

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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): **June 5, 2013**

XCEL BRANDS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

000-31553
(Commission File Number)

76-0307819
(IRS Employer Identification No.)

475 10th Avenue, 4th Floor, New York, NY
(Address of Principal Executive Offices)

10018
(Zip Code)

(347) 727-2474
(Registrant's Telephone Number, Including Area Code)

(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))
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Item 1.01 Entry Into a Material Definitive Agreement.

On June 5, 2013, as part of the Offering (defined below), XCel Brands, Inc. (the “Company”), entered into subscription agreements with (i) Mark X. DiSanto Investment Trust (the “Trust”), of which Mark X. DiSanto, a director and principal stockholder of the Company, is trustee, and (ii) two funds as to which Traftlet Capital Management, L.P. (a principal stockholder of the Company) serves as the investment manager (collectively, “Traftlet”). Pursuant to the subscription agreements, the Company issued (i) to the Trust 285,715 shares of its common stock and warrants (the “Warrants”) to purchase 62,500 shares of common stock of the Company for an aggregate purchase price of \$1,000,002.50 and (ii) to Traftlet 1,142,858 shares of its common stock and Warrants to purchase 250,000 shares of its common stock for an aggregate purchase price of \$4,000,003.00.

On June 5, 2013, the Company entered into an engagement agreement with Threadstone LP, (“Threadstone”), pursuant to which the Company agreed to pay to Threadstone, a cash fee of 7% of the gross proceeds from Traftlet in the Offering introduced by Threadstone. The Company paid to Threadstone a fee of \$280,000 in connection with the Offering. Todd Slater, a director of the Company, is a Managing Director of Threadstone.

Item 3.02 Unregistered Sales of Equity Securities

On June 5, 2013 in an offering to Traftlet and the Trust, each of which is an accredited investor, the Company issued and sold an aggregate of 1,428,573 shares of its common stock (the “Shares”) and Warrants to purchase an aggregate of 312,500 of the Company’s common stock for an aggregate gross proceeds of \$5,000,005.50 (the “Offering”). The Warrants are exercisable at a price of \$5.00 per share, at any time on or prior to June 5, 2018. The Warrants may be exercised on a cashless basis at any time after June 5, 2014 if (i) there is no effective registration statement or current prospectus exercisable for the resale of the shares issuable upon exercise of the warrants (the “Warrant Shares”) and (ii) the average daily trading value of the common stock for the 30 trading day period prior to the date of exercise is at least 25,000 shares. The Company agreed to use concurrently reasonable effects to (i) file a registration statement for the resale of the Shares within 60 days from the Company’s acceptance of the subscription agreements and Warrant Shares and (ii) have the registration statement declared effective by the Securities and Exchange Commission within 120 days from the Company’s acceptance of the subscription agreements.

On May 1, 2013, the Chief Executive Officer, under authority from the Compensation Committee of the Company’s Board of Directors granted to 24 employees (none of whom are reporting persons of the Company for purposes of Section 16 of the Securities Act of 1933, as amended) aggregate of 28,750 shares of common stock. The shares vest as to one-half of the shares on each of the first and second anniversary date of the grant.

None of the issuances referenced above were registered under the Securities Act of 1933, as amended (the “Securities Act”). Neither the offerings nor the grants of stock was a “public offering” as defined in Section 4(2) of the Securities Act due to the insubstantial number of persons involved, size of the offerings, manner of the offerings and number of securities offered. The Company did not undertake an offering in which it sold a high number of securities to a high number of investors. In addition, the purchasers and grantees had the necessary investment intent as required by Section 4(2) because each of them agreed to and received share certificates bearing a legend stating that such securities are restricted pursuant to Rule 144 of the Securities Act. This restriction ensures that these securities would not be immediately redistributed into the market and therefore not be part of a “public offering.” Based on an analysis of the above factors, the Company has met the requirements to qualify for exemption under Section 4(2) of the Securities Act for this transaction.

