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): **September 29, 2011**

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

Delaware
(State or Other Jurisdiction of Incorporation)

000-31553	76-0307819
(Commission File Number)	(IRS Employer Identification No.)
475 10th Avenue, 4th Floor, New York, NY	10018
(Address of Principal Executive Offices)	(Zip Code)

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

NetFabric Holdings, Inc.
117 Randolph Avenue,
Jersey City, New Jersey 07305
(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))

Cautionary Note Regarding Forward Looking Statements

This Current Report on Form 8-K contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties, principally in the sections entitled "Description of Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." All statements other than statements of historical fact contained in this Current Report on Form 8-K, including statements regarding future events, our future financial performance, business strategy and plans and objectives of management for future operations, are forward-looking statements. We have attempted to identify forward-looking statements by terminology including "anticipates," "believes," "can," "continue," "ongoing," "could," "estimates," "expects," "intends," "may," "appears," "suggests," "future," "likely," "goal," "plans," "potential," "projects," "predicts," "should," "would," or "will" or the negative of these terms or other comparable terminology. Although we do not make forward looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under "Risk Factors" or elsewhere in this Current Report on Form 8-K, which may cause our or our industry's actual results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for us to predict all risk factors, nor can we address the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause our actual results to differ materially from those contained in any forward-looking statements. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assumes no obligation to update any such forward-looking statements

You should not place undue reliance on any forward-looking statement, each of which applies only as of the date of this Current Report on Form 8-K. Before you invest in our securities, you should be aware that the occurrence of the events described in the section entitled "Risk Factors" and elsewhere in this Current Report on Form 8-K could negatively affect our business, operating results, financial condition and stock price. Except as required by law, we undertake no obligation to update or revise publicly any of the forward-looking statements after the date of this Current Report on Form 8-K to conform our statements to actual results or changed expectations.

Item 1.01. Entry Into a Material Definitive Agreement.
Item 2.01. Completion of Acquisition or Disposition of Assets.
Item 2.03. Creation of a Direct Financial Obligation or an Obligation Under an Off-Balance Sheet Arrangement of a Registrant.

The Merger

On September 29, 2011, NetFabric Holdings, Inc., a Delaware corporation (the "Company"), XCel Brands, Inc., a Delaware corporation ("Old XCel"), Netfabric Acquisition Corp., a Delaware corporation ("Acquisition Corp.") and wholly-owned subsidiary of the Company, and certain stockholders of the Company entered into an Agreement of Merger and Plan of Reorganization (the "Merger Agreement") pursuant to which Acquisition Corp. was merged with and into Old XCel, with Old XCel surviving as a wholly-owned subsidiary of the Company (the "Merger"). Immediately following the Merger, Old Xcel was merged with and into the Company (the "Short Form Merger") and the Company changed its name to Xcel Brands, Inc. Pursuant to the Merger, the Company acquired all of the outstanding capital stock of Old XCel in exchange for issuing an aggregate of 944,688 shares of Common Stock, par value $0.001 per share (the "Common Stock") to Old XCel's stockholders at a ratio of 9,446.88 shares of Common Stock for each share of Old XCel common stock outstanding at the effective time of the Merger. As a result of the Merger, Old XCel's former stockholders and the IM Ready (as defined below) stockholders became the majority stockholders of the Company. Shares of the Company's Common Stock are quoted on the OTCQB under the symbol NFBHD.

Also in connection with the Merger and related transactions, as more fully described herein, the Company issued (i) 2,759,000 shares of Common Stock to IM Ready-Made, LLC, a New York limited liability company ("IM Ready"), and 944,688 shares of Common Stock to Earthbound, LLC ("Earthbound"), both in satisfaction of Old XCel's obligations under an asset purchase agreement with IM Ready and (ii) 47,132 shares of Common Stock to Mr. Stephen J. Cole-Hatchard or his designees, a director of the Company who will continue to serve as a director of the Company until the effectiveness (the "Appointment Date") of an information statement that will been filed with the Securities and Exchange Commission (the "Commission") in connection with the Merger and as required by Rule 14f-1 promulgated under the Securities Exchange Act, as amended (the "Exchange Act").

On September 28, 2011, the Company filed an amendment to its certificate of incorporation and effected a 1 for 520.5479607 reverse stock split such that holders of Common Stock prior to the Merger held a total of 186,444 shares of Common Stock and options and warrants to purchase 1,065 shares of Common Stock immediately prior to the Merger. After giving effect to the Merger, the Offering, the Loan and the transactions related thereto (all as defined and described herein), there were 5,742,952 issued and outstanding as of the Closing Date. All numbers of shares of Common Stock referenced herein are on a post-split basis.

Additionally, 20,000 of the shares of Common Stock held by Beaufort Ventures, PLC, a principal stockholder of the Company prior to the Merger, are being held in escrow until such time as final determination is made by the Internal Revenue Service of certain Company tax liabilities. As additional consideration for the Merger, XCel Brands paid to the Company $125,000 at the closing.

The Merger is being accounted for as a reverse acquisition presented as a recapitalization, except no goodwill or other intangible assets are recorded. Accordingly, the financial statements of the Isaac Mizrahi Business (as defined herein) and Old XCel will become the historical financial statements of the Company from the Closing Date.

Private Placement

Simultaneously with the closing of the Merger (the "Closing Date"), pursuant to a Subscription Agreement (the "Subscription Agreement") between the Company and certain accredited investors (the "Investors") named in the Subscription Agreement, we completed an offering (the "Offering"), raising proceeds of $4,305,000, through the sale of 8.61 units (each, a "Unit," and collectively, the "Units"), each Unit consisting of One Hundred Thousand (100,000) shares of Common Stock and a Warrant to purchase Fifty Thousand (50,000) shares of Common Stock, at an exercise price of $0.01 per share (the "Warrants" and together with the Common Stock the "Securities") at a price of $500,000 per Unit. Certain executive officers and their affiliates purchased 4.25 Units in the Offering on the same terms and conditions as other Investors (the "Insider Participation").

The Warrants may be exercised at any time upon the election of the holder, beginning on the date of issuance and ending on September 29, 2016. If, one (1) year from the date of issuance there is no effective registration statement registering the shares of Common Stock underlying the Warrants, the Warrants will be exercisable on a cashless basis. The exercise price and number of shares of Common Stock to be received upon the exercise of Warrants are subject to adjustment upon the occurrence of certain events, such as stock splits, stock dividends or our recapitalization. In the event of our liquidation, dissolution or winding up, the holders of Warrants will not be entitled to participate in the distribution of our assets. Holders of Warrants have no voting, pre-emptive, subscription or other rights of stockholders in respect of the Warrants, nor shall holders thereof be entitled to receive dividends.

In connection with the Offering, we issued to Rodman & Renshaw, LLC or its designees, for placement agent services and for nominal consideration, five-year warrants (the "Agent Warrants") to purchase 9,800 shares of Common Stock, exercisable at any time at a price equal to $5.50 per share.

We have agreed to register the shares of the Common Stock and 100% of the Warrant Shares issued in connection with the Offering, on a registration statement to be filed with the Commission (the "Registration Statement") within sixty (60) days after the final closing of the Offering (the "Filing Date") and keep the Registration Statement effective until the earlier of (i) September 29, 2012 or (ii) until all Registrable Securities covered by such Registration Statement have been sold, or may be sold without volume or manner-of-sale restrictions pursuant to Rule 144, without the requirement for the Company to be in compliance with the current public information requirement under Rule 144.

The Agent Warrants have registration rights similar to the registration rights afforded to the Investors.

The Company agreed to include up to 1,200,000 of the shares of Common Stock issuable to IM Ready on the Closing Date in the Registration Statement.

The Company has granted to certain of the executive officers pursuant to their individual employment agreements piggy-back registration rights with respect to the shares of Common Stock issuable upon exercise of the executive warrants. These individuals have, however, agreed not to include such shares in the Registration Statement.

The Company granted to the holders of the Lender Warrants (as defined herein) piggy-back registration rights with respect to the shares of Common Stock issuable upon exercise of the Lender Warrants and the share issuable upon exercise of the Lender Warrants will be included in the Registration Statement.

Term Loan

On the Closing Date, IM Brands entered into a five year senior secured term facility (the "Loan") with MidMarket Capital Partners, LLC ("MidMarket") in the aggregate principal amount of $13,500,000, the net proceeds of which, together with the net proceeds of the Offering, were used to purchase the Isaac Mizrahi Business (as defined herein), pay $1,500,000 to QVC, Inc. under the QVC Amendment (as defined herein), to pay certain fees and expenses of the acquisition of the Isaac Mizrahi Business (as defined herein), the Merger and the Offering and for general working capital purposes. The Loan is secured by all of the assets and membership interests of IM Brands, and will be guaranteed by the Company. On the Closing Date, the Company also paid a closing fee of $405,000 to MidMarket, equal to 3% of the committed amount.

The principal amount of the Loan is payable as follows: 0% following the closing until January 5, 2013, 2.5% on January 5, 2013 through October 5, 2013,; 3.75% on January 5, 2014 through October 5, 2014; 6.25% on January 5, 2015 through October 5, 2015; 12.5% on January 5, 2016 through the maturity date, which is the date that is 5 years after the closing date.

The interest rate on the Loan is a fixed rate of 8.5%, payable in cash.

Optional Prepayment. IM Brands may prepay the Loan in whole or in part in increments of $500,000, provided that IM Brands pay the following premium in connection with the prepayment:

Period	Applicable Premium
First year following the Closing	3%
Second year following the Closing	2%
Third year following the Closing	1%
Fourth year following the Closing	0%

Mandatory Prepayments. IM Brands is required to prepay the Loan under the following conditions: (1) if certain indebtedness is incurred by the Company; (2) if IM Brands undertakes certain asset sales or sales of capital stock, with limited exceptions; or (3) if there is a payment of the benefits of the Isaac Mizrahi life insurance policy.

Excess Cash Flow Sweep. In addition to the Mandatory Prepayments described above, if for any fiscal year ending on or subsequent to December 31, 2012, there is excess cash flow (as defined in the Loan agreements) for such year, then on the payment date following the end of such year, IM Brands is required to make a principal payment on the Loan equal to the lesser of (i) 50% of the excess cash flow or (ii) the positive result of the unencumbered cash and cash equivalents of the Company minus the greater of (x) the Excess Liquidity required to be maintained by IM Brands and (y) $3,000,000.

Financial Covenants. So long as the Loan remains unpaid or unsatisfied, IM Brands shall not, and shall not permit any of its subsidiaries to, directly or indirectly:

1. Minimum Liquidity. Permit Excess Liquidity to be less than the amount set forth below during each applicable period set forth below:

Fiscal Quarter	Excess Liquidity
Closing Date through December 31, 2011	$ 1,500,000
January 1, 2012 through March 31, 2012	$ 1,750,000
April 1, 2012 through June 30, 2012	$ 2,250,000
July 1, 2012 through September 30, 2012	$ 2,750,000
October 1, 2012 through June 30, 2013	$ 3,000,000
July 1, 2013 through September 30, 2013	$ 3,250,000
October 1, 2013 through March 31, 2014	$ 3,500,000
April 1, 2014 through June 30, 2014	$ 3,750,000
July 1, 2014 and thereafter	$ 4,000,000

2. Capital Expenditures. Permit the aggregate amount of Capital Expenditures to exceed $400,000 (whether or not financed) for any period of four fiscal quarters of IM Brands.

3. Consolidated Fixed Charge Coverage Ratio. Permit the Consolidated Fixed Charge Coverage Ratio as of the end of each of the fiscal quarters ending on the dates (or for the periods) set forth for the period of four fiscal quarters ending on such dates (or for the periods) below to be less than the ratio set forth below opposite such period:

Trailing Four Fiscal Quarters Ending	Minimum Fixed Charge Coverage Ratio
September 30, 2012 and December 31, 2012	1.90 to 1.00
March 31, 2013 and June 30, 2013	1.60 to 1.00
September 30, 2013, December 31, 2013, March 31, 2014, June 30, 2014 and September 30, 2014	1.50 to 1.00
December 31, 2014 and March 31, 2015	1.30 to 1.00
June 30, 2015 and thereafter	1.15 to 1.00

4. Consolidated Total Leverage Ratio. Permit the Consolidated Total Leverage Ratio as of the end of each of the fiscal quarters ending on the dates (or for the periods) set forth for the period of four fiscal quarters ending on such dates (or for the periods) below to be greater than the ratio set forth below opposite such period:

Trailing Four Fiscal Quarters Ending	Maximum Consolidated Leverage Ratio
September 30, 2012 and December 31, 2012	3.50 to 1.00
March 31, 2013	3.30 to 1.00
June 30, 2013 and September 30, 2013	3.00 to 1.00
December 31, 2013	2.75 to 1.00
March 31, 2014	2.25 to 1.00
June 30, 2014 and thereafter	2.00 to 1.00

5. Minimum Consolidated EBITDA. Permit Consolidated EBITDA as of the end of each of the fiscal quarters ending on the dates set forth for the period of four fiscal quarters ending on such dates below to be less than the amount set forth opposite such quarter in the table below; provided that for the fiscal quarters ended on December 31, 2011, March 31, 2012 and June 30, 2012, such periods shall be one fiscal quarter, two fiscal quarters and three fiscal quarters, respectively:

Fiscal Quarter	Consolidated EBITDA
December 31, 2011	$ 250,000
March 31, 2012	$ 1,250,000
June 30, 2012	$ 2,500,000
September 30, 2012	$ 4,000,000
December 31, 2012 and March 31, 2013	$ 4,250,000
June 30, 2013	$ 4,500,000
September 30, 2013	$ 4,750,000
December 31, 2013 and thereafter	$ 5,000,000

At the closing of the Loan, the Company issued to MidMarket seven year warrants (the “Lender Warrants”) to purchase 364,428 shares of the Common Stock, representing 5% of the Common Stock outstanding as of the Closing Date on a fully diluted basis. The warrants have an exercise price of $0.01 and contain a cashless exercise provision. The Company granted to the holders of the Lender Warrants piggy-back registration rights with respect to the shares of Common Stock issuable upon exercise of the Lender Warrants.

Acquisition of the Isaac Mizrahi Business

On May 19, 2011, Old XCel and IM Brands, a wholly-owned subsidiary of Old XCel (together, the "Buyers"), entered into an asset purchase agreement, as amended (the "Purchase Agreement"), with IM Ready, Isaac Mizrahi and Marisa Gardini, pursuant to which the Buyers acquired certain assets of IM Ready, including (i) the "Isaac Mizrahi" brands (including the trademarks and brands "Isaac Mizrahi New York", "Isaac Mizrahi" and "IsaacMizrahiLIVE") (collectively, the "IM Trademarks"), (ii) the license agreements between IM Ready and certain third parties related to the IM Trademarks (together with the IM Trademarks, the "Isaac Mizrahi Business"), (iii) design agreements with Liz Claiborne and QVC to design the "Liz Claiborne New York" brand for sale exclusively at QVC and (iv) computers, design software, and other assets related to the licensing and design of the IM Trademarks and the design of the Liz Claiborne New York brand. The parties consummated the asset purchase contemplated by the Purchase Agreement on September 29, 2011.

Pursuant to an agreement between IM Ready and Earthbound (the "Earthbound Agreement"), Earthbound had certain rights related to the IM Trademarks and provided certain design services for IM Ready. In connection with the consummation of the acquisition by the Company of the Isaac Mizrahi Business, Old XCel and Earthbound entered into a contribution agreement (the "Contribution Agreement") pursuant to which, on the Closing Date, Earthbound contributed to the Company (i) the Earthbound Agreement and (ii) certain assets relating to the operation of the Isaac Mizrahi Business including archives, designs, certain intellectual property rights, software and equipment (the "Earthbound Assets") in exchange for 944,688 shares of Common Stock and also purchased one (1) Unit in the Offering. The closing of the acquisition of the Isaac Mizrahi Business and Earthbound Assets occurred in conjunction with the consummation of the Merger, after which the Company terminated the Earthbound Agreement.

In addition, IM Ready and Earthbound entered into a services agreement (the "Services Agreement") pursuant to which Earthbound is providing transitional services for IM Ready's QVC business and advice relating to the Isaac Mizrahi Business for a period of five years, for which IM Ready has made a $600,000 payment to Earthbound and agreed to pay an additional $1,500,000 (the "Future Payment") to Earthbound over five years. Pursuant to the Purchase Agreement, the Company assumed IM Ready's obligations related to the Future Payment. Additionally, so long as a principal of Earthbound serves as a member on the board of directors of the Company (Jeffrey Cohen, a principal of Earthbound, has agreed to serve as a director commencing on the 10th day after the Company's Information Statement on Schedule 14f-1 (which was filed with the Securities and Exchange Commission (the "SEC")) has been mailed to the Company's stockholders, on or about October 13, 2011 (the "Appointment Date"), Earthbound will have the right to appoint a board observer.

Pursuant to the Purchase Agreement, at the closing, the Buyers delivered (i) to IM Ready (a) $9,673,568 in cash, (b) a promissory note (the "Note") in the principal amount of $7,377,432 and (c) 2,759,000 shares of common stock of the Company, valued at $13,795,000 based on the Share Purchase Price (the "IM Ready Stock Consideration"), and (ii) to an escrow agent $500,000 that the escrow agent will pay to IM Ready upon resolution of certain obligations of IM Ready and Mizrahi (together, the "Closing Consideration"). The Company also pre-paid $122,568 of interest on the Note on the Closing Date and agreed to include up to 1,200,000 of the shares of the IM Ready Stock Consideration in the registration statement which the Company has agreed to file to register for resale of the Shares and Warrant Shares of the Investors (the "Registration Statement").

The Note initially matures three years from the Closing Date (the "Maturity Date") subject to extension as described below (the date to which the maturity date of the Note is extended is referred to as the "Subsequent Maturity Date"). We have the right to pay the Note at the Maturity Date or, subject to the following conditions, in shares of Common Stock. If we elect to repay the outstanding principal amount of the Note on the Maturity Date by issuing shares of Common Stock, the number of shares issuable will be obtained by dividing the principal amount of the Note then outstanding by the greater of (i) the fair market value of the Common Stock on the Maturity Date and (ii) $4.50 subject to certain adjustments; provided, however, that if the fair market value of the Common Stock is less than $4.50 as adjusted, IM Ready will have the option to extend the maturity of the Note to the Subsequent Maturity Date. If the maturity date of the Note is so extended, IM Ready will have the option to convert the Note into Common Shares based on the greater of (i) the fair market value of the Common Stock on the Maturity Date and (ii) $4.50 subject to certain adjustments; provided, however, that if the fair market value of the Common Stock is less than $4.50 as adjusted. If the maturity date of the Note is extended, we will also have the option to repay the outstanding principal amount of the Note on the Subsequent Maturity Date in cash or by issuing the number of shares of Common Stock obtained by dividing the principal amount of the Note outstanding on the Subsequent Maturity Date by the fair market value of the Common Stock on the Maturity Date. In addition, at any time the Note is outstanding, we have the right to convert the Note, in whole or in part, into the number of shares of Common Stock obtained by dividing the principal amount to be converted by the fair market value of the Common Stock at the time of the conversion, so long as the fair market value of our Common Stock is at least $4.50.

In addition to the Closing Consideration and the escrowed funds, IM Ready will be eligible to earn additional shares of Common Stock with a value of up to $7,500,000 (the "Earn-Out Value") each year for four consecutive years after the Closing Date, with the number of shares to be issued based upon the greater of (i) $4.50 and (ii) average stock price for the last twenty days in such period and with such earn-out payment contingent upon the Isaac Mizrahi Business achieving the royalty targets set forth below during those years.

ROYALTY TARGET PERIODS	ROYALTY TARGET	EARN-OUT VALUE
First Royalty Target Period	$16,000,000	$ 7,500,000
Second Royalty Target Period	$20,000,000	$ 7,500,000
Third Royalty Target Period	$22,000,000	$ 7,500,000
Fourth Royalty Target Period	$24,000,000	$ 7,500,000

IM Ready will receive a percentage of the Earn-Out Value based upon the percentage of the actual net royalty income of the Isaac Mizrahi Business to the royalty target as set forth below.

APPLICABLE PERCENTAGE	% OF EARN-OUT VALUE EARNED
Less than 76%	0%
76% up to 80%	40%
80% up to 90%	70%
90% up to 95%	80%
95% up to 100%	90%
100% or greater	100%

IM Ready will also be eligible to earn up to $2,765,500, payable in cash or Common Stock, at the Company's option, contingent upon the Isaac Mizrahi Business receiving aggregate net royalty income of at least $2,500,000 from QVC, Inc. in the twelve month period ending on the four year anniversary of the Closing Date with such stock based upon the greater of (x) $4.50 and (y) fair market value of the common stock at the time of such issuance. Additionally, if the Isaac Mizrahi Business receives less than a net royalty income target specified in the Purchase Agreement during the 12-month period following the closing, IM Ready will be obligated to remit to the Buyers the difference between the net royalty income received and such target in cash or through a reduction of the principal amount of the Note.

Pursuant to a voting agreement entered into in connection with the Purchase Agreement ("Voting Agreement"), IM Ready has agreed to appoint a person designated by the board of directors of the Company as IM Ready's irrevocable proxy and attorney-in-fact with respect to the shares of the Common Stock to be received by IM Ready in connection with the Merger. The proxy holder shall vote in favor of matters recommended or approved by the board of directors.

Pursuant to a lock-up agreement entered into in connection with the Purchase Agreement ("Lock-up Agreement"), IM Ready agreed that during the six (6) months from the Closing Date, in the case of the IM Ready Stock Consideration, or during the twelve (12) months from the date any additional shares are issued to IM Ready pursuant to the Purchase Agreement (collectively, the "Lock-up Shares"), IM Ready may not offer, sell, pledge, hypothecate, grant an option for sale or otherwise dispose of, or transfer or grant any rights with respect to, any of the Lockup Shares, except with respect to up to 1,200,000 of the IM Ready Stock Consideration which the Company agreed to include in the Registration Statement. With respect to any shares received by IM Ready as consideration under the Purchase Agreement, other than as IM Ready Stock Consideration, upon the expiration of the initial 12-month period, the lock-up restrictions on transfer shall lapse with respect to 25% of the Lockup Shares. Additionally, on the first day of each of the next three quarters, the restrictions on transfer shall lapse with respect to an additional 25% of the Lockup Shares.

Changes Resulting From the Merger and Acquisition of the Isaac Mizrahi Business. The Company engages in the acquisition, design, licensing, and marketing of consumer brands with a focus on brands in the apparel, footwear, and sporting goods industries. The Company's business currently consists primarily of the Isaac Mizrahi Business including providing licensing, design and marketing services related to the IM Trademarks. The Company has relocated its principal executive offices to 475 10th Avenue, New York, New York 10018, and its telephone number is (347) 727-2474.

As used herein, the terms "XCel," "the Company," "us" and "we" refer to XCel Brands, Inc. (formerly known as NetFabric Holdings, Inc.) and its subsidiary, IM Brands. This current report on Form 8-K contains summaries of the material terms of various agreements executed in connection with the transactions described herein. The summaries of these agreements are subject to, and qualified in their entirety by reference to these agreements, all of which are incorporated by reference herein.

Description of Business

The Company was a "shell company" (as such term is defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) immediately before the completion of the Merger. Accordingly, pursuant to the requirements of Item 2.01(a)(f) of Form 8-K, set forth below is the information that would be required if the Company were filing a general form for registration of securities on Form 10 under the Exchange Act, reflecting the Common Stock, which is the only class of its securities subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act upon consummation of the Merger, with such information reflecting the Company and its securities upon consummation of the Merger.

Overview

The Company engages in the acquisition, design, licensing, and marketing of consumer brands. Sales of consumer branded products in recent years face pressure from a number of factors including:

- consumer loyalty based on the number of brands in the marketplace and highly fragmented advertising channels,
- differentiation of product, and
- the rising costs of commodities which result in product price inflation.

Based upon these factors, the Company believes retailers in the three primary retail distribution channels (Bricks-and-Mortar (i.e. stores and other physical locations), Internet, and Direct-Response Television) are increasingly seeking to capture sales by carrying proprietary brands with existing media presence and/or consumer awareness, and/or offering consumers products with differentiated design and value. Given these market trends, the Company's initial focus is on the acquisition of brands that generate consumer awareness that we can promote through Direct-Response Television (including QVC and/or HSN), Bricks-and-Mortar retailers and the Internet. We also plan to focus on differentiating our brands with design through in-house design teams and by leveraging our licensees' design teams and experience, as appropriate. The Company seeks to acquire brands which it believes fits its business model and operating expertise and can be successfully marketed under this strategy.

The Company operates in a "working capital light" business model, licensing the brands it owns and generating royalty and design revenues through wholesale and direct-to-retail licenses. The Company does not currently plan to manufacture products, or open Bricks-and-Mortar retail stores. By partnering with licensing partners who have significant expertise in designing, sourcing, and selling products through wholesale and retail distribution channels, the Company therefore intends to focus its operations on licensing its brands, providing design direction and in certain cases, product designs to its licensees, coordinating merchandising among its licensees, marketing through conventional means (advertising, public relations) and social media campaigns, and seeking additional brands to acquire. This model minimizes the need for the Company to spend significant amounts on capital expenditures or inventory purchases related to the brands it owns.

The Company's first acquisition was its acquisition of the Isaac Mizrahi Business, including the IM Trademarks (which include the brands "Isaac Mizrahi New York", "Isaac Mizrahi", and "IsaacMizrahiLIVE"). The Company believes that because of the strong consumer awareness of the IM Trademarks and existing relationship between IM Ready and QVC, who is the largest Direct-Response Television company in the United States, the acquisition fits well within the Company's strategy. Through and in connection with the acquisition of the Isaac Mizrahi Business and the Earthbound Assets, the Company acquired certain assets that it utilizes in its operations, including design software and equipment, assumed an office lease that it uses as its primary office, and employs Isaac Mizrahi as well as certain designers and other employees who operated the Isaac Mizrahi Business prior to the acquisition.

As a result of its acquisition of the Isaac Mizrahi Business and completion of the Merger, the Company's operations primarily consist of (i) licensing, (ii) design, (iii) marketing, and (iv) seeking future acquisitions of intellectual property.

Licensing Business

As a result of our acquisition of the Isaac Mizrahi Business, our licensing activities focus on licensing the IM Trademarks, providing design support to licensees of the IM Trademarks where appropriate, and coordinating merchandising between our various licensees. We intend to conduct marketing, advertising, public relations, and social media campaigns for the Isaac Mizrahi Business, and will coordinate such activities with our licensees as we determine to be appropriate. We anticipate providing such services for future brands that we may acquire as well.

As part of the acquisition of the Isaac Mizrahi Business, the Company (through IM Brands) acquired a direct-to-retail license agreement with QVC that was entered into in January 2009 (the "Original QVC Agreement") and amended and restated on September 29, 2011 in connection with the acquisition by the Company of the Isaac Mizrahi Business (as amended, the "QVC Agreement"). Pursuant to the QVC Agreement, the Company designs and QVC sources and sells various products under the "IsaacMizrahiLIVE" brand in exchange for a royalty based upon Net Retail Sales of products. The IsaacMizrahiLIVE licensing program launched on QVC in 2010, and currently includes the sale of products across various categories including apparel, footwear, handbags, jewelry, accessories, kitchen, soft home, and food through QVC's television media and related Internet sites primarily in the United States.

The QVC Agreement that the Company entered into on September 29, 2011 provided for, among other things, QVC removing certain restrictions that it previously had on the IM Trademarks (aside from the "IsaacMizrahiLIVE" trademarks which QVC retained the exclusive rights to across all means and media), the payment to QVC of certain amounts on the Closing Date and the Company agreeing to pay to QVC (or its designee) a percentage of the royalties it receives from its other licensees as satisfaction of certain amounts that IM Ready and Earthbound owed to QVC, and QVC permitting the Company to promote its bricks-and-mortar collections on QVC subject to certain terms and restrictions. The Company also agreed to provide QVC with a key-man life insurance policy to provide payment to QVC in the event of a death of Isaac Mizrahi.

During the nine months prior to the Closing Date, the management of Old XCel procured several licensing agreements on behalf of the Company that generally became effective as of October 1, 2011, and with the terms of the agreements generally ranging from three to six years with renewal options. Old XCel and/or the Company also engaged and plan to engage other agents to introduce potential licensing partners to us, for which we will pay a commission based on a percentage of the royalties under such license agreements based on market licensing agent rates. As a result, IM Brands currently has license agreements in effect for the IM Trademarks for the following categories:

- Footwear
- Handbags and Cold Weather Accessories
- Fragrance, Home Fragrance, and Bath and Body
- Timepieces
- Sunwear, Eyewear and Reading Glasses
- Socks and Hoisery
- Women's Intimate Apparel including Shapewear, Sleepwear, and Loungewear
- Dinnerware including accessories and mugs (in ceramic, stoneware, porcelain, Melamine and Melacore), Glassware, Flatware, Cutlery, Cookware, Bakeware, Kitchen Gadgets and Melamine.
- Home - Picture Frames
- Home - Window Treatments (Curtains, Panels, Valences, Window Scarves, Kitchen Curtains and Decorative Window Hardware)
- Home – Bedding, Towels, and other Bath Linens
- Home - Table Linens including Table Cloths, Fabric Napkins, Placemats, and Table Runners and Napkin Rings

The Company’s license agreements provide for aggregate guaranteed minimum royalties and other guaranteed payments of approximately $11.0 million in 2012, $13.6 million in 2013 and $15.4 million in 2014 (assuming renewal of LCNY Agreement described below).

Additionally, the Company is in negotiations and/or discussions with licensees to license the IM Trademarks from IM Brands in additional categories, including sportswear, denim, dresses, bridal, jewelry, infant apparel, furniture, paper products, pet food and products and other categories. While many of the new and proposed licensing agreements will likely require the Company to provide seasonal design guidance, most of our new and prospective licensing partners have their own design staff, and the Company therefore expects to have low incremental overhead related to expanding our licensing business. The Company will endeavor, where possible, to require licensees to provide guaranteed minimum royalties under their license agreements.

Design Services

The Company provides design services to certain of its licensees, and in some cases, to select brands owned by third parties. The Company intends to provide seasonal design guidance (such as style guides) and product approvals for its licensees, but in general with the exception of the QVC Agreement and LCNY Agreement, the design of products is expected to be completed by the licensees. Under the QVC Agreement, the Company is required to provide product designs to QVC for the “IsaacMizrahiLIVE” brand.

In connection with acquisition of the Isaac Mizrahi Business, IM Brands assumed and entered into an amended and restated agreement with Liz Claiborne (the "LCNY Agreement") under which IM Brands provides design services to Liz Claiborne, Inc. for the Liz Claiborne New York brand which is sold exclusively through QVC, in exchange for 25% of the royalties that Liz Claiborne, Inc. receives from QVC pursuant to a separate license agreement by and between Liz Claiborne, Inc. and QVC. IM Brands also assumed an agreement with QVC whereby IM Brands will receive an annual design fee from QVC for the term of the LCNY Agreement, which fee is intended to cover certain design expenses of the Company related to the Liz Claiborne New York brand. The initial term of the LCNY Agreement expires July 31, 2013.

In order to provide the design services for the IM Trademarks and under the LCNY Agreement, the Company employs a design team, the majority of whom it offered employment to in connection with its acquisition of the Isaac Mizrahi Business.

Although the Company does not currently expect to offer design services to third-parties other than under the LCNY Agreement, given the Company's design capabilities and relationships with QVC, the Company may consider appropriate opportunities to leverage its resources to provide design services or other resources to selected brands that are not owned by the Company in the future.

Marketing

The Company believes that marketing is a critical element to maximize brand value to its licensees and the Company. Therefore, the Company plans to provide marketing and public relations support for the brands it owns which currently primarily consist of the IM Trademarks. The Company's efforts are likely to include traditional public relations efforts and media and event appearances by Isaac Mizrahi in order to generate press around the IM Trademarks, maintaining and providing content for a website for the "Isaac Mizrahi" brand and/or other IM Trademarks, and organizing social media campaigns aimed at promoting sales of products licensed under the IM Trademarks.

The Company's marketing efforts currently focus on social media campaigns conducted primarily through (i) Twitter campaigns both through Isaac Mizrahi personally and by employees of the Company (over 25,000 combined followers), (ii) Facebook campaigns (over 19,000 followers), and (iii) blogs, videos, and other internet content that all updated regularly. The Company also works with QVC to leverage QVC's Internet resources including discussion boards, Facebook and Twitter campaigns, and QVC's website where the Company is able to directly interact with QVC's customers. Additionally, QVC has developed an application for the I-Phone and I-Pad to enable customers to browse and purchase products under the "IsaacMizrahiLIVE" brand. The Company plans to continue and enhance such marketing efforts to promote sales under the IM Trademarks. The Company does not currently promote the IM Trademarks through print or other traditional advertising, however we will endeavor to require licensees where possible to contribute an advertising royalty to IM Brands under their license agreements, and will use such monies to further promote the Isaac Mizrahi brands as we deem appropriate.

Certain of IM Brands' licensees may be required to, or elect to, provide advertising or marketing for the IM Trademarks under their license agreements with IM Brands. In most cases, the Company will work with its licensees on such marketing activities as appropriate. As we acquire additional brands, we will seek to expand our marketing efforts to address the specific needs of such acquired brands.

Competition

The IM Trademarks are, and additional brands that the Company may acquire will be, subject to extensive competition from various domestic and foreign brands. The IM Trademarks and any acquired brand will likely have many competitors within each of its specific distribution channels that span a broad variety of product categories, including the apparel, footwear, accessories, home furnishings and décor, food products, and sporting goods industries. These competitors have the ability to compete with the Company and the Company's licensees in terms of fashion, quality, price, products and/or marketing.

In addition, the Company faces competition to retain licenses and to complete the acquisitions of additional brands. Companies owning established brands may decide to enter into licensing arrangements with retailers similar to the ones the Company currently has in place, thus creating direct competition. Similarly, the retailers to which the Company currently, or may otherwise, licenses its brands, may decide to develop or purchase brands rather than enter into license agreements with the Company. The Company also competes with traditional apparel and consumer brand companies and with other brand management companies for acquisitions.

Trademarks

Pursuant to the Purchase Agreement, the Company, through IM Brands, acquired the IM Trademarks. These trademarks and associated marks are registered or pending registration with the U.S. Patent and Trademark Office in block letter and/or logo formats, as well as in combination with a variety of ancillary marks for use with respect to a variety of product categories, including apparel, footwear and various other goods and services, including in some cases, home furnishings and decor. The Company intends to renew these registrations as appropriate prior to expiration. In addition, the Company registers its trademarks in certain other countries and regions around the world as it deems appropriate.

The Company monitors on an ongoing basis unauthorized use and filings of the Company's trademarks, and the Company relies primarily upon a combination of federal, state, and local laws, as well as contractual restrictions to protect its intellectual property rights both domestically and internationally.

Employees

Following the Merger and its acquisition of the Isaac Mizrahi Business, the Company has a total of 25 to 35 full-time employees. Of these employees, five are named executive officers of the Company. None of the Company's employees are represented by a labor union.

Properties

The Company's principal executive offices are located at 475 Tenth Avenue, 4th Floor, New York, NY 10018. Pursuant to the Purchase Agreement, the Company assumed a lease for such office of approximately 18,500 square feet of office space which lease is guaranteed by IM Brands. The Company's base office rental expense on a monthly basis is approximately $44,000, plus annual increases to $51,076 during the last year of the lease, taxes and other fees payable under the lease. The Company also provided a stand-by letter of credit pursuant to the terms of the office lease for $175,000. In the event that Isaac Mizrahi ceases to be an employee of the Company, the Company may be required to increase the amount of the stand-by letter of credit in an amount equal to up to six months of the then-current rent in exchange for the landlord removing Isaac Mizrahi as guarantor under the office lease. The office lease term expires in June 2016. The Company currently does not, and does not plan to, own any real property.

Government Regulation

We are subject to federal, state and local laws and regulations affecting our business, including those promulgated under the Occupational Safety and Health Act, the Consumer Product Safety Act, the Flammable Fabrics Act, the Textile Fiber Product Identification Act, the rules and regulations of the Consumer Products Safety Commission and various environmental laws and regulations. We believe that we are in compliance in all material respects with all applicable governmental regulations.

Legal Proceedings

To the best of our knowledge, there are no material pending legal proceedings to which we are a party or of which any of our property is the subject.

RISK FACTORS

The Company's securities are highly speculative in nature, involve a high degree of risk. Prospective investors should carefully consider, along with other matters referred to herein, the following risk factors in evaluating our business. This Current Report on Form 8-K contains forward-looking statements which involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth in the following risk factors and elsewhere in this Form 8-K.

Risks Related to Our Business

We have a limited amount of cash to grow our operations. If we cannot obtain additional sources of cash, our growth prospects and future profitability may be materially adversely effected and we may not be able to implement our business plan. Such additional financing may not be available on satisfactory terms or it may not be available when needed, or at all.

Following receipt of proceeds from the Loan and the Offering and the Merger and acquisition of the Isaac Mizrahi Business and the related payments and fees and expenses, we have cash and cash equivalents of approximately $3,700,000. Although we believe that our existing cash and our anticipated cash flow from operations will be sufficient to sustain our operations, at our current expense levels, for at least the following 12 months, we will require significant additional cash to expand our operations and implement our acquisition strategy. Our inability to finance our growth, either internally or externally, may limit our growth potential and our ability to execute our business strategy. If we issue securities to raise capital, our existing stockholders may experience dilution or the new securities may have rights senior to those of our Common Stock.

We have a limited operating history and our historical operations were conducted as part of a larger, more diverse business.

Although the Isaac Mizrahi brand name has been an established brand for over 20 years, the license agreements that we are acquiring as part of the Isaac Mizrahi Business relate to businesses at QVC that have been operating only since December 2009, and the Isaac Mizrahi Business has been run by Isaac Mizrahi, our Chief Designer, and Marisa Gardini, our Executive Vice President of Strategic Planning. Certain other members of our management performed consulting services for IM Ready, but were not responsible for its operations. While our management has extensive experience operating branding companies, it does not have a relevant operating history operating the Isaac Mizrahi Business. In addition, our strategic plan includes acquiring additional brands to license in a multi-channel distribution strategy and to enter into additional licenses for the Isaac Mizrahi brands and expand the distribution channels for the brand. Accordingly, the operating results of the Isaac Mizrahi Business are not necessarily indicative of the future and you should not place undue reliance on the Isaac Mizrahi Business's past performance.

The failure of our licensees to adequately produce, market and sell products bearing our brand names in their license categories or to pay their obligations under their license agreements could result in a decline in our results of operations and impact our ability to service our debt obligations.

Our revenues are entirely dependent on royalty payments made to us under our licensing agreements. Although the licensing agreements for our brands sometimes require the advance payment to us of a portion of the licensing fees and in many cases provide for guaranteed minimum royalty payments to us, the failure of our licensees to satisfy their obligations under these agreements or their inability to operate successfully or at all, could result in their breach and/or the early termination of such agreements, their non-renewal of such agreements or our decision to amend such agreements to reduce the guaranteed minimums or sales royalties due thereunder, thereby eliminating some or all of that stream of revenue. Moreover, during the terms of the license agreements, we are substantially dependent upon the abilities of our licensees to maintain the quality and marketability of the products bearing our trademarks, as their failure to do so could materially tarnish our brands, thereby harming our future growth and prospects. In addition, the failure of our licensees to meet their production, manufacturing and distribution requirements could cause a decline in their sales and potentially decrease the amount of royalty payments (over and above the guaranteed minimums) due to us. A weak economy or softness in the apparel and retail sectors could exacerbate this risk. This, in turn, could decrease our potential revenues. Moreover, the concurrent failure by several of our material licensees to meet their financial obligations to us could jeopardize our ability to meet the debt service coverage ratios required in connection with our debt facility or facilities. Further, this failure may impact our ability to make required payments with respect to such indebtedness. The failure to meet such debt service coverage ratios or to make such required payments may give the lenders thereunder the right to foreclose on the Company's trademarks, license agreements, and other related assets securing such notes.

Our business is dependent on continued market acceptance of our brands and the products of our licensees bearing these brands.

Although many of our licensees guarantee minimum net sales and minimum royalties to us, a failure of our brands or of products bearing our brands to achieve or maintain market acceptance could cause a reduction of our licensing revenues and could further cause existing licensees not to renew their agreements. Such failure could also cause the devaluation of our trademarks, which are our primary assets, making it more difficult for us to renew our current licenses upon their expiration or enter into new or additional licenses for our trademarks. In addition, if such devaluation of our trademarks were to occur, a material impairment in the carrying value of one or more of our trademarks could also occur and be charged as an expense to our operating results. Continued market acceptance of our brands and our licensees' products, as well as market acceptance of any future products bearing our brands, is subject to a high degree of uncertainty, made more so by constantly changing consumer tastes and preferences. Maintaining market acceptance of our licensees' products and creating market acceptance of new products and categories of products bearing our marks may require substantial marketing efforts, which may, from time to time, also include our expenditure of significant additional funds to keep pace with changing consumer demands, which funds we may or may not have available to spend. Additional marketing efforts and expenditures may not, however, result in either increased market acceptance of, or additional licenses for, our trademarks or increased market acceptance, or sales, of our licensees' products. Furthermore, while we believe that we currently maintain sufficient control over the products our licensees' produce under our brand names through the provision of trend direction and our right to preview and approve a majority of such products, including their presentation and packaging, we do not actually design or manufacture all of the products bearing our marks and therefore have more limited control over such products' quality and design than a traditional product manufacturer might have.

