectively.

Utilizing the practical expedient provided for under ASC 606, the Company has elected to expense sales commissions related to product sales as incurred as the amortization period is generally one year or less for the time between customer purchase and utilization. These fees are recorded within sales and marketing expenses on the statement of operations.

Cost of Goods Sold

Cost of goods sold consist of the costs of inventory sold and inbound freight. The Company includes outbound freight associated with shipping goods to customers as a component of distribution expenses as noted below.

Shipping and Handling Fees and Costs

The Company includes shipping and handling fees billed to customers within revenues. The costs associated with shipping goods to customers are recorded within distribution expenses and amounted to approximately $350,000 and $381,000 for the six months ended June 30, 2022 and 2021, respectively.

Advertising

The Company expenses advertising costs as incurred. Advertising costs expensed were approximately $237,000 and $594,000 for the six months ended June 30, 2022 and 2021, respectively.

Income Taxes

The Company is a limited liability company (LLC) classified as a partnership for federal income tax purposes, which provides for profits and losses to be reported at the individual member level for income tax purposes. The Company pays the necessary amount of distributions in order to satisfy the member's estimated personal income tax liabilities arising from the Company's profits. The state of California imposes an annual fee on the LLC based on the level of gross revenue of the LLC. As of December 31, 2021 and 2020, the Company does not have any entity-level uncertain tax positions. The Company files income tax returns in the U.S. federal and California state jurisdictions. Generally, the Company is subject to examination by U.S. federal (or state and local) income tax authorities for three to four years from the filing of a tax return.

Concentration of Credit Risk

Concentrations — The Company had one customer which accounted for 52% of accounts receivable as June 30, 2022. During the six months ended June 30, 2022, one customer accounted for 27% of the Company's revenues.

Suppliers — The Company relies on a small number of vendors for raw materials and inventory purchases. Management believes that the loss of one or more of these vendors would have a material impact on the Company's financial position, results of operations and cash flows. Purchases from two suppliers amounted to approximately 26% of total purchases for the six months ended June 30, 2022. The Company had two suppliers which accounted for 47% of accounts payable as of June 30, 2022.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability, measured on a discounted basis, the balance sheet for all leases with terms greater than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of operations. A modified retrospective transition approach is required for capital and operating leases existing at the date of adoption, with certain practical expedients available. The Company adopted the new guidance on January 1, 2022, but did not have any impact on its financial statements as the Company had no applicable leases.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments*, which changes the impairment model for most financial assets. Several amendments to this new guidance have also been issued by the FASB between 2016 and 2020. The new model uses a forward-looking expected loss method, which will generally result in earlier recognition of allowances for losses. The Company is evaluating the impact of this guidance, which is effective for the Company beginning on January 1, 2023, although early adoption is permitted.

NOTE 3 - DUE FROM FACTOR

Pursuant to the terms of a continuing agreement between the Company and a factor, the Company sells a significant portion of its trade accounts receivable to a factor on a pre-approved, non-recourse basis. The price at which the accounts are sold is the invoice amount reduced by the factor commission and all selling discounts. For accounts sold to the factor without recourse, the factor is responsible for collection, assumes all credit risk and obtains all of the rights and remedies against the Company's customers. For such accounts, payment is due from the factor upon the earlier of the payment of the receivable to the factor by the customer, or the maturity of the receivable. Certain receivables are subject to recourse in the event of non-payment by the customer.

The Company may request advances prior to the collection of accounts receivable. Advances are granted at the sole discretion of the factor and are payable upon demand. The factor charges interest on advances at the higher of the prime rate plus 2.00% or 4.00% per annum. The factoring agreement is collateralized by substantially all of the Company's assets.

Due from factor consists of the following:

	June 30, 2022	December 31, 2021
Outstanding receivables		
Without recourse	$ 1,696,907	$ 1,886,591
With recourse	-	11,000
	1,696,907	1,897,591
Advances	(1,057,000)	(1,209,300)
Credits due customers	(87,540)	(98,269)
Due from factor	$ 552,367	$ 590,022

NOTE 4 — INVENTORY

The Company had inventories consisting of the following:

	June 30, 2022	December 31, 2021
Raw materials	$ 1,775,982	$ 1,746,722
Work in progress	1,984,240	1,951,549
Finished goods	1,239,274	1,218,857
Inventory	$ 4,999,496	$ 4,917,128

NOTE 5 — FIXED ASSETS, NET

Fixed assets, net, are comprised of the following:

	June 30, 2022	December 31, 2021
Leasehold improvements and showrooms	$ 198,658	$ 198,658
Furniture and equipment	174,006	183,005
Automobiles	34,220	34,072
	406,883	415,735
Less: accumulated depreciation and amortization	(280,781)	(253,781)
Fixed assets, net	$ 126,102	$ 161,954

Depreciation and amortization expense was $27,000 and $28,800 for the six months ended June 30, 2022 and 2021, respectively.

NOTE 6 — DEBT

On February 23, 2021, the Company received a second draw PPP loan for approximately $631,000. The loan bore interest at 1% per annum and was to be repaid in full no later than five years from the disbursement date. The monthly payments were to be an amount equal to the amount necessary to fully amortize the then-outstanding principal balance at the specified interest rate and continue through maturity, if required. The second draw PPP was subject to the same forgiveness provisions as the first loan. In December 2021, the Company received full forgiveness of the PPP loan.

See Note 9 for related party loan.

NOTE 7 — COMMITMENTS AND CONTINGENCIES

Litigation

The Company is not currently involved with, and does not know of any, pending or threatened litigation against the Company or any of its officers.

Leases

The Company leases its office and showroom facilities in Los Angeles, California. The leases expire at various dates through April 2022 with base rents ranging from $4,000 to $15,000. One of the lease agreements is guaranteed by a member of the Company. As of June 30, 2022, all leases are month-to-month and there are no future commitments.

Total rent expense for the six months ended June 30, 2022 and 2021 amounted to approximately $176,000 and $118,000, respectively.

NOTE 8 — MEMBERS' EQUITY

During the six months ended June 30, 2022 and 2021, member distributions totaled $70,000 and $1,180,000, respectively.

The debts, obligations, and liabilities of the Company, whether arising in contract, tort, or otherwise, are solely the debts, obligations, and liabilities of the Company, and no member of the Company is obligated personally for any such debt, obligation, or liability.

NOTE 9 — RELATED PARTY TRANSACATIONS

During the six months ended June 30, 2022 two members advanced the Company an aggregate of $995,000, of which $500,000 was repaid and $495,000 remained outstanding as of June 30, 2022. The loas are unsecured, non-interest bearing, and are due on demand.

During the six months ended June 30, 2022, the Company paid $255,043 to a vendor that is owned by a Member of the Company for inventory production.

NOTE 10 — SUBSEQUENT EVENTS

The Company has evaluated subsequent events that occurred through August 28, 2022, the issuance date of these financial statements.