Item 9.01 Financial statements and Exhibits

- 4.1 Form of Warrant
 - 10.1 Form of Subscription Agreement with Trust
 - 10.2 Engagement Agreement between the Company and Threadstone
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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Current Report on Form 8-K to be signed on its behalf by the undersigned hereunto duly authorized.

XCEL BRANDS, INC.

By: /s/ James F. Haran
Name: James F. Haran
Title: Chief Financial Officer

Date: June 7, 2013

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT WHICH SHALL BE ACCEPTABLE TO THE COMPANY. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

COMMON STOCK PURCHASE WARRANT

XCEL BRANDS, INC.

Warrant No.: XB [1]

Warrant Shares: [1]

Initial Exercise Date: [1], 2013

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, [1] (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the "Initial Exercise Date") and on or prior to the close of business on the five year anniversary of the Initial Exercise Date (the "Termination Date") but not thereafter, to subscribe for and purchase from XCel Brands, Inc., a Delaware corporation (the "Company"), up to [1] ([1]) shares (the "Warrant Shares") of Common Stock. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b).

Section 1. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Subscription Agreement (the "Subscription Agreement"), dated [1], 2013, among the Company and the Holder. The term "Business Day" shall mean a day, other than a Saturday, Sunday or federal holiday, on which banks in New York City are generally open for normal business. The term "Trading Day" shall mean a day on which the Common Stock is traded on any of the following markets or exchanges: the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the American Stock Exchange, the New York Stock Exchange or the OTC Bulletin Board.

Section 2. Exercise.

a) Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed facsimile copy of the Notice of Exercise Form annexed hereto; and, within three (3) Trading Days of the date said Notice of Exercise is delivered to the Company, the Company shall have received the original Warrant and, except as, provided for in section 2(c) below, payment of the aggregate Exercise Price of the Warrant Shares thereby purchased by wire transfer or cashier's check drawn on a United States bank. In the case of the purchase of less than all of the Warrant Shares represented by this Warrant, the Company shall, upon receipt of this Warrant, cause this Warrant to be cancelled and shall execute and deliver a new Warrant of like tenor for the remaining Warrant Shares.

b) Exercise Price. The exercise price per share of the Common Stock under this Warrant shall be \$5.00, subject to adjustment hereunder (the "Exercise Price").

c) Cashless Exercise. If, following the one (1) year anniversary of the date of the Initial Exercise Date and (i) the average daily trading volume of the Common Stock for the thirty (30) Trading Day period immediately prior to the date of exercise is at least 25,000 shares and (ii) there is no effective registration statement registering, or no current prospectus available for, the resale of the Warrant Shares by the Holder at the time the Holder intends to exercise this Warrant in whole or in part, then this Warrant may also be exercised at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a certificate for the number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the VWAP on the Trading Day immediately preceding the date of such election;

(B) = the Exercise Price of this Warrant, as adjusted; and

(X) = the number of Warrant Shares issuable upon exercise of this Warrant in accordance with the terms of this Warrant by means of a cash exercise rather than a cashless exercise.

Notwithstanding anything herein to the contrary, on the Termination Date, this Warrant shall be automatically exercised via cashless exercise pursuant to this Section 2(c).

For purposes of this Warrant, "VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq global Select Market, the American Stock Exchange, the New York Stock Exchange or the OTC Bulletin Board (each a "Trading Market"), the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. New York City time to 4:02 p.m. New York City time); or (b) if the Common Stock is not then listed or quoted for trading on the OTC Bulletin Board and if prices for the Common Stock are then reported by the OTC Markets, LLC (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported; or (c) in all other cases, the fair market value of a share of Common Stock as determined good faith by the resolution of the Board of Directors of the Company.

d) Mechanics of Exercise.

i. Delivery of Certificates Upon Exercise. Certificates for shares purchased hereunder shall be transmitted within five (5) Trading Days from the delivery to the Company of the Notice of Exercise Form, surrender of this Warrant and payment of the aggregate Exercise Price as set forth above (the "Warrant Share Delivery Date"). This Warrant shall be deemed to have been exercised on the date the Exercise Price is received by the Company. The Warrant Shares shall be deemed to have been issued, and Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised by payment to the Company of the Exercise Price (or by cashless exercise) and all taxes required to be paid by the Holder, if any, pursuant to Section 2(c)(iv) prior to the issuance of such shares, have been paid.