Our proposed debt obligations could impair our liquidity and financial condition, and in the event we are unable to meet our debt obligations we could lose title to our trademarks and/or other assets.

We entered into the Loan with MidMarket pursuant to which we incurred $13.5 million principal amount of senior secured term debt. In addition, we issued to IM Ready a Note in the principal amount of $7,377,432, subject to adjustment as set forth herein, and assumed the obligation of the Future Payment to Earthbound of $1,500,000 under the Services Agreement. We may also assume or incur additional debt, including secured debt, in the future in connection with, or to fund, future acquisitions. Our debt obligations:

- could impair our liquidity;
- could make it more difficult for us to satisfy our other obligations;
- require us to dedicate a substantial portion of our cash flow to payments on our debt obligations, which reduces the availability of our cash flow to fund working capital, capital expenditures and other corporate requirements;
- could impede us from obtaining additional financing in the future for working capital, capital expenditures, acquisitions and general corporate purposes;
- impose restrictions on us with respect to the use of our available cash, including in connection with future acquisitions;
- make us more vulnerable in the event of a downturn in our business prospects and could limit our flexibility to plan for, or react to, changes in our licensing markets; and
- could place us at a competitive disadvantage when compared to our competitors who have less debt.

While we believe that by virtue of the guaranteed minimum and percentage royalty payments due to us under certain of our licenses, we will generate sufficient revenues from our licensing operations to satisfy our obligations for the foreseeable future, in the event that we were to fail in the future to make any required payment under agreements governing our indebtedness or fail to comply with the financial and operating covenants contained in those agreements, we would be in default regarding that indebtedness. A debt default could significantly diminish the market value and marketability of our Common Stock and could result in the acceleration of the payment obligations under all or a portion of our consolidated indebtedness. It may also enable our senior lender or lenders to foreclose on substantially all of the assets of the Company.

We expect to achieve significant growth based upon our plans to expand the Isaac Mizrahi Business and seek to acquire additional trademarks to license in a multi-channel distribution strategy. If we fail to manage our expected future growth, our business and operating results could be harmed.

We project significant growth in the Isaac Mizrahi Business based upon engaging additional licensees for the Company's trademarks as well as projected growth of the IsaacMizrahiLIVE business with QVC and plans to acquire additional trademarks to license in a multi-channel distribution strategy. Furthermore, we continue to evaluate and pursue appropriate acquisition opportunities to the extent we believe that such opportunities would be in the best interests of our company and our stockholders.

This expected growth will place considerable demands on our management and other resources. Our ability to compete effectively and to manage future growth, if any, will depend on the sufficiency and adequacy of our current resources and infrastructure and our ability to continue to identify, attract and retain personnel to manage our brands. There can be no assurance that our personnel, systems, procedures and controls will be adequate to support our operations and properly oversee our brands. The failure to support our operations effectively and properly oversee our brands could cause harm to our brands and have a material adverse effect on their fair values and our business, financial condition and results of operations. In addition, we may be unable to leverage our core competencies in managing apparel brands to managing brands in new product categories.

Also, there can be no assurance that we will be able to achieve and sustain meaningful growth. Our growth may be limited by a number of factors including increased competition for retail license and brand acquisitions, insufficient capitalization for future acquisitions and the lack of attractive acquisition targets, each as described further below.

If we are unable to identify and successfully acquire additional trademarks, our growth may be limited, and, even if additional trademarks are acquired, we may not realize anticipated benefits due to integration or licensing difficulties.

A component of our growth strategy is the acquisition of additional intellectual property. Historically, our management team has been involved in numerous acquisitions of varying sizes. We will continue to explore new acquisitions. However, as our competitors continue to pursue our brand management model, acquisitions may become more expensive and suitable acquisition candidates could become more difficult to find. In addition, even if we successfully acquire additional intellectual property or the rights to use additional intellectual property, we may not be able to achieve or maintain profitability levels that justify our investment in, or realize planned benefits with respect to, those additional brands.

Although we will seek to temper our acquisition risks by following acquisition guidelines relating to the existing strength of the brand, its diversification benefits to us, its potential licensing scale and credit worthiness of licensee base, acquisitions, whether they be of additional intellectual property assets or of the companies that own them, entail numerous risks, any of which could detrimentally affect our results of operations and/or the value of our equity. These risks include, among others:

- unanticipated costs associated with the target acquisition;

- our ability to identify appropriate business opportunities, including potential licenses and new product lines and markets;
- negative effects on reported results of operations from acquisition related charges and amortization of acquired intangibles;
- diversion of management's attention from other business concerns;
- the challenges of maintaining focus on, and continuing to execute, core strategies and business plans as our brand and license portfolio grows and becomes more diversified;
- adverse effects on existing licensing and other relationships;
- potential difficulties associated with the retention of key employees, and difficulties, delays and unanticipated costs associated with the assimilation of personnel, operations and systems, which may be retained by us in connection with or as a result of our acquisitions; and
- risks of entering new domestic and international markets (whether it be with respect to new licensed product categories or new licensed product distribution channels) or markets in which we have limited prior experience.

When we acquire intellectual property assets or the companies that own them, our due diligence reviews (including our review of the Isaac Mizrahi Business) are subject to inherent uncertainties and may not reveal all potential risks. We may therefore fail to discover or inaccurately assess undisclosed or contingent liabilities, including liabilities for which we may have responsibility as a successor to the seller or the target company. As a successor, we may be responsible for any past or continuing violations of law by the seller or the target company. Although we will generally attempt to seek contractual protections through representations, warranties and indemnities, we cannot be sure that we will obtain such provisions in our acquisitions or that such provisions will fully protect us from all unknown, contingent or other liabilities or costs. Finally, claims against us relating to any acquisition may necessitate our seeking claims against the seller for which the seller may not, or may not be able to, indemnify us or that may exceed the scope, duration or amount of the seller's indemnification obligations.

Acquiring additional intellectual property could also have a significant effect on our financial position and could cause substantial fluctuations in our quarterly and yearly operating results. Acquisitions could result in the recording of significant goodwill and intangible assets on our financial statements, the amortization or impairment of which would reduce our reported earnings in subsequent years. No assurance can be given with respect to the timing, likelihood or financial or business effect of any possible transaction. Moreover, as discussed below, our ability to grow through the acquisition of additional intellectual property will also depend on the availability of capital to complete the necessary acquisition arrangements. In the event that we are unable to obtain debt financing on acceptable terms for a particular acquisition, we may elect to pursue the acquisition through the issuance by us of shares of our Common Stock (and, in certain cases, convertible securities) as equity consideration, which could dilute our Common Stock because it could reduce our earnings per share, and any such dilution could reduce the market price of our Common Stock unless and until we were able to achieve revenue growth or cost savings and other business economies sufficient to offset the effect of such an issuance. As a result, there is no guarantee that our stockholders will achieve greater returns as a result of any future acquisitions we complete.

We may require additional capital to finance the acquisition of additional brands and our inability to raise such capital on beneficial terms or at all could restrict our growth.

We may, in the future, require additional capital to help fund all or part of potential acquisitions. If, at the time required, we do not have sufficient cash to finance those additional capital needs, we will need to raise additional funds through equity and/or debt financing. We cannot guarantee that, if and when needed, additional financing will be available to us on acceptable terms or at all. If additional capital is needed and is either unavailable or cost prohibitive, our growth may be limited as we may need to change our business strategy to slow the rate of, or eliminate, our expansion plans. In addition, any additional financing we undertake could impose additional covenants upon us that restrict our operating flexibility, and, if we issue equity securities to raise capital, our existing stockholders may experience dilution or the new securities may have rights senior to those of our Common Stock.

Because of the intense competition within our existing and potential licensees' markets and the strength of some of their competitors, we and our licensees may not be able to continue to compete successfully.

We expect our existing and future licenses to relate to products in the apparel, fashion accessories, footwear, beauty and fragrance, and home products and decor industries, in which our licensees face intense competition, including from our other brands and licensees. In general, competitive factors include quality, price, style, name recognition and service. In addition, various fads and the limited availability of shelf space could affect competition for our licensees' products. Many of our licensees' competitors have greater financial, distribution, marketing and other resources than our licensees and have achieved significant name recognition for their brand names. Our licensees may be unable to successfully compete in the markets for their products, and we may not be able to continue to compete successfully with respect to our licensing arrangements.

If our competition for retail licenses and brand acquisitions increases, or any of our current licensees elect not to renew their licenses or renew on term less favorable than today, our growth plans could be slowed.

We may face increasing competition in the future for licenses as other companies owning established brands may decide to enter into licensing arrangements with retailers or interactive media companies similar to the ones we currently have in place. Furthermore, our current or potential licensees may decide to develop or purchase brands rather than renew or enter into license agreements with us. In addition, this increased competition could result in lower sales of products offered by our licensees under our brands. We also compete with traditional apparel and consumer brand companies, other brand management companies and private equity groups for brand acquisitions. If our competition for licenses and brand acquisitions increases, it may take us longer to procure additional licenses and/or acquire additional brands, which could slow our growth rate.

Our licensees are subject to risks and uncertainties of foreign manufacturing and the price, availability and quality of raw materials that could interrupt their operations or increase their operating costs, thereby affecting their ability to deliver goods to the market, reduce or delay their sales and decrease our potential royalty revenues.

Substantially all of the products sold by our licensees are manufactured overseas. There are substantial risks associated with foreign manufacturing, including changes in laws relating to quotas, and the payment of tariffs and duties, fluctuations in foreign currency exchange rates, shipping delays and international political, regulatory and economic developments. Further, our licensees may experience fluctuations in the price, availability and quality of fabrics and raw materials used by them in their manufactured apparel or purchased finished goods. Any of these risks could increase our licensees' operating costs. Our licensees also import finished products and assume all risk of loss and damage with respect to these goods once they are shipped by their suppliers. If these goods are destroyed or damaged during shipment, the revenues of our licensees, and thus our royalty revenues over and above the guaranteed minimums, could be reduced as a result of our licensees' inability to deliver or their delay in delivering their products.

Our failure to protect our proprietary rights could compromise our competitive position and decrease the value of our brands.

We own, through our wholly-owned subsidiary, IM Brands, U.S. federal trademark registrations and foreign trademark registrations for our Isaac Mizrahi brands that are vital to the success and further growth of our business and which we believe have significant value. We will monitor on an ongoing basis unauthorized filings of our trademarks and imitations thereof, and rely primarily upon a combination of trademarks, copyrights and contractual restrictions to protect and enforce our intellectual property rights domestically and internationally. We believe that such measures afford only limited protection and, accordingly, there can be no assurance that the actions taken by us to establish, protect and enforce our trademarks and other proprietary rights will prevent infringement of our intellectual property rights by others, or prevent the loss of licensing revenue or other damages caused therefrom.

For instance, despite our efforts to protect and enforce our intellectual property rights, unauthorized parties may attempt to copy aspects of our intellectual property, which could harm the reputation of our brands, decrease their value and/or cause a decline in our licensees' sales and thus our revenues. Further, we and our licensees may not be able to detect infringement of our intellectual property rights quickly or at all, and at times we or our licensees may not be successful combating counterfeit, infringing or knockoff products, thereby damaging our competitive position. In addition, we depend upon the laws of the countries where our licensees' products are sold to protect our intellectual property. Intellectual property rights may be unavailable or limited in some countries because standards of registerability vary internationally. Consequently, in certain foreign jurisdictions, we have elected or may elect not to apply for trademark registrations. While we generally apply for trademarks in most countries where we license or intend to license our trademarks, we may not accurately predict all of the countries where trademark protection will ultimately be desirable. If we fail to timely file a trademark application in any such country, we may be precluded from obtaining a trademark registration in such country at a later date. Failure to adequately pursue and enforce our trademark rights could damage our brands, enable others to compete with our brands and impair our ability to compete effectively.

In addition, in the future, we may be required to assert infringement claims against third parties or more third parties may assert infringement claims against us. Any resulting litigation or proceeding could result in significant expense to us and divert the efforts of our management personnel, whether or not such litigation or proceeding is determined in our favor. In addition, to the extent that any of our trademarks were ever deemed to violate the proprietary rights of others in any litigation or proceeding or as a result of any claim, we may be prevented from using them, which could cause a termination of our licensing arrangements, and thus our revenue stream, with respect to those trademarks. Litigation could also result in a judgment or monetary damages being levied against us.

A substantial portion of our licensing revenue is concentrated with a limited number of licensees such that the loss of any of such licensees could decrease our revenue and impair our cash flows.

Substantially all of the licensing revenues for the six months ended June 30, 2011 the fiscal year ended 2010 related to the IM Trademarks was paid by QVC, Inc., either through the Company's existing license agreement with QVC, Inc. for the "IsaacMizrahiLIVE" brand or through the Company's design agreement with Liz Claiborne to design the "Liz Claiborne New York" brand for sale through QVC. Because we are dependent on these licensing agreements with QVC, Inc. for a significant portion of our licensing revenue, if QVC were to have financial difficulties, or if QVC decides not to renew or extend its existing agreements with us, our revenue and cash flows could be reduced substantially. Additionally, we have limited control over the programming that QVC devotes to the IsaacMizrahiLIVE and Liz Claiborne New York brands or its promotional sales with the IsaacMizrahiLIVE and Liz Claiborne New York brands (such as Today's Special Value sales). If QVC reduces or modifies its programming or promotional sales related to the Isaac MizrahiLIVE and/or the Liz Claiborne New York brands, our revenues and cash flows could be reduced substantially.

The initial term of the licensing agreement with QVC expires on September 30, 2015, with automatic one-year renewal periods unless terminated by either party. The initial term of the design agreement with Liz Claiborne expires on July 31, 2013 and provides for five one-year renewal periods based on meeting minimum sales thresholds. There can be no assurance that the agreements will be renewed upon expiration of the initial terms, that the minimum sales thresholds will be met or that QVC will not terminate our licensing agreement or its agreement with Liz Claiborne for non-performance.

The QVC license and Liz Claiborne New York design agreements have only been in place since 2009 so there is very little history with the business of the existing or future licensees, and therefore no guarantee that the licensees will be able to perform or continue to perform.

The agreements we acquired with the acquisition of the Isaac Mizrahi Business were originally entered into in 2009, and have been in place for less than 24 months. While the businesses have seen growth since they were launched in 2009 and 2010, there is no guarantee that they will continue to grow in the future. Additionally, while we have entered into additional license agreements for the IM Trademarks that became effective upon the consummation of the Merger and plan to enter into new licensing agreements in order to diversify our licensees and grow our revenues, and while many of these licenses have or are expected to have guaranteed minimum royalties, there are no guarantees that our new licensees will be able to generate sales of products under the Isaac Mizrahi brands or any other brands we acquire, and if they do generate sales, there is no guarantee that they will not cause a decline in sales of product being sold through QVC.

We are dependent upon our chief executive officer and other key executives. If we lose the services of these individuals we may not be able to fully implement our business plan and future growth strategy, which would harm our business and prospects.

Our success as a marketer and licensor of intellectual property will be largely dependent upon the efforts of Robert D'Loren, our chief executive officer and chairman. Our continued success is largely dependent upon his continued efforts and those of our other key executives. Although we will enter into an employment agreement with Robert D'Loren, as well as employment agreements with other of our key executives and employees, including Isaac Mizrahi, there is no guarantee that we will not lose the services of our executive officers or key employees. To the extent that any of their services become unavailable to us, we will be required to hire other qualified executives, and we may not be successful in finding or hiring adequate replacements. This could impede our ability to fully implement our business plan and future growth strategy, which would harm our business and prospects.

We are dependent upon the design and promotional services of Isaac Mizrahi as it relates to the Isaac Mizrahi brand, which is currently our only business. If we lose the services of Isaac Mizrahi, we may not be able to fully comply with the terms of our license agreements with QVC, Inc. or our design agreements with Liz Claiborne and QVC, Inc. and it may result in significant reductions in the value of the Isaac Mizrahi brands and our prospects, revenues and cash flows.

Isaac Mizrahi is a key individual in our continued design and promotion under the Isaac Mizrahi brands and the principal salesperson of the Isaac Mizrahi brands on QVC. Although we have entered into an employment agreement with Isaac Mizrahi and he is a significant shareholder of the Company, there is no guarantee that we will not lose his services. To the extent that any of Mr. Mizrahi's services become unavailable to us, we will likely need to find a replacement to Mr. Mizrahi to become Chief Designer for the Isaac Mizrahi brands. Compensation for skilled designers is intense and there is no guarantee that we would be able to identify and attract a qualified replacement, or if Mr. Mizrahi's services are not available to us, that we would be able to create designs, provide design guidance, or promote the Isaac Mizrahi brands as well as we are able to with Mr. Mizrahi. This could significantly affect the value of the Isaac Mizrahi brands and our ability to market the brands, and could impede our ability to fully implement our business plan and future growth strategy, which would harm our business and prospects. Additionally, while we are acquiring all trademarks, image, and likeness of Isaac Mizrahi, pursuant to his employment agreement, Mr. Mizrahi has retained certain rights to participate in outside business activities, including hosting and appearing in television shows, movies and theater productions, writing and publishing books and other publications, and selling his couture collections under his name in his own stores and other retail locations. Mr. Mizrahi's participation in these personal business ventures could limit his availability to us and affect his ability to perform under this employment agreement. There is no guarantee that Mr. Mizrahi will not take an action that the consumer views as negative, which may harm the Isaac Mizrahi brands as well as our business and prospects.

Our design agreement with Liz Claiborne related to the Liz Claiborne New York line on QVC could be terminated by Liz Claiborne and/or QVC, Inc. in the event that QVC or Liz Claiborne decides not to renew its licensing agreement with respect to the Liz Claiborne New York brand, or if we were to lose the services of Isaac Mizrahi as the designer with respect to Liz Claiborne New York-branded products, thereby decreasing our expected revenues and cash flows.

We currently have a design agreement in place with Liz Claiborne pursuant to which Isaac Mizrahi designs the Liz Claiborne New York line to be sold on QVC in exchange for the Company receiving a percentage of the royalties that Liz Claiborne receives from QVC, Inc. under a separate license agreement between Liz Claiborne and QVC, Inc., and an expense reimbursement agreement with QVC pursuant to which QVC reimburses us for certain expenses related to such design services. Both of these agreements are co-terminous with the license agreement between Liz Claiborne and QVC, which has an initial term through July 31, 2013. There is no guarantee that Liz Claiborne or QVC will renew the agreement past its initial term, or in the event that Liz Claiborne sells certain or all if its assets, that its successor will renew the agreement past its initial term, which would impair our revenues and cash flows. Additionally, Liz Claiborne has the right at its option to terminate its design agreement with us if the services of Isaac Mizrahi as designer for Liz Claiborne New York-branded products are no longer available to Liz Claiborne and we do not agree upon a replacement designer. Although we have entered into an employment agreement with Mr. Mizrahi, there can be no assurance that if his services are required by Liz Claiborne he will provide such services or that in the event we, and thus QVC, were to lose the ability to draw on such services, Liz Claiborne would continue its design agreement with us. The loss of the Liz Claiborne license would significantly decrease our expected revenues and cash flows until we were able to enter into one or more replacement agreements.

We expect to have a material amount of goodwill and other intangible assets, including our trademarks, recorded on our balance sheet. As a result of changes in market conditions and declines in the estimated fair value of these assets, we may, in the future, be required to write down a portion of this goodwill and other intangible assets and such write-down would, as applicable, either decrease our net income or increase our net loss.

We expect that goodwill will represent a significant portion of our assets. Under current U.S. GAAP accounting standards, goodwill and indefinite life intangible assets, including some of our trademarks, are no longer amortized, but instead are subject to impairment evaluation based on related estimated fair values, with such testing to be done at least annually. Any write-down of goodwill or intangible assets resulting from future periodic evaluations would, as applicable, either decrease our net income or increase our net loss and those decreases or increases could be material.

Changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our results.

Our future effective tax rates could be adversely affected by changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws or interpretations thereof. In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of recovering the amount of deferred tax assets recorded on the balance sheet and the likelihood of adverse outcomes resulting from examinations by various taxing authorities in order to determine the adequacy of our provision for income taxes. We cannot guarantee that the outcomes of these evaluations and continuous examinations will not harm our reported operating results and financial conditions.

Our management and a limited number of stockholders, many of whom are related parties, collectively hold a controlling interest in us. They have significant influence over our management and their interests may not be aligned with our interests or the interests of our other stockholders.

Our management and a limited number of stockholders have majority control over us and our business plans and minority stockholders may be unable to meaningfully influence our course of action. The existing management and a limited number of stockholders, many of whom are related parties, are able to control substantially all matters requiring stockholder approval, including nomination and election of directors and approval or rejection of significant corporate transactions. There is also a risk that our existing management and a limited number of stockholders may have interests which are different from certain stockholders and that they will pursue an agenda which is beneficial to themselves at the expense of other stockholders.

We must successfully maintain and/or upgrade our information technology systems.

We rely on various information technology systems to manage our operations, which subjects us to inherent costs and risks associated with maintaining, upgrading, replacing and changing these systems, including impairment of our information technology, potential disruption of our internal control systems, substantial capital expenditures, demands on management time and other risks of delays or difficulties in upgrading, transitioning to new systems or of integrating new systems into our current systems.

A decline in general economic conditions resulting in a decrease in consumer-spending levels and an inability to access capital may adversely affect our business.

Many economic factors beyond our control may impact our forecasts and actual performance. These factors include consumer confidence, consumer spending levels, employment levels, availability of consumer credit, recession, deflation, inflation, a general slowdown of the U.S. economy or an uncertain economic outlook. Furthermore, changes in the credit and capital markets, including market disruptions, limited liquidity and interest rate fluctuations, may increase the cost of financing or restrict our access to potential sources of capital for future acquisitions.

The risks associated with our business are more acute during periods of economic slowdown or recession. In addition to other consequences, these periods may be accompanied by decreased consumer spending generally, as well as decreased demand for, or additional downward pricing pressure on, the products carrying our brands. Accordingly, any prolonged economic slowdown or a lengthy or severe recession with respect to either the U.S. or the global economy is likely to have a material adverse effect on our results of operations, financial condition and business prospects.

RISKS RELATED TO AN INVESTMENT IN OUR SECURITIES

Management exercises significant control over matters requiring shareholder approval which may result in the delay or prevention of a change in our control.

The combined voting power of the Common Stock ownership of our officers and directors and key employees is approximately 81% of our voting securities. Additionally, pursuant to the Voting Agreement, IM Ready agreed to appoint a person designated by the board of directors as IM Ready's irrevocable proxy and attorney-in-fact with respect to the shares of the Common Stock received by IM Ready in connection with the Merger. The proxy holder shall vote in favor of matters recommended or approved by the board of directors.

As a result, our management and key employees through such stock ownership exercises significant control over all matters requiring shareholder approval, including the election of our directors and approval of significant corporate transactions. This concentration of ownership in management and key employees may also have the effect of delaying or preventing a change in control of us that may be otherwise viewed as beneficial by shareholders other than management.

There are limitations on the liabilities of our directors and executive officers. Under certain circumstances, we are obligated to indemnify our directors and executive officers against liability and expenses incurred by them in their service to us.

Pursuant to our amended and restated certificate of incorporation and under Delaware law, our directors are not liable to us or our stockholders for monetary damages for breach of fiduciary duty, except for liability for breach of a director's duty of loyalty, acts or omissions by a director not in good faith or which involve intentional misconduct or a knowing violation of law, dividend payments or stock repurchases that are unlawful under Delaware law or any transaction in which a director has derived an improper personal benefit. In addition, we have entered into indemnification agreements with each of our directors and executive officers. These agreements, among other things, require us to indemnify each director and executive officer for certain expenses, including attorneys' fees, judgments, fines and settlement amounts, incurred by any such person in any action or proceeding, including any action by us or in our right, arising out of the person's services as one of our directors or executive officers. The costs associated with providing indemnification under these agreements could be harmful to our business.

The Company will incur increased costs as a result of being a public company, which may adversely affect its business.

As a public company, we will incur significant legal, accounting and other expenses that the Isaac Mizrahi Business did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002 and new rules subsequently implemented by the SEC have required changes in corporate governance practices of public companies. We expect these rules and regulations to significantly increase our legal and financial compliance costs and to make some activities more time consuming and costly. For example, in anticipation of becoming a public company, the Company will be adopting policies regarding internal controls and disclosure controls and procedures in order to comply with public company internal control and disclosure standards.

Old XCel's and the Isaac Mizrahi Business's internal controls over financial reporting do not currently meet all of the standards contemplated by Section 404 of the Sarbanes-Oxley Act, and failure to achieve and maintain effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on its business.

The Company intends to begin the process of documenting its internal control procedures to satisfy the requirements of Section 404 (a) and (b), which requires an annual management assessment of the effectiveness of its internal controls over financial reporting and a report by its independent registered public accounting firm on the Company's effectiveness of its internal controls over financial reporting. The Company intends to begin the process of addressing its internal controls over financial reporting and intends to begin establishing formal policies, processes and practices related to financial reporting and to the identification of key financial reporting risks, assessment of their potential impact and linkage of those risks to specific areas and activities within its organization.

As a public entity, the Company will be required to complete its initial assessment in a timely manner. If the Company is not able to implement and document the necessary policies, processes, and controls to mitigate financial reporting risks, the Company may not be able to comply with requirements of Section 404 (a) and (b) in a timely manner or with adequate compliance. Matters impacting the Company's internal controls may cause it to be unable to report its financial information on a timely basis and thereby subject it to adverse regulatory consequences, including sanctions by the SEC or violations of applicable stock exchange listing rules. There could also be a negative reaction in the financial markets due to a loss of investor confidence in the Company and the reliability of its financial statements. Confidence in the reliability of the Company's financial statements could also suffer if the Company were to report a material weakness in its internal controls over financial reporting. This could materially adversely affect the Company and lead to a decline in the price of its Common Stock.

The market price of our Common Stock may be volatile, which could reduce the market price of our Common Stock.

The publicly traded shares of our Common Stock are not initially widely held, and do not have significant trading volume, and therefore may experience significant price and volume fluctuations. This market volatility could reduce the market price of the Common Stock, regardless of our operating performance. In addition, the trading price of the Common Stock could change significantly over short periods of time in response to actual or anticipated variations in our quarterly operating results, announcements by us, our licensees or our respective competitors, factors affecting our licensees' markets generally and/or changes in national or regional economic conditions, making it more difficult for shares of the Common Stock to be sold at a favorable price or at all. The market price of the Common Stock could also be reduced by general market price declines or market volatility in the future or future declines or volatility in the prices of stocks for companies in the trademark licensing business or companies in the industries in which our licensees compete.

We are subject to the penny stock rules adopted by the Securities and Exchange Commission that require brokers to provide extensive disclosure to its customers prior to executing trades in penny stocks. These disclosure requirements may cause a reduction in the trading activity of our Common Stock, which in all likelihood would make it difficult for our stockholders to sell their securities.

Rule 3a51-1 of the Securities Exchange Act of 1934 establishes the definition of a "penny stock," for purposes relevant to us, as any equity security that has a minimum bid price of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to a limited number of exceptions which are not available to us. This classification would severely and adversely affect any market liquidity for our Common Stock.

For any transaction involving a penny stock, unless exempt, the penny stock rules require that a broker or dealer approve a person's account for transactions in penny stocks and the broker or dealer receive from the investor a written agreement to the transaction setting forth the identity and quantity of the penny stock to be purchased. In order to approve a person's account for transactions in penny stocks, the broker or dealer must obtain financial information and investment experience and objectives of the person and make a reasonable determination that the transactions in penny stocks are suitable for that person and that that person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prepared by the SEC relating to the penny stock market, which, in highlight form, sets forth:

- The basis on which the broker or dealer made the suitability determination; and

- That the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and commission payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

Because of these regulations, broker-dealers may not wish to engage in the above-referenced necessary paperwork and disclosures and/or may encounter difficulties in their attempt to sell shares of our Common Stock, which may affect the ability of selling stockholders or other holders to sell their shares in any secondary market and have the effect of reducing the level of trading activity in any secondary market. These additional sales practice and disclosure requirements could impede the sale of our Common Stock, if and when our Common Stock becomes publicly traded. In addition, the liquidity for our Common Stock may decrease, with a corresponding decrease in the price of our Common Stock. Our Common Stock, in all probability, will be subject to such penny stock rules for the foreseeable future and our stockholders will, in all likelihood, find it difficult to sell their Common Stock.

Future sales of Common Stock in the public market or the issuance of Common Stock or securities senior to the Common Stock could adversely affect the trading price of our Common Stock.

Our Certificate of Incorporation currently authorizes our board of directors to issue shares of Common Stock in excess of the Common Stock outstanding after this Offering. Any additional issuances of any of our authorized but unissued shares will not require the approval of stockholders and may have the effect of further diluting the equity interest of stockholders.

We may issue Common Stock in the future for a number of reasons, including to attract and retain key personnel, to lenders, investment banks, or investors in order to achieve more favorable terms from these parties and align their interests with our common equity holders, to management and/or employees to reward performance to finance our operations and growth strategy, to adjust our ratio of debt to equity, to satisfy outstanding obligations or for other reasons. If we issue securities, our existing stockholders may experience dilution. Future sales of the Common Stock, the perception that such sales could occur or the availability for future sale of shares of the Common Stock or securities convertible into or exercisable for our Common Stock could adversely affect the market prices of our Common Stock prevailing from time to time. The sale of shares issued upon the exercise of our derivative securities could also further dilute the holdings of our then existing stockholders, including holders of the convertible notes that receive shares of the Common Stock upon conversion of their notes. In addition, future public sales of shares of the Common Stock could impair our ability to raise capital by offering equity securities.

The Common Stock is not currently traded at high volume, and you may be unable to sell at or near ask prices or at all if you need to sell or liquidate a substantial number of shares at one time.

The Common Stock is currently traded, but with very low, if any, volume, based on quotations on the “Over-the-Counter Pink Sheets”, meaning that the number of persons interested in purchasing our Common Stock at or near bid prices at any given time may be relatively small or non-existent. This situation is attributable to a number of factors, including the fact that prior to the Closing Date, we did not have an operating business, however, we are a small company which is still relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and would be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we became more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give you any assurance that a broader or more active public trading market for our Common Stock will develop or be sustained, or that trading levels will be sustained.

Stockholders should be aware that, according to Commission Release No. 34-29093, the market for "penny stocks" has suffered in recent years from patterns of fraud and abuse. Such patterns include (1) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (2) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (3) boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (4) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and (5) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. Our management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities. The occurrence of these patterns or practices could increase the future volatility of our share price.

We do not anticipate paying cash dividends on the Common Stock.

You should not rely on an investment in our Common Stock to provide dividend income, as we currently do not plan to pay any in the foreseeable future. Instead, we plan to retain any earnings to maintain and expand our existing licensing operations, further develop our trademarks and finance the acquisition of additional trademarks. Accordingly, investors must rely on sales of their Common Stock after price appreciation, which may never occur, as the only way to realize any return on their investment. In addition, the Loan prohibits us from paying any cash dividends while it is outstanding.

Provisions of our corporate charter documents could delay or prevent change of control.

Our Certificate of Incorporate authorizes our board of directors to issue up to 10,000,000 shares of "blank check" preferred stock without stockholder approval, in one or more series and to fix the dividend rights, terms, conversion rights, voting rights, redemption rights and terms, liquidation preferences, and any other rights, preferences, privileges, and restrictions applicable to each new series of preferred stock. In addition, we intend to amend our Certificate of Incorporation to divide our board of directors into three classes, serving staggered three-year terms. Following such amendment, at least two annual meetings, instead of one, will be required to effect a change in a majority of our board of directors. The designation of preferred stock in the future, the classification of our board of directors, its three classes could make it difficult for third parties to gain control of our company, prevent or substantially delay a change in control, discourage bids for the Common Stock at a premium, or otherwise adversely affect the market price of the Common Stock.

Restrictions on the Use of Rule 144 by Shell Companies or Former Shell Companies.

Historically, the SEC has taken the position that Rule 144 under the Securities Act, as amended, is not available for the resale of securities initially issued by companies that are, or previously were, blank check companies like us, to their promoters or affiliates despite technical compliance with the requirements of Rule 144. The SEC prohibits the use of Rule 144 for resale of securities issued by shell companies (other than business transaction related shell companies) or issuers that have been at any time previously a shell company. The SEC has provided an important exception to this prohibition, however, if the following conditions are met: the issuer of the securities that was formerly a shell company has ceased to be a shell company; the issuer of the securities is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act; the issuer of the securities has filed all Exchange Act reports and material required to be filed, as applicable, during the preceding 12 months (or such shorter period that the issuer was required to file such reports and materials), other than Form 8-K reports; and at least one year has elapsed from the time that the issuer filed current Form 10 type information with the SEC reflecting its status as an entity that is not a shell company. As such, due to the fact that we had been a shell company prior to October 2005, holders of "restricted securities" within the meaning of Rule 144, when reselling their shares pursuant to Rule 144, shall be subject to the conditions set forth herein.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

The following discussion and analysis of the results of operations and financial condition of the Isaac Mizrahi Licensing Business (A division of IM Ready-Made, LLC) (the "Isaac Mizrahi Business") for the years ended December 31, 2010, December 31, 2009 and for the six months ended June 30, 2011 and 2010 should be read in conjunction with the Selected Financial Data, the financial statements of the Isaac Mizrahi Business, and the notes to those financial statements that are included elsewhere in this Form 8-K. All statements other than statements of historical fact, including statements regarding future events, our future financial performance, business strategy and plans and objectives of management for future operations, are forward-looking statements. We have attempted to identify forward-looking statements by terminology including "anticipates," "believes," "can," "continue," "ongoing," "could," "estimates," "expects," "intends," "may," "appears," "suggests," "future," "likely," "goal," "plans," "potential," "projects," "predicts," "should," "would," or "will" or the negative of these terms or other comparable terminology. Although we do not make forward looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under "Risk Factors" or elsewhere in this Current Report on Form 8-K, which may cause our or our industry's actual results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for us to predict all risk factors, nor can we address the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause our actual results to differ materially from those contained in any forward-looking statements. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assumes no obligation to update any such forward-looking statements

You should not place undue reliance on any forward-looking statement, each of which applies only as of the date of this Current Report on Form 8-K. Before you invest in our securities, you should be aware that the occurrence of the events described in the section entitled "Risk Factors" and elsewhere in this Current Report on Form 8-K could negatively affect our business, operating results, financial condition and stock price. Except as required by law, we undertake no obligation to update or revise publicly any of the forward-looking statements after the date of this Current Report on Form 8-K to conform our statements to actual results or changed expectations.

Overview

Old Xcel was incorporated in Delaware on September 23, 2010 for the purpose of acquiring the Isaac Mizrahi Business. On May 19, 2011, the Buyers entered into the Purchase Agreement with IM Ready, Isaac Mizrahi and Marisa Gardini, as amended, pursuant to which the Buyers acquired the Isaac Mizrahi Business in conjunction with the consummation of the Merger and Short Form Merger on September 29, 2011.

Prior to our acquisition of the Isaac Mizrahi Business, the business was a division of IM Ready, separate and apart from IM Ready's other business divisions. The Isaac Mizrahi Business is a licensing and design services business which consists of certain assets of IM Ready, including (i) the IM Trademarks, (ii) the license agreements between IM Ready and third parties related to the IM Trademarks, (iii) design agreements with Liz Claiborne and QVC to design the "Liz Claiborne New York" brand for sale exclusively at QVC, and (iv) computers, design software, and other assets related to the licensing and design of the IM Trademarks and the design of the Liz Claiborne New York brand. The Isaac Mizrahi Business' model allows it to focus on its core competencies of managing, marketing and design services without many of the risks and investment requirements associated with a more traditional operating company.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations is based on the financial statements that are included elsewhere in this Current Report on Form 8-K and presents the assets acquired and liabilities assumed of the License Business, and its revenues and direct expenses accounted for in conformity with accounting principles generally accepted in the United States ("GAAP") and derived from the accounting records of IM Ready.

These financial statements have been prepared for the purpose of complying with the rules and regulations of the U.S. Securities and Exchange Commission. Statements of assets acquired and liabilities assumed and statements of revenues and direct expenses have been included in this report in lieu of full financial statements because the preparation of full financial statements was determined to be impracticable as it would have required significant assumptions that cannot be substantiated. Full financial statements for the Isaac Mizrahi Business have never been prepared and IM Ready did not maintain separate books, records and accounts necessary to present full financial statements for the Isaac Mizrahi Business. Accordingly, The Isaac Mizrahi Business is not a separate legal entity and thus its results from the statements of revenues and direct expenses are not necessarily indicative of the results of operations that would have occurred if the Isaac Mizrahi Business had been operated as a separate entity.

The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses. We based our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

REVENUE RECOGNITION

Revenue is recognized when earned and recorded in the applicable period or date. Revenue is essentially earned when the Isaac Mizrahi Business has substantially met is obligations to be entitled to the benefits represented by the revenue. The Isaac Mizrahi Business' policy is to analyze all revenue sources and understand the nature and structure of these revenue sources and indentify the related events, in management's judgment, that satisfies revenue recognition standards.

The primary business is licensing and managing the Isaac Mizrahi brand and namesake. The Isaac Mizrahi Business provides the use of its proprietary trademarks and design and style guide services to third parties (the "Licensees"). The Isaac Mizrahi Business does not own inventory and does not assume any liabilities or obligations of its licensees.

The Isaac Mizrahi Business has two types of revenues. The first is royalties based on product sales and the other is design service fees based on services provided.

Royalty revenue recognition is based on minimum royalties and additional revenues based on a percentage of defined sales. Minimum royalty revenue is recognized on a straight-line basis over each period, as defined in each license agreement. Royalties exceeding the defined minimum amounts are recognized as income during the period that corresponds to the licensee's sales.

Design service fees are recorded and recognized in accordance with the terms and conditions of each design fee contract, including the Isaac Mizrahi Business meeting its obligations and providing the relevant services under each contract. Generally this is recording on a straight line basis each base fee as stated in each design fee service agreement for the covered period and, if applicable recognizing additional payments in the period that it applies to.

CASH FLOW AND LIQUIDITY

All cash flow requirements for the Isaac Mizrahi Business were funded by IM Ready, and cash management functions were not performed at the Isaac Mizrahi Business level. The Isaac Mizrahi Business did not maintain a separate cash account and it is not possible to determine the cash flows directly attributable to the Isaac Mizrahi Business.

PROPERTY AND EQUIPMENT

Property and equipment are carried at cost. Depreciation and amortization are computed on the straight-line method over the following estimated useful lives of the related assets, which range from five to seven years for equipment and furniture and leasehold improvements are amortized over the shorter of the economic useful life of the improvement or the lease period. Maintenance and repairs are charged to operations, while betterments and improvements are capitalized.

INCOME TAXES

The Isaac Mizrahi Business is not a reporting entity for income tax purposes, and accordingly, the financial statements have not provided for income taxes.

Summary of operating results

The Isaac Mizrahi Business had excess revenues over direct expenses of $5,072,000 for 2010 as compared to excess revenues over direct expenses of $5,005,000 for 2009.

The Isaac Mizrahi Business had excess revenues over direct expenses of $2,838,000 for the six months ended June 30, 2011 as compared to excess revenues over direct expenses of $1,317,000 for the six months ended June 30, 2010.

Results of Operations for the Six Months Ended June 30, 2011 and June, 2010

Revenues – Licensing and design service fees for the six months ended June 30, 2011 increased to $5,789,000 from $3,522,000 for the six months ended June 30, 2010. The increase in revenue was attributable to the (i) QVC agreement effective third quarter of 2010 resulting in increased QVC royalties of $1,895,000, (ii) $400,000 increase in Liz Claiborne primarily related to royalty payments effective in December 2010 and (iii) partially offset by the decrease in design service income of $42,000 relating to Liz Claiborne.

Expenses – Total expenses for the six months ended June 30, 2011 increased to $2,951,000 from $2,205,000 for the six months ended June 30, 2010. The primary driver of the increase in expenses was the increase in direct operating expenses related to the license agreement with QVC that commenced in 2010.

- Direct operating costs increased for the six months ended June 30, 2011 to $1,543,000 compared with $811,000 for the six months ended June 30, 2010. This increase mostly relates to the QVC license agreement whereby the Isaac Mizrahi Business outsourced part of the management of the license to Earthbound and incurred other additional operating costs relating to the new agreements combining for additional costs of $732,000.

- Administrative costs increase by $12,000 for the six months ended June 30, 2011 compared with the six months ended June 30, 2010.

- Depreciation and amortization expenses remained flat at approximately $140,000 for each six month period.