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, upon surrender of this Warrant certificate, at the time of delivery of the certificate or certificates representing Warrant Shares, deliver to Holder a new Warrant evidencing the rights of Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

iv. Charges, Taxes and Expenses. Issuance of certificates for Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event certificates for Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto.

v. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

Section 3. Certain Adjustments.

a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions to all holders of Common Stock payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of this Warrant), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

c) Notice to Holder.

i. Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly mail to the Holder a notice setting forth the Exercise Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, of any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be mailed to the Holder at its last address as it shall appear upon the Warrant Register of the Company, at least 10 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. The Holder is entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice.

Section 4. Transfer of Warrant.

a) Transferability. Subject to compliance with any applicable securities laws and the conditions set forth in Section 4(d) hereof, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. The Warrant, if properly assigned, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the Initial Exercise Date and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

d) Transfer Restrictions. If, at the time of the surrender of this Warrant in connection with any transfer of this Warrant, the transfer of this Warrant shall not be either (i) registered pursuant to an effective registration statement under the Securities Act and under applicable state securities or blue sky laws or (ii) eligible for resale without volume or manner-of-sale restrictions pursuant to Rule 144, the Company may require, as a condition of allowing such transfer, that the Holder or transferee of this Warrant, as the case may be, make representations set forth in Section 1 of the Subscription Agreement to the extent such representations and warranties relate to the undersigned and/or the purchase of Warrant Shares.

Section 5. Miscellaneous.

a) No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 2(a).

b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Authorized Shares.

The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Stock the number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such commercially reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the trading market upon which the Common Stock may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

e) Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the provisions of the Subscription Agreement.

f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered, will have restrictions upon resale imposed by state and federal securities laws.

g) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice Holder's rights, powers or remedies, notwithstanding the fact that all rights hereunder terminate on the Termination Date. If the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

h) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Subscription Agreement.

i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of Holder, shall give rise to any liability of Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

j) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of all Holders from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

k) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and Holders holding Warrants at least equal to a majority of the Warrant Shares issuable upon exercise of all then outstanding Warrants.

l) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

m) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

(Signature Pages Follow)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

XCEL BRANDS, INC.

By: _____
Name:
Title:

NOTICE OF EXERCISE

TO: XCEL BRANDS, INC.

(1) The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):

- in lawful money of the United States; or
- the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(c) to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 2(c).

(3) Please issue a certificate or certificates representing said Warrant Shares in the name of the undersigned or in such other name as is specified below:

The Warrant Shares shall be delivered to the following DWAC Account Number or by physical delivery of a certificate to:

(4) Accredited Investor. The undersigned represents that the representations set forth in Section 1 of the Subscription Agreement (as such representations and warranties relate to the undersigned and/or its purchase of Warrant Shares) are true and correct as of the date of this Notice of Exercise.

[SIGNATURE OF HOLDER]

Name of Investing Entity: _____

Signature of Authorized Signatory of Investing Entity: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

Date: _____

ASSIGNMENT FORM

(To assign the foregoing warrant, execute this form and supply required information. Do not use this form to exercise the warrant.)

FOR VALUE RECEIVED, [____] all of or [_____] shares of the foregoing Warrant and all rights evidenced thereby are hereby assigned to

_____ whose address is

_____.

Dated: _____, _____

Holder's Signature: _____

Holder's Address: _____

Signature Guaranteed: _____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank or trust company. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

SUBSCRIPTION AGREEMENT

XCel Brands, Inc.
475 Tenth Avenue
New York, New York 10018

Ladies and Gentlemen:

This Subscription Agreement (the "Subscription Agreement") sets forth the agreement of XCel Brands, Inc. (the "Company") and the undersigned with respect to the sale by the Company to the undersigned of (i) the number of shares of common stock, \$0.001 par value per share, of the Company ("Common Stock") set forth on the signature page hereto (the "Shares") and (ii) warrants (the "Warrants"), each warrant to purchase one share of Common Stock at an exercise price of \$5.00 per share, in the form attached as Exhibit A hereto, for the purchase price set forth on the signature page hereto (the "Purchase Price"). Together with this Subscription Agreement, the undersigned is delivering to Xcel either (1) a check payable to XCel Brands, Inc. or (2) funds by wire transfer as instructed by the Company, in either case in the full amount of the purchase price for the Shares and Warrants which the undersigned is hereby subscribing for pursuant hereto. This Subscription Agreement is part of an offering of up to [●] shares of Common Stock and [●] Warrants.

1. Subscriber Representations and Warranties. In order to induce the Company to accept this subscription, the undersigned hereby represents and warrants to, and covenants with, the Company as follows:

(i) The undersigned acknowledges that it or its representatives has access to or has received from the Company copies of the Company's filings with the SEC since October 1, 2011 (the "SEC Filings");

(ii) Other than its review of the SEC Filings, the undersigned has not been furnished, by the Company or an agent or representative thereof, with any other materials or literature relating to the Company or the offer and sale of the Shares and Warrants;

(iii) The undersigned has performed its own due diligence in connection with its subscription for the Shares and Warrants and has had a reasonable opportunity to ask questions of and receive answers from the Company concerning the Company and the offering, and all such questions, if any, have been answered to the full satisfaction of the undersigned;

(iv) The undersigned or its representatives are sophisticated investors familiar with the type of risks inherent in the acquisition of securities such as the Shares and Warrants and that, by reason of its or its representatives knowledge and experience in financial and business matters in general, and investments of this type in particular, it or its representatives are capable of evaluating the merits and risks of an investment in the Shares and Warrants;

(v) The undersigned understands that the Company has determined that the exemption from the registration provisions of the Securities Act of 1933, as amended (the "Act"), for transactions not involving a public offering is applicable to the offer and sale of the Shares and Warrants, based, in part, upon the representations, warranties and agreements made by the undersigned herein;

(vi) The undersigned acknowledges that the undersigned has had the opportunity to review this Subscription Agreement and the transactions contemplated by this Subscription Agreement with its own legal counsel and investment and tax advisors. The undersigned is not relying on any statements or representations of the Company or any of the Company's affiliates, representatives or agents for legal, tax or investment advice with respect to this Agreement or the transactions contemplated by the Subscription Agreement, other than those set forth in this Subscription Agreement. The undersigned further acknowledges that, except as set forth in this Subscription Agreement, no representations have been made by the Company or its representatives about the Company or the SEC filings;

(vii) The undersigned understands that: (A) neither the Shares nor the Warrants have been registered under the Act or the securities laws of any state, based upon an exemption from such registration requirements for non-public offerings pursuant to Regulation D under the Act; (B) the Shares, Warrants and shares of Common Stock issuable upon exercise of the Warrants (the "Warrant Shares") are and will be "restricted securities", as said term is defined in Rule 144 of the Rules and Regulations promulgated under the Act; (C) neither the Shares, Warrants or Warrant Shares may be sold or otherwise transferred unless they have been first registered under the Act and all applicable state securities laws, or unless exemptions from such registration provisions are available with respect to said resale or transfer; (D) except as set forth in this Subscription Agreement, the Company is under no obligation to register the Shares, Warrants or Warrant Shares under the Act or any state securities laws, or to take any action to make any exemption from any such registration provisions available; (E) the certificates for the Shares, Warrants and Warrant Shares will bear a legend to the effect that the transfer of the securities represented thereby is subject to the provisions hereof; and (F) stop transfer instructions will be placed with the transfer agent for the Shares;