Results of Operations for the Years Ended December 31, 2010 and December 31, 2009

Revenues – Licensing and design service fees for 2010 increased to $9,796,000 from $7,639,000 for 2009. The primary driver of the increase in revenue from 2009 to 2010 was related to the license agreement with QVC that commenced in 2010 (offset by the decrease in Liz Claiborne design fees discussed below). Royalty income for 2010 was $6,349,000 compared with $337,000 in 2009. The QVC license agreement accounted for almost 94% of the 2010 royalty income. Partially offsetting the increase in royalty income is the reduction in design service of income to $3,448,000 in 2010 from $7,301,000 in 2009. This occurred as a result of the restructuring of the Liz Claiborne design service agreement in October 2009. As a result of the restructuring, the Isaac Mizrahi business received a one-time fee of $9,000,000, reduced base design fees from $4.0 million per annum to $1.1 million per annum, and changed the sales channel from a broad retail sales distribution strategy to a QVC exclusive program. The Isaac Mizrahi Business receives a 2% royalty of net retail sales on QVC for Liz Claiborne products in addition to the design services fees (this amounted to $376,000 in 2010 as compared to $0 received in the same period of the prior year.

Expenses – Total expenses in 2010 increased to $4,724,000 from $2,634,000 in 2009.The primary driver of the increase in expenses from 2009 to 2010 was the increase in direct operating expenses related to the license agreement with QVC that commenced in 2010.

- Direct operating costs increased in 2010 to $2,828,000 compared with $720,000 in 2009. The driver behind this increase mostly relates to the commencement of the QVC license agreement whereby the Isaac Mizrahi Business outsourced part of the management of the license to Earthbound and incurred other additional operating costs relating to the new agreement combining for an additional costs of $1.8 million. Other additional direct operating costs related to the change in Liz Claiborne's sales channel increasing costs by approximately $300,000 from 2009 to 2010.

- Administrative costs decreased by $42,000 in 2010 from 2009, mostly attributed to the Isaac Mizrahi Business being managed more efficiently.

- Depreciation and amortization expenses increased to $281,000 from $257,000 as a result of additional leasehold improvements completed in 2010.

Trend information discussion:

The Isaac Mizrahi Business has averaged $8.7 million of revenues and $5 million of operating margin (excess revenues over direct expenses) for the past two fiscal years. As stated above, the Isaac Mizrahi Business has moved towards higher royalty revenues and less design service fees. Royalty revenues have been primarily dependant on product sales on QVC. Following the acquisition of the Isaac Mizrahi brand by the Company, new license agreements became effective for the Isaac Mizrahi brand, which are expected to increase overall revenues. In addition, the Company is looking to expand product offerings and increase licensed royalty revenue by adding new product categories and entering into new licensed agreements. As the Company adds new licenses it will reduce QVC licensed revenue concentration.

The termination of the Earthbound Agreement is expected to have minimal effect on direct expenses and operating margins for the short term. Direct expense savings will be realized by the Company as license royalty revenues increase and the incremental direct costs are expected to be minimal compared with the fee structure under the Earthbound Agreement.

Upon the acquisition of the Isaac Mizrahi Business, the Company became required to report on a pro-forma basis comparative financial statements pre and post closing of the Isaac Mizrahi Business. The Company incurred expenses relating to the acquisition. In accordance with Statement of Financial Accounting Standards No. 141(R) these expenses are expensed when incurred. Although these expenses are directly related to the acquisition of the Isaac Mizrahi Business, and are considered non-recurring, they could have a material impact on the results from operations for the current period.

Liquidity and Capital Resources

After giving effect to the receipt of proceeds from the Loan and the Offering and the consummation of the acquisition of the Isaac Mizrahi Business and the Merger and related payments and fees and expenses, the Company has approximately $3.7 million of working capital. As part of the financing for the acquisition, the Company incurred $13.5 million of senior debt and issued the $7,377,432 principal amount Note to IM Ready. For the next twelve months, the Company expects to be cash flow positive from operations. Furthermore, the Company expects to have adequate working capital to meet its operating needs, debt service obligations and capital expenditure needs for the next twelve months.

Loan

See the description of the Loan beginning on page 5 of this Current Report on Form 8-K.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the names, ages, and positions of our new executive officers and directors as of the date hereof. Executive officers are elected annually by our board of directors. Each executive officer holds his office until he resigns, is removed by the Board, or his successor is elected and qualified. Directors are elected annually by our stockholders at the annual meeting. Each director holds his office until his successor is elected and qualified or his earlier resignation or removal.

NAME	AGE	POSITION
Robert W. D'Loren	53	Chairman of the Board and Chief Executive Officer
James F. Haran	50	Chief Financial Officer and Assistant Secretary
Giuseppe "Joe" Falco	40	President and Chief Operating Officer of the Isaac Mizrahi Brand
Marisa Gardini	44	Executive Vice President of Strategic Planning and Marketing
Seth Burroughs	31	Executive Vice President of Business Development and Treasury and Secretary
Stephen J. Cole-Hatchard	54	Director

Stephen J. Cole-Hatchard will resign on the Appointment Date, and Marisa Gardini and the following individuals have agreed to serve as directors commencing on the Appointment Date:

NAME	AGE	POSITION
Jeffrey Cohen	51	Director
Mark DiSanto	49	Director
Todd Slater	49	Director
Edward Jones, III	63	Director
Howard Liebman	69	Director

The business background descriptions of the newly appointed directors and officers and the individuals who have agreed to serve as directors commencing upon the Appointment Date are as follows:

Robert W. D'Loren is our Chairman of the Board and Chief Executive Officer. He served as Chairman and CEO of IPX Capital, LLC and related subsidiaries, a consumer products advisory firm from 2009 to 2011. Mr. D'Loren previously served as a Director and President and Chief Executive Officer of Nexcen Brands, Inc., a global brand acquisition and management company from June 2006 until August 2008. Prior to NexCen Brands, he served as President and Chief Executive Officer of UCC Capital Corporation ("UCC") from 2004 to 2006. Prior to forming UCC, Mr. D'Loren served as President and Chief Operating Officer of CAK Universal Credit Corporation, an intellectual property finance company from 1998 to 2003. Mr. D'Loren's career debt and equity investments in intellectual property centric and consumer branded products companies exceed $1.0 billion. From 1985 to 1997, Mr. D'Loren served as President and Chief Executive Officer of the D'Loren Organization, an investment and restructuring firm responsible for aggregate transactions in excess of $2 billion. Prior to that, Mr. D'Loren served as an asset manager for Fosterlane Management where he managed in excess of $1.0 billion in assets, and previously served as a manager with Deloitte. Mr. D'Loren is a Certified Public Accountant and holds a Master's degree from Columbia University and a B.S. from New York University.

Mr. D'Loren has served on the board of directors of Iconix Brand Group, Longaberger Company, Business Loan Center, Achilles Track Club International and served as a board advisor to The Athletes Foot and Bill Blass, Ltd.

James F. Haran is our Chief Financial Officer. Mr. Haran served as CFO of IPX Capital, LLC and related subsidiaries, a consumer products advisory firm from 2009 to 2011. Mr. Haran was the Executive Vice President, Capital Markets for Nexcen Brands, Inc. from 2006 to 2008 and Chief Financial Officer and Chief Credit Officer for UCC Capital Corp. and its predecessor company, CAK Universal Credit Corp. from 1998 to 2006. Prior to joining UCC, Mr. Haran was a partner at Sidney Yoskowitz and Company P.C., a registered diversified certified public accounting firm. During his tenure, which began in 1987, his focus was on real estate and financial services companies. Mr. Haran served his clients on an array of strategic and operational levels. Mr. Haran is a Certified Public Accountant and holds a Bachelor of Science degree from State University of New York at Plattsburgh.

Giuseppe "Joe" Falco is our President and Chief Operating Officer of the Isaac Mizrahi Brand. Mr. Falco is a merchant with almost two decades of experience in managing lifestyle brands and business development. Mr. Falco served as President of Misook, a division of HMX from 2009 to 2010, as Worldwide President and Chief Merchant for Elie Tahari from 2007 to 2009 and as President of Sixty USA from 2005 to 2006. Prior to that position, Mr. Falco was Senior Vice President for Dolce & Gabbana from 1998 to 2004, where he was responsible for North American development and operations. Mr. Falco started his career with the luxury retailer Barneys New York where he became a student of product, merchandising, and brand communication.

Marisa Gardini is our Executive Vice President of Strategic Planning and Marketing and has agreed to serve as as director on the Appointment Date. Since 2002, Ms. Gardini has served as President and Chief Executive Officer of Isaac Mizrahi New York. During this tenure, she has led all segments of the business including managing all media and public relations, licensing, design, and merchandising for Isaac Mizrahi, and has worked to help launch Isaac Mizrahi at Target, Liz Claiborne, and QVC. Ms. Gardini has a B.A. from Barnard College and a J.D. from Brooklyn Law, and currently serves on the board of trustees of Brearley School in New York City.

Seth Burroughs is our Executive Vice President of Business Development and Treasury. From 2006 to 2010, Mr. Burroughs served as Vice President of NexCen Brands, Inc., where he was responsible for M&A and Strategic initiatives for the Company. At NexCen, Mr. Burroughs oversaw over $300 million in acquisitions. Prior to his role at NexCen, from 2003 to 2006 Mr. Burroughs served as Director of M&A Advisory and Investor Relations at UCC Capital Corp., a financing company specializing in consumer branded products M&A and the securitization of intellectual property, where he worked on an additional $500 million in acquisitions and $300 million in specialty financing as an advisor to consumer branded products companies in the franchising and apparel industries. From 2001 to 2003, Mr. Burroughs worked as a Senior Financial Analyst at The Pullman Group where he was involved with structuring the first securitizations of music royalties including the Bowie Bonds, and as a Financial Analyst at Merrill Lynch's private client group. Mr. Burroughs is a graduate of The Wharton School of Business at the University of Pennsylvania, and serves on the board of directors of the Young Learners of New York, a charity focused on providing equipment and funding to public middle schools of New York City.

Jeffrey Cohen has agreed to serve as a member of our board of directors commencing on the Appointment Date. Jeffrey Cohen has a unique and deep background in American retail. From 2000 to present, he has served as Co-Chairman of Earthbound, LLC. Mr. Cohen oversees all business and creative operations for the company. Earthbound is a full service brand design and licensing business. Since Mr. Cohen joined Earthbound, Earthbound managed brands have generated over $10 Billion in retail sales. From 1983 to 1999, Mr. Cohen served as Principal and EVP of Conway Stores, a major NY based deep discount retail business founded by his father in 1942. At Conway, Mr. Cohen was involved in all aspects of the business operation including significant involvement in merchandising and operations. Jeff served for 10 years on the Executive Board and as Chairman of the Board of Education at Hillel Yeshiva. Jeff is currently Chairman of the Board of the Allegra Franco Sephardic Women's Teachers College.

Mark DiSanto has agreed to serve as a member of our board of directors commencing on the Appointment Date. From 1988 to the present, Mr. DiSanto has served as the Chief Executive Officer of Triple Crown Corporation a regional real estate development and investment company with commercial and residential development projects exceeding 7 million square feet. Mr. DiSanto received a degree in business administration from Villanova University's College of Commerce and Finance, a Juris Doctorate from the University of Toledo College of Law and an MS degree from Columbia University.

Todd Slater has agreed to serve as a member of our board of directors commencing on the Appointment Date. Mr. Slater has a broad and distinguished background in the retail and branded consumer sectors, serving most recently as a Managing Director at Lazard Capital Markets. At Lazard and then Lazard Capital Markets, Mr. Slater led the retail and branded consumer research team from 1996-2011, where he won numerous industry awards, including the #1 "Best Analyst" ranking by Starmine and the Financial Times in Specialty Retail, and the #2 "Best On The Street" in the Clothing and Accessory sectors over a period of many years. Prior to joining Lazard, Mr. Slater was a Vice President and headed the retail and consumer research team at UBS Securities from 1992-1996, where he was ranked by Institutional Investor as #1 "Up and Comer" in the Textile and Apparel space. During this period, Mr. Slater was President of the Textile and Apparel Analyst Group in NY from 1999-2002. Before becoming a top retail and consumer industry analyst, Mr. Slater began his career at Macy's New York, where he started in the Executive Training Program, rising to senior executive positions in merchandising, buying, and store management from 1984-1992. Mr. Slater received a B.A. in French Literature from Tufts University, and also completed a year of studies at Science Po (Institute d'Etudes Politiques) in Paris, France.

Edward Jones, III has agreed to serve as a member of our board of directors commencing on the Appointment Date. In a career that has spanned over thirty-five years in the fashion industry, Mr. Jones has been recognized as a marketing and brand visionary. Mr. Jones began his career in retail in Dallas, Texas with Hartmarx. Mr. Jones then moved on to Neiman Marcus where he spent five years in various men's merchandising and buying positions. In his career Edward Jones has held positions in major companies that include CEO (Perry Ellis Men's, Women's & International; Segrets Inc., GM Design Inc.), President (Calvin Klein, Esprit, Haggar Women's), Director International Licensing (Perry Ellis, Calvin Klein), Creative Director (Haggar Women's), Chief Merchandising Officer (Haggar Men's & Women's). For the past four years, he has been active as an advisor in the fashion apparel, accessory and footwear markets in numerous brand and company strategies and M&A assignments. During this period he has participated in the review and analysis of over sixty companies or brands. He has advised on brand and business model strategy in over half of these companies.

Howard Liebman has agreed to serve as a member of our board of directors commencing on the Appointment Date. From 2008 to the present, Mr. Liebman has served as a Director and member of the Executive Committee of Federation Employment and Guidance Services (FEGS) and as the chairman of its audit committee. FEGS is a large not-for-profit health and human services organization providing a vast array of services to individuals and families throughout the greater New York area. Mr. Liebman was a director of Sharper Image Corporation and served as chairman of its audit committee from 2006 to 2008. In February 2008, Sharper Image filed for bankruptcy under Chapter 11 of Title 11 of the Bankruptcy Code.

Howard Liebman was President, Chief Operating Officer and a director of Hobart West Group, a provider of national court reporting and litigation support services from 2007 until the sale of the business in 2008. Mr. Liebman served as a consultant to Hobart from 2006 to 2007. Mr. Liebman was President, Chief Financial Officer and director of Shorewood Packaging Corporation, a New York Stock Exchange multinational manufacturer of high-end value-added paper and paperboard packaging for the entertainment, tobacco, cosmetics and other consumer products markets. Mr. Liebman joined Shorewood in 1994 as Executive Vice President and Chief Financial Officer and served as its President from 1999 until Shorewood was acquired by International Paper in 2000. Mr. Liebman continued as Executive Vice President of Shorewood until his retirement in 2005. Mr. Liebman is a Certified Public Accountant and was an audit partner with Deloitte and Touche LLP (and its predecessors) from 1974 to 1994.

Key Employees

Isaac Mizrahi is Chief Designer for the Isaac Mizrahi Brand. Mr. Mizrahi founded the Isaac Mizrahi New York brand in 1987 and has been the President and Chief Designer of IM Ready. As Chief Designer, Mr. Mizrahi is responsible for design and design direction for all brands under Isaac Mizrahi including the Isaac Mizrahi New York brand which is still sold in Bergdorf Goodman and other luxury retailers. In December 2009, Mr. Mizrahi launched his lifestyle collection, Isaac Mizrahi Live! on QVC for IM Ready. Under IM Ready's design agreement with Liz Claiborne, Mr. Mizrahi also serves as the creative director for the Liz Claiborne New York line at QVC. Previously, Mr. Mizrahi teamed with Target in 2003 to launch an innovative collection of chic and stylish clothing and accessories for women. Mr. Mizrahi has received four awards from the Council of Fashion Designers of America (CFDA), including two awards for Designer of the Year and an award in 1996 for the documentary "Unzipped". Mr. Mizrahi's media presence includes publishing the book "How to Have Style" in 2008, and appearances and roles in films and television shows, including "Sex in the City," "Ugly Betty" and "Celebrity Jeopardy" and has hosted his own series, Bravo's "The Fashion Show," as well as series on the Oxygen Network and the Style Network. Mr. Mizrahi has also designed costumes and/or directed productions for the Metropolitan Opera, the Mark Morris Dance Company, the Opera Theatre of St. Louis, and the Brooklyn Youth Choir, and has served on the board of directors of and is actively involved with the Good Shepherd Services which provides services to underserviced children.

Lori Shea is our Senior Vice President of Licensing Operations. Ms. Shea served as the SVP of Marketing and Strategic Planning of IPX Capital, LLC and its related subsidiaries, a consumer products advisory firm from 2009 to 2011 where she was responsible for coordinating all facility and operations logistics and overseeing the strategic objectives within the organization. From 2006 to 2010 Ms. Shea served as Executive Vice President of Marketing for NexCen Brands, where she coordinated corporate communications, investor relations, business development as well as serving as the licensing and integration liaison for nine lifestyle brands across 1,900 franchise stores in over 45 countries. Ms. Shea's strategic expertise spans the past 25 years, with substantial experience in the consumer branded product industries and product development. Prior to her role at NexCen, from 2004 to 2006 Ms. Shea served as the Director of Marketing at UCC Capital Corporation. Prior to UCC, Ms. Shea served as the Director of Marketing for CAK Universal Credit Corporation from 1998 to 2003. From 1988 to 1997, Ms. Shea served as the Director of Marketing for D'Loren Organization in various operations and marketing functions.

Employment Agreements with Executives and Key Employees

Robert D'Loren. On September 22, 2011, and effective as of September 16, 2011, the Company entered into a three-year employment agreement with Robert D'Loren for him to serve as our Chief Executive Officer. Additionally, we shall use our reasonable best efforts to cause Mr. D'Loren to be nominated to our Board of Directors and to serve as our Chairman of the Board during the term of the agreement. Following the initial three-year term, the agreement will be automatically renewed for one year terms thereafter unless either party gives written notice of intent to terminate at least 90 days prior to such termination. Mr. D'Loren's salary for the first year, starting on the Closing Date, is $240,000, for the second year, it is $530,000 and for third year it is $580,000. The board or the compensation committee may approve increases (but not decreases) from time to time. Following the initial three-year term, the base salary shall be reviewed at least annually. We will also reimburse Mr. D'Loren for up to $50,000 of undocumented expenses each calendar year. In addition, Mr. D'Loren will receive an allowance for an automobile appropriate for his level of position, and the Company shall pay (in addition to monthly lease or other payments) all of the related expenses for gasoline, insurance, maintenance, repairs or any other costs up to $2,000 per month associated with Mr. D'Loren's automobile. Mr. D'Loren is subject to non-competition and non-solicitation provisions.

Bonus. Mr. D' Loren is eligible for an annual cash bonus of up to $450,000 per year based on annual EBITDA targets. The cash bonus is a portion of five percent of the licensing income in excess of $8,000,000 earned and received by us, in accordance with the following schedule:

Annual Level of Target EBITDA Achieved for each fiscal year ending December 31, 2011 and thereafter	Percentage of 5% of the licensing income earned by the Company in excess of $8 million
0%-49%	0%
50%-69%	60%
70%-89%	80%
90%-100%	100%

Severance. If Mr. D'Loren's employment is terminated by us without "cause", or if Mr. D'Loren resigns with "good reason", or if we fail to renew the term, then Mr. D'Loren will be entitled to receive his unpaid base salary and cash bonuses through the termination date and an amount equal to the base salary in effect on the termination date for the longer of two years from the termination date and the remainder of the then-current term. Additionally, Mr. D'Loren would be entitled to two times the average annual cash bonuses paid in the preceding 12 months. Mr. D'Loren would also be entitled to continue to participate in our group medical plan, subject to certain conditions, for a period of 18 months from the termination date.

Change of Control. In the event Mr. D'Loren's employment is terminated within twelve months following a change of control by the Company without cause or by Mr. D'Loren with good reason, he would be entitled to a lump sum payment equal to two times (i) his base salary in effect on the termination date for the longer of two years from the termination date and the remainder of the then-current term and (ii) two times the average annual cash bonuses paid in the preceding 12 months, minus $100. "Change of control," as defined in Mr. D'Loren's employment agreement, means a merger or consolidation to which we are a party, a sale, lease or other transfer, exclusive license or other disposition of all or substantially all of our assets, or a sale or transfer by our stockholders of voting control, in a single transaction or a series of transactions.

Warrants. On the Closing Date, Mr. D'Loren received a warrant to purchase 239,250 shares of our common stock with an exercise price equal to the Share Purchase Price. The warrant vests and becomes exercisable on the Closing Date and has a ten-year term. The shares of common stock underlying the warrant have customary piggy back registration and cashless exercise rights.

James Haran. On September 22, 2011, and effective as of September 16, 2011, the Company entered into a two-year employment agreement with James Haran for him to serve as our Chief Financial Officer. Following the initial two-year term, the agreement will be automatically renewed for one year terms thereafter unless either party gives written notice of intent to terminate at least 30 days prior to such termination. Mr. Haran's salary for the first year starting on the Closing Date is $225,000 per year and for the second year it is $250,000. The board or the compensation committee may approve increases (but not decreases) from time to time. Following the initial two year term, the base salary shall be reviewed at least annually. In addition, Mr. Haran will receive a car allowance of up to $1,000 per month. Mr. Haran is also subject to non-competition and non-solicitation provisions.

Bonus. Mr. Haran is eligible for a cash bonus of up to $50,000 based upon the following: 50% of the $50,000 cash bonus shall be paid to Mr. Haran if we achieve at least 70% of our budgeted EBITDA and 100% of the $50,000 cash bonus shall be paid to Mr. Haran if we achieve at least 90% of our budgeted EBITDA.

Severance. If Mr. Haran's employment is terminated by us without "cause", or if Mr. Haran resigns with "good reason", or if we fail to renew the term, then Mr. Haran will be entitled to receive his unpaid base salary and cash bonuses through the termination date and an amount equal his base salary in effect on the termination date for 12 months. Mr. Haran would also be entitled to continue to participate in our group medical plan, subject to certain conditions, for a period of 12 months from the termination date.

Change of Control. In the event Mr. Haran's employment is terminated within twelve months following a change of control by the Company without cause or by Mr. Haran with good reason, Mr. Haran would be entitled to a lump sum payment equal to his base salary in effect on the termination date for 12 months following such termination. "Change of control," as defined in Mr. Haran's employment agreement, means a merger or consolidation to which we are a party, a sale, lease or other transfer, exclusive license or other disposition of all or substantially all of our assets, or a sale or transfer by our stockholders of voting control, in a single transaction or a series of transactions.

Warrants. On the Closing Date, Mr. Haran received a warrant to purchase 49,500 shares of our common stock with an exercise price equal to the Share Purchase Price. The warrant vests and becomes exercisable on the Closing Date and has a ten-year term. The shares of common stock underlying the warrant have customary piggy back registration and cashless exercise rights.

Giuseppe "Joe" Falco. As of August 1, 2011, and effective as of September 16, 2011, the Company entered into a two-year employment agreement with Joe Falco for him to serve as the President, Chief Operating Officer of the Izaac Mizrahi Brand. Following the initial two-year term, the agreement will be automatically be renewed for a one year term, unless either party gives written notice of intent to terminate at least 30 days prior to such termination. Mr. Falco's salary for the first year starting on the Closing Date is $350,000 per year. The board or the compensation committee may approve increases (but not decreases) from time to time, and his base salary shall be reviewed at least annually. Mr. Falco is also subject to non-competition and non-solicitation provisions. If the Closing Date does not occur on or prior to October 1, 2011, then Mr. Falco's employment agreement shall terminate.

Bonus. Mr. Falco is eligible for a cash bonus of up to $50,000 based upon the following: one half of one percent (0.5%) of all Isaac Mizrahi Live net sales in excess of $60 million on QVC as reported by QVC to the Company.

Severance. If Mr. Falco's employment is terminated by us without "cause", or if Mr. Falco resigns with "good reason", or if we fail to renew the term, then Mr. Falco will be entitled to receive his unpaid base salary and cash bonuses through the termination date and an amount equal his base salary in effect on the termination date for six months. Mr. Falco would also be entitled to continue to participate in our group medical plan, subject to certain conditions, for a period of six months from the termination date.

Warrants. On the Closing Date, Mr. Falco received a warrant to purchase 100,000 shares of our common stock with an exercise price equal to the Share Purchase Price. The warrant shall vest one half on the first anniversary of the Closing Date, and one half on the second anniversary of the Closing Date. The warrant has a ten-year term. The shares of common stock underlying the warrant have customary piggy back registration and cashless exercise rights.

Marisa Gardini. On May 19, 2011 and effective on the Closing Date, the Company entered into a three-year employment agreement with Marisa Gardini such that she will serve as the Senior Vice President of Strategic Planning of the Company. Following the initial three-year term, the agreement will be renewable, at the option of the Company, for two successive one-year periods on the same terms and conditions as those in effect during the third year of the initial term. Thereafter, the agreement will renew automatically for one-year periods, unless either party gives written notice of intent to terminate at least 30 days prior to such termination. Ms. Gardini's salary will be $250,000, $250,000 and $500,000 per annum, respectively, in the first three successive 12-month periods following the effective date of the agreement. The Board or the compensation committee may approve increases (but not decreases) in Ms. Gardini's base salary from time to time, and it shall be subject to review on the third anniversary of Ms. Gardini's employment agreement and each anniversary thereafter during the term of the agreement. Ms. Gardini is subject to non-competition and non-solicitation provisions.

Bonus. Ms. Gardini has the right to participate in all employee bonus plans offered to other executives and senior management and such other bonus payments as the Board, or the compensation committee of the Board, may approve in its sole discretion.

Severance. If Ms. Gardini's employment is terminated by us without "cause", or if Ms. Gardini resigns with "good reason", or if we fail to renew the term, then Ms. Gardini will be entitled to receive her unpaid base salary and cash bonuses through the termination date and an amount equal to her base salary in effect on the termination date for the longer of six months and the remainder of the then-current term, but in no event exceeding 18 months. Ms. Gardini would also be entitled to continue to participate in our group medical plan, subject to certain conditions, for the same period of time for which she would continue to receive her base salary pursuant to the terms of the agreement.

Seth Burroughs. On September 22, 2011, and effective as of September 16, 2011, entered into a two-year employment agreement with Seth Burroughs for him to serve as our Executive Vice President – Business Development and Treasury. Following the initial two-year term, the agreement will be automatically renewed for one year terms thereafter unless either party gives written notice of intent to terminate at least 30 days prior to such termination. Mr. Burroughs' salary for the first year commencing on the Closing Date is $175,000 and it is $200,000 for the second year. The Board or the compensation committee may approve increases (but not decreases) from time to time. Following the initial two-year term, the base salary shall be reviewed at least annually. Mr. Burroughs is also subject to non-competition and non-solicitation provisions.

Bonus. Mr. Burroughs is eligible for cash bonuses as follows: (i) for any acquisition completed by us with a purchase price of an amount that is equal to or greater than $10 million, but less than $25 million, he shall be paid $50,000; (ii) for any acquisition completed by us with a purchase price of an amount that is equal to or greater than $25 million, but less than $75 million, he shall be paid $100,000; (iii) for any acquisition completed by us with a purchase price of an amount that is equal to or greater than $75 million, but less than $150 million, he shall be paid $125,000; and (iv) for any acquisition completed by us with a purchase price of an amount that is equal to or greater than $150 million, he shall be paid $150,000.

Severance. If Mr. Burroughs' employment is terminated by us without "cause", or if Mr. Burroughs resigns with "good reason", or if we fail to renew the term, then Mr. Burroughs will be entitled to receive his unpaid base salary and cash bonuses through the termination date and an amount equal his base salary in effect on the termination date for 12 months. Mr. Burroughs would also be entitled to continue to participate in our group medical plan, subject to certain conditions, for a period of 12 months from the termination date.

Warrants. On the Closing Date, Mr. Burroughs received a warrant to purchase 50,000 shares of our common stock with an exercise price equal to the Share Purchase Price. The warrant vests and becomes exercisable on the Closing Date and has a ten-year term. The shares of common stock underlying the warrant have customary piggy back registration and cashless exercise rights.

Isaac Mizrahi. On May 19, 2011 and effective on the Closing Date, the Company entered into a three-year employment agreement with Isaac Mizrahi such that he will serve as the Chief Design Officer of Isaac Mizrahi Brand. Following the initial three-year term, the agreement will be renewable, at the option of the Company, for two successive one-year periods on the same terms and conditions as those in effect during the third year of the initial term. Thereafter, the agreement will renew automatically for one-year periods, unless either party gives written notice of intent to terminate at least 30 days prior to such termination. Mr. Mizrahi's salary will be $500,000, $500,000 and $1,000,000 per annum, respectively, in the first three successive 12-month periods following the effective date of the agreement. The Board or the compensation committee may approve increases (but not decreases) in Mr. Mizrahi's base salary from time to time, and it shall be subject to review on the third anniversary of Mr. Mizrahi's employment agreement and each anniversary thereafter during the term of the agreement. Mr. Mizrahi is subject to non-competition and non-solicitation provisions.

Bonus. Mr. Mizrahi has the right to a bonus if the net royalty income exceeds Twenty-Five Million Dollars ($25,000,000) in the twelve-month period commencing on the first day of the calendar quarter in which the effective date of the agreement occurs, or in any successive twelve-month period thereafter. The bonus, if any, is equal to five-percent (5%) of the net royalty income in such twelve-month period in excess of Twenty-Five Million Dollars ($25,000,000). As soon as practicable, and not later than 60 days after the end of such twelve-month period, the Company shall deliver to Mr. Mizrahi: (i) an independently audited statement certifying the net royalty income for the period, (ii) a statement from the Company calculating the amount of the bonus, and (iii) at Mr. Mizrahi's request, supporting documentation of the determination of the net royalty income amount for the period. The bonus, if any, shall be paid to Mr. Mizrahi no later than 30 days after the delivery of the statements described above in (i) and (ii). In addition to, and not in lieu of, the foregoing, Mr. Mizrahi has the right to participate in all employee bonus plans offered to other executives and senior management and such other bonus payments as the Board, or the compensation committee of the Board, may approve in its sole discretion.

Severance. If Mr. Mizrahi's employment is terminated by us without "cause", or if Mr. Mizrahi resigns with "good reason", or if we fail to renew the term, then Mr. Mizrahi will be entitled to receive his unpaid base salary and cash bonuses through the termination date and an amount equal to his base salary in effect on the termination date for the longer of six months and the remainder of the then-current term, but in no event exceeding 18 months. Mr. Mizrahi would also be entitled to continue to participate in our group medical plan, subject to certain conditions, for the same period of time for which he would continue to receive his base salary pursuant to the terms of the agreement.

Lori Shea. On September 22, 2011, and effective as of September 16, 2011, entered into a two-year employment agreement with Lori Shea for her to serve as our Senior Vice President – Licensing Operations. Following the initial two-year term, the agreement will be automatically renewed for one year terms thereafter unless either party gives written notice of intent to terminate at least 30 days prior to such termination. Ms. Shea's salary for the first year commencing on the Closing Date is $125,000 and for the second year it is $150,000. The Board or the compensation committee may approve increases (but not decreases) from time to time. Following the initial two year term, the base salary shall be reviewed at least annually. Ms. Shea is also subject to non-competition and non-solicitation provisions.

Bonus. Ms. Shea is eligible for a cash bonus of up to $25,000 based upon the following: 50% of the $25,000 cash bonus shall be paid to Ms. Shea if we achieve at least 70% of our budgeted EBITDA and 100% of the $50,000 cash bonus shall be paid to Ms. Shea if we achieve at least 90% of our budgeted EBITDA.

Severance. If Ms. Shea's employment is terminated by us without "cause", or if Ms. Shea resigns with "good reason", or if we fail to renew the term, then Ms. Shea will be entitled to receive her unpaid base salary and cash bonuses through the termination date and an amount equal her base salary in effect on the termination date for 12 months. Ms. Shea would also be entitled to continue to participate in our group medical plan, subject to certain conditions, for a period of 12 months from the termination date.

Warrants. On the Closing Date, Ms. Shea received a warrant to purchase 25,000 shares of our common stock with an exercise price equal to the Share Purchase Price. The warrant vests and becomes exercisable on the Closing Date and has a ten-year term. The shares of common stock underlying the warrant have customary piggy back registration and cashless exercise rights.

Family Relationships

There are no family relationships between any of our directors or executive officers and any other directors or executive officers.

Involvement in Certain Legal Proceedings

To the best of our knowledge, none of our new directors or executive officers have been convicted in a criminal proceeding, excluding traffic violations or similar misdemeanors, or has been a party to any judicial or administrative proceeding during the past five years that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws, except for matters that were dismissed without sanction or settlement. Except as set forth in our discussion below in "Certain Relationships and Related Transactions," none of our directors, director nominees or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the SEC.

Independence of the Board of Directors

We are not a "listed issuer" as such term is defined in Rule 10A-3 under the Exchange Act. We use the definition of independence of The NASDAQ Stock Market LLC. The board has determined that Messrs. Todd Slater, Howard Liebman, Edward Jones, III, Jeffrey Cohen and Mark DiSanto are independent. Each current member of the Audit Committee, Compensation Committee and Nominating Committee is independent and meets the applicable rules and regulations regarding independence for such committee, including those set forth in pertinent NASDAQ listing standards, and that each member is free of any relationship that would interfere with his individual exercise of independent judgment.

Audit Committee and Audit Committee Financial Expert

Our board of directors has appointed an Audit Committee which consists of Messrs. Liebman and DiSanto. Each of such persons has been determined to be an "independent director" under the listing standards of the NASDAQ Capital Market, which is the independence standard that was adopted by our board of directors. The Board has determined that Mr. Liebman meets the requirements to serve as the Audit Committee Financial Expert by our board of directors. The Audit Committee operates under a written charter adopted by our board of directors. The Audit Committee assists the board of directors by providing oversight of our accounting and financial reporting processes, appoints the independent registered public accounting firm, reviews with the registered independent registered public accounting firm the scope and results of the audit engagement, approves professional services provided by the independent registered public accounting firm, reviews the independence of the independent registered public accounting firm, considers the range of audit and non-audit fees and reviews the adequacy of internal accounting controls.

Compensation Committee

Our board of directors has appointed a Compensation Committee consisting of Messrs. DiSanto and Jones. Each of such persons has been determined to be an "independent director" under the listing standards of the NASDAQ Capital Market. Our board of directors has adopted a written Compensation Committee Charter that sets forth the committee's responsibilities. The committee is responsible for determining all forms of compensation for our executive officers, and establishing and maintaining executive compensation practices designed to enhance long-term stockholder value.

Nominating Committee

Our board of directors has appointed a Nominating Committee consisting of Messrs. DiSanto and Jones. Each of such persons has been determined to be an "independent director" under the listing standards of the NASDAQ Capital Market. Our board of directors has adopted a written Nominating Committee Charter that sets forth the committee's responsibilities.

Code of Ethics

We have adopted a code of ethics that applies to our officers, employees and directors, including our Chief Executive Officer and senior executives.

EXECUTIVE COMPENSATION

NETFABRIC EXECUTIVE COMPENSATION SUMMARY

Former Executive Officers - Summary Compensation Table

The following table sets forth information regarding all cash and non-cash compensation earned by or paid to all of the executive officers of the Company who served during the fiscal years ended December 31, 2010 and 2009, for services in all capacities to the Company:

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Fahad Syed	2010	88,000							88,000
Chief Executive Officer[1]	2009	371,000							371,000
Vasan Thatham	2010	143,180							143,180
Chief Financial Officer[1] [2]	2009	156,939			40,062				197,001

(1) For 2010, includes amounts paid for consulting.

(2) Value of option awards is the dollar amount recognized for financial statements reporting purposes with respect to fiscal year 2009.

Outstanding Equity Awards at Fiscal Year-End

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Plan ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Fahad Syed (CEO)	—	—	—	—	—	—	—	—	—
Vasan Thatham (CFO)	300,000	—	—	$ 1.40	06/22/2015	—	—	—	—

Former Directors – Summary Compensation Table

The following table sets forth information with respect to director's compensation for the fiscal year ended December 31, 2010.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
Charlotte G. Denenberg	$ 12,000						$ 12,000
Joseph Perno	$ 12,000						$ 12,000

Director Compensation

The Company intends to pay its non-executive directors $2,000 for each Board and committee meeting attended up to a maximum of $8,000 per year, except that the chairman of each committee shall receive $3,000 for each such committee meeting attended up to a maximum of $12,000 per year. Each independent director will receive an initial grant of options to purchase 50,000 shares of Common Stock, exercisable for a period of five years at an exercise price, of $5.00 per share. One third of the options will vest upon the issuance date, and an additional one third will vest on each of the following two anniversaries of the issuance date. So long as a principal of Earthbound serves as a member on the board of directors of the Company (Jeffrey Cohen, a principal of Earthbound, has agreed to serve as a director commencing on the Appointment Date), Earthbound will have the right to appoint a board observer.

2005 Stock Option Plan

In March 2005, our Board and stockholders adopted our 2005 Stock Option Plan, pursuant to which 9,000,000 shares of Common Stock on a pre-reverse split basis were reserved for issuance upon exercise of options. Our stock option plan is designed to serve as an incentive for retaining qualified and competent employees, directors and consultants. Our Board or a committee of our Board administers our stock option plan and is authorized, in its discretion, to grant options under our stock option plan to all eligible employees, including our officers, directors (whether or not employees) and consultants. We do not intend to grant any future awards under this Plan.

2011 Equity Incentive Plan

As of the Closing Date, the Company assumed the 2011 Equity Incentive Plan (the "Plan") of Old XCel as approved by Old XCel's board of directors and stockholders. The purpose of the Plan is to enable the Company to offer its employees, officers, directors, consultants and others whose past, present and/or potential contributions to the Company have been, are or will be important to the success of the Company, an opportunity to acquire a proprietary interest in the Company. A total of 2,500,000 shares of common stock are eligible for issuance under the Plan. The Plan provides for the grant of any or all of the following types of awards: stock options, restricted stock, deferred stock, stock appreciation rights and other stock-based awards. The Plan will be administered by the Board, or, at the Board's discretion, a committee of the Board.

XCEL EXECUTIVE COMPENSATION SUMMARY

Old Xcel did not pay any compensation to any of its executive officers during the fiscal year ended December 31, 2010.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of the Common Stock as of October 5, 2011, for:

- each of the persons who serves as directors (or will serve as a director on the Appointment Date) and executive officers;
- all incoming directors and named executive officers as a group; and
- each person who is known by us to own beneficially five percent or more of our common stock after the Merger.

Beneficial ownership is determined in accordance with the rules of the Commission. Unless otherwise indicated in the table, the persons and entities named in the table have sole voting and sole investment power with respect to the shares set forth opposite the shareholder's name. Unless otherwise indicated, the address of each beneficial owner listed below will be c/o the Company, 475 10th Avenue, New York, New York, 10018. The percentage of class beneficially owned set forth below is based on 5,742,952 shares of Common Stock outstanding.

Named executive officers and directors:	Common Stock Beneficially Owned Number of Shares Beneficially Owned	Percentage of Class Beneficially Owned
Robert W. D'Loren (1)	765,533	12.7%
James F. Haran (2)	213,703	3.7%
Marisa Gardini (3) (4)	300,000	5.1%
Seth Burroughs (5)	159,469	2.8%
Todd Slater (6)	16,667	*
Howard Liebman (6)	16,667	*
Edward Jones, III (6)	16,667	*
Jeffrey Cohen (7)	616,777	10.6%
Mark DiSanto (8)	325,283	5.6%
Giuseppe Falco (9)	0	*
All directors and executive officers as a group (10 persons)	2,430,766	38.1%
5% Shareholders:		
Isaac Mizrahi (4)	2,759,000	48.0%
Jack Dweck (10)	694,578	12.0%
MidMarket Capital (11)	364,428	6.0%

* Less than 1%.

(1) Represents (i) 501,533 shares owned by Irrevocable Trust of Rose Dempsey (the "Irrevocable Trust") of which Mr. D'Loren and Mr. DiSanto are the trustees and as to which Mr. D'Loren has sole voting and dispositive power, (ii) 239,250 shares issuable upon exercise of immediately exercisable warrants, and (iii) 24,750 shares issuable upon exercise of Warrants held by the Irrevocable Trust. Does not include (i) 258,366 shares held by the D'Loren Family Trust (the "Family Trust") of which Mark DiSanto is a trustee and has sole voting and dispositive power and (ii) 12,750 shares issuable upon exercise of Warrants held by the Family Trust.

(2) Includes (i) 156,703 shares, (ii) 7,500 shares issuable upon exercise of initial Warrants and (iii) immediately exercisable warrants to purchase 49,500 shares.

(3) Represents 200,000 shares and an additional 100,000 shares available upon exercise of Warrants.

(4) Represents 2,759,000 shares held by IM Ready. Isaac Mizrahi and Marisa Gardini own 95% and 5% of the outstanding membership interests in IM Ready, respectively. Mr. Mizrahi has dispositive power over the shares held by IM Ready, but disclaims the shares attributable to the other party's percentage of ownership. Pursuant to the Voting Agreement, IM Ready and its principals agreed to appoint a person designated by the board of directors of the Company as IM Ready's irrevocable proxy and attorney-in-fact with respect to the shares of the Company's common stock to be received by IM Ready in connection with the Merger.