(viii) The undersigned will not sell or otherwise transfer any of the Shares, Warrants or Warrant Shares or any interest therein, unless and until: (A) said Shares, Warrants or Warrant Shares shall have first been registered under the Act and all applicable state securities laws; or (B) the undersigned shall have first delivered to the Company a written opinion of counsel (which counsel and opinion (in form and substance) shall be satisfactory to the Company), to the effect that the proposed sale or transfer is exempt from the registration provisions of the Act and all applicable state securities laws;

(ix) The undersigned has full power and authority to execute and deliver this Subscription Agreement and to perform the obligations of the undersigned hereunder, and such agreement is a legally binding obligation of the undersigned in accordance with its terms;

(x) The undersigned is an “accredited investor,” as such term is defined in Regulation D of the Rules and Regulations promulgated under the Act and as set forth below by checking the appropriate box(es):

A bank as defined in Section 3(a)(2) of the Securities Exchange Act of 1934, as amended (the “Securities Exchange Act”), or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Exchange Act whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act; an insurance company as defined in section 2(13) of the Securities Exchange 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, if 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 director or executive officer of the Company;

A natural person whose individual net worth, or joint net worth with that person’s spouse, at the time of his purchase exceeds \$1,000,000, excluding the value of the primary residence of such natural person*;

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 that person’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;

* Note: - Although the value of the primary residence is excluded, the excess of debt secured by the primary residence over its estimated market value (i.e., underwriter mortgage) is included as a liability in the net worth calculation and reduces the nature person’s net worth. Moreover, if the amount of debt secured by the primary residence outstanding on the closing date of the sale of the Shares and Warrants exceeds the amount of such debt during the prior 60 days, the amount of such excess is viewed as a liability reducing the net worth.

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 sophisticated person as described in Rule 506(b)(2)(ii); and

An entity in which all of the equity owners are accredited investors.

(xi) The address set forth below is the undersigned's true and correct residence, and the undersigned has no present intention of becoming a resident of any other state or jurisdiction. (If a corporation, trust or partnership, the undersigned has its principal place of business at the address set forth below and was not organized for the specific purpose of subscribing to this offering);

(xii) The undersigned is acquiring the Shares and Warrants for its own account and for the purpose of investment and not with a view to, or for resale in connection with, any distribution within the meaning of the Act in violation of the Act.

The undersigned does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Shares or Warrants for which the undersigned is subscribing;

(xiii) The undersigned has the financial ability to bear the economic risk of the undersigned's investment in the Company, has no need for liquidity with respect to such investment, and has adequate means for providing for his or its current needs and contingencies;

(xiv) The undersigned has determined that the Shares and Warrants are a suitable investment for the undersigned and that the undersigned could bear a complete loss of such investment;

(xv) The undersigned understands that an investment in the Shares and Warrants is a speculative investment which involves a high degree of risk of loss of the undersigned's entire investment;

(xvi) The undersigned's overall commitment to investments which are not readily marketable is not disproportionate to the undersigned's net worth, and an investment in the Shares and Warrants will not cause such overall commitment to become excessive;

(xvii) The undersigned has carefully reviewed the jurisdictional notices listed below and agrees to abide by any restrictions contained therein applicable to the undersigned:

JURISDICTIONAL NOTICES

Residents of All States:

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF CERTAIN STATES AND ARE BEING OFFERED AND SOLD IN RELIANCE UPON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER SAID ACT AND SUCH LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THE MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

2. Company Representations and Warranties. The Company hereby represents and warrants to, and covenants with, the undersigned as follows:

(i) The Company has been duly organized and is validly existing as a corporation and is in good standing under the laws of the state of its incorporation.

(ii) Prior to the closing, (i) this Subscription Agreement and the Shares and Warrants will have been duly and validly authorized by the Company, (ii) this Subscription Agreement, when accepted, and the Common Stock Purchase Warrant attached hereto as Exhibit A, when executed, will be the legal, valid and binding obligations of the Company, enforceable in accordance with their respective terms, and (iii) the issuance and sale of the Shares and Warrants will have been duly authorized and, when the Shares have been issued and duly delivered against payment therefore as contemplated by this Subscription Agreement, the Shares will be validly issued, fully paid and nonassessable.

(iii) The execution and delivery of this Subscription Agreement and the Warrant do not, and the performance and consummation of the terms and transactions set forth or contemplated therein or herein will not, contravene or result in a default under any provision of existing law or regulations to which the Company is subject, the provisions of the charter, bylaws or other governing documents of the Company or any indenture, mortgage or other agreement or instrument to which the Company is a party or by which it is bound and does not require on the part of the Company any approval, authorization, license, or filing from or with any foreign, federal, state or municipal authority or agency that has not been obtained or made.

3. Registration Rights. The Company shall use commercially reasonable efforts to file a registration statement with the Securities and Exchange Commission (the "SEC") within sixty (60) days following the date of the Company's acceptance of this subscription and use commercially reasonable efforts to have the registration statement declared effective by the SEC within one hundred twenty (120) days following the date of the Company's acceptance of this subscription, to register for resale the Shares and the Warrant Shares, and the costs of such registration statement (other than fees and disbursements of counsel and other advisors to the undersigned), including without limitation the preparation and filing thereof, shall be borne solely by the Company.

4. Board Observer. [INSERT FOR TRAFALLET] The Board shall appoint Remy Trafelet as a non-voting observer to the Board and Mr. Trafelet shall have such right so long as he or his affiliates beneficially own (as defined in accordance with Rule 13d-3 under the Securities Exchange Act) 15% or more of the Company's Common Stock.

5. Miscellaneous.

(i) The undersigned understands that this subscription is not binding upon the Company until the Company accepts it, which acceptance is at the sole discretion of the Company and is to be evidenced by the Company's execution of this Subscription Agreement where indicated. This Subscription Agreement shall be null and void if the Company does not accept it as aforesaid.

(ii) The undersigned agrees to indemnify the Company and hold it harmless from and against any and all losses, damages, liabilities, costs, and expenses which it may sustain or incur in connection with the breach by the undersigned of any representation, warranty, or covenant made by the undersigned.

(iii) Neither this Subscription Agreement nor any of the rights of the undersigned hereunder may be transferred or assigned by the undersigned.

(iv) In the event of rejection of this subscription, or in the event the sale of the Shares and Warrants subscribed for by the undersigned is not consummated by the Company for any reason (in which event this Subscription Agreement shall be deemed to be rejected), this Subscription Agreement and any other agreement entered into between the undersigned and the Company relating to this subscription shall thereafter have no force or effect and the Company shall promptly return or cause to be returned to the undersigned the Purchase Price remitted to the Company by the undersigned, without interest thereon or deduction therefrom.

(v) Except as otherwise provided herein, this Subscription Agreement shall be binding upon and inure to the benefit of the parties and their heirs, executors, administrators, successors, legal representatives and assigns. If the undersigned is more than one person, the obligation of the undersigned shall be joint and several and the agreements, representations, warranties and acknowledgements herein contained shall be deemed to be made by and be binding upon each such person and his heirs, executors, administrators and successors.

(vi) This Subscription Agreement and the documents referenced herein contain the entire agreement of the parties and there are no representations, covenants or other agreements except as stated or referred to herein and therein.

(vii) The parties (1) agree that any legal suit, action or proceeding arising out of or relating to this Subscription Agreement shall be instituted exclusively in New York State Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, (2) waive any objection which either such party may have now or hereafter to the venue of any such suit, action or proceeding, and (3) irrevocably consent to the jurisdiction of the New York State Supreme Court, County of New York, and the United States District Court for the Southern District of New York in any such suit, action or proceeding. The parties further agree to accept and acknowledge service of any and all process which may be served in any such suit, action or proceeding in the New York State Supreme Court, County of New York, or in the United States District Court for the Southern District of New York and agree that service of process upon either such party mailed by certified mail to the party's respective address (set forth in this Subscription Agreement or such other address provided in writing by a party to this Subscription Agreement to the other parties to this Subscription Agreement) shall be deemed in every respect effective service of process upon such party, in any such suit, action or proceeding.