(5) Includes (i) 104,469 shares, (ii) 5,000 shares issuable upon exercise of Warrants and (iii) immediately exercisable warrants to purchase 50,000 shares.

(6) Represents shares issuable upon exercise of options that the Company agreed to grant and that will become exercisable on the Appointment Date. Does not include 33,333 shares issuable upon exercise of options the Company agreed to grant on the Appointment Date but will not become exercisable within 60 days of the Appointment Date.

(7) Represents (i) 16,667 shares issuable upon exercise of options that the Company agreed to grant and that will become exercisable on the Appointment Date, (ii) 400,110 shares held by 3 Sixty, Inc., (iii) 150,000 shares held by Earthbound LLC and (iv) 50,000 shares issuable upon the exercise of Warrants held by Earthbound LLC. Jeffrey Cohen and Jack Dweck have shared voting and dispositive power over the shares held by Earthbound LLC. Jeffrey Cohen has voting and dispositive power over the shares held by 3 Sixty, Inc.

(8) Includes (i) 232,866 shares held by the Family Trust, of which Mark DiSanto is trustee of, and has sole voting and dispositive power over the Shares held by, the Family Trust, (ii) 25,500 shares and 12,750 shares issuable upon exercise of Warrants, (iii) 25,000 shares and 12,500 shares issuable upon exercise of Warrants held by Mr. DiSanto, and (iv) 16,666 shares issuable upon exercise of options that the Company agreed to grant to Mr. DiSanto and that will become exercisable on the Appointment Date. Does not include 33,333 shares issuable upon exercise of options the Company agreed to grant to Mr. DiSanto on the Appointment Date but will not become exercisable within 60 days of the Closing Date.

(9) Does not include 100,000 shares issuable upon exercise of warrants which will not become excercisable within 60 days of the Closing Date.

(10) Represents (i) 494,578 shares held by Mr. Dweck, (ii) 150,000 shares held by Earthbound on the Closing Date and (iii) 50,000 shares issuable upon exercise of Warrants held by Earthbound. Jeffrey Cohen and Jack Dweck have shared voting and dispositive power over the shares held by Earthbound LLC.

(11) Represents the Lender Warrants to purchase 364,428 common shares at $0.01 per share.

DESCRIPTION OF SECURITIES

The following information describes the capital stock and provisions of the Company's certificate of incorporation and bylaws. This description is only a summary.

General

The Company's authorized capital stock consists of 200,000,000 shares of Common Stock at a par value of $.001 per share and 10,000,000 shares of preferred stock at a par value of $.001 per share.

Common Stock

Holders of our common stock are entitled to one vote per share on all matters submitted to a vote of the stockholders, including the election of directors, and subject to any contractual agreement entered into by any holder of shares. Generally, all matters to be voted on by stockholders must be approved by a majority of the votes entitled to be cast by all shares of our common stock that are present in person or represented by proxy. Holders of our common stock representing a majority of our capital stock issued, outstanding, and entitled to vote, represented in person or by proxy, are necessary to constitute a quorum at any meeting of our stockholders. A vote by the holders of a majority of our outstanding shares is required to effectuate certain fundamental corporate changes such as liquidation, merger or an amendment to our certificate of incorporation. Our certificate of incorporation does not provide for cumulative voting in the election of directors.

The holders of shares of our common stock will be entitled to such cash dividends as may be declared from time to time by our board of directors from funds available therefore. Upon liquidation, dissolution, or winding up, the holders of shares of our common stock will be entitled to receive pro rata all assets available for distribution to such holders. In the event of any merger or consolidation with or into another company in connection with which shares of our common stock are converted into or exchangeable for shares of stock, other securities, or property (including cash), all holders of our common stock will be entitled to receive the same kind and amount of shares of stock and other securities and property (including cash). Holders of our common stock have no pre-emptive rights and no conversion rights, and there are no redemption provisions applicable to our common stock.

Preferred Stock

As of the date hereof, there are no shares of Preferred Stock outstanding. Our board of directors, without further stockholder approval, may issue preferred stock in one or more classes or series as the board may determine from time to time. Each such class or series shall be distinctly designated. All shares of any one class or series of the preferred stock shall be alike in every particular, except that there may be different dates from which dividends thereon, if any, shall be cumulative, if made cumulative. The voting powers, designations, preferences, limitations, restrictions and relative rights thereof, if any, may differ from those of any and all other series outstanding at any time. Our board of directors has express authority to fix (by resolutions adopted prior to the issuance of any shares of each particular class or series of preferred stock) the number of shares, voting powers, designations, preferences, limitations, restrictions and relative rights of each such class or series. The rights granted to the holders of any series of preferred stock could adversely affect the voting power of the holders of common stock and issuance of preferred stock may delay, defer or prevent a change in our control.

Warrants

As part of the Offering, we issued Warrants to purchase 430,500 shares of common stock to investors in the Offering. The Warrants are exercisable in whole or in part, at an exercise price of $0.01 per share ("Exercise Price"). The Warrants may be exercised at any time upon the election of the holder, beginning on the date of issuance and ending of the fifth anniversary of the Closing Date. Upon the expiration of the Warrant exercise period, the Warrants will expire and become void and worthless.

In order to exercise the Warrants, the Warrant must be surrendered at the office of the Warrant Agent prior to the expiration of the Warrant exercise period, with the form of exercise appearing with the Warrant completed and executed as indicated, accompanied by payment of the full exercise price for the number of Warrants being exercised. Payment shall be by certified funds or cashier's check payable to the Company. In the case of partial exercise, the Warrant Agent will issue a new warrant to the exercising warrant holder, or assigns, evidencing the Warrants which remain unexercised. In our discretion, the Warrant Agent may designate a location other than our office for surrender of Warrants in the case of transfer or exercise.

If, one (1) year from the date of issuance there is no effective registration statement registering the shares of Common Stock underlying the Warrants, the Warrants will be exercisable on a cashless basis. The exercise price and number of shares of Common Stock to be received upon the exercise of Warrants are subject to adjustment upon the occurrence of certain events, such as stock splits, stock dividends or our recapitalization. In the event of our liquidation, dissolution or winding up, the holders of Warrants will not be entitled to participate in the distribution of our assets. Holders of Warrants have no voting, pre-emptive, subscription or other rights of stockholders in respect of the Warrants, nor shall holders thereof be entitled to receive dividends.

We have agreed to register the shares of the Common Stock underlying the Warrants issued in connection with the Offering, on a Registration Statement to be filed with the Commission within sixty (60) days after the Closing Date and to keep the Registration Statement effective until the earlier of (i) September 29, 2012 or (ii) until all Registrable Securities covered by such Registration Statement have been sold, or may be sold without volume or manner-of-sale restrictions pursuant to Rule 144, without the requirement for the Company to be in compliance with the current public information requirement under Rule 144.

Other Options and Warrants

There will also be outstanding (i) the Agent Warrants to purchase 9,800 shares of Common Stock, (ii) the Lender Warrants to purchase 364,428 shares of Common Stock, (iii) outstanding options and warrants of the Company to purchase an aggregate of 1,065 shares of common stock and (iv) options and warrants granted to certain of our directors, executive officers, employees and licensing agents to purchase an aggregate of 738,750 shares of common stock (collectively, “Management, Director and Licensee Securities”).

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Our common stock has been quoted on the OTCQB marketplace under the ticker symbol “NFBH” since May 7, 2008, and under the ticker “NFBHD” since September 29, 2011 to reflect the Company’s recent reverse stock split. The Company’s common stock had previously been quoted on the Over-the Counter Bulletin Board ("OTCBB") from March 2001 to May 2008.

The table below sets forth the range of quarterly high and low closing sales prices for our common stock for 2010 and 2009. The quotations below reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions:

YEAR ENDED DECEMBER 31, 2010		
First Quarter	$ 0.008	$ 0.001
Second Quarter	$ 0.002	$ 0.001
Third Quarter	$ 0.002	$ 0.001
Fourth Quarter	$ 0.015	$ 0.007
YEAR ENDED DECEMBER 31, 2009		
First Quarter	$ 0.001	$ 0.001
Second Quarter	$ 0.005	$ 0.001
Third Quarter	$ 0.001	$ 0.001
Fourth Quarter	$ 0.001	$ 0.001

Holders

As of September 28, 2011 the number of stockholders of record was approximately 463 (excluding beneficial owners and any shares held in street name or by nominees).

Dividends

We have not declared or paid any cash dividends on our common stock nor do we anticipate paying any in the foreseeable future. Furthermore, we expect to retain any future earnings to finance its operations and expansion. The payment of cash dividends in the future will be at the discretion of our Board of Directors and will depend upon our earnings levels, capital requirements, any restrictive loan covenants and other factors the Board considers relevant.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

IPX Capital, LLC

Overview

Old XCel and its wholly owned subsidiary IM Brands, collectively the "Buyers," entered into the Purchase Agreement with IM Ready, whereby the Buyers acquired certain assets and assumed certain obligations of IM Ready. IPX Capital, LLC ("IPX") entered into certain agreements with Old Xcel and IM Ready whereby IPX provided services to both Old Xcel and IM-Ready. IPX and Old Xcel have common ownership and common management.

IPX Capital, LLC – IM Ready-Made, LLC Advisory Service Agreement

IPX and IM Ready entered into an Advisory Service Agreement dated November 16, 2010 whereby IPX provided various advisory and consulting services to IM Ready including conducting an operational review of IM Ready, reviewing strategic alternatives for IM Ready's business including the potential to complete a transaction with Old XCel, developing and preparing a brand positioning presentation including brand architecture strategy, conducting a review of the "IsaacMizrahiLIVE" and "Liz Claiborne New York" businesses on QVC and the related agreements, and conducting a due diligence review of IM Ready's retail and couture operations and making restructuring recommendations on such retail and couture operations. IPX's service fees under the Advisory Service Agreement were based on its actual hourly billing rates, with a cap of $500,000. IPX's aggregate hourly billing exceeded $500,000, resulting in a payment to IPX from IM Ready of $500,000 on the Closing Date.

IPX Capital, LLC – XCel Brands, Inc., Due Diligence Service Agreement

IPX and Old XCel entered into a Due Diligence Service Agreement dated December 3, 2010 whereby IPX provided various due diligence tasks relating to the Purchase Agreement including financial review of IM Ready, preparing business plans, financial projections and other documents required in connection with the transaction, advise the Buyers regarding the corporate, legal and financial structure of the transaction and assist the Buyers with the negotiation of documentation relating to the transaction. Market service fees for this type of engagement are typically either a fixed dollar amount or based upon hourly billing rates, plus reimbursement of direct expenses. IPX waived all of its fees it would have otherwise been entitled to, but not reimbursement of its direct expenses. Direct expenses incurred by, and reimbursable to, IPX by Old XCel of approximately $240,000 were paid following the Closing Date.

Amounts due to Stockholder

Robert D'Loren, Chairman and Chief Executive Officer and a principal stockholder of the Company, has advanced certain expenses including but not limited to legal fees, banking fees, lender fees and appraisals on behalf of Old Xcel. Following the Closing Date, Mr. D'Loren was reimbursed approximately $162,000 for these expenses.

Todd Slater

On August 12, 2011, Old XCel entered into a one year agreement which was amended on October 4, 2011, with Todd Slater, who has agreed to serve as a director of the Company commencing on the Appointment Date, for services related to the Company's licensing strategy and introduction of potential licensees. If during the term of the agreement or during the year following the expiration of the term of the agreement, the Company enters into a license or distribution agreement with a licensee introduced by Mr. Slater, Mr. Slater will receive a commission equal to fifteen percent (15%) of all net royalties received by the Company during the first term of such agreement, payable within thirty days of receipt of the net royalties. Old XCel has also agreed to pay Mr. Slater an advisory fee of approximately $53,000 within 30 days following the acquisition of the Isaac Mizrahi Business as compensation for strategic advisory services performed by Mr. Slater related to Old XCel's licensing program prior to the Closing Date.

Earthbound

Earthbound entered into a service agreement with Laugh Club, Inc. ("Laugh Club") on November 6, 2001 whereby Laugh Club engaged Earthbound to provide brand management and design services for mass-merchandised retail products for the Isaac Mizrahi Business (the "Earthbound Agreement"). Isaac Mizrahi, individually, is the controlling member and manager of Laugh Club and IM Ready-Made, LLC. On September 3, 2002, Laugh Club assigned all of the rights and obligations in the Earthbound Agreement to IM Ready. Earthbound has no common ownership, direct or indirect, with either IM Ready or Laugh Club. The Earthbound Agreement expires December 31, 2014; however certain beneficial rights extend beyond the expiration date to Earthbound for as long as IM Ready receives revenues procured by Earthbound.

In connection with the consummation of the Isaac Mizrahi Business, Old XCel and Earthbound entered into the Contribution Agreement pursuant to which Earthbound contributed to Old XCel the Earthbound Agreement and the Earthbound Assets in exchange for 944,688 shares of the Company's Common Stock, and Earthbound agreed to purchase one Unit in the Offering. Old XCel terminated the Earthbound Agreement effective as of the Closing Date.

Effective as of the Closing Date, IM Ready and Earthbound entered into the Services Agreement pursuant to which Earthbound will provide transitional services and advice relating to the Isaac Mizrahi Business for a period of five years for which Earthbound received from IM Ready $600,000 in cash on the Closing Date and Earthbound will receive the Future Payment of $1,500,000 payable over the next five years. The Company assumed the obligations related to the Future Payment from IM Ready upon its acquisition of the Isaac Mizrahi Business. Additionally, so long as a principal of Earthbound serves as a member on the board of directors of the Company (Jeffrey Cohen, a principal of Earthbound, has agreed to serve as a director commencing on the Appointment Date), Earthbound will have the right to appoint a board observer.

Licensing Agreement

On August 2, 2011, Old XCel entered into a licensing agent agreement with an employee of Earthbound pursuant to which such employee is entitled to a five percent (5%); commission on any royalties we receive under any new license agreements that he procures for us during the initial term of such license agreements. We also granted the agent options to purchase 25,000 shares of common stock at an exercise price of $5.00 per share. One half of the options will vest on each of the first and second anniversary dates of the date of the award if the consultant procures licenses which generate $1 million or more of royalties for the Company during each such year. In addition, the agent may earn the right to receive additional warrants upon the satisfaction of certain agreed upon target performance criteria.

Offering

Marisa Gardini, our Executive Vice President of Strategic Planning and Marketing and, commencing on the Appointment Date, a director; the Irrevocable Trust of Rose Dempsey; the D'Loren Family Trust; James Haran, our Chief Financial Officer; Seth Burroughs, our Executive Vice President of Business Development and Treasury; and Mark DiSanto, who has agreed to serve as a member of our board of directors commencing on the Appointment Date, purchased 2; .495; .255; .15; .10 and .25 Units in the Offering for purchase prices of $1,000,000; $247,500; $127,500; $75,000; $50,000; and $125,000, on the same terms and conditions as other investors in the Offering.

Review, Approval and Ratification of Related Party Transactions

Prior to the Merger, the Company had not adopted formal policies and procedures for the review, approval or ratification of transactions, such as those described above. The Company intends that transactions with its executive officers, directors and significant shareholders will, on a going-forward basis, be subject to the review, approval or ratification of its board of directors, or an appropriate committee thereof.

CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS

Arik Eshel, CPA & Associates ("Arik") served as NetFabric's independent auditor in connection with the audits of the Company's financial statements for the fiscal years ended December 31, 2010 and 2009, and review of the subsequent interim period through June 30, 2011. In connection with the Merger, our board of directors recommended and approved the appointment of Rothstein Kass & Company, P.C. ("Rothstein Kass") as the independent auditor for the Company. Rothstein Kass audited IM Ready's financial statements for the fiscal years ended December 31, 2010 and 2009, as well as the Old XCel financial statements for the period from inception to December 31, 2010 and review of the subsequent interim period through June 30, 2011.

During the fiscal years ended December 31, 2010 and 2009 and through the date hereof, neither us nor anyone acting on our behalf consulted Rothstein Kass with respect to (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, and neither a written report was provided to us or oral advice was provided that Rothstein Kass concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was the subject of a disagreement or reportable events set forth in Item 304(a)(1)(v) of Regulation S-K.

For a more detailed discussion of our change in auditor, please refer to Item 4.01 below.

Item 3.02 Unregistered Sales of Equity Securities.

Pursuant to the Merger, as of September 29, 2011, we issued 944,688 shares of Common Stock to the Old XCel stockholders.

Pursuant to the Earthbound Agreement, Earthbound held certain rights related to the IM Trademarks and provides certain design services for IM Ready. In connection with the consummation of the acquisition by the Company of the Isaac Mizrahi Business, Old XCel and Earthbound entered into the Contribution Agreement pursuant to which, on the Closing Date, Earthbound contributed to the Company (i) the Earthbound Agreement and (ii) the Earthbound Assets in exchange for 944,688 shares of Common Stock and also purchased one (1) Unit in the Offering. The closing of the acquisition of the Isaac Mizrahi Business and Earthbound Assets occurred in conjunction with the consummation of the Merger, after which the Company terminated the Earthbound Agreement.

Simultaneously with the Merger, pursuant to the Purchase Agreement (as defined above), we issued the IM Ready Stock Consideration (as defined above) of 2,759,000 shares of Common Stock to IM Ready.

Pursuant to the Subscription Agreements, on September 29, 2011, we issued to the investors a total of 861,000 shares of Common Stock and 430,500 warrants to purchase shares of Common Stock.

At the Closing, the Company issued the Lender Warrants.

At the Closing, the Company issued the Agent Warrants.

At the Closing, the Company issued the Management, Director and Licensee Securities.

At the Closing, we issued 47,132 shares of Common Stock to the designee of Stephen Cole-Hatchard.

None of the above referenced issuances were registered under the Securities Act and all of the above referenced issuances qualified for exemption under Section 4(2) of the Securities Act since the issuance securities by us did not involve a public offering. The offering was not a "public offering" as defined in Section 4(2) due to the insubstantial number of persons involved, size of the offering, manner of the offering and number of securities offered. We did not undertake an offering in which we sold a high number of securities to a high number of investors. In addition, these stockholders had the necessary investment intent as required by Section 4(2) since they 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, we have met the requirements to qualify for exemption under Section 4(2) of the Securities Act for this transaction.

Item 4.01 Changes in Registrant's Certifying Accountant.

(a) Dismissal of Previous Independent Registered Public Accounting Firm.

i On September 29, 2011, we dismissed Arik as our independent registered public accounting firm. The Board of Directors of the Company approved such resignation on September 29, 2011.

ii The Company's Board of Directors participated in and approved the decision to change our independent registered public accounting firm.

iii Arik's reports on the financial statements of the Company for the years ended December 31, 2010 and 2009 did not contain an adverse opinion or a disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles.

iv In connection with the audit and review of the financial statements of the Company through September 29, 2011, there were no disagreements on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with Arik's opinion to the subject matter of the disagreement.

v In connection with the audited financial statements of the Company for the years ended December 31, 2010 and 2009 and interim unaudited financial statement through June 30, 2011, there have been no reportable events with the Company as set forth in Item 304(a)(1)(v) of Regulation S-K.

vi The Company provided Arik with a copy of this Current Report on Form 8-K and requested that Arik furnish it with a letter addressed to the SEC stating whether or not they agree with the above statements. The Company has received the requested letter from Arik, and a copy of such letter is filed as Exhibit 16.1 to this Current Report Form 8-K.

(b) Engagement of New Independent Registered Public Accounting Firm.

i On September 29, 2011, the Board appointed Rothstein Kass as the Company's new independent registered public accounting firm. The decision to engage Rothstein Kass was approved by the Company's Board of Directors on September 29, 2011. Rothstein Kass audited the financial statements of the Isaac Mizrahi Business for the fiscal years ended December 31, 2010 and 2009, as well as the Old XCel's financial statements for the period from inception to December 31, 2010.

ii Prior to September 29, 2011, the Company did not consult with Rothstein Kass regarding (1) the application of accounting principles to a specified transactions, (2) the type of audit opinion that might be rendered on the Company's financial statements, (3) written or oral advice was provided that would be an important factor considered by the Company in reaching a decision as to an accounting, auditing or financial reporting issues, or (4) any matter that was the subject of a disagreement between the Company and its predecessor auditor as described in Item 304(a)(1)(iv) or a reportable event as described in Item 304(a)(1)(v) of Regulation S-K.

Item 5.01 Changes in Control of Registrant.

As explained more fully in Items 1.01 and 2.01, in connection with the Merger, on September 29, 2011, we issued 944,688 shares of Common Stock to the Old XCel shareholders and, pursuant to the Company's and Old XCel's obligations under the Purchase Agreement, 2,759,000 shares to IM Ready and 944,688 shares to Earthbound. As such, immediately following the Merger and the transactions related thereto, prior to the Offering, the Old XCel stockholders and the IM Ready stockholders together hold a majority of the total voting power of our common stock entitled to vote prior to the Offering.

Pursuant to the Voting Agreement, IM Ready agreed to appoint a person designated by the Board of Directors as IM Ready's irrevocable proxy and attorney-in-fact with respect to the shares of Common Stock received by IM Ready in connection with the Merger. The proxy holder shall vote in favor of matters recommended or approved by the Board of Directors.

In connection with the Merger, and as explained more fully in the above Items 1.01 and 2.01 under the section titled "Management" and below in Item 5.02 of this Current Report on Form 8-K, Cristiano Germinario and Vasan Thatham resigned from their officer positions with the Company, and Cristiano Germinario resigned from the board of directors effective immediately on the Closing Date. Stephen J. Cole-Hatchard has agreed to resign from the Board of Directors upon the Appointment Date. Further, for a discussion of executive officers and directors appointed at the Closing Date and appointed effective as the Appointment Date, please see the discussion contained in the section above entitled "Directors and Executive Officers."

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers

(a) Resignation of Directors

On the Closing Date, Cristiano Germinario resigned from our Board of Directors. Stephen Cole-Hatchard has agreed to resign from the Board of Directors on the Appointment Date. The resignation was not the result of any disagreement with us on any matter relating to our operations, policies or practices.

(b) Resignation of Officers

On the Closing Date, Cristiano Germinario and Vasan Thatham resigned from their positions as Chief Executive Officer and President and as Chief Financial Officer. The resignation was not the result of any disagreement with us on any matter relating to our operations, policies or practices.

(c) Appointment of Directors and Officers

The following persons were appointed as our officers and directors at Closing:

NAME	AGE	POSITION
Robert W. D'Loren	53	Chairman of the Board and Chief Executive Officer
James F. Haran	50	Chief Financial Officer and Assistant Secretary
Giuseppe "Joe" Falco	40	President and Chief Operating Officer of the Isaac Mizrahi Brand
Marisa Gardini	44	Executive Vice President of Strategic Planning and Marketing
Seth Burroughs	31	Executive Vice President of Business Development and Treasury
Stephen J. Cole- Hatchard	54	Director

Stephen J. Cole-Hatchard has agreed to resign on the Appointment Date, and Marisa Gardini and the following individuals have agreed to serve as directors commencing on the Appointment Date:

NAME	AGE	POSITION
Jeffrey Cohen	51	Director
Mark DiSanto	49	Director
Todd Slater	49	Director
Edward Jones, III	63	Director
Howard Liebman	69	Director

The business background descriptions of the newly appointed directors and officers as set forth in Section 2.01 are hereby incorporated in this Section 5.02 by reference.

(d) Employment Agreements of the Executive Officers

The description of the employment agreements as set forth in Section 2.01 are hereby incorporated in this Section 5.02 by reference.

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

Immediately following the Merger, Old XCel, as a wholly owned subsidiary of NetFabric, merged with and into NetFabric through the filing of a short form merger agreement with the State of Delaware; and pursuant to such agreement, NetFabric changed its name to XCel Brands, Inc.

On the Closing Date, the board of directors approved an amendment to the bylaws of the Company authorizing the board of directors to fix the number of directors comprising the board.

Item 5.05 Amendments to the Registrant's Code of Ethics, or Waiver of a Provision of the Code of Ethics.

In connection with the Merger, we have adopted a Code of Ethics which is filed hereto as Exhibit 14.1.

Item 5.06 Change In Shell Company Status

As explained more fully in Items 1.01 and 2.01 above, we were a "shell company" (as such term is defined in Rule 12b-2 under the Exchange Act) immediately before the Closing of the Merger. As a result of the Merger, IM Brands became our wholly owned subsidiary and became our main operational business. Consequently, we believe that the Merger has caused us to cease to be a shell company. For information about the Merger, please see the information set forth above under Items 1.01 and 2.01 of this Current Report on Form 8-K which information is incorporated herein by reference.

Item 9.01 Financial Statement and Exhibits.

(a) Financial Statements of Business Acquired.

The Audited Consolidated Financial Statements of the Isaac Mizrahi Business as of December 31, 2010 and 2009 are filed as Exhibit 99.1 to this current report and are incorporated herein by reference.

The Audited Consolidated Financial Statements of Old XCel as of December 31, 2010 are filed as Exhibit 99.3 to this current report and are incorporated herein by reference.

(b) Pro Forma Financial Information.

The Unaudited Pro Forma Condensed Combined Financial Statements of Old XCel and the Isaac Mizrahi Business for the six months ended June 30, 2011 and the year ended December 31, 2010 are filed as Exhibit 99.2 to this current report and are incorporated herein by reference.

(c) Shell Company Transactions.

Reference is made to Items 9.01(a) and 9.01(b) and the exhibits referred to therein which are incorporated herein by reference.

(d) Exhibits.

Exhibit Number	Description
3(i)(a)	Amendment to the Amended and Restated Certificate of Incorporation of NetFabric Holdings, Inc. (1)
3(i)(b)	Certificate of Ownership and Merger of XCel Brands, Inc. into NetFabric Holdings, Inc.
3(ii)	Amendment to Bylaws
4.1	2011 Equity Incentive Plan and Forms of Award Agreements
4.2	Form of Investor Warrant issued in connection with the private placement consummated on September 29, 2011
4.3	Registration Rights Agreement between XCel Brands, Inc. and the several purchasers, entered into as of September 29, 2011
4.4	Form of Executive Warrant
4.5	Form of Director Option
4.6	Warrant issued to Giuseppe Falco dated September 29, 2011
4.7	Warrant issued to Great American Life Insurance Company dated September 29, 2011
4.8	Warrant issued to Great American Insurance Company dated September 29, 2011
4.9	Rights Agreement by and among XCel Brands, Inc., Great American Life Insurance Company and Great American Insurance Company, dated September 29, 2011
9.1	Voting Agreement between XCel Brands, Inc. and IM Ready-Made, LLC, dated as of September 29, 2011
10.1	Asset Purchase Agreement by and among XCel Brands, Inc., IM Brands, LLC, IM Ready-Made, LLC, Isaac Mizrahi and Marisa Gardini, dated as of May 19, 2011, as amended on July 28, 2011, as amended on September 15, 2011, as amended on September 21, 2011, as amended on September 29, 2011 +
10.2	Promissory Note between XCel Brands, Inc. and IM Ready-Made, LLC, dated September 29, 2011
10.3	Form of Management Lockup Agreement
10.4	Lockup Agreement between NetFabric Holdings, Inc. and IM Ready-Made, LLC, dated September 29, 2011
10.5	Second Amended and Restated Agreement and Consent to Assignment by and among QVC, Inc., IM Brands, LLC, IM Ready Made, LLC, XCel Brands, Inc. and Isaac Mizrahi, dated September 28, 2011*
10.6	Contribution Agreement by and among Earthbound, LLC, IM Ready-Made, LLC and XCel Brands, Inc. dated August 16, 2011

10.7	Amendment to Contribution Agreement by and among Earthbound, LLC, IM Ready-Made, LLC and XCel Brands, Inc. dated September 20, 2011
10.8	Release and Transition Services Agreement by and among Earthbound, LLC, IM Ready-Made, LLC and XCel Brands, Inc., dated August 16, 2011
10.9	Assignment and Assumption, New York Landlord Consent by and among Adler Holdings III, LLC, IM Ready-Made, LLC and XCel Brands, Inc., dated September 29, 2011, and Guaranty by IM Brands, Inc., dated September 29, 2011
10.10	Agreement of Merger and Plan of Reorganization by and among NetFabric Holdings, Inc., NetFabric Acquisition Corp., and XCel Brands, Inc., dated September 29, 2011 +
10.11	Credit Agreement by and among IM Brands, LLC, the several lenders, and MidMarket Capital Partners, LLC, as administrative agent, dated September 29, 2011 +
10.12	Guarantee and Collateral Agreement by and among IM Brands, LLC, XCel Brands, Inc., and MidMarket Capital Partners, LLC, as administrative agent, dated September 29, 2011
10.13	Subordination Agreement, by and among IM Ready-Made, LLC, IM Brands, LLC, XCel Brands, Inc., and MidMarket Capital Partners, LLC, as administrative agent, dated September 29, 2011
10.14	Services Agreement between XCel Brands, Inc. and Todd Slater, dated August 12, 2011
10.15	Amendment to the Services Agreement between XCel Brands, Inc. and Todd Slater, dated October 4, 2011
10.16	Employment Agreement entered into with Robert D'Loren, dated September 22, 2011
10.17	Employment Agreement entered into with Giuseppe Falco, dated August 1, 2011
10.18	Employment Agreement entered into with James Haran, dated September 22, 2011
10.19	Employment Agreement entered into with Seth Burroughs, dated September 22, 2011
10.20	Employment Agreement entered into with Isaac Mizrahi, dated May 19, 2011
10.21	Employment Agreement entered into with Marisa Gardini, dated May 19, 2011
14.1	Form of Code of Business Conduct and Ethics for XCel Brands, Inc.
16.1	Letter from Arik Eshel, CPA & Associates
99.1	Consolidated Audited Financial Statements for the Years Ended December 31, 2009 and 2010, and Consolidated Unaudited (Reviewed) Financial Statements for the Six Months Ended June 30, 2011 of the Isaac Mizrahi Business
99.2	Unaudited Pro Forma Condensed Combined Financial Statements of Old XCel and the Isaac Mizrahi Business for the six months ended June 30, 2011
99.3	Audited Financial Statements for Old XCel for the Year Ended December 31, 2010 and unaudited reviewed financial statements for the Six Months Ended June 30, 2011
99.4	Audit Committee Charter
99.5	Compensation Committee Charter
99.6	Nominating and Corporate Governance Committee Charter

* Portions of this exhibit have been omitted pursuant to a Request for Confidential Treatment and filed separately with the Securities and Exchange Commission. Such portions are designated "***".

+ Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. XCel Brands, Inc. hereby undertakes to furnish supplementally to the Securities and Exchange Commission copies of any of the omitted schedules and exhibits upon request by the Securities and Exchange Commission.

(1) Incorporated by reference to the applicable exhibit filed with the Company's Current Report on Form 8-K, filed October 4, 2011 for the event dated September 28, 2011.

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 thereunto duly authorized.

XCEL BRANDS, INC.
(Registrant)

By: /s/ Robert D'Loren
Robert D'Loren
Chief Executive Officer

Date: October 5, 2011

CERTIFICATE OF OWNERSHIP AND MERGER

OF

XCEL BRANDS, INC.

INTO

NETFABRIC HOLDINGS, INC.

Adopted in accordance with the provisions of
Section 253 of the Delaware General Corporation Law

NetFabric Holdings, Inc., a Delaware corporation, desiring to merge with Xcel Brands, Inc., a Delaware corporation, pursuant to the provisions of Section 253 of the Delaware General Corporation Law, hereby certifies as follows:

1. NetFabric Holdings, Inc. is a corporation formed under the laws of the State of Delaware (the "Corporation").

2. The Corporation is the owner of all of the outstanding shares of each class of stock of Xcel Brands, Inc., a corporation formed under the laws of the State of Delaware.

3. On September 29, 2011, the Board of Directors of the Corporation adopted the following resolutions to merge Xcel Brands, Inc. into the Corporation:

"WHEREAS, the Corporation owns 100% of the issued and outstanding common stock of the Xcel Brands, Inc. ("Subsidiary"); and

WHEREAS, it is in the best interests of the Corporation to merge the Subsidiary with and into the Corporation in order that all the estate, property, rights, privileges and franchises of the Subsidiary shall vest in and be possessed by the Corporation;

NOW, THEREFORE, be it:

RESOLVED, that the Board of Directors of the Corporation hereby approves and adopts the following plan to merge the Subsidiary into the Corporation:

1. The name of the corporation proposing to merge is Xcel Brands, Inc. (the "Subsidiary") and the name of the surviving corporation is NetFabric Holdings, Inc. (the "Corporation").

2. The Subsidiary shall merge into the Corporation and upon the effective date of such merger the Subsidiary shall cease to exist and shall no longer exercise its powers, privileges and franchises subject to the laws of the State of Delaware. The Corporation shall succeed to the property and assets of and exercise all the powers, privileges and franchises of the Subsidiary and shall assume and be liable for all of the debts and liabilities, if any, of the Subsidiary.

3. The shares of the Subsidiary shall not be converted as a result of the merger, but shall be cancelled, and the authorized capital stock of the Corporation shall be and remain the same as before the merger.

4. The Certificate of Incorporation of the Corporation shall be amended to change the name of the Corporation to Xcel Brands, Inc. upon the effective date of the merger.

and further

RESOLVED, that the Chief Executive Officer of the Corporation, or such other officer of he Corporation designated by the Chief Executive Officer, is hereby authorized to execute, in the name of the Corporation, a Certificate of Merger, and to file such Certificate in the Office of the Secretary of State of the State of Delaware, and to do all the other acts and things that may be necessary to carry out and effectuate the purpose of these resolutions."

IN WITNESS WHEREOF, NETFABRIC HOLDINGS, INC. has caused this Certificate to be executed by its duly authorized officer thereunto duly authorized this 29th day of September, 2011.

NETFABRIC HOLDINGS, INC.
(a Delaware corporation)

By: /s/ Robert W. D'Loren
Name: Robert W. D'Loren
Title: CEO

AMENDMENT TO THE
AMENDED AND RESTATED
BY-LAWS
OF
XCEL BRANDS, INC.
(F/K/A NETFABRIC HOLDINGS, INC.)

Article III, Section 3.1 of the By-laws shall be amended and restated in its entirety to read as follows:

"Section 3.1 Number and Terms of Office. The business of the corporation shall be controlled and managed in accordance with the DGCL by a Board which shall be comprised of a number of directors as may be from time to time fixed by a majority of the Board of Directors then in office. Directors need not be stockholders or residents of this State, but must be of legal age. They shall be elected by a plurality of the votes cast at the annual meetings of the stockholders or at a special meeting of the stockholders called for that purpose. Each director shall hold office until the expiration of the term for which he is elected, and thereafter until his successor has been elected and qualified."

XCEL BRANDS, INC.
2011 EQUITY INCENTIVE PLAN

Section 1. Purposes; Definitions.

The purpose of the Xcel Brands, Inc. Equity Incentive Plan is to enable Xcel Brands, Inc. to offer to those of its employees and to the employees of its Subsidiaries and other persons who are expected to contribute to the success of the Company, long term performance-based stock and/or other equity interests in the Company, thereby enhancing their ability to attract, retain and reward such key employees or other persons, and to increase the mutuality of interests between those employees or other persons and the stockholders of Xcel Brands, Inc.

For purposes of the Plan, unless the context requires otherwise, the following terms shall be defined as set forth below:

(a) "Award" means an award granted under the Plan including a Stock Option or Restricted Stock.

(b) "Board" means the Board of Directors of Xcel Brands, Inc.

(c) "Cause" shall have the meaning ascribed thereto in Section 5(b)(ix) below.

(d) "Change of Control" shall have the meaning ascribed thereto in Section 8 below.

(e) "Code" means the Internal Revenue Code of 1986, as amended from time to time and any successor thereto.

(f) "Committee" means the Compensation Committee of the Board, if established, or any other committee of the Board which the Board may designate, consisting of two or more members of the Board each of whom shall meet the definition of an "independent director" under the listing rules of any securities exchange or national securities association on which the Stock is listed for trading and the requirements set forth in any other law, rule or regulation applicable to the Plan hereinafter enacted, provided, however, that (i) with respect to any Award that is intended to satisfy the requirements of Rule 16b-3, such Award shall be granted and administered by a committee of the Board consisting of at least such number of directors as are required from time to time by Rule 16b-3, and each such committee member shall meet such qualifications as are required by Rule 16b-3 and (ii) with respect to any Award that is intended to satisfy the requirements of Section 162(m) of the Code, such Award shall be granted and administered by a committee of the Board consisting of at least such number of directors as are required from time to time by Section 162(m) of the Code, and each such committee member shall meet such qualifications as are required by Section 162(m) of the Code.

(g) "Company" means Xcel Brands, Inc., a corporation organized under the laws of the State of Delaware or any successor entity.

(h) "Covered Employee" shall mean any employee of the Company or any of its Subsidiaries who is deemed to be a "covered employee" within the meaning of Section 162(m) of the Code.

(i) "Disability" means the permanent and total disability as defined in Section 22(e)(3) of the Code.

(j) "Early Retirement" means retirement, with the approval of the Board or the Committee, for purposes of one or more Award(s) hereunder, from active employment with the Company or any Parent or Subsidiary prior to age 65.

(k) "Exchange Act" means the Securities Exchange Act of 1934, as amended, as in effect from time to time.

(l) "Fair Market Value", unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, means, as of any given date: (i) if the principal market for the Stock is a national securities exchange or the National Association of Securities Dealers Automated Quotations System ("NASDAQ"), the closing sales price of the Stock on such day as reported by such exchange or market system, or on a consolidated tape reflecting transactions on such exchange or market system, or (ii) if the principal market for the Stock is not a national securities exchange and the Stock is not quoted on NASDAQ, the arithmetic mean of the high and low prices of the Stock on the trading day of the grant as reported or provided by NASDAQ or the National Quotation Bureau, Inc., provided that if clauses (i) and (ii) of this paragraph are both inapplicable, or if no trades have been made or no quotes are available for such day, the Fair Market Value of the Stock shall be determined in good faith by the Board or the Committee, as the case may be, which determination shall be conclusive as to the Fair Market Value of the Stock.

(m) "409A Change" shall mean (i) the acquisition by any one person, or more than one person acting as a group, of Stock that, together with Stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the Stock; (ii) (a) the acquisition by any one person, or more than one person acting as a group (or the acquisition during the 12-month period ending on the date of the most recent acquisition by such person or persons) of ownership of Stock possessing fifty percent (50%) or more of the total voting power of the Stock; or (b) a majority of members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election; or (iii) the acquisition by any one person or more than one person acting as a group (or the acquisition during the 12-month period ending on the date of the most recent acquisition by such person or persons) of assets from the Company resulting in a Change of Control and, in any event, that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. The foregoing definition of "409A Change" shall be interpreted consistent with, and shall include all of the requirements of, Section 409A of the Code and the Treasury regulations issued thereunder, to constitute a change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of the corporation as defined therein.

(n) "Incentive Stock Option" means any Stock Option which is intended to be and is designated as an "incentive stock option" within the meaning of Section 422 of the Code, or any successor thereto. An Incentive Stock Option may only be granted to an employee of the Company, a Parent or a Subsidiary as set forth in Section 421 and 422 of the Code, as applicable.

(o) "Non-Qualified Stock Option" means any Stock Option that is not an Incentive Stock Option.

(p) "Normal Retirement" means retirement from active employment with the Company or any Parent or Subsidiary on or after age 65.

(q) "Participant" shall mean any person who has received an award of an Option or Restricted Stock under the Plan.

(r) "Parent" means any present or future parent of the Company, as such term is defined in Section 424(e) of the Code, or any successor thereto.

(s) "Plan" means this Xcel Brands, Inc. 2011 Equity Incentive Plan, as hereinafter amended from time to time.

(t) "Restricted Stock" means Stock, received under an award made pursuant to Section 6 below that is subject to restrictions imposed pursuant to said Section 6.

(u) "Retirement" means Normal Retirement or Early Retirement.

(v) "Rule 16b-3" means Rule 16b-3 of the General Rules and Regulations under the Exchange Act, as in effect from time to time, and any successor thereto.

(w) “Securities Act” means the Securities Act of 1933, as amended, as in effect from time to time.

(x) “Stock” means the common stock of the Company.

(y) “Stock Option” or “Option” means any option to purchase shares of Stock which is granted pursuant to the Plan.

(z) “Subsidiary” means any present or future subsidiary corporation of the Company, as such term is defined in Section 424(f) of the Code, or any successor thereto.

Section 2. Administration.

The Plan shall be administered by the Board, or, at its discretion, the Committee.

The Board or the Committee, as the case may be, shall have the authority to grant Awards pursuant to the terms of the Plan, to officers and other employees or other persons eligible under Section 4 below.

For purposes of illustration and not of limitation, the Board or the Committee, as the case may be, shall have the authority (subject to the express provisions of the Plan):

(i) to select the officers, other employees of the Company or any Parent or Subsidiary and other persons to whom Stock Options and/or Restricted Stock may be from time to time granted hereunder;

(ii) to determine the Incentive Stock Options, Non-Qualified Stock Options and/or Restricted Stock, or any combination thereof, if any, to be granted hereunder to one or more eligible persons;

(iii) to determine the number of shares of Stock to be covered by each Award granted hereunder;

(iv) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder (including, but not limited to, share price, any restrictions or limitations, and any vesting acceleration, exercisability and/or forfeiture provisions); and

(v) to determine the terms and conditions under which Awards granted hereunder are to operate on a tandem basis and/or in conjunction with or apart from other awards made by the Company or any Parent or Subsidiary outside of the Plan.

Subject to Section 9 hereof, the Board or the Committee, as the case may be, shall have the authority to (i) adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable, (ii) interpret the terms and provisions of the Plan and any Award issued under the Plan (and to determine the form and substance of all agreements relating thereto), and (iii) to otherwise supervise the administration of the Plan.

Subject to the express provisions of the Plan, all decisions made by the Board or the Committee, as the case may be, pursuant to the provisions of the Plan shall be made in the Board’s or the Committee's, as the case may be, sole and absolute discretion and shall be final and binding upon all persons, including the Company, its Parent and Subsidiaries and the Plan Participants.

Subject to the provisions of the Plan, the Board or the Committee, as the case may be, may, in its sole discretion, from time to time delegate to the Chief Executive Officer of the Company (the “CEO”) the authority, subject to such terms as the Board or the Committee, as the case may be, to determine and designate from time to time the employees or other persons to whom Awards may be granted and to perform other specified functions under the Plan; provided, however, that the CEO may not grant any Award to, or perform any function related to an Award to, himself or any individual (i) then subject to Section 16 of the Exchange Act or (ii) who is or, in the determination of the Board or the Committee, as the case may be, may become a Covered Employee, and any such grant or function relating to such individuals shall be performed solely by the Board or the Committee, as the case may be, to ensure compliance with the applicable requirements of the Exchange Act and the Code or (iii) where the grant or performance of such function by the CEO will cause the Plan not to comply with any applicable regulation of any securities exchange or automated quotation system where the Stock is listed for trading.

Any such delegation of authority by the Board or the Committee, as the case may be, shall be by a resolution adopted by the Board or the Committee, as the case may be, and shall specify all of the terms and conditions of the delegation. The resolution of the Board or the Committee, as the case may be, granting such authority may authorize the CEO to grant Awards pursuant to the Plan and may set forth the types of Awards that may be granted; provided, however, that the resolution shall (i) specify the maximum number of shares of Stock that may be awarded to any individual Plan participant and to all participants during a specified period of time and (ii) specify the exercise price (or the method for determining the exercise price) of an Award, the vesting schedule, and any other terms, conditions, or restrictions that may be imposed by the Board or the Committee, as the case may be, in its sole discretion. The resolution of the Board or the Committee, as the case may be, shall also require the CEO to provide the Board or the Committee, as the case may be, on at least a monthly basis, a report that identifies the Awards granted, the Awards granted pursuant to the delegated authority and, with respect to each Award: the name of the participant, the date of grant of the award, the number of shares of Stock, the exercise price and period, if any, and the vesting provisions of such Award, the terms of such Awards, in all cases, being subject to the resolutions of the Board or the Committee, as the case may be, granting such authority.

The Board or the Committee, or the case may be, may also delegate to other officers of the Company, pursuant to a written delegation, the authority to perform specified functions under the Plan that are not inconsistent with Rule 16b-3 or other rules or regulations applicable to the Plan. Any actions taken by any officers of the Company pursuant to such written delegation of authority shall be deemed to have been taken by the Board or the Committee, as the case may be.

Section 3. Stock Subject to Plan.

The total number of shares of Stock reserved and available for distribution under the Plan shall be 2,500,000 shares. Such shares may consist, in whole or in part, of authorized and unissued shares or treasury shares. The maximum number of shares of Stock with respect to which Incentive Stock Options may be granted under the Plan shall be 1,000,000 shares of Stock.

If any shares of Stock that have been optioned cease to be subject to a Stock Option award for any reason (other than by issuance of such shares upon exercise of a Stock Option), or if any shares of Stock that are subject to any Restricted Stock award are forfeited or any such award otherwise terminates without the issuance of such shares, such shares shall again be available for distribution under the Plan. Without limiting the foregoing, (i) any shares of Stock subject to an Award that remain unissued upon the cancellation, surrender, exchange or termination of such Award without having been exercised or settled, (ii) any shares of Stock subject to an Award that are retained by the Company as payment of the exercise price or tax withholding obligations with respect to an Award, and (iii) any shares of Stock equal to the number of previously owned shares of Stock surrendered to the Company as payment of the exercise price of a Stock Option or to satisfy tax withholding obligations with respect to an Award.

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, extraordinary distribution with respect to the Stock or other change in corporate structure affecting the Stock, such substitution or adjustments shall be made in the (A) aggregate number of shares of Stock reserved for issuance under the Plan, (B) number, kind and exercise price of shares of Stock subject to outstanding Options granted under the Plan, and (C) number, kind, purchase price and/or appreciation base of shares of Stock subject to other outstanding Awards granted under the Plan, as may be determined to be appropriate by the Board or the Committee, as the case may be, in order to prevent dilution or enlargement of rights; provided, however, that the number of shares of Stock subject to any Award shall always be a whole number. Such adjusted exercise price shall also be used to determine the amount which is payable to the optionee upon the exercise by the Board or the Committee, as the case may be, of the alternative settlement right which is set forth in Section 5(b)(xi) below.

Subject to the provisions of the immediately preceding paragraph, the maximum number of shares of Stock with respect to which Options or Restricted Stock may be granted or measured to any Participant under the Plan during any calendar year or part thereof shall not exceed 500,000 shares.

Section 4. Eligibility.

Officers and other employees of the Company or any Parent or Subsidiary (but excluding any person whose eligibility would adversely affect the compliance of the Plan with the requirements of Rule 16b-3) who are at the time of the grant of an Award under the Plan employed by the Company or any Parent or Subsidiary and who are responsible for or contribute to the management, growth and/or profitability of the business of the Company or any Parent or Subsidiary are eligible to be granted Awards under the Plan. In addition, Non-Qualified Stock Options and other awards (but not Incentive Stock Options) may be granted under the Plan to any person, including, but not limited to, directors, independent agents, consultants and attorneys who the Board or the Committee, as the case may be, believes has contributed or will contribute to the success of the Company. Eligibility under the Plan shall be determined by the Board or the Committee, as the case may be.

The Board or the Committee, as the case may be, may, in its sole discretion, include additional conditions and restrictions in the agreement entered into in connection with such Awards under the Plan. The grant of an Option or other award under the Plan, and any determination made in connection therewith, shall be made on a case by case basis and can differ among optionees and grantees. The grant of an Option or other award under the Plan is a privilege and not a right and the determination of the Board or the Committee, as the case may be, can be applied on a non-uniform (discretionary) basis.

Section 5. Stock Options.

(a) Grant and Exercise. Stock Options granted under the Plan may be of two types: (i) Incentive Stock Options and (ii) Non-Qualified Stock Options. Any Stock Option granted under the Plan shall contain such terms as the Board or the Committee, as the case may be, may from time to time approve. The Board or the Committee, as the case may be, shall have the authority to grant to any optionee Incentive Stock Options, Non-Qualified Stock Options, or both types of Stock Options, and they may be granted alone or in addition to other awards granted under the Plan. To the extent that any Stock Option is not designated as an Incentive Stock Option or does not qualify as an Incentive Stock Option, it shall constitute a Non-Qualified Stock Option. The grant of an Option shall be deemed to have occurred on the date on which the Board or the Committee, as the case may be, by resolution, designates an individual as a grantee thereof, and determines the number of shares of Stock subject to, and the terms and conditions of, said Option, including the exercise price.

Anything in the Plan to the contrary notwithstanding, no term of the Plan relating to Incentive Stock Options or any agreement providing for Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of the optionee(s) affected, to disqualify any Incentive Stock Option under said Section 422.

(b) Terms and Conditions. Stock Options granted under the Plan shall be subject to the following terms and conditions:

(i) Option Price. The option price per share of Stock purchasable under a Stock Option shall be determined by the Board or the Committee, as the case may be, at the time of the grant and shall not be less than 100% (110% in the case of an Incentive Stock Option granted to an optionee who, at the time of grant, owns Stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or its Parent, if any, or its Subsidiaries ("10% Stockholder")) of the Fair Market Value of the Stock at the time the Stock Option is granted.

(ii) Option Term. The term of each Stock Option shall be fixed by the Board or the Committee, as the case may be, but no Incentive Stock Option shall be exercisable more than ten years (five years, in the case of an Incentive Stock Option granted to a 10% Stockholder) after the date on which the Option is granted.

(iii) Exercisability. Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Board or the Committee, as the case may be. If the Board or the Committee, as the case may be, provides, in its discretion, that any Stock Option is exercisable only in installments, the Board or the Committee, as the case may be, may waive such installment exercise provisions at any time at or after the time of grant in whole or in part, based upon such factors as the Board or the Committee, as the case may be, shall determine.

(iv) Method of Exercise. Subject to whatever installment, exercise and waiting period provisions are applicable in a particular case, Stock Options may be exercised in whole or in part at any time during the option period by giving written notice of exercise to the Company specifying the number of shares of Stock to be purchased. Such notice shall be accompanied by payment in full of the exercise price for the Stock Options exercised, which shall be in cash or, if provided in the Stock Option agreement referred to in Section 5(b)(xii) below or otherwise provided by the Board, or Committee, as the case may be, either at or after the date of grant of the Stock Option, in whole shares of Stock which are already owned by the holder of the Option or partly in cash and partly in such Stock. Cash payments shall be made by wire transfer, certified or bank check or personal check, in each case payable to the order of the Company; provided, however, that the Company shall not be required to deliver certificates for shares of Stock with respect to which an Option is exercised until the Company has confirmed the receipt of good and available funds in payment of the purchase price thereof. If permitted, payments of the exercise price and any tax required to be withheld by the Company in the form of Stock (which shall be valued at the Fair Market Value of a share of Stock on the date of exercise) shall be made by delivery of stock certificates in negotiable form which are effective to transfer good and valid title thereto to the Company, free of any liens or encumbrances. In addition to the foregoing, payment of the exercise price may be made by delivery to the Company by the optionee of an executed exercise form, together with irrevocable instructions to a broker-dealer to sell or margin a sufficient portion of the shares covered by the option and deliver the sale or margin loan proceeds directly to the Company. Except as otherwise expressly provided in the Plan or in the Stock Option agreement referred to in Section 5(b)(xii) below or otherwise provided by the Board or Committee, as the case may be, either at or after the date of grant of the Option, no Option which is granted to a person who is at the time of grant an employee of the Company or of a Subsidiary or Parent of the Company may be exercised at any time unless the holder thereof is then an employee of the Company or of a Parent or a Subsidiary. The holder of an Option shall have none of the rights of a stockholder with respect to the shares subject to the Option until the optionee has given written notice of exercise, has paid in full for those shares of Stock and, if requested by the Board or Committee, as the case may be, has given the representation described in Section 11(a) below.

(v) Transferability; Exercisability. No Stock Option shall be transferable by the optionee other than by will or by the laws of descent and distribution, except as may be otherwise provided with respect to a Non-Qualified Option pursuant to the specific provisions of the Stock Option agreement pursuant to which it was issued as referred to in Section 5(b)(xii) below (which agreement may be amended, from time to time). Except as otherwise provided in the Stock Option agreement relating to a Non-Qualified Stock Option, all Stock Options shall be exercisable, during the optionee's lifetime, only by the optionee or his or her guardian or legal representative.

(vi) Termination by Reason of Death. Subject to Section 5(b)(x) below, if an optionee's employment by the Company or any Parent or Subsidiary terminates by reason of death, any Stock Option held by such optionee may thereafter be exercised, to the extent then exercisable or on such accelerated basis as the Board or Committee, as the case may be, may determine at or after the time of grant, for a period of one year (or such other period as the Board or the Committee, as the case may be, may specify at or after the time of grant) from the date of death or until the expiration of the stated term of such Stock Option, whichever period is the shorter.

(vii) Termination by Reason of Disability. Subject to Section 5(b)(x) below, if an optionee's employment by the Company or any Parent or Subsidiary terminates by reason of Disability, any Stock Option held by such optionee may thereafter be exercised by the optionee, to the extent it was exercisable at the time of termination or on such accelerated basis as the Board or the Committee, as the case may be, may determine at or after the time of grant, for a period of one year (or such other period as the Board or the Committee, as the case may be, may specify at or after the time of grant) from the date of such termination of employment or until the expiration of the stated term of such Stock Option, whichever period is the shorter; provided, however, that if the optionee dies within such one year period (or such other period as the Board or the Committee, as the case may be, shall specify at or after the time of grant), any unexercised Stock Option held by such optionee shall thereafter be exercisable to the extent to which it was exercisable at the time of death for a period of one year from the date of death or until the expiration of the stated term of such Stock Option, whichever period is the shorter.

(viii) Termination by Reason of Retirement. Subject to Section 5(b)(x) below, if an optionee's employment by the Company or any Parent or Subsidiary terminates by reason of Normal Retirement, any Stock Option held by such optionee may thereafter be exercised by the optionee, to the extent it was exercisable at the time of termination or on such accelerated basis as the Board or the Committee, as the case may be, may determine at or after the time of grant, for a period of one year (or such other period as the Board or the Committee, as the case may be, may specify at or after the time of grant) from the date of such termination of employment or the expiration of the stated term of such Stock Option, whichever period is the shorter; provided, however, that if the optionee dies within such one year period (or such other period as the Board or the Committee, as the case may be, shall specify at or after the date of grant), any unexercised Stock Option held by such optionee shall thereafter be exercisable to the extent to which it was exercisable at the time of death for a period of one year from the date of death or until the expiration of the stated term of such Stock Option, whichever period is the shorter. If an optionee's employment with the Company or any Parent or Subsidiary terminates by reason of Early Retirement, the Stock Option shall thereupon terminate; provided, however, that if the Board or the Committee, as the case may be, so approves at the time of Early Retirement, any Stock Option held by the optionee may thereafter be exercised by the optionee as provided above in connection with termination of employment by reason of Normal Retirement.

(ix) Other Termination. Subject to the provisions of Section 11(h) below, and unless otherwise determined by the Board or Committee, as the case may be, at or after the time of grant, if an optionee's employment by the Company or any Parent or Subsidiary terminates for any reason other than death, Disability or Retirement, the Stock Option shall thereupon automatically terminate, except that if the optionee is involuntarily terminated by the Company or any Parent or a Subsidiary without Cause (as hereinafter defined), such Stock Option may be exercised for a period of three months (or such other period as the Board or the Committee, as the case may be, shall specify at or after the time of grant) from the date of such termination or until the expiration of the stated term of such Stock Option, whichever period is shorter. For purposes of the Plan, “Cause” shall mean (1) the conviction of the optionee of a felony under Federal law or the law of the state in which such action occurred, (2) dishonesty by the optionee in the course of fulfilling his or her employment duties, or (3) the failure on the part of the optionee to perform his or her employment duties in any material respect. In addition, with respect to an option granted to an employee of the Company, a Parent or a Subsidiary, for purposes of the Plan, “Cause” shall also include any definition of “Cause” contained in any employment agreement between the optionee and the Company, Parent or Subsidiary, as the case may be.

(x) Additional Incentive Stock Option Limitation. In the case of an Incentive Stock Option, the aggregate Fair Market Value of Stock (determined at the time of grant of the Option) with respect to which Incentive Stock Options are exercisable for the first time by an individual optionee during any calendar year (under all such plans of optionee's employer corporation and its Parent and Subsidiaries) shall not exceed $100,000.

(xi) Alternative Settlement of Option. If provided for, upon the receipt of written notice of exercise or otherwise provided for by the Board or Committee, as the case may be, either at or after the time of grant of the Stock Option, the Board or the Committee, as the case may be, may elect to settle all or part of any Stock Option by paying to the optionee an amount, in cash or Stock (valued at Fair Market Value on the date of exercise), equal to the product of the excess of the Fair Market Value of one share of Stock, on the date of exercise over the Option exercise price, multiplied by the number of shares of Stock with respect to which the optionee proposes to exercise the Option. Any such settlements which relate to Options which are held by optionees who are subject to Section 16(b) of the Exchange Act shall comply with any “window period” provisions of Rule 16b-3, to the extent applicable, and with such other conditions as the Board or Committee, as the case may be, may impose.

(xii) Stock Option Agreement. Each grant of a Stock Option shall be confirmed by, and shall be subject to the terms of, an agreement executed by the Company and the Participant. An Incentive Stock Option granted pursuant to the Plan shall be issued substantially in the form set forth in Appendix I hereof, which form is hereby incorporated by reference and made a part hereof, and shall contain substantially the terms and conditions set forth therein. A Non-Qualified Stock Option granted to an Employee pursuant to the Plan shall be issued substantially in the form set forth in Appendix II hereof, which form is hereby incorporated by reference and made a part hereof, and shall contain substantially the terms and conditions set forth therein. A Non-Qualified Stock Option granted to a non-employee directors or consultants shall be issued substantially in the form set forth in Appendix III hereof, which form is hereby incorporated by reference and made a part hereof, and shall contain substantially the terms and conditions set forth therein. At the time of the grant of a Stock Option, the Board or Committee may, in the Board or Committee’s sole discretion, amend or supplement any of the option terms contained in Appendix I, II or III hereof for any particular optionee, provided that with respect to an Incentive Stock Option, the Stock Option satisfies the requirements for an Incentive Stock Option set forth in the Code.

Section 6. Restricted Stock.

(a) Grant and Exercise. Shares of Restricted Stock may be issued either alone or in addition to or in tandem with other awards granted under the Plan. The Board or the Committee, as the case may be, shall determine the eligible persons to whom, and the time or times at which, grants of Restricted Stock will be made, the number of shares to be awarded, the price (if any) to be paid by the recipient, the time or times within which such Awards may be subject to forfeiture (the "Restriction Period"), the vesting schedule and rights to acceleration thereof, and all other terms and conditions of the Awards. The Board or the Committee, as the case may be, may condition the grant of Restricted Stock upon the attainment of such factors as the Board or the Committee, as the case may be, may determine.

(b) Terms and Conditions. Each Restricted Stock award shall be subject to the following terms and conditions:

(i) Restricted Stock, when issued, shall be represented by a stock certificate or certificates registered in the name of the holder to whom such Restricted Stock shall have been awarded. During the Restriction Period, any certificates representing the Restricted Stock and any securities constituting Retained Distributions (as defined below) shall bear a restrictive legend to the effect that ownership of the Restricted Stock (and such Retained Distributions), and the enjoyment of all rights related thereto, are subject to the restrictions, terms and conditions provided in the Plan and the Restricted Stock agreement referred to in Section 6(b)(iv) below. Any such certificates shall be deposited by the holder with the Company, together with stock powers or other instruments of assignment, endorsed in blank, which will permit transfer to the Company of all or any portion of the Restricted Stock and any securities constituting Retained Distributions that shall be forfeited or that shall not become vested in accordance with the Plan and the applicable Restricted Stock agreement.

(ii) Restricted Stock shall constitute issued and outstanding shares of Common Stock for all corporate purposes, and the issuance thereof shall be made for at least the minimum consideration (if any) necessary to permit the shares of Restricted Stock to be deemed to be fully paid and nonassessable. Unless the Board or the Committee, as the case may be, determines otherwise, the holder will have the right to vote such Restricted Stock, to receive and retain all regular cash dividends and other cash equivalent distributions as the Board or the Committee, as the case may be, may, in its sole discretion designate, pay or distribute on such Restricted Stock and to exercise all other rights, powers and privileges of a holder of Stock with respect to such Restricted Stock, with the exceptions that (A) the holder will not be entitled to delivery of the stock certificate or certificates representing such Restricted Stock until the Restriction Period shall have expired and unless all other vesting requirements with respect thereto shall have been fulfilled; (B) the Company will retain custody of the stock certificate or certificates representing the Restricted Stock during the Restriction Period; (C) other than regular cash dividends and other cash equivalent distributions as the Board or the Committee, as the case may be, may in its sole discretion designate, pay or distribute, the Company will retain custody of all distributions ("Retained Distributions") made or declared with respect to the Restricted Stock (and such Retained Distributions will be subject to the same restrictions, terms and conditions as are applicable to the Restricted Stock) until such time, if ever, as the Restricted Stock with respect to which such Retained Distributions shall have been made, paid or declared shall have become vested and with respect to which the Restriction Period shall have expired; (D) the holder may not sell, assign, transfer, pledge, exchange, encumber or dispose of the Restricted Stock or any Retained Distributions during the Restriction Period; and (E) a breach of any of the restrictions, terms or conditions contained in the Plan or the Restricted Stock agreement referred to in Section 6(b)(iv) below, or otherwise established by the Board or the Committee, as the case may be, with respect to any Restricted Stock or Retained Distributions will cause a forfeiture of such Restricted Stock and any Retained Distributions with respect thereto.

(iii) Upon the expiration of the Restriction Period with respect to each award of Restricted Stock and the satisfaction of any other applicable restrictions, terms and conditions (A) all or part of such Restricted Stock shall become vested in accordance with the terms of the Restricted Stock agreement referred to in Section 6(b)(iv) below, and (B) any Retained Distributions with respect to such Restricted Stock shall become vested to the extent that the Restricted Stock related thereto shall have become vested. Any such Restricted Stock and Retained Distributions that do not vest shall be forfeited to the Company and the holder shall not thereafter have any rights with respect to such Restricted Stock and Retained Distributions that shall have been so forfeited.

(iv) Restricted Stock Agreement. Each Restricted Stock award shall be confirmed by, and shall be subject to the terms of, an agreement executed by the Company and the Participant. A Restricted Stock award granted pursuant to the Plan shall be issued substantially in the form set forth in Appendix IV hereof, which form is hereby incorporated by reference and made a part hereof, and shall contain substantially the terms and conditions set forth therein. At the time of the grant of Restricted Stock, the Board or Committee may, in the Board or Committee's sole discretion, amend or supplement any of the terms contained in Appendix IV hereof for any particular Restricted Stock holder.

Section 7. Performance-Based Awards.

(a) In General. All Options and certain Restricted Stock awards granted under the Plan, and the compensation attributable to such awards, are intended to (i) qualify as Performance-Based Awards (as defined in the next sentence) or (ii) be otherwise exempt from the deduction limitation imposed by Section 162(m) of the Code. Certain Awards granted under the Plan may be granted in a manner such that Awards qualify as "performance-based compensation" (as such term is used in Section 162(m) of the Code and the regulations thereunder) and thus be exempt from the deduction limitation imposed by Section 162(m) of the Code ("Performance-Based Awards"). Awards may only qualify as Performance-Based Awards if they are granted by the Committee at a time when the Committee is comprised solely of two or more "outside directors" (as such term is used in Section 162(m) of the Code and the regulations thereunder) ("Qualifying Committee").

(b) Options. Stock Options granted under the Plan with an exercise price at or above the Fair Market Value of Common Stock on the date of grant are intended to qualify as Performance-Based Awards.

(c) Other Performance-Based Awards. Restricted Stock awards granted under the Plan may qualify as Performance-Based Awards if, as determined by a Qualifying Committee, in its discretion, either the granting of such award is subject to the achievement of a performance target or targets based on one or more of the performance measures specified in Section 7(d) below. With respect to such awards intended to qualify as Performance-Based Awards:

(1) the Qualifying Committee shall establish in writing (x) the objective performance-based goals applicable to a given period and (y) the individual employees or class of employees to which such performance-based goals apply no later than 90 days after the commencement of such period (but in no event after 25 percent of such period has elapsed);

(2) no Performance-Based Awards shall be payable to or vest with respect to, as the case may be, any Participant for a given period until the Qualifying Committee certifies in writing that the objective performance goals (and any other material terms) applicable to such period have been satisfied; and

(3) after the establishment of a performance goal, the Qualifying Committee shall not revise such performance goal or increase the amount of compensation payable thereunder (as determined in accordance with Section 162(m) of the Code) upon the attainment of such performance goal.

(d) Performance Measures. The Qualifying Committee may use the following performance measures (either individually or in any combination) to set performance targets with respect to awards intended to qualify as Performance-Based Awards: revenue; pretax income before allocation of corporate overhead and bonus; budget; earnings per share; net income; division, group or corporate financial goals; return on stockholders' equity; return on assets; return on net assets; return on investment capital; gross margin return on investment; gross margin dollars or percent; payroll as a percentage of revenues; inventory shrink; employee turnover; sales, general and administrative expense; attainment of strategic and operational initiatives; appreciation in and/or maintenance of the price of Common Stock or any other publicly-traded securities of the Company, if any; market share; gross profits; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; economic value-added models; comparisons with various stock market indices; achievement of technological or product development milestones; and/or reductions in costs. The foregoing criteria shall have any reasonable definitions that the Qualifying Committee may specify, which may include or exclude any or all of the following items as the Qualifying Committee may specify: extraordinary, unusual or non-recurring items; effects of accounting changes; effects of financing activities; expenses for restructuring or productivity initiatives; other non-operating items; spending for acquisitions; effects of divestitures; and effects of litigation activities and settlements. Any such performance criterion or combination of such criteria may apply to the Participant's award opportunity in its entirety or to any designated portion or portions of the award opportunity, as the Qualifying Committee may specify.

Section 8. Change of Control Provisions.

(a) A "Change of Control" shall be deemed to have occurred on the tenth day after:

(i) any individual, corporation or other entity or group (as defined in Section 13(d)(3) of the Exchange Act), becomes, directly or indirectly, the beneficial owner (as defined in the General Rules and Regulations of the Securities and Exchange Commission with respect to Sections 13(d) and 13(g) of the Exchange Act) of more than 50% of the then outstanding shares of the Company's capital stock entitled to vote generally in the election of directors of the Company; or

(ii) the commencement of, or the first public announcement of the intention of any individual, firm, corporation or other entity or of any group (as defined in Section 13(d)(3) of the Exchange Act) to commence, a tender or exchange offer subject to Section 14(d)(1) of the Exchange Act for any class of the Company's capital stock; or

(iii) the stockholders of the Company approve (A) a definitive agreement for the merger or other business combination of the Company with or into another corporation pursuant to which the stockholders of the Company do not own, immediately after the transaction, more than 50% of the voting power of the corporation that survives, or (B) a definitive agreement for the sale, exchange or other disposition of all or substantially all of the assets of the Company, or (C) any plan or proposal for the liquidation or dissolution of the Company; provided, however, that a "Change of Control" shall not be deemed to have taken place if beneficial ownership is acquired (A) directly from the Company, other than an acquisition by virtue of the exercise or conversion of another security unless the security so converted or exercised was itself acquired directly from the Company, or (B) by, or a tender or exchange offer is commenced or announced by, the Company, any profit-sharing, employee ownership or other employee benefit plan of the Company; or any trustee of or fiduciary with respect to any such plan when acting in such capacity.

(b) In the event of a "Change of Control" as defined in Section 8(a) above, Awards granted under the Plan will be subject to the following provisions, unless the provisions of this Section 8 are suspended or terminated by an affirmative vote of a majority of the Board prior to the occurrence of such a "Change of Control":

(i) all outstanding Stock Options which have been outstanding for at least six months shall become exercisable in full, whether or not otherwise exercisable at such time, and any such Stock Option shall remain exercisable in full thereafter until it expires pursuant to its terms; and

(ii) all restrictions and deferral limitations contained in Restricted Stock awards granted under the Plan shall lapse and the shares of stock subject to such awards shall be distributed to the Participant within thirty (30) days of the "Change of Control." Notwithstanding the foregoing to the contrary, all restrictions and deferral limitations with respect to an Award to which Section 409A of the Code applies shall not lapse and no distribution made under this Section 8(b) unless the "Change of Control" qualifies as a 409A Change and such lapse and distribution does not cause adverse tax consequences under Section 409A of the Code.

Section 9. Amendments and Termination.

The Board may at any time, and from time to time, amend any of the provisions of the Plan, and may at any time suspend or terminate the Plan. The Board or the Committee, as the case may be, may amend the terms of any Stock Option or other award theretofore granted under the Plan; provided, however, that subject to Section 3 above, no such amendment may be made by the Board or the Committee, as the case may be, which in any material respect impairs the rights of the Participant without the Participant's consent, except for such amendments which are made to cause the Plan to qualify for the exemption provided by Rule 16b-3. Moreover, no Stock Option previously granted under the Plan may be amended to reduce the exercise price of the Stock Option.

Section 10. Unfunded Status of Plan.

The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant or optionee by the Company, nothing contained herein shall give any such Participant or optionee any rights that are greater than those of a creditor of the Company.

Section 11. General Provisions.

(a) The Board or the Committee, as the case may be, may require each person acquiring shares of Stock pursuant to an Option, Restricted Stock, or other award under the Plan to represent to and agree with the Company in writing, among other things, that the optionee or Participant is acquiring the shares for investment without a view to distribution thereof.

(b) All certificates for shares of Stock delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Board or the Committee, as the case may be, may deem to be advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange or association upon which the Stock is then listed or traded, any applicable Federal or state securities law, and any applicable corporate law, and the Board or the Committee, as the case may be, may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(c) Nothing contained in the Plan shall prevent the Board from adopting such other or additional incentive arrangements as it may deem desirable, including, but not limited to, the granting of stock options and the awarding of stock and cash otherwise than under the Plan; and such arrangements may be either generally applicable or applicable only in specific cases.

(d) Nothing contained in the Plan or in any award hereunder shall be deemed to confer upon any employee of the Company or any Parent or Subsidiary any right to continued employment with the Company or any Parent or Subsidiary, nor shall it interfere in any way with the right of the Company or any Parent or Subsidiary to terminate the employment of any of its employees at any time.

(e) No later than the date as of which an amount first becomes includable in the gross income of the Participant for Federal income tax purposes with respect to any Option, Restricted Stock , or other award under the Plan, the Participant shall pay to the Company, or make arrangements satisfactory to the Board or the Committee, as the case may be, regarding the payment of, any Federal, state and local taxes of any kind required by law to be withheld or paid with respect to such amount. If permitted by the Board or the Committee, as the case may be, tax withholding or payment obligations may be settled with Stock, including Stock that is part of the award that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional upon such payment or arrangements, and the Company or the Participant's employer (if not the Company) shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant from the Company or any Parent or Subsidiary.

(f) The Plan and all awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of **Delaware** (without regard to choice of law provisions).

(g) Any Stock Option, Restricted Stock or other award made under the Plan shall not be deemed compensation for purposes of computing benefits under any retirement plan of the Company or any Parent or Subsidiary and shall not affect any benefits under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation (unless required by specific reference in any such other plan to awards under the Plan).

(h) Subject to the requirements of Section 409A of the Code if applicable, a leave of absence, unless otherwise determined by the Board or the Committee, as the case may be, prior to the commencement thereof, shall not be considered a termination of employment. Any Stock Option Restricted Stock or other awards made under the Plan shall not be affected by any change of employment, so long as the holder continues to be an employee of the Company or any Parent or Subsidiary.

(i) Except as otherwise expressly provided in the Plan or in any Stock Option agreement or Restricted Stock agreement, no right or benefit under the Plan may be alienated, sold, assigned, hypothecated, pledged, exchanged, transferred, encumbranced or charged, and any attempt to alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same shall be void. No right or benefit hereunder shall in any manner be subject to the debts, contracts or liabilities of the person entitled to such benefit.

(j) The obligations of the Company with respect to all Stock Options and Restricted Stock and other awards under the Plan shall be subject to (A) all applicable laws, rules and regulations, and such approvals by any governmental agencies as may be required, including, without limitation, the effectiveness of a registration statement under the Securities Act, and (B) the rules and regulations of any securities exchange or association on which the Stock may be listed or traded.

(k) If any of the terms or provisions of the Plan conflicts with the requirements of Rule 16b-3 as in effect from time to time, or with the requirements of any other applicable law, rule or regulation, and with respect to Incentive Stock Options, Section 422 of the Code, then such terms or provisions shall be deemed inoperative to the extent they so conflict with the requirements of said Rule 16b-3, and with respect to Incentive Stock Options, Section 422 of the Code. With respect to Incentive Stock Options, if the Plan does not contain any provision required to be included herein under Section 422 of the Code, such provision shall be deemed to be incorporated herein with the same force and effect as if such provision had been set out at length herein.

(l) The Board or the Committee, as the case may be, may terminate any Stock Option, Restricted Stock or other award made under the Plan if a written agreement relating thereto is not executed and returned to the Company within 30 days after such agreement has been delivered to the optionee or Participant for his or her execution.

(m) The grant of awards pursuant to the Plan shall not in any way effect the right or power of the Company to make reclassifications, reorganizations or other changes of or to its capital or business structure or to merge, consolidate, liquidate, sell or otherwise dispose of all or any part of its business or assets.

Section 12. Effective Date of Plan.

The Plan shall be effective upon the effective date of a business combination with a public reporting company that, upon the effectiveness of such business combination, such public reporting company shall have at least 2,000,000 authorized and unissued shares.

Section 13. Term of Plan.

No Stock Option or Restricted Stock award shall be granted pursuant to the Plan after the tenth anniversary of the effective date of the Plan, but awards granted on or prior to such tenth anniversary may extend beyond that date.

Section 14. Section 409A of the Code Compliance.

(a) Awards under the Plan are intended either to be exempt from the rules of Section 409A of the Code or to satisfy those rules and shall be construed accordingly. If intended to satisfy the applicable requirements of Section 409A of the Code, an Award and the Plan, as applicable, shall be performed and interpreted consistent with such intent. If the Board or the Committee, as the case may be, determines in good faith that any provision of this Plan does not satisfy such requirements or could cause any person to recognize additional taxes, penalties or interest under Section 409A of the Code, the Board or the Committee, as the case may be, is empowered to modify, to the extent practicable, the original intent of the applicable provision without violation of Section 409A of the Code. In addition, notwithstanding any provision contained herein to the contrary, the Board or the Committee, as the case may be, shall have broad authority to amend or to modify the Plan, without advance notice to or consent by any person, to the extent necessary or desirable to ensure compliance with Section 409A of the Code. However, the Company shall not be liable to any Participant or other holder of an Award with respect to any Award-related adverse tax consequences arising under Section 409A of the Code or other provision of the Code.

(b) If any provision of the Plan or an Award agreement contravenes any regulations or treasury guidance promulgated under Section 409A of the Code or could cause an Award to be subject to the interest and penalties under Section 409A of the Code, such provision of the Plan or Award shall be deemed automatically modified to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the provisions of Section 409A of the Code and the Board or the Committee, as the case may be, in its reasonable discretion, may take such actions as it determines to avoid contravention of Section 409A of the Code. Moreover, any discretionary authority that the Board or the Committee, as the case may be, may have pursuant to the Plan shall not be applicable to an Award that is subject to Section 409A of the Code to the extent such discretionary authority will contravene Section 409A of the Code or the treasury regulations or guidance promulgated thereunder.

(c) Notwithstanding any provisions of this Plan or any Award granted hereunder to the contrary, no acceleration shall occur with respect to any Award to the extent such acceleration would cause the Plan or an Award granted hereunder to fail to comply with Section 409A of the Code.

(d) Notwithstanding any provisions of this Plan or any applicable Award agreement to the contrary, no payment shall be made with respect to any Award granted under this Plan to a “specified employee” (as such term is defined for purposes of Section 409A of the Code) prior to the first date that is at least six months after the employee’s separation of service to the extent such six-month delay in payment is required to comply with Section 409A of the Code. To the extent required to comply with Section 409A of the Code, a termination of employment shall not be deemed to have occurred for purposes of any payment or distribution upon or following a termination of employment unless such termination is also a “separation from service” within the meaning of Section 409A of the Code and accordingly, a reference to termination of employment, termination of service or like terms shall mean a “separation from service” as the context may require.

(e) The Board or the Committee, as the case may be, may adopt rules and procedures subject to the requirements of Section 409A of the Code to permit a Participant to defer the receipt of any of the cash or Stock to be received pursuant to an Award.

(f) In the case of an Award providing for the payment of deferred compensation subject to Section 409A of the Code, any payment of such deferred compensation by reason of a “change of control” shall be made only if the “change of control” is (1) one described in Section 8 and (2) one described in a 409A Change, and shall be paid consistent with the requirements of Section 409A of the Code. If any deferred compensation that would otherwise be payable by reason of a “change of control” cannot be paid by reason of the immediately preceding sentence, it shall be paid as soon as practicable thereafter consistent with the requirements of Section 409A of the Code, as determined by the Board or the Committee, as the case may be.

APPENDIX I

INCENTIVE STOCK OPTION

To: _____
Name

_____
Address

Date of Grant: _____

You ("Optionee") are hereby granted an option, effective as of the date hereof, to purchase _____ shares of common stock ("Common Stock"), of Xcel Brands, Inc., a Delaware corporation (the "Company"), at a price of $ ___ per share pursuant to the Company's Equity Incentive Plan (the "Plan").

This option shall terminate and is not exercisable after ten years from the date of its grant (the "Scheduled Termination Date"), except if terminated earlier as hereafter provided.

Your option may first be exercised on and after one year from the date of grant, but not before that time. On and after one year and prior to two years from the date of grant, your option may be exercised for up to _____% of the total number of shares subject to the option minus the number of shares previously purchased by exercise of the option (as adjusted for any change in the outstanding shares of the Common Stock of the Company by reason of a stock dividend, stock split, combination of shares, recapitalization, merger, consolidation, transfer of assets, reorganization, conversion or what the Board or Committee deems in its sole discretion to be similar circumstances). Each succeeding year thereafter your option may be exercised for up to an additional _____ % of the total number of shares subject to the option minus the number of shares previously purchased by exercise of the option (as adjusted for any change in the outstanding shares of the Common Stock of the Company by reason of a stock dividend, stock split, combination of shares, recapitalization, merger, consolidation, transfer of assets, reorganization, conversion or what the Board or Committee deems in its sole discretion to be similar circumstances). Thus, this option is fully exercisable on and after _____ years after the date of grant, except if terminated earlier as provided herein.

You may exercise your option by giving written notice to the Secretary of the Company on forms supplied by the Company at its then principal executive office, accompanied by payment of the option price for the total number of shares you specify that you wish to purchase. The payment may be in any of the following forms: (a) cash, which may be evidenced by a check and includes cash received from a stock brokerage firm in a so-called "cashless exercise"; (b) (unless prohibited by the Board or Committee) certificates representing shares of Common Stock of the Company, which will be valued by the Secretary of the Company at the fair market value per share of the Company's Common Stock (as determined in accordance with the Plan) on the date of delivery of such certificates to the Company, accompanied by an assignment of the stock to the Company; or (c) (unless prohibited by the Board or Committee) any combination of cash and Common Stock of the Company valued as provided in clause (b). The use of the so-called "attestation procedure") to exercise a stock option may be permitted by the Board or Committee. Any assignment of stock shall be in a form and substance satisfactory to the Secretary of the Company, including guarantees of signature(s) and payment of all transfer taxes if the Secretary deems such guarantees necessary or desirable.

Your option will, to the extent not previously exercised by you, terminate three months after the date on which your employment by the Company or any Parent or Subsidiary is terminated other than: (i) by reason of Disability or death, in which case your option will terminate one year from the date of termination of employment due to Disability or death (but in no event later than the Scheduled Termination Date) or (ii) for Cause or your resignation, in which case your option will terminate immediately and you will forfeit any right to exercise the option. After the date your employment is terminated, as aforesaid (other than for the reasons stated in clause ii), you may exercise this option only for the number of shares which you had a right to purchase and did not purchase on the date your employment terminated. If you are employed by any Parent or Subsidiary, your employment shall be deemed to have terminated on the date your employer ceases to be a Parent or Subsidiary, unless you are on that date transferred to the Company or another Parent or Subsidiary. Your employment shall not be deemed to have terminated if you are transferred from the Company to any Parent or Subsidiary, or vice versa, or from one Subsidiary to another Subsidiary.

If you die while employed by the Company or any Parent or Subsidiary, your executor or administrator, as the case may be, may, at any time within one year after the date of your death (but in no event later than the Scheduled Termination Date), exercise the option as to any shares which you had a right to purchase and did not purchase during your lifetime. If your employment with the Company or any Parent or Subsidiary n is terminated by reason of your Disability, you or your legal guardian or custodian may at any time within one year after the date of such termination (but in no event later than the Scheduled Termination Date), exercise the option as to any shares which you had a right to purchase and did not purchase prior to such termination. Your executor, administrator, guardian or custodian must present proof of his authority satisfactory to the Company prior to being allowed to exercise this option.

In the event of any change in the outstanding shares of the Common Stock of the Company by reason of a stock dividend, stock split, combination of shares, recapitalization, merger, consolidation, transfer of assets, reorganization, conversion or what the Board or Committee deems in its sole discretion to be similar circumstances, the number and kind of shares subject to this option and the option price of such shares shall be appropriately adjusted in a manner to be determined in the sole discretion of the Board or Committee, whose decision shall be final, binding and conclusive in the absence of clear and convincing evidence of bad faith.