(viii) This Subscription Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to conflicts of law principles.

(ix) This Subscription Agreement may only be modified by a written instrument executed by the undersigned and the Company.

(x) Unless the context otherwise requires, all personal pronouns used in this Subscription Agreement, whether in the masculine, feminine or neuter gender, shall include all other genders.

(xi) All notices or other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered personally or mailed by certified or registered mail, return receipt requested, postage prepaid, as follows: if to the undersigned, to the address set forth on the signature page; and if to the Company, to XCel Brands, Inc., 475 Tenth Avenue, New York, New York 10018 Attention: Mr. James Haran, Chief Financial Officer, or to such other address as the Company or the undersigned shall have designated to the other by like notice.

SIGNATURE PAGE

Organization Signature:

Individual Signature(s):

Print Name of Subscriber Organization

Signature(s)

By: _____
(Signature and Title)

Signature(s)

Print Name and Title of Person Signing

Print Name of Subscriber

Print Name of Subscriber

Total Purchase Price: \$ _____
Number of Shares Subscribed for: _____
Number of Warrants Subscribed for: _____

**(All Subscribers should please print information
below exactly as you wish it to appear
in the records of the Company)**

Name and capacity in which subscription is made -- see below for
particular requirements

Social Security Number of Individual or other Taxpayer I.D. Number

Address:

Address for notices, if different:

Number and Street

Number and Street

City State Zip Code

City State Zip Code

Please check the appropriate box to indicate form of ownership (if applicable):

TENANTS-IN-COMMON
(Both Parties must sign above)

JOINT TENANTS WITH RIGHT OF SURVIVORSHIP
Both Parties must sign above)

ACCEPTANCE OF SUBSCRIPTION

XCel Brands, Inc.

The foregoing subscription is hereby accepted by XCel Brands, Inc., this ____ day of _____ 2013, for _____ Shares and Warrants to purchase _____ shares of Common Stock.

XCEL BRANDS, INC.

By: _____
Name:
Title:



June 04, 2013

Mr. Robert D'Loren
Xcel Brands, Inc.
475 Tenth Avenue
New York, NY 10018

Dear Mr. D'Loren

This agreement ("Agreement") sets forth the terms of the engagement by Xcel Brands, Inc. (the "Company") and Threadstone Advisors LLC (collectively with its affiliates, "Threadstone" or the "Agent") pursuant to which Threadstone shall act as a placement agent (the "Services") for the Company, on a reasonable best efforts basis, in connection with the proposed offer and placement (the "Offering") by the Company of equity securities of the Company (the "Securities"). The terms of the Offering and the Securities shall be mutually agreed upon by the Company and the investors and nothing herein implies that Agent would have the power or authority to bind the Company or an obligation for the Company to issue any Securities or complete the Offering.

A. Fees and Expenses. In connection with the Services described above, the Company shall pay to Agent the following compensation:

1. Placement Agent's Fee. The Company shall pay to Agent a cash placement fee (the "Placement Agent's Fee") equal to 7% of the aggregate purchase price paid by each purchaser of Securities that are placed in the Offering for the purchasers listed on Exhibit A to this Agreement. The Placement Agent's Fee will be paid within thirty (30) days of the funding of the Offering.

2. Expenses. Agent shall be responsible for any expenses incurred by Agent related to the Services provided herein. Aside from the Placement Agent's Fee, no other compensation shall be due from the Company to the Placement Agent.

B. Term and Termination of Engagement. Except as set forth below, the term (the "Term") of Agent's engagement will begin on the date hereof and end on the earlier of the consummation of the Offering, or June 30, 2013. Notwithstanding anything to the contrary contained herein, the provisions concerning indemnification, representations, and the Company's obligations to pay the Placement Agent's Fee contained herein will survive any expiration or termination of this Agreement.

C. Use of Information. The Company will furnish Agent such written information as Agent reasonably requests in connection with the performance of its services hereunder. The Company understands, acknowledges and agrees that, in performing its services hereunder, Agent will use and rely entirely upon such information as well as publicly available information regarding the Company and other potential parties to an Offering and that Agent does not assume responsibility for independent verification of the accuracy or completeness of any information, whether publicly available or otherwise furnished to it, concerning the Company or otherwise relevant to an Offering, including, without limitation, any financial information, forecasts or projections considered by Agent in connection with the provision of its services.

D. Limitation of Engagement to the Company. The Company acknowledges that Agent has been retained only by the Company, that Agent is providing services hereunder as an independent contractor (and not in any fiduciary or agency capacity) and that the Company's engagement of Agent is not deemed to be on behalf of, and is not intended to confer rights upon, any shareholder, owner or partner of the Company or any other person not a party hereto as against Agent or any of its affiliates, or any of its or their respective officers, directors, controlling persons (within the meaning of Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), employees or agents. Unless otherwise expressly agreed in writing by Agent, no one other than the Company is authorized to rely upon this Agreement or any other statements or conduct of Agent, and no one other than the Company is intended to be a beneficiary of this Agreement. Agent shall not have the authority to make any commitment binding on the Company. The Company, in its sole discretion, shall have the right to reject any investor introduced to it by Agent.

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E. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be fully performed therein. Any disputes which arise under this Agreement, even after the termination of this Agreement, will be heard only in the state or federal courts located in the City of New York, State of New York. The parties hereto expressly agree to submit themselves to the jurisdiction of the foregoing courts in the City of New York, State of New York. The parties hereto expressly waive any rights they may have to contest the jurisdiction, venue or authority of any court sitting in the City and State of New York. In the event of the bringing of any action, or suit by a party hereto against the other party hereto, arising out of or relating to this Agreement, the party in whose favor the final judgment or award shall be entered shall be entitled to have and recover from the other party the costs and expenses incurred in connection therewith, including its reasonable attorneys' fees. Any rights to trial by jury with respect to any such action, proceeding or suit are hereby waived by Agent and the Company.

F. Representations by Agent. Agent represents and warrants to the Company that Agent (i) is a duly licensed and registered securities broker-dealer under the rules of FINRA and has all other licenses, approvals and consents necessary to perform the services, and shall remain a registered securities broker/dealer during the term of this agreement; and (ii) and its affiliates are currently in compliance with the securities laws and regulations applicable to it.

G. Miscellaneous. The Company represents that it is free to enter into this Agreement and the transactions contemplated hereby. This Agreement shall not be modified or amended except in writing signed by Agent and the Company. This Agreement shall be binding upon and inure to the benefit of Agent and the Company and their respective assigns, successors, and legal representatives. This Agreement constitutes the entire agreement of Agent and the Company, and supersedes any prior agreements, with respect to the subject matter hereof. If any provision of this Agreement is determined to be invalid or unenforceable in any respect, such determination will not affect such provision in any other respect, and the remainder of the Agreement shall remain in full force and effect. This Agreement may be executed in counterparts (including facsimile or .pdf counterparts), each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

[SIGNATURE PAGE TO FOLLOW]

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Very truly yours,

Threadstone Advisors, LLC

By /s/ William S. Susman

Name: William S. Susman

Title: Managing Director

Accepted and Agreed:

XCEL BRANDS, INC.

By /s/ Seth Burroughs _____

Name: Seth Burroughs

Title: EVP

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EXHIBIT A

1. Trafelet Capital (and affiliated funds)

Threadstone Advisors is affiliated with Susman Partners LLC Members FINRA / SIPC