In the event of a liquidation or proposed liquidation of the Company, including (but not limited to) a transfer of assets followed by a liquidation of the Company, or in the event of a Change in Control or proposed Change in Control, the Board shall have the right to accelerate this option.

This option is not transferable otherwise than by will or the laws of descent and distribution, and is exercisable during your lifetime only by you, including, for this purpose, your legal guardian or custodian in the event of Disability. Until the option price has been paid in full pursuant to due exercise of this option and the purchased shares are delivered to you, you do not have any rights as a shareholder of the Company. The Company reserves the right not to deliver to you the shares purchased by virtue of the exercise of this option during any period of time in which the Company deems, in its sole discretion, that such delivery would violate a federal, state, local or securities exchange rule, regulation or law.

Notwithstanding anything to the contrary contained herein, this option is not exercisable until all the following events occur and during the following periods of time:

(a) Until the Plan pursuant to which this option is granted is approved by the shareholders of the Company in the manner required by any applicable provision of the Code and the regulations thereunder and any applicable securities exchange or listing rule or agreement;

(b) Until this option and the optioned shares are approved, registered and listed with such federal, state, local and foreign regulatory bodies or agencies and securities exchanges as the Company may deem necessary or desirable, or the Company deems such option or optioned shares to be exempted therefrom;

(c) During any period of time in which the Company deems that the exercisability of this option, the offer to sell the shares optioned hereunder, or the sale thereof, may violate a federal, state, local or foreign law, rule or regulation, or any applicable securities exchange or listing rule or agreement, or may cause the Company to be legally obligated to issue or sell more shares than the Company is legally entitled to issue or sell; or

(d) Until you have paid or made suitable arrangements to pay (which may include payment through the surrender of Common Stock, unless prohibited by the Board or Committee) (i) all federal, state, local and foreign tax withholding required by the Company in connection with the option exercise and (ii) the employee's portion of other federal, state, local and foreign payroll and other taxes due in connection with the option exercise.

The following two paragraphs shall be applicable if, on the date of exercise of this option, no registration statement and current prospectus under the Securities Act of 1933 covers the Common Stock to be purchased pursuant to such exercise, and shall continue to be applicable for so long as such registration has not occurred and such current prospectus is not available:

(a) You hereby agree, warrant and represent that you will acquire the Common Stock to be issued hereunder for your own account for investment purposes only, and not with a view to, or in connection with, any resale or other distribution of any of such shares, except as hereafter permitted. You further agree that you will not at any time make any offer, sale, transfer, pledge or other disposition of such Common Stock to be issued hereunder without an effective registration statement under the Securities Act of 1933, as amended, and under any applicable state securities laws or an opinion of counsel acceptable to the Company to the effect that the proposed transaction will be exempt from such registration. You agree to execute such instruments, representations, acknowledgments and agreements as the Company may, in its sole discretion, deem advisable to avoid any violation of federal, state, local or foreign law, rule or regulation, or any securities exchange rule or listing agreement.

(b) The certificates for the Common Stock to be issued to you hereunder shall bear the following legend:

"The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended, or under applicable state securities laws. The shares have been acquired for investment and may not be offered, sold, transferred, pledged or otherwise disposed of without an effective registration statement under the Securities Act of 1933, as amended, and under any applicable state securities laws or an opinion of counsel acceptable to the Company that the proposed transaction will be exempt from such registration."

The foregoing legend shall be removed upon registration of the legended shares under the Securities Act of 1933, as amended, and under any applicable state laws, and the availability of a current prospectus, or upon receipt of any opinion of counsel acceptable to the Company that such registration and current prospectus are no longer required.

The sole purpose of the agreements, warranties, representations and legend set forth in the two immediately preceding paragraphs is to prevent violations of the Securities Act of 1933, as amended, and any applicable state securities laws.

It is the intention of the Company and you that this option shall, if possible, be an "Incentive Stock Option" as that term is used in Section 422(b) of the Code and the regulations thereunder. In the event this option is in any way inconsistent with the legal requirements of the Code or the regulations thereunder for an "Incentive Stock Option," this option shall be deemed automatically amended as of the date hereof to conform to such legal requirements, if such conformity may be achieved by amendment. To the extent that the number of shares subject to this option which are exercisable for the first time exceed the $100,000 limitation contained in Section 422(d) of the Code, this option will not be considered an Incentive Stock Option.

If shares of Common Stock acquired by exercise of this option are disposed of within two (2) years following the date of grant or one (1) year following the issuance of the shares to you (or any situation in which the option will be taxed as a non-qualified option), you shall, immediately prior to such disposition, notify the Company in writing of the date and terms of such disposition and provide such other information regarding the disposition as the Company may reasonably require**.**

Nothing herein shall modify your status as an at-will employee of the Company or any Parent or Subsidiary. Further, nothing herein guarantees you employment for any specified period of time. This means that either you or the Company or any Parent or Subsidiary may terminate your employment at any time for any reason, with or without cause, or for no reason. You recognize that, for instance, you may terminate your employment or the Company or any Parent or Subsidiary may terminate your employment prior to the date on which your option becomes vested or exercisable.

You understand and agree that the existence of this option will not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issuance of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the common shares or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

Any notice you give to the Company must be in writing and either hand-delivered or mailed to the office of the Company. If mailed, it should be addressed to the Chief Financial Officer of the Company at its then main headquarters. Any notice given to you will be addressed to you at your address as reflected on the personnel records of the Company. You and the Company may change the address for notice by like notice to the other. Notice will be deemed to have been duly delivered when hand-delivered or, if mailed, on the day such notice is postmarked.

In the event that any question or controversy shall arise with respect to the nature, scope or extent of any one or more rights conferred by this option, or any provision of this option, the determination in good faith by the Board of Directors of the Company (as constituted at the time of such determination) of your rights as the Optionee shall be conclusive, final and binding upon you as the Optionee and upon any other person who shall assert any right pursuant to this option.

This option shall be subject to the terms of the Plan in effect on the date this option is granted, which terms are hereby incorporated herein by reference and made a part hereof. Capitalized terms used herein and not otherwise defined herein shall have the meaning given to such terms in the Plan. In the event of any conflict between the terms of this option and the terms of the Plan in effect on the date of this option, the terms of the Plan shall govern. This option constitutes the entire understanding between the Company and you with respect to the subject matter hereof and no amendment, supplement or waiver of this option, in whole or in part, shall be binding upon the Company unless in writing and signed by the President of the Company. This option and the performances of the parties hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

Please sign the copy of this option and return it to the Company's Secretary, thereby indicating your understanding of and agreement with its terms and conditions**.**

XCEL BRANDS, INC.

By: _____

ACKNOWLEDGMENT

I hereby acknowledge receipt of a copy of the Plan. I hereby represent that I have read and understood the terms and conditions of the Plan and of this option. I hereby signify my understanding of, and my agreement with, the terms and conditions of the Plan and of this option. I agree to accept as binding, conclusive, and final all decisions or interpretations of the Board or Committee concerning any questions arising under the Plan with respect to this option. I accept this option in full satisfaction of any previous written or verbal promise made to me by the Company or any Parent or Subsidiary with respect to option or stock grants.

Date: _____

_____
Signature of Optionee

_____
Print Name

APPENDIX II

NON-QUALIFIED STOCK OPTION FOR OFFICERS AND OTHER EMPLOYEES

To: _____
Name

_____
Address

Date of Grant: _____

You ("Optionee") are hereby granted an option, effective as of the date hereof, to purchase _____ shares of common stock ("Common Stock"), of Xcel Brands, Inc. , a Delaware corporation (the "Company"), at a price of $ ___ per share pursuant to the Company's Equity Incentive Plan (the "Plan").

This option shall terminate and is not exercisable after ten years from the date of its grant (the "Scheduled Termination Date"), except if terminated earlier as hereafter provided.

Your option may first be exercised on and after one year from the date of grant, but not before that time. On and after one year and prior to two years from the date of grant, your option may be exercised for up to _____% of the total number of shares subject to the option minus the number of shares previously purchased by exercise of the option (as adjusted for any change in the outstanding shares of the Common Stock of the Company by reason of a stock dividend, stock split, combination of shares, recapitalization, merger, consolidation, transfer of assets, reorganization, conversion or what the Board or Committee deems in its sole discretion to be similar circumstances). Each succeeding year thereafter your option may be exercised for up to an additional _____% of the total number of shares subject to the option minus the number of shares previously purchased by exercise of the option (as adjusted for any change in the outstanding shares of the Common Stock of the Company by reason of a stock dividend, stock split, combination of shares, recapitalization, merger, consolidation, transfer of assets, reorganization, conversion or what the Board or Committee deems in its sole discretion to be similar circumstances). Thus, this option is fully exercisable on and after _____ years after the date of grant, except if terminated earlier as provided herein.

You may exercise your option by giving written notice to the Secretary of the Company on forms supplied by the Company at its then principal executive office, accompanied by payment of the option price for the total number of shares you specify that you wish to purchase. The payment may be in any of the following forms: (a) cash, which may be evidenced by a check and includes cash received from a stock brokerage firm in a so-called "cashless exercise"; (b) (unless prohibited by the Board or Committee) certificates representing shares of Common Stock of the Company, which will be valued by the Secretary of the Company at the fair market value per share of the Company's Common Stock (as determined in accordance with the Plan) on the date of delivery of such certificates to the Company, accompanied by an assignment of the stock to the Company; or (c) (unless prohibited by the Board or Committee) any combination of cash and Common Stock of the Company valued as provided in clause (b). The use of the so-called "attestation procedure" to exercise a stock option may be permitted by the Board or Committee. Any assignment of stock shall be in a form and substance satisfactory to the Secretary of the Company, including guarantees of signature(s) and payment of all transfer taxes if the Secretary deems such guarantees necessary or desirable.

Your option will, to the extent not previously exercised by you, terminate three months after the date on which your employment by the Company or any Parent or Subsidiary is terminated other than: (i) by reason of Disability or death, in which case your option will terminate one year from the date of termination of employment due to Disability or death (but in no event later than the Scheduled Termination Date) or (ii) for Cause or your resignation, in which case your option will terminate immediately and you will forfeit any right to exercise the option. After the date your employment is terminated, as aforesaid (other than for the reasons stated in clause ii), you may exercise this option only for the number of shares which you had a right to purchase and did not purchase on the date your employment terminated. If you are employed by any Parent or Subsidiary, your employment shall be deemed to have terminated on the date your employer ceases to be a Parent or Subsidiary, unless you are on that date transferred to the Company or another Parent or Subsidiary. Your employment shall not be deemed to have terminated if you are transferred from the Company to any Parent or Subsidiary, or vice versa, or from one Subsidiary to another Subsidiary.

If you die while employed by the Company or any Parent or Subsidiary, your executor or administrator, as the case may be, may, at any time within one year after the date of your death (but in no event later than the Scheduled Termination Date), exercise the option as to any shares which you had a right to purchase and did not purchase during your lifetime. If your employment with the Company or any Parent or Subsidiary is terminated by reason of your Disability, you or your legal guardian or custodian may at any time within one year after the date of such termination (but in no event later than the Scheduled Termination Date), exercise the option as to any shares which you had a right to purchase and did not purchase prior to such termination. Your executor, administrator, guardian or custodian must present proof of his authority satisfactory to the Company prior to being allowed to exercise this option.

In the event of any change in the outstanding shares of the Common Stock of the Company by reason of a stock dividend, stock split, combination of shares, recapitalization, merger, consolidation, transfer of assets, reorganization, conversion or what the Board or Committee deems in its sole discretion to be similar circumstances, the number and kind of shares subject to this option and the option price of such shares shall be appropriately adjusted in a manner to be determined in the sole discretion of the Board or Committee, whose decision shall be final, binding and conclusive in the absence of clear and convincing evidence of bad faith.

In the event of a liquidation or proposed liquidation of the Company, including (but not limited to) a transfer of assets followed by a liquidation of the Company, or in the event of a Change in Control or proposed Change in Control, the Board shall have the right to accelerate this option.

This option is not transferable otherwise than by will or the laws of descent and distribution, and is exercisable during your lifetime only by you, including, for this purpose, your legal guardian or custodian in the event of Disability. Until the option price has been paid in full pursuant to due exercise of this option and the purchased shares are delivered to you, you do not have any rights as a shareholder of the Company. The Company reserves the right not to deliver to you the shares purchased by virtue of the exercise of this option during any period of time in which the Company deems, in its sole discretion, that such delivery would violate a federal, state, local or securities exchange rule, regulation or law.

Notwithstanding anything to the contrary contained herein, this option is not exercisable until all the following events occur and during the following periods of time:

(a) Until the Plan pursuant to which this option is granted is approved by the shareholders of the Company in the manner required by any applicable provision of the Code and the regulations thereunder and any applicable securities exchange or listing rule or agreement;

(b) Until this option and the optioned shares are approved, registered and listed with such federal, state, local and foreign regulatory bodies or agencies and securities exchanges as the Company may deem necessary or desirable, or the Company deems such option or optioned shares to be exempted therefrom;

(c) During any period of time in which the Company deems that the exercisability of this option, the offer to sell the shares optioned hereunder, or the sale thereof, may violate a federal, state, local or foreign law, rule or regulation, or any applicable securities exchange or listing rule or agreement, or may cause the Company to be legally obligated to issue or sell more shares than the Company is legally entitled to issue or sell; or

(d) Until you have paid or made suitable arrangements to pay (which may include payment through the surrender of Common Stock, unless prohibited by the Board or Committee) (i) all federal, state, local and foreign tax withholding required by the Company in connection with the option exercise and (ii) the employee's portion of other federal, state, local and foreign payroll and other taxes due in connection with the option exercise.

The following two paragraphs shall be applicable if, on the date of exercise of this option, no registration statement and current prospectus under the Securities Act of 1933 covers the Common Stock to be purchased pursuant to such exercise, and shall continue to be applicable for so long as such registration has not occurred and such current prospectus is not available:

(a) You hereby agree, warrant and represent that you will acquire the Common Stock to be issued hereunder for your own account for investment purposes only, and not with a view to, or in connection with, any resale or other distribution of any of such shares, except as hereafter permitted. You further agree that you will not at any time make any offer, sale, transfer, pledge or other disposition of such Common Stock to be issued hereunder without an effective registration statement under the Securities Act of 1933, as amended, and under any applicable state securities laws or an opinion of counsel acceptable to the Company to the effect that the proposed transaction will be exempt from such registration. You agree to execute such instruments, representations, acknowledgments and agreements as the Company may, in its sole discretion, deem advisable to avoid any violation of federal, state, local or foreign law, rule or regulation, or any securities exchange rule or listing agreement.

(b) The certificates for the Common Stock to be issued to you hereunder shall bear the following legend:

"The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended, or under applicable state securities laws. The shares have been acquired for investment and may not be offered, sold, transferred, pledged or otherwise disposed of without an effective registration statement under the Securities Act of 1933, as amended, and under any applicable state securities laws or an opinion of counsel acceptable to the Company that the proposed transaction will be exempt from such registration."

The foregoing legend shall be removed upon registration of the legended shares under the Securities Act of 1933, as amended, and under any applicable state laws or upon receipt of any opinion of counsel acceptable to the Company that said registration is no longer required.

The sole purpose of the agreements, warranties, representations and legend set forth in the two immediately preceding paragraphs is to prevent violations of the Securities Act of 1933, as amended, and any applicable state securities laws.

It is the intention of the Company and you that this option shall not be an “Incentive Stock Option” as that term is used in Section 422(b) of the Code and the regulations thereunder.

Nothing herein shall modify your status as an at-will employee of the Company or any Parent or Subsidiary. Further, nothing herein guarantees you employment for any specified period of time. This means that either you or the Company or any Parent or Subsidiary may terminate your employment at any time for any reason, with or without cause, or for no reason. You recognize that, for instance, you may terminate your employment or the Company or any Parent or Subsidiary may terminate your employment prior to the date on which your option becomes vested or exercisable.

You understand and agree that the existence of this option will not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company’s capital structure or its business, or any merger or consolidation of the Company, or any issuance of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the common shares or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

Any notice you give to the Company must be in writing and either hand-delivered or mailed to the office of the **Company**. If mailed, it should be addressed to the **Chief Financial Officer** of the Company at its then main headquarters. Any notice given to you will be addressed to you at your address as reflected on the personnel records of the Company. You and the Company may change the address for notice by like notice to the other. Notice will be deemed to have been duly delivered when hand-delivered or, if mailed, on the day such notice is postmarked.

In the event that any question or controversy shall arise with respect to the nature, scope or extent of any one or more rights conferred by this option, or any provision of this option, the determination in good faith by the Board of Directors of the Company (as constituted at the time of such determination) of your rights as the Optionee shall be conclusive, final and binding upon you as the Optionee and upon any other person who shall assert any right pursuant to this option.

This option shall be subject to the terms of the Plan in effect on the date this option is granted, which terms are hereby incorporated herein by reference and made a part hereof. Capitalized terms used herein and not otherwise defined herein shall have the meaning given to such terms in the Plan. In the event of any conflict between the terms of this option and the terms of the Plan in effect on the date of this option, the terms of the Plan shall govern. This option constitutes the entire understanding between the Company and you with respect to the subject matter hereof and no amendment, supplement or waiver of this option, in whole or in part, shall be binding upon the Company unless in writing and signed by the President of the Company. This option and the performances of the parties hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

Please sign the copy of this option and return it to the Company's Secretary, thereby indicating your understanding of and agreement with its terms and conditions**.**

XCEL BRANDS GROUP, INC.

By: _____

ACKNOWLEDGMENT

I hereby acknowledge receipt of a copy of the Plan. I hereby represent that I have read and understood the terms and conditions of the Plan and of this option. I hereby signify my understanding of, and my agreement with, the terms and conditions of the Plan and of this option. I agree to accept as binding, conclusive, and final all decisions or interpretations of the Board or Committee concerning any questions arising under the Plan with respect to this option. I accept this option in full satisfaction of any previous written or verbal promise made to me by the Company or any Parent or Subsidiary with respect to option or stock grants.

Date: _____

_____
Signature of Optionee

_____
Print Name

APPENDIX III

NON-QUALIFIED STOCK OPTION FOR DIRECTORS AND CONSULTANTS

To: _____
Name

_____
Address

Date of Grant: _____

You ("Optionee") are hereby granted an option, effective as of the date hereof, to purchase _____ shares of common stock ("Common Stock"), of Xcel Brands Group, Inc., a Delaware corporation (the "Company"), at a price of $ ____ per share pursuant to the Company's Equity Incentive Plan (the "Plan").

This option shall terminate and is not exercisable after ten years from the date of its grant (the "Scheduled Termination Date"), except if terminated earlier as hereafter provided.

Your option may first be exercised on and after one year from the date of grant, but not before that time. On and after one year and prior to two years from the date of grant, your option may be exercised for up to _____% of the total number of shares subject to the option minus the number of shares previously purchased by exercise of the option (as adjusted for any change in the outstanding shares of the Common Stock of the Company by reason of a stock dividend, stock split, combination of shares, recapitalization, merger, consolidation, transfer of assets, reorganization, conversion or what the Board or Committee deems in its sole discretion to be similar circumstances). Each succeeding year thereafter your option may be exercised for up to an additional ____% of the total number of shares subject to the option minus the number of shares previously purchased by exercise of the option (as adjusted for any change in the outstanding shares of the Common Stock of the Company by reason of a stock dividend, stock split, combination of shares, recapitalization, merger, consolidation, transfer of assets, reorganization, conversion or what the Board or Committee deems in its sole discretion to be similar circumstances). Thus, this option is fully exercisable on and after _____ years after the date of grant, except if terminated earlier as provided herein.

You may exercise your option by giving written notice to the Secretary of the Company on forms supplied by the Company at its then principal executive office, accompanied by payment of the option price for the total number of shares you specify that you wish to purchase. The payment may be in any of the following forms: (a) cash, which may be evidenced by a check and includes cash received from a stock brokerage firm in a so-called "cashless exercise"; (b) (unless prohibited by the Board or Committee) certificates representing shares of Common Stock of the Company, which will be valued by the Secretary of the Company at the fair market value per share of the Company's Common Stock (as determined in accordance with the Plan) on the date of delivery of such certificates to the Company, accompanied by an assignment of the stock to the Company; or (c) (unless prohibited by the Board or Committee) any combination of cash and Common Stock of the Company valued as provided in clause (b). The use of the so-called "attestation procedure" to exercise a stock option may be permitted by the Board or Committee. Any assignment of stock shall be in a form and substance satisfactory to the Secretary of the Company, including guarantees of signature(s) and payment of all transfer taxes if the Secretary deems such guarantees necessary or desirable.

Your option will, to the extent not previously exercised by you, terminate three months after the date on which your directorship or consultancy by the Company or any Parent or Subsidiary is terminated other than by reason of (i) Disability or death, in which case your option will terminate one year from the date of termination of directorship or consultancy due to Disability or death (but in no event later than the Scheduled Termination Date) or (ii) for Cause or your resignation, in which case your option will terminate immediately and you will forfeit any right to exercise the option. After the date your directorship or consultancy is terminated, as aforesaid (other than for the reasons stated in clause (ii), you may exercise this option only for the number of shares which you had a right to purchase and did not purchase on the date your directorship or consultancy terminated. Provided you are willing to continue your directorship or consultancy for the Company or a successor after a Change in Control at the same compensation you enjoyed immediately prior to such Change in Control, if your directorship or consultancy is involuntarily terminated without cause after a Change in Control, you may exercise this option for the number of shares you would have had a right to purchase on the date of an Acceleration Event. If you are employed by any Parent or Subsidiary, your directorship or consultancy shall be deemed to have terminated on the date your employer ceases to be a Parent or Subsidiary, unless you are on that date transferred to the Company or another Parent or Subsidiary. Your directorship or consultancy shall not be deemed to have terminated if you are transferred from the Company to a Parent or Subsidiary, or vice versa, or from one Subsidiary to another Subsidiary.

If you die while acting as a director of consultant of the Company or any Parent or Subsidiary, your executor or administrator, as the case may be, may, at any time within one year after the date of your death (but in no event later than the Scheduled Termination Date), exercise the option as to any shares which you had a right to purchase and did not purchase during your lifetime. If your directorship or consultancy with the Company or any Parent or Subsidiary is terminated by reason of your Disability, you or your legal guardian or custodian may at any time within one year after the date of such termination (but in no event later than the Scheduled Termination Date), exercise the option as to any shares which you had a right to purchase and did not purchase prior to such termination. Your executor, administrator, guardian or custodian must present proof of his authority satisfactory to the Company prior to being allowed to exercise this option.

In the event of any change in the outstanding shares of the Common Stock of the Company by reason of a stock dividend, stock split, combination of shares, recapitalization, merger, consolidation, transfer of assets, reorganization, conversion or what the Board or Committee deems in its sole discretion to be similar circumstances, the number and kind of shares subject to this option and the option price of such shares shall be appropriately adjusted in a manner to be determined in the sole discretion of the Board or Committee, whose decision shall be final, binding and conclusive in the absence of clear and convincing evidence of bad faith.

In the event of a liquidation or proposed liquidation of the Company, including (but not limited to) a transfer of assets followed by a liquidation of the Company, or in the event of a Change in Control or proposed Change in Control, the Board shall have the right to accelerate this option.

This option is not transferable otherwise than by will or the laws of descent and distribution, and is exercisable during your lifetime only by you, including, for this purpose, your legal guardian or custodian in the event of Disability. Until the option price has been paid in full pursuant to due exercise of this option and the purchased shares are delivered to you, you do not have any rights as a shareholder of the Company. The Company reserves the right not to deliver to you the shares purchased by virtue of the exercise of this option during any period of time in which the Company deems, in its sole discretion, that such delivery would violate a federal, state, local or securities exchange rule, regulation or law.

Notwithstanding anything to the contrary contained herein, this option is not exercisable until all the following events occur and during the following periods of time:

(a) Until the Plan pursuant to which this option is granted is approved by the shareholders of the Company in the manner required by any applicable provision of the Code and the regulations thereunder and any applicable securities exchange or listing rule or agreement;

(b) Until this option and the optioned shares are approved, registered and listed with such federal, state, local and foreign regulatory bodies or agencies and securities exchanges as the Company may deem necessary or desirable, or the Company deems such option or optioned shares to be exempted therefrom;

(c) During any period of time in which the Company deems that the exercisability of this option, the offer to sell the shares optioned hereunder, or the sale thereof, may violate a federal, state, local or foreign law, rule or regulation, or any applicable securities exchange or listing rule or agreement, or may cause the Company to be legally obligated to issue or sell more shares than the Company is legally entitled to issue or sell; or

(d) Until you have paid or made suitable arrangements to pay (which may include payment through the surrender of Common Stock, unless prohibited by the Board or Committee) (i) all federal, state, local and foreign tax withholding required by the Company in connection with the option exercise and (ii) the employee's portion of other federal, state, local and foreign payroll and other taxes due in connection with the option exercise.

The following two paragraphs shall be applicable if, on the date of exercise of this option, no registration statement and current prospectus under the Securities Act of 1933 covers the Common Stock to be purchased pursuant to such exercise, and shall continue to be applicable for so long as such registration has not occurred and such current prospectus is not available:

(a) You hereby agree, warrant and represent that you will acquire the Common Stock to be issued hereunder for your own account for investment purposes only, and not with a view to, or in connection with, any resale or other distribution of any of such shares, except as hereafter permitted. You further agree that you will not at any time make any offer, sale, transfer, pledge or other disposition of such Common Stock to be issued hereunder without an effective registration statement under the Securities Act of 1933, as amended, and under any applicable state securities laws or an opinion of counsel acceptable to the Company to the effect that the proposed transaction will be exempt from such registration. You agree to execute such instruments, representations, acknowledgments and agreements as the Company may, in its sole discretion, deem advisable to avoid any violation of federal, state, local or foreign law, rule or regulation, or any securities exchange rule or listing agreement.

(b) The certificates for the Common Stock to be issued to you hereunder shall bear the following legend:

"The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended, or under applicable state securities laws. The shares have been acquired for investment and may not be offered, sold, transferred, pledged or otherwise disposed of without an effective registration statement under the Securities Act of 1933, as amended, and under any applicable state securities laws or an opinion of counsel acceptable to the Company that the proposed transaction will be exempt from such registration."

The foregoing legend shall be removed upon registration of the legended shares under the Securities Act of 1933, as amended, and under any applicable state laws or upon receipt of any opinion of counsel acceptable to the Company that said registration is no longer required.

The sole purpose of the agreements, warranties, representations and legend set forth in the two immediately preceding paragraphs is to prevent violations of the Securities Act of 1933, as amended, and any applicable state securities laws.

It is the intention of the Company and you that this option shall not be an "Incentive Stock Option" as that term is used in Section 422(b) of the Code and the regulations thereunder.

Nothing herein guarantees your term as a director of, or consultant to, the Company or any Parent or Subsidiary for any specified period of time. This means that either you or the Company or any Parent or Subsidiary may terminate your directorship or consultancy at any time for any reason, with or without cause, or for no reason. You recognize that, for instance, the Company or any Parent or Subsidiary may terminate your directorship or consultancy with the Company or any Parent or Subsidiary prior to the date on which your option becomes vested or exercisable.

You understand and agree that the existence of this option will not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company’s capital structure or its business, or any merger or consolidation of the Company, or any issuance of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the common shares or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

Any notice you give to the Company must be in writing and either hand-delivered or mailed to the office of the Company. If mailed, it should be addressed to the Chief Financial Officer of the Company at its then main headquarters. Any notice given to you will be addressed to you at your address as reflected on the records of the Company. You and the Company may change the address for notice by like notice to the other. Notice will be deemed to have been duly delivered when hand-delivered or, if mailed, on the day such notice is postmarked.

In the event that any question or controversy shall arise with respect to the nature, scope or extent of any one or more rights conferred by this option, or any provision of this option, the determination in good faith by the Board of Directors of the Company (as constituted at the time of such determination) of your rights as the Optionee shall be conclusive, final and binding upon you as the Optionee and upon any other person who shall assert any right pursuant to this option.

This option shall be subject to the terms of the Plan in effect on the date this option is granted, which terms are hereby incorporated herein by reference and made a part hereof. Capitalized terms used herein and not otherwise defined herein shall have the meaning given to such terms in the Plan. In the event of any conflict between the terms of this option and the terms of the Plan in effect on the date of this option, the terms of the Plan shall govern. This option constitutes the entire understanding between the Company and you with respect to the subject matter hereof and no amendment, supplement or waiver of this option, in whole or in part, shall be binding upon the Company unless in writing and signed by the President of the Company. This option and the performances of the parties hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

Please sign the copy of this option and return it to the Company's Secretary, thereby indicating your understanding of and agreement with its terms and conditions**.**

XCEL BRANDS, INC.

By: _____

ACKNOWLEDGMENT

I hereby acknowledge receipt of a copy of the Plan. I hereby represent that I have read and understood the terms and conditions of the Plan and of this option. I hereby signify my understanding of, and my agreement with, the terms and conditions of the Plan and of this option. I agree to accept as binding, conclusive, and final all decisions or interpretations of the Board or Committee concerning any questions arising under the Plan with respect to this option. I accept this option in full satisfaction of any previous written or verbal promise made to me by the Company or any Parent or Subsidiary with respect to option or Stock grants.

Date: _____

_____
Signature of Optionee

_____
Print Name

APPENDIX IV

RESTRICTED STOCK AGREEMENT

To:

Date of Award:

You are hereby awarded, effective as of the date hereof (the "Award Date"), _____ shares (the "Shares") of common stock ("Common Stock"), of Xcel Brands, Inc., a Delaware corporation (the "Company"), pursuant to the Company's Equity Incentive Plan (the "Plan"), subject to certain restrictions specified below in **Restrictions and Forfeiture.** (While subject to the Restrictions, this Agreement refers to the Shares as "Restricted Shares").

During the period commencing on the Award Date and terminating on _____ (the "Restricted Period"), except as otherwise provided herein, the Shares may not be sold, assigned, transferred, pledged, or otherwise encumbered and are subject to forfeiture (the "Restrictions").

Except as set forth below, the Restricted Period with respect to the Shares will lapse in accordance with the vesting schedule set forth below (the "Vesting Schedule"). Subject to the restrictions set forth in the Plan, the Board or Committee shall have the authority, in its discretion, to accelerate the time at which any or all of the Restrictions shall lapse with respect to any Shares subject thereto, or to remove any or all of such Restrictions, whenever the Board or Committee may determine that such action is appropriate by reason of changes in applicable tax or other laws, or other changes in circumstances occurring after the commencement of the Restricted Period.

In addition to the terms, conditions, and restrictions set forth in the Plan, the following terms, conditions, and restrictions apply to the Restricted Shares:

Restrictions and Forfeiture — You may not sell, assign, pledge, encumber, or otherwise transfer any interest in the Restricted Shares until the dates set forth in the Vesting Schedule, at which point the Restricted Shares will be referred to as "*Vested*."

Vesting Schedule — Assuming you provide Continuous Service (as defined herein) as an employee of the Company or any Parent or Subsidiary of the Company, all Restrictions will lapse on the Restricted Shares on the Vesting date or Vesting dates set forth in the schedule below for the applicable grant of Restricted Shares and they will become Vested.

Vesting Schedule

Vesting Date	Number of Restricted Shares that Vest

Continuous Service — "Continuous Service," as used herein, means the absence of any interruption or termination of your service as an employee of the Company or any Parent or Subsidiary. If you are employed by a Parent or Subsidiary, your employment shall be deemed to have terminated on the date your employer ceases to be a Parent or Subsidiary, unless you are on that date transferred to the Company or another Parent or Subsidiary. Service shall not be considered interrupted in the case of sick leave, military leave or any other leave of absence approved by the Company or any then Parent or Subsidiary. Your employment shall not be deemed to have terminated if you are transferred from the Company to any Parent or Subsidiary, or vice versa, or from one Subsidiary to another Subsidiary.

Share Certificates

The Company will issue a certificate (or certificates) in your name with respect to the Shares, and will hold such certificate (or certificates) on deposit for your account until the expiration of the Restricted Period with respect to the Shares represented thereby. Such certificate (or certificates) will contain the following restrictive legend:

> "The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) contained in the Equity Incentive Plan of the Company, copies of which are on file in the office of the Secretary of the Company."

Additional Conditions to Issuance of Stock Certificates

You will not receive the certificates representing the Restricted Shares unless and until the Company has received a stock power or stock powers in favor of the Company executed by you.

Voting Rights

Prior to vesting, you will have no voting rights with respect to any Restricted Shares that have not Vested.

Cash Dividends

Cash dividends, if any, paid on the Restricted Shares shall be held by the Company for your account and paid to you upon the expiration of the Restricted Period, except as otherwise determined by the Board or Committee. All such withheld dividends shall not earn interest, except as otherwise determined by the Board or Committee. **You will not receive withheld cash dividends on any Restricted Shares which are forfeited and all such cash dividends shall be forfeited along with the Restricted Shares which are forfeited.**

Tax Withholding

Unless you make an election under Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code"), and pay taxes in accordance with that election, you will be taxed on the Shares as they become Vested and must arrange to pay the taxes on this income. If the Board or Committee so determines, arrangements for paying the taxes may include your surrendering Shares that otherwise would be released to you upon becoming Vested or your surrendering Shares you already own. The fair market value of the Shares you surrender, determined as of the date when taxes otherwise would have been withheld in cash, will be applied as a credit against the withholding taxes.

The Company shall have the right to withhold from your compensation an amount sufficient to fulfill its or its Parent's or Subsidiary's obligations for any applicable withholding and employment taxes. Alternatively, the Company may require you to pay to the Company the amount of any taxes which the Company is required to withhold with respect to the Shares, or, in lieu thereof, to retain or sell without notice a sufficient number of Shares to cover the amount required to be withheld. The Company may withhold from any cash dividends paid on the Restricted Shares an amount sufficient to cover taxes owed as a result of the dividend payment. The Company's method of satisfying its withholding obligations shall be solely in the discretion of the Board or Committee, subject to applicable federal, state, local and foreign laws. The Company shall have a lien and security interest in the Shares and any accumulated dividends to secure your obligations hereunder.

Tax Representations

You hereby represent and warrant to the Company as follows:

(a) You have reviewed with your own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. You are relying solely on such advisors and not on any statements or representations of the Company or any of its Employees or agents.

(b) You understand that you (and not the Company) shall be responsible for your own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement. You understand that Section 83 of the Code taxes (as ordinary income) the fair market value of the Shares as of the date any "restrictions" on the Shares lapse. To the extent that an award hereunder is not otherwise an exempt transaction for purposes of Section 16(b) of the Securities Exchange Act of 1934, as amended (the "1934 Act"), with respect to officers, directors and 10% shareholders subject to Section 16 of the 1934 Act, a "restriction" on the Shares includes for these purposes the period after the award of the Shares during which such officers, directors and 10% shareholders could be subject to suit under Section 16(b) of the 1934 Act. Alternatively, you understand that you may elect to be taxed at the time the Shares are awarded rather than when the restrictions on the Shares lapse, or the Section 16(b) period expires, by filing an election under Section 83(b) of the Code with the Internal Revenue Service within thirty (30) days from the date of the award.

YOU HEREBY ACKNOWLEDGE THAT IT IS YOUR SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO FILE TIMELY THE ELECTION AVAILABLE TO YOU UNDER SECTION 83(B) OF THE CODE, EVEN IF YOU REQUEST THAT THE COMPANY OR ITS REPRESENTATIVES MAKE THIS FILING ON YOUR BEHALF.

Securities Law Representations

The following two paragraphs shall be applicable if, on the date of issuance of the Restricted Shares, no registration statement and current prospectus under the Securities Act of 1933, as amended (the "1933 Act"), covers the Shares, and shall continue to be applicable for so long as such registration has not occurred and such current prospectus is not available:

(a) You hereby agree, warrant and represent that you will acquire the Shares to be issued hereunder for your own account for investment purposes only, and not with a view to, or in connection with, any resale or other distribution of any of such shares, except as hereafter permitted. You further agree that you will not at any time make any offer, sale, transfer, pledge or other disposition of such Shares to be issued hereunder without an effective registration statement under the 1933 Act, and under any applicable state securities laws or an opinion of counsel acceptable to the Company to the effect that the proposed transaction will be exempt from such registration. You agree to execute such instruments, representations, acknowledgments and agreements as the Company may, in its sole discretion, deem advisable to avoid any violation of federal, state, local or foreign law, rule or regulation, or any securities exchange rule or listing agreement.

(b) The certificates for Shares to be issued to you hereunder shall bear the following legend:

"The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended, or under applicable state securities laws. The shares have been acquired for investment and may not be offered, sold, transferred, pledged or otherwise disposed of without an effective registration statement under the Securities Act of 1933, as amended, and under any applicable state securities laws or an opinion of counsel acceptable to the Company that the proposed transaction will be exempt from such registration."

Stock Dividend, Stock Split and Similar Capital Changes	In the event of any change in the outstanding shares of the Common Stock of the Company by reason of a stock dividend, stock split, combination of shares, recapitalization, merger, consolidation, transfer of assets, reorganization, conversion or what the Board or Committee deems in its sole discretion to be similar circumstances, the number and kind of shares subject to this Agreement shall be appropriately adjusted in a manner to be determined in the sole discretion of the Board or Committee, whose decision shall be final, binding and conclusive in the absence of clear and convincing evidence of bad faith. Any shares of Common Stock or other securities received, as a result of the foregoing, by you with respect to the Restricted Shares shall be subject to the same restrictions as the Restricted Shares, the certificate or other instruments evidencing such shares of Common Stock or other securities shall be legended and deposited with the Company as provided above with respect to the Restricted Shares, and any cash dividends received with respect to such shares of Common Stock or other securities shall be accumulated as provided above with respect to the Restricted Shares.
Non-Transferability	Restricted Shares are not transferable.
No Effect on Employment	**Except as otherwise provided in your Employment Agreement [IF APPLICABLE], dated _____, nothing herein shall modify your status as an at-will employee of the Company or any Parent or Subsidiary. Further, nothing herein guarantees you employment for any specified period of time. This means that, except as provided in the Employment Agreement, either you or the Company or any Parent or Subsidiary may terminate your employment at any time for any reason, with or without cause, or for no reason. You recognize that, for instance, you may terminate your employment or the Company or any Parent or Subsidiary may terminate your employment prior to the date on which your Shares become vested.**
No Effect on Corporate Authority	You understand and agree that the existence of this Agreement will not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issuance of bonds, debentures, preferred or other stocks with preferences ahead of or convertible into, or otherwise affecting the common shares or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.
Questions or Controversies	In the event that any question or controversy shall arise with respect to the nature, scope or extent of any one or more rights conferred by this Agreement, or any provision of this Agreement, the determination in good faith by the Board of Directors of the Company (as constituted at the time of such determination) of your rights under this Agreement shall be conclusive, final and binding upon you and upon any other person who shall assert any right pursuant to this Agreement.
Governing Law	The laws of the State of Delaware will govern all matters relating to this Agreement, without regard to the principles of conflict of laws.
Notices	Any notice you give to the Company must be in writing and either hand-delivered or mailed to the office of the Chief Financial Officer of the Company. If mailed, it should be addressed to the Chief Financial Officer of the Company at its then main headquarters. Any notice given to you will be addressed to you at your address as reflected on the personnel records of the Company. You and the Company may change the address for notice by like notice to the other. Notice will be deemed to have been duly delivered when hand-delivered or, if mailed, on the day such notice is postmarked.

Agreement Subject to Plan; Entire Agreement	This Agreement shall be subject to the terms of the Plan in effect on the date hereof, which terms are hereby incorporated herein by reference and made a part hereof. Capitalized terms used herein and not otherwise defined herein shall have the meaning given to such terms in the Plan. This Agreement constitutes the entire understanding between the Company and you with respect to the subject matter hereof and no amendment, supplement or waiver of this Agreement, in whole or in part, shall be binding upon the Company unless in writing and signed by the Chief Executive Officer of the Company
Conflicting Terms	Wherever a conflict may arise between the terms of this Agreement and the terms of the Plan in effect on the date hereof, the terms of the Plan will control.

Please sign the copy of this Restricted Stock Agreement and return it to the Chief Financial Officer, thereby indicating your understanding of, and agreement with, its terms and conditions**.**

XCEL BRANDS, INC.

By: _____

ACKNOWLEDGMENT

I hereby acknowledge receipt of a copy of the Plan. I hereby represent that I have read and understood the terms and conditions of the Plan and of the Restricted Stock Agreement. I hereby signify my understanding of, and my agreement with, the terms and conditions of the Plan and of the Restricted Stock Agreement. I agree to accept as binding, conclusive, and final all decisions or interpretations of the Board or Committee concerning any questions arising under the Plan with respect to this Restricted Stock Agreement. I accept this Restricted Stock Agreement in full satisfaction of any previous written or oral promise made to me by the Company or any Parent or Subsidiary with respect to option or stock grants.

Date: _____

_____

_____

ADDRESS

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 Shares: Initial Exercise Date: September 29, 2011

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, _____ (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 _____ 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 Securities Purchase Agreement (the "Purchase Agreement"), dated September 29, 2011, among the Company and the purchasers signatory thereto.

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 payment of the aggregate Exercise Price of the shares thereby purchased by wire transfer or cashier's check drawn on a United States bank, except as provided for in Section 2(c) below. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation on the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise Form as soon as reasonably practical after receipt of such notice. In the event of any dispute or discrepancy, the records of the Holder shall be controlling and determinative in the absence of manifest error. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

b) Exercise Price. The exercise price per share of the Common Stock under this Warrant shall be $0.01, subject to adjustment hereunder (the "Exercise Price").

c) Cashless Exercise. If one (1) year from the date of the Initial Exercise Date there is no effective registration statement registering, or no current prospectus available for, the resale of the Warrant Shares by the Holder, 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 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); (b) if the OTC Bulletin Board is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board; (c) 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 in the "Pink Sheets" published by Pink Sheets, 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 (d) 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 (if required) 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 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, if permitted) and all taxes required to be paid by the Holder, if any, pursuant to Section 2(e)(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, at the request of a Holder and 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 make 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) Reserved.

c) Subsequent Rights Offerings. If the Company, at any time while the Warrant is outstanding, shall issue rights, options or warrants to all holders of Common Stock (and not to Holders) entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the VWAP at the record date mentioned below, then, the Exercise Price shall be multiplied by a fraction, of which the denominator shall be the number of shares of the Common Stock outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase, and of which the numerator shall be the number of shares of the Common Stock outstanding on the date of issuance of such rights or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered (assuming receipt by the Company in full of all consideration payable upon exercise of such rights, options or warrants) would purchase at such VWAP. Such adjustment shall be made whenever such rights or warrants are issued, and shall become effective immediately after the record date for the determination of stockholders entitled to receive such rights, options or warrants.

d) Pro Rata Distributions. If the Company, at any time while this Warrant is outstanding, shall distribute to all holders of Common Stock (and not to Holders of the Warrants) evidences of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock (which shall be subject to Section 3(c)), then in each such case the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the VWAP determined as of the record date mentioned above, and of which the numerator shall be such VWAP on such record date less the then per share fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of the Common Stock as determined by the Board of Directors in good faith. In either case the adjustments shall be described in a statement provided to the Holder of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

e) 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.

f) 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 and to the provisions of Section 4.1 of the Purchase Agreement, 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 Sections 2.2(d)-(j) of the Purchase Agreement.

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(d)(i).

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 Purchase 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 Purchase 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

☐ [if permitted] 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 2.2(d) – (j) of the Purchase Agreement 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.

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is made and entered into as of September 29, 2011, between XCel Brands, Inc., a Delaware corporation (the "Company") and each of the several purchasers signatory hereto (each such purchaser, a "Purchaser" and, collectively, the "Purchasers").

This Agreement is made pursuant to the Securities Purchase Agreement, dated as of the date hereof, between the Company and each Purchaser (the "Purchase Agreement").

The Company and each Purchaser hereby agrees as follows:

1. Definitions.

Capitalized terms used **and not otherwise defined herein that are defined in the Purchase Agreement shall have the meanings given such terms in the Purchase Agreement.** As used in this Agreement, the following terms shall have the following meanings:

"Advice" shall have the meaning set forth in Section 6(b).

"Effectiveness Period" shall have the meaning set forth in Section 2.

"Filing Date" means, with respect to the Initial Registration Statement required hereunder, the 60th calendar day following the final closing of the Offering (as defined in the Purchase Agreement) and, with respect to any additional Registration Statements which may be required pursuant to Section 3(b), the earliest practical date on which the Company is permitted by SEC Guidance to file such additional Registration Statement related to the Registrable Securities.

"Holder" or "Holders" means the holder or holders, as the case may be, from time to time of Registrable Securities.

"Indemnified Party" shall have the meaning set forth in Section 5(c).

"Indemnifying Party" shall have the meaning set forth in Section 5(c).

"Initial Shares" means a number of Registrable Securities equal to the lesser of (i) the total number of Registrable Securities and (ii) one-third of the number of issued and outstanding shares of Common Stock that are held by non-affiliates of the Company on the day immediately prior to the filing date of the Initial Registration Statement.

"Initial Registration Statement" means the initial Registration Statement filed pursuant to this Agreement.

"Losses" shall have the meaning set forth in Section 5(a).

"Plan of Distribution" shall have the meaning set forth in Section 2(a).

"Prospectus" means the prospectus included in a Registration Statement (including, without limitation, a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated by the Commission pursuant to the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by a Registration Statement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

"Registrable Securities" means (a) all of the Common Shares issued to the Purchasers pursuant to the Purchase Agreement, (b) all Warrant Shares (assuming on the date of determination the Warrants are exercised in full without regard to any exercise limitations therein), and (c) any securities issued or issuable upon any stock split, dividend or other distribution, recapitalization or similar event with respect to the foregoing; provided,however, that the Company shall not be required to maintain the effectiveness, or file another Registration Statement hereunder with respect to any Registrable Securities that are not subject to the current public information requirement under Rule 144 and that are eligible for resale without volume or manner-of-sale restrictions without current public information pursuant to Rule 144 promulgated by the Commission pursuant to a written opinion letter to such effect, addressed, delivered and acceptable to the Transfer Agent and the affected Holders.

"Registration Statement" means any registration statement required to be filed hereunder pursuant to Section 2 and any additional registration statements contemplated by Section 3(b), including (in each case) the Prospectus, amendments and supplements to any such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference or deemed to be incorporated by reference in any such registration statement.

"Rule 415" means Rule 415 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

"Rule 424" means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

"Selling Stockholder Questionnaire" shall have the meaning set forth in Section 3(a).

"SEC Guidance" means (i) any publicly-available written or oral guidance, comments, requirements or requests of the Commission staff and (ii) the Securities Act.

2. Registration.

On or prior to each Filing Date, the Company shall prepare and file with the Commission a Registration Statement covering the resale of all of the Registrable Securities that are not then registered on an effective Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415. Each Registration Statement filed hereunder shall be on Form S-3 (except if the Company is not then eligible to register for resale the Registrable Securities on Form S-3, in which case such registration shall be on another appropriate form in accordance herewith) and shall contain (unless otherwise directed by at least an 51% majority in interest of the Holders) substantially the "Plan of Distribution" attached hereto as Annex A. In the event the amount of Registrable Securities which may be included in the Registration Statement is limited due to SEC Guidance (provided that, the Company shall use diligent efforts to advocate with the Commission for the registration of all of the Registrable Securities in accordance with the SEC Guidance, including without limitation, the Manual of Publicly Available Telephone Interpretations D.29) the Company shall use commercially reasonable efforts to register such maximum portion of the Registrable Securities as permitted by SEC Guidance. Subject to the terms of this Agreement, the Company shall use commercially reasonable efforts to cause a Registration Statement to be declared effective under the Securities Act as promptly as possible after the filing thereof, and shall use commercially reasonable efforts to keep such Registration Statement continuously effective under the Securities Act the earlier of (i) one year from the date of this Agreement or (ii) until all Registrable Securities covered by such Registration Statement have been sold, or may be sold without volume or manner-of-sale restrictions pursuant to Rule 144, without the requirement for the Company to be in compliance with the current public information requirement under Rule 144 (the "Effectiveness Period"). The Company shall promptly notify the Holders via facsimile or by e-mail of the effectiveness of a Registration Statement by the Trading Day immediately following the day that the Company telephonically confirms effectiveness with the Commission, which shall be the date requested for effectiveness of such Registration Statement. The Company shall, by 5:30 p.m. New York City time on the Trading Day after the effective date of such Registration Statement, file a final Prospectus with the Commission as required by Rule 424. Notwithstanding any other provision of this Agreement, if any SEC Guidance sets forth a limitation on the number of Registrable Securities permitted to be registered on a particular Registration Statement (and notwithstanding that the Company used diligent efforts to advocate with the Commission for the registration of all or a greater portion of Registrable Securities), unless otherwise directed in writing by a Holder as to its Registrable Securities, the number of Registrable Securities to be registered on such Registration Statement will be reduced by and among the Holders and all of the holders of securities of the Company that have the right to be included in the Registration Statement on a pro rata basis. As among the Holders, if the amount of Registrable Securities to be to be included in the Registration Statement are to be so reduced, they shall first be reduced by Registrable Securities represented by Warrant Shares (applied, in the case that some Warrant Shares may be registered, to the Holders on a pro rata basis based on the total number of unregistered Warrant Shares held by such Holders), and second by Registrable Securities represented by the Common Shares purchased by the Purchasers pursuant to the Purchase Agreement. In the event of a cutback hereunder, the Company shall give the Holder at least 2 Trading Days prior written notice along with the calculations as to such Holder's allotment.

3. Registration Procedures.

In connection with the registration obligations hereunder:

(a) Each Holder agrees to furnish to the Company a completed questionnaire in the form attached to this Agreement as Annex B (a "Selling Stockholder Questionnaire") on the earlier of the date that is not less than three (3) Trading Days prior to the Filing Date or by the end of the third (3rd) Trading Day following the date.

(b) The Company shall use commercially reasonable efforts to (i) prepare and file with the Commission such amendments, including post-effective amendments, to a Registration Statement and the Prospectus used in connection therewith as may be necessary to keep a Registration Statement continuously effective as to the applicable Registrable Securities for the Effectiveness Period and prepare and file with the Commission such additional Registration Statements in order to register for resale under the Securities Act all of the Registrable Securities, (ii) cause the related Prospectus to be amended or supplemented by any required Prospectus supplement (subject to the terms of this Agreement), and, as so supplemented or amended, to be filed pursuant to Rule 424, (iii) respond as promptly as reasonably possible to any comments received from the Commission with respect to a Registration Statement or any amendment thereto and provide as promptly as reasonably possible to the Holders true and complete copies of all correspondence from and to the Commission relating to a Registration Statement (provided that, the Company may excise any information contained therein which would constitute material non-public information as to any Holder which has not executed a confidentiality agreement with the Company), and (iv) comply in all material respects with the provisions of the Securities Act and the Exchange Act with respect to the disposition of all Registrable Securities covered by a Registration Statement during the applicable period in accordance (subject to the terms of this Agreement) with the intended methods of disposition by the Holders thereof set forth in such Registration Statement as so amended or in such Prospectus as so supplemented.

(c) The Company shall notify the Holders of Registrable Securities to be sold (which notice shall, pursuant to clauses (iii) through (vi) hereof, be accompanied by an instruction to suspend the use of the Prospectus until the requisite changes have been made) as promptly as reasonably possible and (if requested by any such Person) confirm such notice in writing no later than one Trading Day following the day (i)(A) when a Prospectus or any Prospectus supplement or post-effective amendment to a Registration Statement is proposed to be filed, (B) when the Commission notifies the Company whether there will be a "review" of such Registration Statement and whenever the Commission comments in writing on such Registration Statement, and (C) with respect to a Registration Statement or any post-effective amendment, when the same has become effective, (ii) of any request by the Commission or any other federal or state governmental authority for amendments or supplements to a Registration Statement or Prospectus or for additional information, (iii) of the issuance by the Commission or any other federal or state governmental authority of any stop order suspending the effectiveness of a Registration Statement covering any or all of the Registrable Securities or the initiation of any Proceedings for that purpose; (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any Proceeding for such purpose, (v) of the occurrence of any event or passage of time that makes the financial statements included in a Registration Statement ineligible for inclusion therein or any statement made in a Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires any revisions to a Registration Statement, Prospectus or other documents so that, in the case of a Registration Statement or the Prospectus, as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and (vi) of the occurrence or existence of any pending corporate development with respect to the Company that the Company believes may be material and that, in the determination of the Company, makes it not in the best interest of the Company to allow continued availability of a Registration Statement or Prospectus, provided that, any and all of such information shall remain confidential to each Holder until such information otherwise becomes public, unless disclosure by a Holder is required by law; provided, further, that notwithstanding each Holder's agreement to keep such information confidential, each such Holder makes no acknowledgement that any such information is material, non-public information.

(d) The Company shall use commercially reasonable efforts to avoid the issuance of, or, if issued, obtain the withdrawal of (i) any order stopping or suspending the effectiveness of a Registration Statement, or (ii) any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, at the earliest practicable moment.

(e) The Company shall furnish to each Holder, without charge, at least one conformed copy of each such Registration Statement and each amendment thereto, including financial statements and schedules, all documents incorporated or deemed to be incorporated therein by reference to the extent requested by such Person, and all exhibits to the extent requested by such Person (including those previously furnished or incorporated by reference) promptly after the filing of such documents with the Commission; provided, that any such item which is available on the EDGAR system need not be furnished in physical form.

(f) Subject to the terms of this Agreement, the Company hereby consents to the use of such Prospectus and each amendment or supplement thereto by each of the selling Holders in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any amendment or supplement thereto, except after the giving of any notice pursuant to Section 3(c).

(g) Prior to any resale of Registrable Securities by a Holder, the Company use commercially reasonable efforts to register or qualify or cooperate with the selling Holders in connection with the registration or qualification (or exemption from the Registration or qualification) of such Registrable Securities for the resale by the Holder under the securities or Blue Sky laws of such jurisdictions within the United States as any Holder reasonably requests in writing, to keep each registration or qualification (or exemption therefrom) effective during the Effectiveness Period and to do any and all other acts or things reasonably necessary to enable the disposition in such jurisdictions of the Registrable Securities covered by each Registration Statement; provided, that, the Company shall not be required to qualify generally to do business in any jurisdiction where it is not then so qualified, subject the Company to any material tax in any such jurisdiction where it is not then so subject or file a general consent to service of process in any such jurisdiction.

(h) If the Company notifies the Holders in accordance with clauses (iii) through (vi) of Section 3(c) above to suspend the use of any Prospectus until the requisite changes to such Prospectus have been made, then the Holders shall suspend use of such Prospectus. The Company will use its best efforts to ensure that the use of the Prospectus may be resumed as promptly as is practicable. The Company shall be entitled to exercise its right under this Section 3(h) to suspend the availability of a Registration Statement and Prospectus, for a period not to exceed 120 calendar days (which need not be consecutive days) in any 12 month period.

(i) The Company shall use its best efforts to comply with all applicable rules and regulations of the Commission.

(j) The Company may require each selling Holder to furnish to the Company a certified statement as to the number of shares of Common Stock beneficially owned by such Holder and, if required by the Commission, the natural persons thereof that have voting and dispositive control over the shares, as a condition inclusion of a selling Holder's Registrable Securities in Registration Statement.

4. Registration Expenses.

All fees and expenses incident to the performance of or compliance with this Agreement by the Company shall be borne by the Company whether or not any Registrable Securities are sold pursuant to a Registration Statement. The fees and expenses referred to in the foregoing sentence shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses of the Company's counsel and independent registered public accountants) (A) with respect to filings made with the Commission, (B) with respect to filings required to be made with any Trading Market on which the Common Stock is then listed for trading, and (C) in compliance with applicable state securities or Blue Sky laws reasonably agreed to by the Company in writing (including, without limitation, fees and disbursements of counsel for the Company in connection with Blue Sky qualifications or exemptions of the Registrable Securities), (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities), (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for the Company, (v) Securities Act liability insurance, if the Company so desires such insurance, and (vi) fees and expenses of all other Persons retained by the Company in connection with the consummation of the transactions contemplated by this Agreement. In addition, the Company shall be responsible for all of its internal expenses incurred in connection with the consummation of the transactions contemplated by this Agreement (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit and the fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange as required hereunder. In no event shall the Company be responsible for any broker or similar commissions of any Holder or any legal or other advisor fees or other costs of the Holders.

5. Indemnification.

(a) Indemnification by the Company. The Company shall, notwithstanding any termination of this Agreement, indemnify and hold harmless each Holder, the officers, directors, members, partners and agents, investment advisors and employees (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title) of each of them, each Person who controls any such Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, members, stockholders, partners, agents and employees (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title) of each such controlling Person, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, costs (including, without limitation, reasonable attorneys' fees) and expenses (collectively, "Losses"), as incurred, arising out of or relating to (1) any untrue or alleged untrue statement of a material fact contained in a Registration Statement, any Prospectus or any form of prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading or (2) any violation or alleged violation by the Company of the Securities Act, the Exchange Act or any state securities law, or any rule or regulation thereunder, in connection with the performance of its obligations under this Agreement, except to the extent, but only to the extent, that (i) such untrue or alleged statements or omissions or alleged omissions are based upon information regarding such Holder furnished in writing to the Company by such Holder expressly for use therein, or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities and was reviewed and approved by such Holder expressly for use in a Registration Statement, such Prospectus or in any amendment or supplement thereto (it being understood that the Holder has approved Annex A hereto for this purpose) or (ii) in the case of an occurrence of an event of the type specified in Section 3(c)(iii)-(vi), the use by such Holder of an outdated or defective Prospectus after the Company has notified such Holder that the Prospectus is outdated or defective and prior to the receipt by such Holder of the Advice contemplated in Section 6(b). The Company shall notify the Holders promptly of the institution, threat or assertion of any Proceeding arising from or in connection with the transactions contemplated by this Agreement of which the Company is aware.

(b) Indemnification by Holders. Each Holder shall, severally and not jointly, indemnify and hold harmless the Company, its directors, officers, agents and employees, each Person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, agents or employees of such controlling Persons, to the fullest extent permitted by applicable law, from and against all Losses, as incurred, to the extent arising out of or based solely upon: (x) such Holder's failure to comply with the prospectus delivery requirements of the Securities Act or (y) any untrue or alleged untrue statement of a material fact contained in any Registration Statement, any Prospectus, or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading (i) to the extent, but only to the extent, that such untrue or alleged statement or omission or alleged omissions is contained in any information so furnished by such Holder to the Company for inclusion in such Registration Statement or such Prospectus or (ii) to the extent that such information relates to such Holder's proposed method of distribution of Registrable Securities and was reviewed and approved by such Holder for use in a Registration Statement (it being understood that the Holder has approved Annex A hereto for this purpose), such Prospectus or in any amendment or supplement thereto or (ii) in the case of an occurrence of an event of the type specified in Section 3(c)(iii)-(vi), the use by such Holder of an outdated or defective Prospectus after the Company has notified such Holder in writing that the Prospectus is outdated or defective and prior to the receipt by such Holder of the Advice contemplated in Section 6(b). In no event shall the liability of any selling Holder hereunder be greater in amount than the dollar amount of the proceeds received by such Holder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. If any Proceeding shall be brought or asserted against any Person entitled to indemnity hereunder (an "Indemnified Party"), such Indemnified Party shall promptly notify the Person from whom indemnity is sought (the "Indemnifying Party") in writing, and the Indemnifying Party shall have the right to assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all fees and expenses incurred in connection with defense thereof; provided, that, the failure of any Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations or liabilities pursuant to this Agreement, except (and only) to the extent that it shall be finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) that such failure shall have prejudiced the Indemnifying Party.

An Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless: (1) the Indemnifying Party has agreed in writing to pay such fees and expenses, (2) the Indemnifying Party shall have failed promptly to assume the defense of such Proceeding and to employ counsel reasonably satisfactory to such Indemnified Party in any such Proceeding, or (3) the named parties to any such Proceeding (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, and counsel to the Indemnified Party shall reasonably believe that a material conflict of interest is likely to exist if the same counsel were to represent such Indemnified Party and the Indemnifying Party (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense thereof and the reasonable fees and expenses of no more than one separate counsel for all Indemnified Parties shall be at the expense of the Indemnifying Party). The Indemnifying Party shall not be liable for any settlement of any such Proceeding effected without its written consent, which consent shall not be unreasonably withheld or delayed. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending Proceeding in respect of which any Indemnified Party is a party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding.

Subject to the terms of this Agreement, all reasonable fees and other reasonable out-of-pocket expenses of the Indemnified Party (including reasonable fees and other reasonable out-of-pocket expenses to the extent incurred in connection with investigating or preparing to defend such Proceeding in a manner not inconsistent with this Section) shall be paid to the Indemnified Party, as incurred, within thirty (30) Trading Days of written notice and written evidence of the incurrence of fees and expenses thereof to the Indemnifying Party; provided, that, the Indemnified Party shall promptly reimburse the Indemnifying Party for that portion of such fees and expenses applicable to such actions for which such Indemnified Party is judicially determined not to be entitled to indemnification hereunder.

(d) Contribution. If the indemnification under Section 5(a) or 5(b) is unavailable to an Indemnified Party or insufficient to hold an Indemnified Party harmless for any Losses, then each Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in this Agreement, any reasonable attorneys' or other fees or expenses incurred by such party in connection with any Proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Section was available to such party in accordance with its terms.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 5(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 5(d), no Holder shall be required to contribute, in the aggregate, any amount in excess of the amount by which the proceeds actually received by such Holder from the sale of the Registrable Securities subject to the Proceeding exceeds the amount of any damages that such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

The indemnity and contribution agreements contained in this Section are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties.

6. Miscellaneous.

(a) Compliance. Each Holder covenants and agrees that it will comply with the prospectus delivery requirements of the Securities Act as applicable to it in connection with sales of Registrable Securities pursuant to a Registration Statement.

(b) Discontinued Disposition. By its acquisition of Registrable Securities, each Holder agrees that, upon receipt of a notice from the Company of the occurrence of any event of the kind described in Section 3(c)(iii) through (vi), such Holder will forthwith discontinue disposition of such Registrable Securities under a Registration Statement until it is advised in writing (the "Advice") by the Company that the use of the applicable Prospectus (as it may have been supplemented or amended) may be resumed. The Company will use commercially reasonable efforts to ensure that the use of the Prospectus may be resumed as promptly as is practicable.

(c) Piggy-Back Registrations. If, at any time during the Effectiveness Period, there is not an effective Registration Statement covering all of the Registrable Securities and the Company shall determine to prepare and file with the Commission a registration statement relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities, other than on Form S-4 or Form S-8 (each as promulgated under the Securities Act) or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with the Company's stock option or other employee benefit plans, then the Company shall deliver to each Holder a written notice of such determination and, if within five (5) days after the date of the delivery of such notice, any such Holder shall so request in writing, the Company shall include in such registration statement all or any part of such Registrable Securities such Holder requests to be registered; provided, however, that the Company shall not be required to register any Registrable Securities pursuant to this Section 6(c) that are eligible for resale pursuant to Rule 144 promulgated by the Commission pursuant to the Securities Act or that are the subject of a then effective Registration Statement; provided further, that the Company may reduce the number of Registrable Securities included in a registration statement under this Section 6(c) (i) in the manner contemplated by the penultimate sentence of Section 2, or (ii) if the managing underwriter or underwriters of an offering to which such registration statement relates advises the Company that the number of shares included in the registration statement exceeds the number which can be effectively marketed or such inclusion would adversely affect such offering.

(d) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the same shall be in writing and signed by the Company and the Holders of 50.1% or more of the then outstanding Registrable Securities (including, for this purpose any Registrable Securities issuable upon exercise or conversion of any Security). If a Registration Statement does not register all of the Registrable Securities pursuant to a waiver or amendment done in compliance with the previous sentence, then the number of Registrable Securities to be registered for each Holder shall be reduced pro rata among all Holders and each Holder shall have the right to designate which of its Registrable Securities shall be omitted from such Registration Statement. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of a Holder or some Holders and that does not directly or indirectly affect the rights of other Holders may be given by such Holder or Holders of all of the Registrable Securities to which such waiver or consent relates; provided, however, that the provisions of this sentence may not be amended, modified, or supplemented except in accordance with the provisions of the first sentence of this Section 6(d).

(e) Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be delivered as set forth in the Purchase Agreement.

(f) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties and shall inure to the benefit of each Holder. The Company may not assign (except by merger) its rights or obligations hereunder without the prior written consent of all of the Holders of the then outstanding Registrable Securities. Each Holder may assign their respective rights hereunder in the manner and to the Persons as permitted under the Purchase Agreement.

(g) No Inconsistent Agreements. Neither the Company nor any of its Subsidiaries has entered, as of the date hereof, nor shall the Company or any of its Subsidiaries, on or after the date of this Agreement, enter into any agreement with respect to its securities, that would have the effect of impairing the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof.

(h) Execution and Counterparts. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

(i) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be determined in accordance with the provisions of the Purchase Agreement.

(j) Cumulative Remedies. The remedies provided herein are cumulative and not exclusive of any other remedies provided by law.

(k) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(l) Headings. The headings in this Agreement are for convenience only, do not constitute a part of the Agreement and shall not be deemed to limit or affect any of the provisions hereof.

(m) Independent Nature of Holders' Obligations and Rights. The obligations of each Holder hereunder are several and not joint with the obligations of any other Holder hereunder, and no Holder shall be responsible in any way for the performance of the obligations of any other Holder hereunder. Nothing contained herein or in any other agreement or document delivered at any closing, and no action taken by any Holder pursuant hereto or thereto, shall be deemed to constitute the Holders as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Holders are in any way acting in concert with respect to such obligations or the transactions contemplated by this Agreement. Each Holder shall be entitled to protect and enforce its rights, including without limitation the rights arising out of this Agreement, and it shall not be necessary for any other Holder to be joined as an additional party in any proceeding for such purpose.

****

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties have executed this Registration Rights Agreement as of the date first written above.

XCEL BRANDS, INC.

By: /s/ Robert D'Loren
Name: Robert D'Loren
Title: Chief Executive Officer

[SIGNATURE PAGE OF HOLDERS FOLLOWS]

Name of Holder: _____

Signature of Authorized Signatory of Holder: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

[SIGNATURE PAGES CONTINUE]

Annex A

Plan of Distribution

Each Selling Stockholder (the "Selling Stockholders") of the common stock and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of common stock on the OTC Pink Sheets or any other stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. A Selling Stockholder may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales entered into after the effective date of the registration statement of which this prospectus is a part;
- broker-dealers may agree with the Selling Stockholders to sell a specified number of such shares at a stipulated price per share;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The Selling Stockholders may also sell shares under Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"), if available, rather than under this prospectus.

Broker-dealers engaged by the Selling Stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this Prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with FINRA NASD Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with NASD IM-2440.

In connection with the sale of the common stock or interests therein, the Selling Stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the common stock in the course of hedging the positions they assume. The Selling Stockholders may also sell shares of the common stock short and deliver these securities to close out their short positions, or loan or pledge the common stock to broker-dealers that in turn may sell these securities. The Selling Stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The Selling Stockholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each Selling Stockholder has informed the Company that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the Common Stock. In no event shall any broker-dealer receive fees, commissions and markups which, in the aggregate, would exceed eight percent (8%).

The Company is required to pay certain fees and expenses incurred by the Company incident to the registration of the shares. The Company has agreed to indemnify the Selling Stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

Because Selling Stockholders may be deemed to be "underwriters" within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act including Rule 172 thereunder. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. There is no underwriter or coordinating broker acting in connection with the proposed sale of the resale shares by the Selling Stockholders.

We agreed to keep this prospectus effective until the earlier of (i) the date on which the shares have been resold, or (ii) may be resold without regard to any volume or manner-of-sale restrictions pursuant to Rule 144, without the requirement for the Company to be in compliance with the current public information under Rule 144 under the Securities Act or any other rule of similar effect. The resale shares will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale shares may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the Selling Stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of shares of the common stock by the Selling Stockholders or any other person. We will make copies of this prospectus available to the Selling Stockholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

Annex B

XCEL BRANDS, INC.

Selling Stockholder Notice and Questionnaire

The undersigned beneficial owner of common stock (the "Registrable Securities") of Xcel Brands, Inc., a Delaware corporation (the "Company"), understands that the Company has filed or intends to file with the Securities and Exchange Commission (the "Commission") a registration statement (the "Registration Statement") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Registrable Securities, in accordance with the terms of the Registration Rights Agreement (the "Registration Rights Agreement") to which this document is annexed. A copy of the Registration Rights Agreement is available from the Company upon request at the address set forth below. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

Certain legal consequences arise from being named as a selling stockholder in the Registration Statement and the related prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling stockholder in the Registration Statement and the related prospectus.

NOTICE

The undersigned beneficial owner (the "Selling Stockholder") of Registrable Securities hereby elects to include the Registrable Securities owned by it in the Registration Statement.

The undersigned hereby provides the following information to the Company and represents and warrants that such information is accurate:

QUESTIONNAIRE

1. Name.

(a) Full Legal Name of Selling Stockholder

_____

(b) Full Legal Name of Registered Holder (if not the same as (a) above) through which Registrable Securities are held:

_____

(c) Full Legal Name of Natural Control Person (which means a natural person who directly or indirectly alone or with others has power to vote or dispose of the securities covered by this Questionnaire):

_____

2. Address for Notices to Selling Stockholder:

_____

_____

_____

Telephone: _____

Fax: _____

Contact Person: _____

3. Broker-Dealer Status:

(a) Are you a broker-dealer?

Yes ☐ No ☐

(b) If "yes" to Section 3(a), did you receive your Registrable Securities as compensation for investment banking services to the Company?

Yes ☐ No ☐

Note: If "no" to Section 3(b), the Commission's staff has indicated that you should be identified as an underwriter in the Registration Statement.

(c) Are you an affiliate of a broker-dealer?

Yes ☐ No ☐

(d) If you are an affiliate of a broker-dealer, do you certify that you purchased the Registrable Securities in the ordinary course of business, and at the time of the purchase of the Registrable Securities to be resold, you had no agreements or understandings, directly or indirectly, with any person to distribute the Registrable Securities?

Yes ☐ No ☐

Note: If "no" to Section 3(d), the Commission's staff has indicated that you should be identified as an underwriter in the Registration Statement.

4. Beneficial Ownership of Securities of the Company Owned by the Selling Stockholder.

Except as set forth below in this Item 4, the undersigned is not the beneficial or registered owner of any securities of the Company other than the securities issuable pursuant to the Purchase Agreement.

(a) Type and Amount of other securities beneficially owned by the Selling Stockholder:

_____

_____

5. Relationships with the Company:

Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equity holders (owners of 5% of more of the equity securities of the undersigned) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

State any exceptions here:

_____

_____

The undersigned agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Registration Statement remains effective.

By signing below, the undersigned consents to the disclosure of the information contained herein in its answers to Items 1 through 5 and the inclusion of such information in the Registration Statement and the related prospectus and any amendments or supplements thereto. The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Registration Statement and the related prospectus.

IN WITNESS WHEREOF the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Date: _____ Beneficial Owner: _____

By: _____
Name:
Title:

PLEASE FAX A COPY OF THE COMPLETED AND EXECUTED NOTICE AND QUESTIONNAIRE, AND RETURN THE ORIGINAL BY OVERNIGHT MAIL, TO:

THIS WARRANT AND THE SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") IN RELIANCE UPON THE EXEMPTIONS CONTAINED IN THE ACT. THIS WARRANT AND ANY SHARES ISSUED UPON EXERCISE OF THIS WARRANT MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE DISPOSED OF UNLESS (i) REGISTERED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS; (ii) PURSUANT TO RULE 144 UNDER SUCH ACT (OR ANY SIMILAR RULE UNDER SUCH ACT RELATING TO THE DISPOSITION OF SECURITIES); OR (iii) THE CORPORATION HAS RECEIVED AN OPINION OF COUNSEL ACCEPTABLE TO THE CORPORATION THAT SUCH REGISTRATION IS NOT REQUIRED.

XCEL BRANDS, INC.

Warrant

_____ Shares of Common Stock

Warrant Number: XB-001

Issue Date: September 29, 2011

THIS CERTIFIES that, for value received, _____ (the "Holder"), is entitled to subscribe for and purchase from XCEL BRANDS, INC., a Delaware corporation (the "Corporation"), on the terms and conditions set forth herein, _____shares of fully paid and nonassessable common stock ("Common Stock") of the Corporation. This warrant and any warrant or warrants subsequently issued upon exchange hereof are hereinafter collectively referred to as the "Warrant".

Section 1. Exercise of Warrant.

1.1. Exercise Price; Term. The price of the shares of Common Stock purchasable pursuant to this Warrant shall be $5.00 per share, subject to adjustment pursuant to Section 3 below (such price, as adjusted from time to time, being hereinafter referred to as the "Exercise Price"). This Warrant shall become exercisable on the Issue Date set forth above. This Warrant shall expire at 5:00 p.m., New York time, on September 29, 2021 (the “Expiration Date”), subject to earlier expiration as set forth below.

If the Holder ceases to be employed by the Corporation or otherwise provide services to the Corporation for any reason other than death or termination for Cause (as defined in the employment agreement between the Corporation and Holder dated _____, 2011, hereinafter referred to as “Employment Agreement”), the Warrant may be exercised within ninety (90) days after the date the Holder ceases to be an employee, director, consultant or other service provider, or within ten (10) years from the granting of the Warrant, whichever is earlier, but may not be exercised thereafter. In such event, the Warrant shall be exercisable only to the extent that the right to purchase shares under this Warrant has accrued and is in effect at the date of such cessation of employment or provision of service.

In the event of the death of the Holder while an employee or director of, or consultant or service provider to, the Corporation or within ninety (90) days after the termination of employment or service as a consultant or otherwise (in any case, other than termination for Cause or without the consent of the Corporation), the Warrant shall be exercisable to the extent exercisable but not exercised as of the date of death and in such event, the Warrant must be exercised, if at all, within one (1) year after the date of death of the Holder or, if earlier, within the originally prescribed term of the Warrant.

If the Holder ceases to be employed by the Corporation or ceases to provide services to the Corporation, in any case, for Cause, the Holder's right to exercise any unexercised portion of this Warrant shall thereupon terminate.

1.2. Exercise of Warrant. This Warrant may be exercised in whole or in part (to the extent that it is exercisable in accordance with its terms) by giving written notice to the Corporation at its principal executive office, together with the tender, by cash or check, of the Exercise Price of the shares of Common Stock covered by this Warrant. Such written notice shall be signed by the person exercising this Warrant, shall state the number of shares of Common Stock with respect to which this Warrant is being exercised, shall contain any warranty required by Section 7 below and shall otherwise comply with the terms and conditions of this Warrant. The Corporation shall pay all original issue taxes with respect to the issue of the shares of Common Stock pursuant hereto and all other fees and expenses necessarily incurred by the Corporation in connection herewith. Except as specifically set forth herein, the holder of this Warrant acknowledges that any income or other taxes due from him with respect to this Warrant or the shares of Common Stock issuable pursuant to this Warrant shall be the responsibility of the holder.

1.3. No Redemption; Issuance of Securities. This Warrant will not be subject to call or redemption by the Corporation. Upon the exercise of this Warrant, a certificate or certificates ("Warrant Certificate") for the shares of Common Stock so purchased, registered in the name of the Holder, shall be delivered to the Holder within a reasonable time, not exceeding five (5) business days, after exercise and, unless this Warrant has expired, a new Warrant representing the number of shares (except a remaining fractional share), if any, with respect to which this Warrant shall not then have been exercised shall also be issued to the Holder within such time. The Holder shall for all purposes be deemed to have become the holder of record of the shares issued upon exercise of this Warrant on the date on which the Warrant was surrendered and payment of the Exercise Price and any applicable taxes was made, except that, if the date of such surrender and payment is a date on which the stock transfer books of the Corporation are closed, the Holder shall be deemed to have become the holder of such shares at the close of business on the next succeeding date on which the stock transfer books are open.

Section 2. Adjustment of Number of Shares Subject to Warrant. Upon any adjustment of the Exercise Price pursuant to Section 3 hereof, the Holder shall thereafter be entitled to purchase, at the adjusted Exercise Price, the number of shares (calculated to the nearest tenth of a share) obtained by multiplying the Exercise Price in effect immediately prior to such adjustment by the number of shares purchasable pursuant hereto immediately prior to such adjustment and dividing the product thereof by the Exercise Price resulting from such adjustment.

Section 3. Adjustment of Exercise Price.

3.1. If the Corporation shall split, subdivide or combine its Common Stock, the Exercise Price shall be proportionately decreased in the case of a split or subdivision or increased in the case of a combination.

3.2. If the Corporation shall pay a dividend with respect to the Common Stock or make any other distribution with respect to the Common Stock, except any distribution specifically provided for in Section 4 below, payable in shares of Common Stock, then the Exercise Price shall be adjusted, from and after the date of determination of the stockholders entitled to receive such dividend or distribution, to that price determined by multiplying the Exercise Price in effect immediately prior to such date of determination by a fraction (i) the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution, and (ii) the denominator of which shall be the total number of shares of Common Stock outstanding immediately after such dividend or distribution.

Section 4. Reclassification, Merger, etc. In the case of any reclassification of the Common Stock or in the case of any consolidation or merger of the Corporation with or into another corporation (other than a merger with another corporation in which the Corporation is the surviving corporation and which does not result in any reclassification of the Common Stock) or in the case of any sale of all or substantially all of the assets of the Corporation, then the Corporation, or such successor or purchasing corporation, as the case may be, shall execute a new Warrant Certificate, providing that the Holder shall have the right to exercise such new Warrant and upon such exercise to receive, in lieu of each share of Common Stock theretofore issuable upon exercise of this Warrant, the number and kind of shares of stock, other securities, money or property receivable upon such reclassification, change, consolidation or merger by a holder of shares of the Common Stock with respect to one share of Common Stock. Such new Warrant Certificate shall provide for adjustments which shall be identical to the adjustments provided for herein. The provisions of this Section 4 shall similarly apply to successive reclassifications, changes, consolidations or mergers.

Section 5. Stock to Be Reserved. The Corporation will at all times reserve and keep available out of its authorized Common Stock or its treasury shares, solely for the purpose of issue upon the exercise of this Warrant as herein provided, such number of shares of Common Stock as shall then be issuable upon the exercise of this Warrant. The Corporation covenants that all shares of Common Stock which shall be so issued shall be duly and validly issued and fully paid and nonassessable and free from all taxes, liens and charges with respect to the issue thereof.

Section 6. No Stockholder Rights or Liabilities. This Warrant shall not entitle the Holder to any voting rights or other rights as a stockholder of the Corporation. No provision hereof, in the absence of affirmative action by the Holder to purchase shares of Common Stock, and no mere enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the Exercise Price or as a stockholder of the Corporation, whether such liability is asserted by the Corporation or by creditors of the Corporation. The holder of this Warrant shall have rights as a stockholder of the Corporation only with respect to any shares of Common Stock covered by the Warrant after due exercise of the Warrant and tender of the full purchase price for the shares of Common Stock being purchased pursuant to such exercise.

Section 7. Investment Representation and Legend. The Holder, by acceptance of this Warrant, represents and warrants to the Corporation that the Holder is receiving the Warrant and, unless at the time of exercise a registration statement under the Act is effective with respect to such shares, upon the exercise hereof will acquire the shares of Common Stock issuable upon such exercise, for investment purposes only and not with a view towards the resale or other distribution thereof except pursuant to an effective registration statement under the Act or an applicable exemption from registration under the Act. The Holder also hereby agrees that the Holder shall not sell, transfer by any means or otherwise dispose of the Warrant or the shares of Common Stock issuable upon exercise of the Warrant without registration under the Act unless in the opinion of counsel reasonably acceptable to the Corporation such proposed sale or transfer is exempt from the registration provisions of the Act.

The Holder, by acceptance of this Warrant, agrees that the Corporation may affix, unless the shares subject to this Warrant are registered at the time of exercise, a legend to the Warrant Certificates for shares of Common Stock issued upon exercise of this Warrant in substantially the following form:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THE SHARES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE DISPOSED OF UNLESS (i) REGISTERED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS; (ii) PURSUANT TO RULE 144 UNDER SUCH ACT (OR ANY SIMILAR RULE UNDER SUCH ACT RELATING TO THE DISPOSITION OF SECURITIES); OR (iii) THE CORPORATION HAS RECEIVED AN OPINION OF COUNSEL ACCEPTABLE TO THE CORPORATION THAT SUCH REGISTRATION IS NOT REQUIRED.

If deemed necessary by the Corporation, it shall have received an opinion of its counsel that the shares of Common Stock may be issued upon such particular exercise in compliance with the Act without registration thereunder. Without limiting the generality of the foregoing, the Corporation may delay issuance of the shares until completion of any action or obtaining of any consent, which the Corporation deems necessary under any applicable law (including without limitation state securities or “blue sky” laws).

Section 8. Lost, Stolen, Mutilated or Destroyed Warrant. If this Warrant is lost, stolen, mutilated or destroyed, the Corporation may, on such terms as to indemnity or otherwise as it may in its discretion reasonably impose (which shall, in the case of a mutilated Warrant, include the surrender thereof), issue a new Warrant of like denomination and tenor as the Warrant so lost, stolen, mutilated or destroyed.

Section 9. Successors. All the covenants and provisions of this Agreement shall be binding upon and inure to the benefit of the Corporation, the Holders and their respective successors and assigns hereunder.

Section 10. Piggyback Registration.

10.1. If at any time prior to the Expiration Date, the Corporation proposes to prepare and file with the Securities and Exchange Commission a registration statement covering equity or debt securities of the Corporation, or any such securities of the Corporation held by its shareholders, other than in connection with a merger, acquisition or pursuant to a registration statement on Form S-4 or Form S-8 or any successor form (for purposes of this Section 1, collectively, a "Piggyback Registration Statement"), the Corporation will give written notice of its intention to do so by registered or certified mail ("Notice"), at least 15 days prior to the filing of each such Piggyback Registration Statement, to Holder. Upon the written request of Holder, made within five (5) days after receipt of the Notice, that the Corporation include any of the shares issuable and issued pursuant to this Warrant ("Registrable Shares") in the Piggyback Registration Statement, the Corporation shall, include the Registrable Shares which it has been so requested to register Piggyback Registration Statement ("Piggyback Registration"), at the Corporation's sole cost and expense and at no cost or expense to Holder (other than any underwriting or other commissions, discounts or fees of any counsel or advisor to Holder which shall be payable by Holder); provided, however, that if, the Piggyback Registration is in connection with an underwritten public offering and in the written opinion of the Corporation's underwriter or managing underwriter of the underwriting group, if any, for such offering, the inclusion of all or a portion of the Registrable Shares requested to be registered, when added to the securities being registered by the Corporation or the selling stockholder(s), if any, will exceed the maximum amount of the Corporation's securities which can be marketed (i) at a price reasonably related to their then current market value, or (ii) without otherwise having a material adverse effect on the entire offering, then the Corporation may, subject to the allocation priority set forth in the next paragraph, exclude from such offering all or a portion of the Registrable Shares which it has been requested to register. Without limiting the generality of the foregoing, such underwriter or managing underwriter may condition its consent to the inclusion of all or a portion of the Registrable Shares requested to be registered upon the participation by Holder in the underwritten public offering on the terms and conditions thereof.

10.2. If securities are proposed to be offered for sale pursuant to such Piggyback Registration Statement by other security holders of the Corporation and the total number of the Registrable Shares to be offered by Holder and such other selling security holders is required to be reduced pursuant to a request from the underwriter or managing underwriter (which request shall be made only for the reasons and in the manner set forth above), the aggregate number of Registrable Shares to be offered by Holder pursuant to such Piggyback Registration Statement shall equal the number which bears the same ratio to the maximum number of securities that the underwriter or managing underwriter believes may be included for all the selling security holders (including Holder), as the original number of securities proposed to be sold by Holder bears to the total original number of securities proposed to be offered by Holder and the other selling securityholders.

10.3. Notwithstanding the preceding provisions of this Section 10, the Corporation shall have the right at any time after it shall have given written notice pursuant to this Section 10 (irrespective of whether any written request for inclusion of such securities shall have already been made) to elect not to file any proposed Piggyback Registration Statement filed pursuant to this Section 10, or to withdraw the same after the filing but prior to the effective date thereof.

Section 11. Cashless Exercise. The aggregate Exercise Price of the shares of Common Stock purchasable pursuant to this Warrant may also, in the sole discretion of the Holder, be paid in full or in part a "cashless exercise" at the election of the Holder in which the Holder shall be entitled to receive a new Warrant Certificate for the number of shares of the Common Stock equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the Market Price 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, "Market Price" 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 Stock Market or another national securities exchange, the last sale price of the Common Stock for such date (or the nearest preceding date) on such national securities exchange 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); (b) if the Common Stock is not traded on the Nasdaq Stock Market or another national securities exchange, the last sale price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board; (c) if the Common Stock is not then listed or quoted for trading on a national securities exchange or the OTC Bulletin Board and if prices for the Common Stock are then reported in the "Pink Sheets" published by Pink Sheets, 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 (d) 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 Corporation.

Section 12. Governing Law. This Warrant shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be construed in accordance with the laws of the said State without giving effect to the rules of said State governing the conflicts of law.

Section 13. Transferability. Subject to compliance with the provisions of Section 7 hereof, this Warrant may be transferred by the Holder only with the written consent of the Corporation to the transfer.

Section 14. Notices. All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been duly made when delivered, or mailed by registered or certified mail, return receipt requested:

(a) If to a registered Holder of this Warrant, to the address of such Holder as shown on the books of the Corporation; or

(b) If to the Corporation, to the address of the Corporation's principal executive office as disclosed in the periodic filings made by the Corporation with the United States Securities and Exchange Commission or such other address as the Corporation may designate by notice to the Holder.

IN WITNESS WHEREOF, the Corporation has executed this Warrant by its authorized signatory.

XCEL BRANDS, INC.

By: _____
Name:
Title:

[FORM OF ELECTION TO PURCHASE]

The undersigned hereby irrevocably elects to exercise the right, represented by this Warrant, to purchase _____ shares of the Common Stock of XCel Brands, Inc. or any successor corporation (the "Corporation") and herewith tenders, in payment for such shares, cash or a check payable to the order of _____, in the amount of $_____ in accordance with the terms hereof. The undersigned requests that a certificate for such shares be registered in the name of _____ whose address is _____, and that such certificate be delivered to _____, whose address is _____.

Dated:

Signature: _____

(Signature must conform in all respects to name of holder as specified on the face of the Warrant Certificate.)

_____

_____
(Insert Social Security or other
Identifying number of Holder)

NON-QUALIFIED STOCK OPTION AGREEMENT

XCEL BRANDS, INC.

AGREEMENT made as of the _____day of ____ 2011 (the "Grant Date") between XCel Brands, Inc. (the "Company"), a Delaware corporation, having a principal place of business in New York, New York and _____ (the "Grantee") residing at _____.

WHEREAS, the Company desires to grant to the Grantee a non-qualified option ("Option") to purchase _____ shares of its common stock (the "Common Stock");

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the parties hereto agree as follows:

1. Grant of Option. The Company hereby grants to the Grantee the right and Option to purchase all or any part of an aggregate of _____ shares of its Common Stock (the "Shares"), on the terms and conditions and subject to all the limitations set forth herein.

2. Purchase Price. The purchase price of the Shares covered by the Option (the "Purchase Price") shall be $_____ per share.

3. Exercise of Option. The Option granted hereby shall become exercisable as to (i) one third of the Shares on the Grant Date, and (ii) an additional one third on each of the following two anniversaries of the Grant Date.

4. Term of Option. The Option shall terminate five (5) years from the date of this Agreement, but shall be subject to earlier termination as provided herein.

5. Non-Assignability. Except as set forth in this Section 5, without the written consent of the Company (which will not be unreasonably withheld, taking into account, among other considerations, the nature of the Company's business), the Option shall not be transferable by the Grantee otherwise than by will or the laws of descent and distribution. The Grantee may transfer this Option (i) through one or more successive gifts or a domestic relations order, to a family member, or (ii) to an entity in which more than 50% of the voting interests are owned by family members (or the Grantee) in exchange for an interest in that entity. A "family member", for purposes of this Section 5, includes any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the employee's household (other than a tenant or employee), a trust in which these persons have more than 50% of the beneficial interest, a foundation in which these persons (or the Grantee) control the management of assets, and any other entity in which these persons (or the Grantee) own more than 50% of the voting interests.

6. Exercise of Option and Issue of Shares.

(a) The Option may be exercised in whole or in part (to the extent that it is exercisable in accordance with its terms) by giving written notice to the Company, together with the tender of the Purchase Price of the Shares covered by the Option. Such written notice shall be signed by the person exercising the Option, shall state the number of Shares with respect to which the Option is being exercised, shall contain any warranty required by Section 10 below and shall otherwise comply with the terms and conditions of this Agreement. The Company shall pay all original issue taxes with respect to the issue of the Shares pursuant hereto and all other fees and expenses necessarily incurred by the Company in connection herewith. Except as specifically set forth herein, the Grantee or other holder of this Option acknowledges that any income or other taxes due from him with respect to this Option or the Shares issuable pursuant to this Option shall be the responsibility of the holder. The holder of this Option shall have rights as a stockholder only with respect to any Shares covered by the Option after due exercise of the Option and tender of the full Purchase Price for the Shares being purchased pursuant to such exercise.

(b) The Grantee may, at its option, exchange the Options represented by this Option, in whole or in part (a "Option Exchange"), into the number of Shares determined in accordance with this Section 6(b), by surrendering this Option at the principal office of the Company or at the office of the transfer agent, accompanied by a notice stating such Grantee's intent to effect such exchange, the number of Shares to be exchanged and the date on which the Grantee requests that such Option Exchange occur (the "Notice of Exchange"). The Option Exchange shall take place on the date specified in the Notice of Exchange or, if later, the date the Notice of Exchange is received by the Company (the "Exchange Date"). Certificates for the Shares issuable upon such Option Exchange and, if applicable, a new Option certificate (a "Remainder Option Certificate") of like tenor evidencing the Option which was subject to the surrendered Option and not included in the Option Exchange, shall be issued as of the Exchange Date and delivered to the Grantee. In connection with any Option Exchange, the Grantee's Option shall represent the right to subscribe for and acquire (I) the number of Shares (rounded to the next highest integer) equal to (A) the number of Shares specified by the Grantee in its Notice of Exchange (the "Total Share Number") less (B) the number of Shares equal to the quotient obtained by dividing (i) the product of the Total Share Number and the existing Purchase Price per Share by (ii) the current Market Price (as hereinafter defined) of a share of Common Stock, and (II) a Remainder Option Certificate representing an option to purchase a number of Shares equal to the number of Shares covered by this Option minus the Total Share Number, if applicable. For purposes of this Option, "Market Price" 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 Stock Market or another national stock exchange, the last sale price of the Common Stock for such date (or the nearest preceding date) on such national securities exchange 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); (b) if the Common Stock is not traded on the Nasdaq Stock Market or another national securities exchange, the last sale price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board; (c) if the Common Stock is not then listed or quoted for trading on a national securities exchange or the OTC Bulletin Board and if prices for the Common Stock are then reported in the "Pink Sheets" published by Pink Sheets, 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 (d) 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.

7. Adjustment of Number of Shares Subject to Option. Upon any adjustment of the Purchase Price pursuant to Section 8 hereof, the Grantee shall thereafter be entitled to purchase, at the adjusted Purchase Price, the number of shares (calculated to the nearest tenth of a share) obtained by multiplying the Purchase Price in effect immediately prior to such adjustment by the number of shares purchasable pursuant hereto immediately prior to such adjustment and dividing the product thereof by the Purchase Price resulting from such adjustment.

8. Adjustment of Purchase Price.

8.1 If the Company shall split, subdivide or combine its Common Stock, the Purchase Price shall be proportionately decreased in the case of a split or subdivision or increased in the case of a combination.

8.2 If the Company shall pay a dividend with respect to the Common Stock or make any other distribution with respect to the Common Stock, except any distribution specifically provided for in Section 9 below, payable in shares of Common Stock, then the Purchase Price shall be adjusted, from and after the date of determination of the stockholders entitled to receive such dividend or distribution, to that price determined by multiplying the Purchase Price in effect immediately prior to such date of determination by a fraction (i) the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution, and (ii) the denominator of which shall be the total number of shares of Common Stock outstanding immediately after such dividend or distribution.

9. Reclassification, Merger, etc. In the case of any reclassification of the Common Stock or in the case of any consolidation or merger of the Company with or into another corporation (other than a merger with another corporation in which the Company is the surviving corporation and which does not result in any reclassification of the Common Stock) or in the case of any sale of all or substantially all of the assets of the Company, then the Company, or such successor or purchasing corporation, as the case may be, shall execute a new Option certificate, providing that the Grantee shall have the right to exercise such new Option and upon such exercise to receive, in lieu of each share of Common Stock theretofore issuable upon exercise of this Option, the number and kind of shares of stock, other securities, money or property receivable upon such reclassification, change, consolidation or merger by a holder of shares of the Common Stock with respect to one share of Common Stock. Such new Option certificate shall provide for adjustments which shall be identical to the adjustments provided for herein. The provisions of this Section 9 shall similarly apply to successive reclassifications, changes, consolidations or mergers.

10. Purchase for Investment. Unless the offering and sale of the Shares to be issued upon the particular exercise of the Option shall have effectively registered under the Securities Act of 1933, as now in force or hereafter amended, or any successor legislation (the "Act"), the Company shall be under no obligation to issue the Shares covered by such exercise unless and until the following conditions have been fulfilled:

(a) The person(s) who exercise the Option shall warrant to the Company, at the time of such exercise, that such person(s) are acquiring such Shares for his or her own account, for investment and not with a view to, or for sale in connection with, the distribution of any such Shares, in which event the person(s) acquiring such Shares shall be bound by the provisions of the following legend or a substantially similar legend which shall be endorsed upon the certificate(s) evidencing their Shares issued pursuant to such exercise:

"The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "Act"). Such shares may not be sold, transferred or otherwise disposed of unless they have first been registered under the Act or, unless, in the opinion of counsel satisfactory to the Company's counsel, such registration is not required."

(b) If deemed necessary by the Company, it shall have received an opinion of its counsel that the Shares may be issued upon such particular exercise in compliance with the Act without registration thereunder. Without limiting the generality of the foregoing, the Company may delay issuance of the Shares until completion of any action or obtaining of any consent, which the Company deems necessary under any applicable law (including without limitation state securities or "blue sky" laws).

11. Notices. Any notices required or permitted by the terms of this Agreement shall be given by registered or certified mail, return receipt requested, addressed as follows:

To the Company: c/o XCel Brands, Inc.
475 10th Avenue, 4th Floor
New York, New York 10018
Attention: Chief Executive Officer

To the Grantee: _____
_____
_____
_____

or to such other address or addresses of which notice in the same manner has previously been given. Any such notice shall be deemed to have been given when mailed in accordance with the foregoing provisions. Either party hereto may change the addresses to which notices hereunder may be given by providing the other party hereto with written notice of such change.

12. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware.

13. Benefit of Agreement. This Agreement shall be for the benefit of and shall be binding upon the heirs, executors, administrators and successors of the parties hereto.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer, and the Grantee has hereunto set his hand, all as of the day and year first above written.

XCel Brands, Inc.

By: _____
Name:
Title:

By: _____
Name: _____, Grantee

THIS WARRANT AND THE SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") IN RELIANCE UPON THE EXEMPTIONS CONTAINED IN THE ACT. THIS WARRANT AND ANY SHARES ISSUED UPON EXERCISE OF THIS WARRANT MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE DISPOSED OF UNLESS (i) REGISTERED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS; (ii) PURSUANT TO RULE 144 UNDER SUCH ACT (OR ANY SIMILAR RULE UNDER SUCH ACT RELATING TO THE DISPOSITION OF SECURITIES); OR (iii) THE CORPORATION HAS RECEIVED AN OPINION OF COUNSEL ACCEPTABLE TO THE CORPORATION THAT SUCH REGISTRATION IS NOT REQUIRED.

XCEL BRANDS, INC.

Warrant

100,000 Shares of Common Stock

Warrant Number: XB-005

Issue Date: September 29, 2011

THIS CERTIFIES that, for value received, GIUSEPPE FALCO or his permitted assigns (the "Holder"), is entitled to subscribe for and purchase from XCEL BRANDS, INC., a Delaware corporation (the "Corporation"), on the terms and conditions set forth herein, 100,000 shares of fully paid and nonassessable common stock ("Common Stock") of the Corporation. This warrant and any warrant or warrants subsequently issued upon exchange hereof are hereinafter collectively referred to as the "Warrant".

Section 1. Exercise of Warrant.

1.1. Exercise Price; Term. The price of the shares of Common Stock purchasable pursuant to this Warrant shall be $5.00 per share, subject to adjustment pursuant to Section 3 below (such price, as adjusted from time to time, being hereinafter referred to as the "Exercise Price"). This Warrant shall vest and become exercisable equally over two years; 50,000 shares shall vest on the first anniversary of the Issue Date set forth above and 50,000 shares shall vest on the second anniversary of the Issue Date. This Warrant shall expire at 5:00 p.m., New York time, on September 29, 2021 (the “Expiration Date”), subject to earlier expiration as set forth below.

Except as set forth in Section 12 hereof, if the Holder ceases to be employed by the Corporation for any reason other than (x) termination by the Corporation for Cause (as defined in the Employment Agreement between the Corporation and Holder effective September 16, 2011, hereinafter referred to as “Employment Agreement”) or (y) termination by the Holder for Good Reason (as defined in the Employment Agreement), then all unvested shares of Common Stock underlying the Warrant shall become immediately exercisable; provided, however, that this Warrant must be exercised within ninety (90) days after the date the Holder ceases to be an employee of the Corporation. After such 90-day period, any unexercised portion of this Warrant shall thereupon terminate immediately.

If the Corporation terminates the Holder for Cause or the Holder terminates his employment without Good Reason, the Holder's right to exercise any unexercised portion of this Warrant shall thereupon terminate immediately. Notwithstanding the above, if the Holder dies or becomes disabled this Warrant shall be exercisable on the date of death or Disability (as defined in the Holder's Employment Agreement) for one year from the death or Disability of the Holder.

1.2. Exercise of Warrant. This Warrant may be exercised in whole or in part (to the extent that it is exercisable in accordance with its terms) by giving written notice to the Corporation at its principal executive office, together with the tender, by cash or check, of the Exercise Price of the shares of Common Stock covered by this Warrant. Such written notice shall be signed by the person exercising this Warrant, shall state the number of shares of Common Stock with respect to which this Warrant is being exercised, shall contain any warranty required by Section 7 below and shall otherwise comply with the terms and conditions of this Warrant. The Corporation shall pay all original issue taxes with respect to the issue of the shares of Common Stock pursuant hereto and all other fees and expenses necessarily incurred by the Corporation in connection herewith. Except as specifically set forth herein, the holder of this Warrant acknowledges that any income or other taxes due from him with respect to this Warrant or the shares of Common Stock issuable pursuant to this Warrant shall be the responsibility of the holder.

1.3. No Redemption; Issuance of Securities. This Warrant will not be subject to call or redemption by the Corporation. Upon the exercise of this Warrant, a certificate or certificates ("Warrant Certificate") for the shares of Common Stock so purchased, registered in the name of the Holder, shall be delivered to the Holder within a reasonable time, not exceeding five (5) business days, after exercise and, unless this Warrant has expired, a new Warrant representing the number of shares (except a remaining fractional share), if any, with respect to which this Warrant shall not then have been exercised shall also be issued to the Holder within such time. The Holder shall for all purposes be deemed to have become the holder of record of the shares issued upon exercise of this Warrant on the date on which the Warrant was surrendered and payment of the Exercise Price and any applicable taxes was made, except that, if the date of such surrender and payment is a date on which the stock transfer books of the Corporation are closed, the Holder shall be deemed to have become the holder of such shares at the close of business on the next succeeding date on which the stock transfer books are open.

Section 2. Adjustment of Number of Shares Subject to Warrant. Upon any adjustment of the Exercise Price pursuant to Section 3 hereof, the Holder shall thereafter be entitled to purchase, at the adjusted Exercise Price, the number of shares (calculated to the nearest tenth of a share) obtained by multiplying the Exercise Price in effect immediately prior to such adjustment by the number of shares purchasable pursuant hereto immediately prior to such adjustment and dividing the product thereof by the Exercise Price resulting from such adjustment.

Section 3. Adjustment of Exercise Price.

3.1. If the Corporation shall split, subdivide or combine its Common Stock, the Exercise Price shall be proportionately decreased in the case of a split or subdivision or increased in the case of a combination.

3.2. If the Corporation shall pay a dividend with respect to the Common Stock or make any other distribution with respect to the Common Stock, except any distribution specifically provided for in Section 4 below, payable in shares of Common Stock, then the Exercise Price shall be adjusted, from and after the date of determination of the stockholders entitled to receive such dividend or distribution, to that price determined by multiplying the Exercise Price in effect immediately prior to such date of determination by a fraction (i) the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution, and (ii) the denominator of which shall be the total number of shares of Common Stock outstanding immediately after such dividend or distribution.

Section 4. Reclassification, Merger, etc. In the case of any reclassification of the Common Stock or in the case of any consolidation or merger of the Corporation with or into another corporation (other than a merger with another corporation in which the Corporation is the surviving corporation and which does not result in any reclassification of the Common Stock) or in the case of any sale of all or substantially all of the assets of the Corporation, then the Corporation, or such successor or purchasing corporation, as the case may be, shall execute a new Warrant Certificate, providing that the Holder shall have the right to exercise such new Warrant and upon such exercise to receive, in lieu of each share of Common Stock theretofore issuable upon exercise of this Warrant, the number and kind of shares of stock, other securities, money or property receivable upon such reclassification, change, consolidation or merger by a holder of shares of the Common Stock with respect to one share of Common Stock. Such new Warrant Certificate shall provide for adjustments which shall be identical to the adjustments provided for herein. The provisions of this Section 4 shall similarly apply to successive reclassifications, changes, consolidations or mergers.

Section 5. Stock to Be Reserved. The Corporation will at all times reserve and keep available out of its authorized Common Stock or its treasury shares, solely for the purpose of issue upon the exercise of this Warrant as herein provided, such number of shares of Common Stock as shall then be issuable upon the exercise of this Warrant. The Corporation covenants that all shares of Common Stock which shall be so issued shall be duly and validly issued and fully paid and nonassessable and free from all taxes, liens and charges with respect to the issue thereof.

Section 6. No Stockholder Rights or Liabilities. This Warrant shall not entitle the Holder to any voting rights or other rights as a stockholder of the Corporation. No provision hereof, in the absence of affirmative action by the Holder to purchase shares of Common Stock, and no mere enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the Exercise Price or as a stockholder of the Corporation, whether such liability is asserted by the Corporation or by creditors of the Corporation. The holder of this Warrant shall have rights as a stockholder of the Corporation only with respect to any shares of Common Stock covered by the Warrant after due exercise of the Warrant and tender of the full purchase price for the shares of Common Stock being purchased pursuant to such exercise.

Section 7. Investment Representation and Legend. The Holder, by acceptance of this Warrant, represents and warrants to the Corporation that the Holder is receiving the Warrant and, unless at the time of exercise a registration statement under the Act is effective with respect to such shares, upon the exercise hereof will acquire the shares of Common Stock issuable upon such exercise, for investment purposes only and not with a view towards the resale or other distribution thereof except pursuant to an effective registration statement under the Act or an applicable exemption from registration under the Act. The Holder also hereby agrees that the Holder shall not sell, transfer by any means or otherwise dispose of the Warrant or the shares of Common Stock issuable upon exercise of the Warrant without registration under the Act unless in the opinion of counsel reasonably acceptable to the Corporation such proposed sale or transfer is exempt from the registration provisions of the Act.

The Holder, by acceptance of this Warrant, agrees that the Corporation may affix, unless the shares subject to this Warrant are registered at the time of exercise, a legend to the Warrant Certificates for shares of Common Stock issued upon exercise of this Warrant in substantially the following form:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THE SHARES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE DISPOSED OF UNLESS (i) REGISTERED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS; (ii) PURSUANT TO RULE 144 UNDER SUCH ACT (OR ANY SIMILAR RULE UNDER SUCH ACT RELATING TO THE DISPOSITION OF SECURITIES); OR (iii) THE CORPORATION HAS RECEIVED AN OPINION OF COUNSEL ACCEPTABLE TO THE CORPORATION THAT SUCH REGISTRATION IS NOT REQUIRED.

If deemed necessary by the Corporation, it shall have received an opinion of its counsel that the shares of Common Stock may be issued upon such particular exercise in compliance with the Act without registration thereunder. Without limiting the generality of the foregoing, the Corporation may delay issuance of the shares until completion of any action or obtaining of any consent, which the Corporation deems necessary under any applicable law (including without limitation state securities or “blue sky” laws).

Section 8. Lost, Stolen, Mutilated or Destroyed Warrant. If this Warrant is lost, stolen, mutilated or destroyed, the Corporation may, on such terms as to indemnity or otherwise as it may in its discretion reasonably impose (which shall, in the case of a mutilated Warrant, include the surrender thereof), issue a new Warrant of like denomination and tenor as the Warrant so lost, stolen, mutilated or destroyed.

Section 9. Successors. All the covenants and provisions of this Agreement shall be binding upon and inure to the benefit of the Corporation, the Holders and their respective successors and assigns hereunder.

Section 10. Piggyback Registration.

10.1. If at any time prior to the Expiration Date, the Corporation proposes to prepare and file with the Securities and Exchange Commission a registration statement covering equity or debt securities of the Corporation, or any such securities of the Corporation held by its shareholders, other than in connection with a merger, acquisition or pursuant to a registration statement on Form S-4 or Form S-8 or any successor form (for purposes of this Section 1, collectively, a "Piggyback Registration Statement"), the Corporation will give written notice of its intention to do so by registered or certified mail ("Notice"), at least 15 days prior to the filing of each such Piggyback Registration Statement, to Holder. Upon the written request of Holder, made within five (5) days after receipt of the Notice, that the Corporation include any of the shares issuable and issued pursuant to this Warrant ("Registrable Shares") in the Piggyback Registration Statement, the Corporation shall, include the Registrable Shares which it has been so requested to register Piggyback Registration Statement ("Piggyback Registration"), at the Corporation's sole cost and expense and at no cost or expense to Holder (other than any underwriting or other commissions, discounts or fees of any counsel or advisor to Holder which shall be payable by Holder); provided, however, that if, the Piggyback Registration is in connection with an underwritten public offering and in the written opinion of the Corporation's underwriter or managing underwriter of the underwriting group, if any, for such offering, the inclusion of all or a portion of the Registrable Shares requested to be registered, when added to the securities being registered by the Corporation or the selling stockholder(s), if any, will exceed the maximum amount of the Corporation's securities which can be marketed (i) at a price reasonably related to their then current market value, or (ii) without otherwise having a material adverse effect on the entire offering, then the Corporation may, subject to the allocation priority set forth in the next paragraph, exclude from such offering all or a portion of the Registrable Shares which it has been requested to register. Without limiting the generality of the foregoing, such underwriter or managing underwriter may condition its consent to the inclusion of all or a portion of the Registrable Shares requested to be registered upon the participation by Holder in the underwritten public offering on the terms and conditions thereof.

10.2. If securities are proposed to be offered for sale pursuant to such Piggyback Registration Statement by other security holders of the Corporation and the total number of the Registrable Shares to be offered by Holder and such other selling security holders is required to be reduced pursuant to a request from the underwriter or managing underwriter (which request shall be made only for the reasons and in the manner set forth above), the aggregate number of Registrable Shares to be offered by Holder pursuant to such Piggyback Registration Statement shall equal the number which bears the same ratio to the maximum number of securities that the underwriter or managing underwriter believes may be included for all the selling security holders (including Holder), as the original number of securities proposed to be sold by Holder bears to the total original number of securities proposed to be offered by Holder and the other selling securityholders.

10.3. Notwithstanding the preceding provisions of this Section 10, the Corporation shall have the right at any time after it shall have given written notice pursuant to this Section 10 (irrespective of whether any written request for inclusion of such securities shall have already been made) to elect not to file any proposed Piggyback Registration Statement filed pursuant to this Section 10, or to withdraw the same after the filing but prior to the effective date thereof.

Section 11. Cashless Exercise. The aggregate Exercise Price of the shares of Common Stock purchasable pursuant to this Warrant may also, in the sole discretion of the Holder, be paid in full or in part a "cashless exercise" at the election of the Holder in which the Holder shall be entitled to receive a new Warrant Certificate for the number of shares of the Common Stock equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the Market Price 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, "Market Price" 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 Stock Market or another national securities exchange, the last sale price of the Common Stock for such date (or the nearest preceding date) on such national securities exchange 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); (b) if the Common Stock is not traded on the Nasdaq Stock Market or another national securities exchange, the last sale price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board; (c) if the Common Stock is not then listed or quoted for trading on a national securities exchange or the OTC Bulletin Board and if prices for the Common Stock are then reported in the "Pink Sheets" published by Pink Sheets, 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 (d) in all other cases, the fair market value of a share of Common Stock as determined in good faith by the resolution of the board of directors of the Corporation.

Section 12. Change of Control. If, within twelve (12) months following the occurrence of a Change of Control (as defined below), the Corporation terminates the Holder's employment without Cause or the Holder terminates his employment with Good Reason, then all unvested shares of Common Stock underlying the Warrant shall become immediately exercisable provided, however, that this Warrant shall only be exercisable within ninety (90) days (except in the case of death or disability) from termination without cause (as defined in the Holder's Employment Agreement) by the Company or termination by Holder for Good Reason (as defined in the Holder's Employment Agreement). After such 90-day period, any unexercised portion of this Warrant shall thereupon terminate.

For purposes of this Warrant, "Change of Control" means:

(a) a change of control of the Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act, as amended (the "Exchange Act"), whether or not the Corporation is then subject to such reporting requirement; provided that, without limitation, such a Change of Control shall be deemed to have occurred if:

(i) any Person becomes a Beneficial Owner of shares of one or more classes of stock of the Corporation representing fifty percent (50%) or more of the total voting power of the Corporation's then outstanding voting stock; or

(ii) the Corporation and any Person consummate a merger, consolidation, reorganization, or other business combination; or

(iii) the board of directors adopts resolutions authorizing the liquidation or dissolution, or sale to any Person of all or substantially all of the assets, of the Corporation.

(b) Notwithstanding the provisions of Section13 (a)(ii) hereof, a Change of Control shall not occur if:

(i) the Corporation's voting stock outstanding immediately before the consummation of the transaction will represent no less than forty-five percent (45%) of the combined voting power entitled to vote for the election of directors of the surviving parent corporation immediately following the consummation of the transaction; and

(ii) members of the Incumbent Board will constitute at least one-half of the board of directors of the surviving parent corporation; and

(iii) the Chief Executive Officer of the Corporation will be the chief executive officer or co-chief executive officer of the surviving parent corporation; and

(iv) the headquarters of the surviving parent corporation will be located in New York, New York.

For the purposes of this Warrant, "Person" means any corporation, partnership, firm, joint venture, association, individual, trust, or other entity, but does not include the Corporation or any of its wholly-owned or majority-owned subsidiaries, employee benefit plans, or related trusts; "Incumbent Board" means those persons who either (A) have been members of the board of directors of the Corporation since the date that is 10 calendar days from the filing of the Corporation's Schedule 14f-1, or (B) are new directors whose election by the board of directors or nomination for election by the shareholders of the Corporation was approved by a vote of at least three-fourths of the members of the Incumbent Board then in office who either were directors described in clause (A) hereof or whose election or nomination for election was previously so approved, but shall not include any director elected as a result of an actual or threatened solicitation of proxies by any Person; "Beneficial Owner" or "Beneficial Ownership" has the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as amended from time to time, or any successor rule.

Section 13. Governing Law. This Warrant shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be construed in accordance with the laws of the said State without giving effect to the rules of said State governing the conflicts of law.

Section 14. Transferability. Subject to compliance with the provisions of Section 7 hereof, this Warrant may be transferred by the Holder only with the written consent of the Corporation to the transfer. Notwithstanding the foregoing, if Holder dies within thirty (30) days after the date of termination of employment (other than termination for Cause, termination without Good Reason (each as defined in the Holder's Employment Agreement)), this Warrant may be exercised at any time within the earlier of (i) the expiration date of this Warrant set forth in Paragraph 1.1 hereof or (ii) one (1) year following the date of death, by Holder's estate or by a person who acquired the right to exercise this Warrant because of Holder's will or the laws of descent or distribution, but only to the extent Holder is entitled to exercise this Warrant at the date of termination.

Section 15. Notices. All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been duly made when delivered, or mailed by registered or certified mail, return receipt requested:

(a) If to a registered Holder of this Warrant, to the address of such Holder as shown on the books of the Corporation; or

(b) If to the Corporation, to the address of the Corporation's principal executive office as disclosed in the periodic filings made by the Corporation with the United States Securities and Exchange Commission or such other address as the Corporation may designate by notice to the Holder.

IN WITNESS WHEREOF, the Corporation has executed this Warrant by its authorized signatory.

XCEL BRANDS, INC.

By: /s/ Robert W. D'Loren
Robert W. D'Loren
Chairman of the Board of Directors and Chief Executive Officer

[FORM OF ELECTION TO PURCHASE]

The undersigned hereby irrevocably elects to exercise the right, represented by this Warrant, to purchase _____ shares of the Common Stock of XCel Brands, Inc. or any successor corporation (the "Corporation") and herewith tenders, in payment for such shares, cash or a check payable to the order of _____, in the amount of $_____ in accordance with the terms hereof. The undersigned requests that a certificate for such shares be registered in the name of _____ whose address is _____, and that such certificate be delivered to _____, whose address is _____.

Dated:

Signature: _____

(Signature must conform in all respects to name of holder as specified on the face of the Warrant Certificate.)

_____

_____

(Insert Social Security or other Identifying number of Holder)

FORM OF WARRANT

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), OR QUALIFIED UNDER ANY STATE OR FOREIGN SECURITIES LAWS AND MAY NOT BE OFFERED FOR SALE, SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED OR ASSIGNED UNLESS (I) A REGISTRATION STATEMENT COVERING SUCH SHARES IS EFFECTIVE UNDER THE ACT AND IS QUALIFIED UNDER APPLICABLE STATE AND FOREIGN LAW OR (II) THE TRANSACTION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS UNDER THE ACT AND THE QUALIFICATION REQUIREMENTS UNDER APPLICABLE STATE AND FOREIGN LAW AND, IF THE CORPORATION REQUESTS, AN OPINION SATISFACTORY TO THE CORPORATION TO SUCH EFFECT HAS BEEN RENDERED BY COUNSEL.

Warrant Certificate No.: 1

Original Issue Date: September 29, 2011

FOR VALUE RECEIVED, XCel Brands, Inc. (f/k/a NetFabric Holdings, Inc.), a Delaware corporation (the "**Company**"), hereby certifies that Great American Life Insurance Company, an Ohio corporation, or its registered assigns (the "**Holder**") is entitled to purchase from the Company 255,100 duly authorized, validly issued, fully paid and nonassessable shares of Common Stock at a purchase price per share of $0.01 (the "**Exercise Price**"), all subject to the terms, conditions and adjustments set forth below in this Warrant. Certain capitalized terms used herein are defined in **1** hereof.

This Warrant has been issued pursuant to the terms of the Credit Agreement dated as of September 29, 2011 (the "**Credit Agreement**") among IM Brands, LLC, MidMarket Capital Partners, LLC, as Administrative Agent and the Lenders from time to time party thereto.

1. Definitions. As used in this Warrant, the following terms have the respective meanings set forth below:

"**Aggregate Exercise Price**" means an amount equal to the product of (a) the number of Warrant Shares in respect of which this Warrant is then being exercised pursuant to **Section 3** hereof, multiplied by (b) the Exercise Price.

"**Board**" means the board of directors of the Company.

"**Business Day**" means any day, except a Saturday, Sunday or legal holiday, on which banking institutions in the city of New York are authorized or obligated by law or executive order to close.

"**Common Stock**" means the common stock of the Company, $.01 par value per share or any security into which the Common Stock is converted or issued in exchange for Common Stock whether in connection with a dividend, capital restructuring or reorganization or otherwise.

"**Company**" has the meaning set forth in the preamble.

"**Convertible Securities**" means any securities (directly or indirectly) convertible into or exchangeable for Common Stock, but excluding Options.

"**Excluded Issuances"** the issuance of (a) Common Stock, options to acquire Common Stock, or other equity awards granted to employees, officers or directors of, or consultants to, the Company pursuant to (x) any stock or option plan in effect at the date hereof, or (y) any amendment to such plan or any new such plan that is duly adopted for such purpose, by a majority of the non-employee members of the Board of Directors or a majority of the members of a committee of non-employee directors established for such purpose; (b) securities upon the exercise or exchange of or conversion of any securities exercisable or exchangeable for or convertible into Common Stock issued (or to be issued on the date hereof) and outstanding on the date of this Warrant; (c) securities pursuant to a merger, amalgamation, plan of arrangement, acquisition and any other business combination, joint venture, strategic transaction or other commercial relationship (the primary purpose of which is not raising equity capital);

"**Exercise Date**" means, for any given exercise of this Warrant, the date on which the conditions to such exercise as set forth in **Section 3** shall have been satisfied at or prior to 5:00 p.m., New York, New York time, on a Business Day, including, without limitation, the receipt by the Company of the Exercise Agreement, the Warrant and the Aggregate Exercise Price.

"**Exercise Agreement**" has the meaning set forth in **Section 3(a)(i)**.

"**Exercise Period**" has the meaning set forth in **Section 2**.

"**Exercise Price**" has the meaning set forth in the preamble.

"**Fair Market Value**" means, as of any particular date: (a) the volume weighted average of the closing sales prices of the Common Stock for such day on all domestic securities exchanges on which the Common Stock may at the time be listed; (b) if there have been no sales of the Common Stock on any such exchange on any such day, the average of the highest bid and lowest asked prices for the Common Stock on all such exchanges at the end of such day; (c) if on any such day the Common Stock is not listed on a domestic securities exchange, the closing sales price of the Common Stock as quoted on Nasdaq, the OTC Bulletin Board, the OTC Pink Sheets or similar quotation system or association for such day; or (d) if there have been no sales of the Common Stock on Nasdaq, the OTC Bulletin Board, the OTC Pink Sheets or similar quotation system or association on such day, the average of the highest bid and lowest asked prices for the Common Stock quoted on Nasdaq, the OTC Bulletin Board, the OTC Pink Sheets or similar quotation system or association at the end of such day; in each case, averaged over twenty (20) consecutive Business Days ending on the Business Day immediately prior to the day as of which "Fair Market Value" is being determined; provided, that if the Common Stock is listed on any domestic securities exchange, the term "Business Day" as used in this sentence means Business Days on which such exchange is open for trading. If at any time the Common Stock is not listed on any domestic securities exchange or quoted on Nasdaq, the OTC Bulletin Board, the OTC Pink Sheets or similar quotation system or association, the "Fair Market Value" of the Common Stock shall be the fair market value per share as determined jointly by the Board and the Holder.

"**Holder**" has the meaning set forth in the preamble.

"**Options**" means any warrants or other rights or options to subscribe for or purchase Common Stock or Convertible Securities.

"**Original Issue Date**" means September 29, 2011, the date on which the Warrant was issued by the Company pursuant to the Credit Agreement.

"**Nasdaq**" means The Nasdaq Stock Market, Inc.

"**OTC Bulletin Board**" means the OTC Market Group, Inc., OTC Bulletin Board.

"**OTC Pink Sheets**" means the OTC Market Group, Inc. OTC Pink Sheets.

"**Person**" means any individual, sole proprietorship, partnership, limited liability company, corporation, joint venture, trust, incorporated organization or government or department or agency thereof.

"**Warrant**" means this Warrant and all warrants issued upon division or combination of, or in substitution for, this Warrant.

"**Warrant Shares**" means the shares of Common Stock or other capital stock of the Company then purchasable upon exercise of this Warrant in accordance with the terms of this Warrant.

2. Term of Warrant. Subject to the terms and conditions hereof, at any time or from time to time after the date hereof and prior to 5:00 p.m., New York, New York time, on the seventh (7^{th}) anniversary of the date hereof or, if such day is not a Business Day, on the next preceding Business Day (the "**Exercise Period**"), the Holder of this Warrant may exercise this Warrant for all or any part of the Warrant Shares purchasable hereunder (subject to adjustment as provided herein).

3. Exercise of Warrant.

(a) **Exercise Procedure**. This Warrant may be exercised from time to time on any Business Day during the Exercise Period, for all or any part of the unexercised Warrant Shares, upon:

(i) surrender of this Warrant to the Company at its then principal executive offices (or an indemnification undertaking with respect to this Warrant in the case of its loss, theft or destruction), together with an Exercise Agreement in the form attached hereto as **Exhibit A** (each, an "**Exercise Agreement**"), duly completed (including specifying the number of Warrant Shares to be purchased) and executed; and

(ii) payment to the Company of the Aggregate Exercise Price in accordance with **Section 3(b)**.

(b) **Payment of the Aggregate Exercise Price**. Payment of the Aggregate Exercise Price shall be made, at the option of the Holder as expressed in the Exercise Agreement, by the following methods:

(i) by delivery to the Company of a certified or official bank check payable to the order of the Company or by wire transfer of immediately available funds to an account designated in writing by the Company, in the amount of such Aggregate Exercise Price;

(ii) by instructing the Company to withhold a number of Warrant Shares then issuable upon exercise of this Warrant with an aggregate Fair Market Value as of the Exercise Date equal to such Aggregate Exercise Price; or

(iii) any combination of the foregoing.

In the event of any withholding of Warrant Shares pursuant to clause (ii) or (iii) above where the number of shares whose value is equal to the Aggregate Exercise Price is not a whole number, the number of shares withheld by or surrendered to the Company shall be rounded up to the nearest whole share and the Company shall make a cash payment to the Holder (by delivery of a certified or official bank check or by wire transfer of immediately available funds) based on the incremental fraction of a share being so withheld by or surrendered to the Company in an amount equal to the product of (x) such incremental fraction of a share being so withheld or surrendered multiplied by (y) in the case of Common Stock, the Fair Market Value per Warrant Share as of the Exercise Date.

(c) **Delivery of Stock Certificates**. Upon receipt by the Company of the Exercise Agreement, surrender of this Warrant and payment of the Aggregate Exercise Price (in accordance with **Section 3(a)** hereof), the Company shall, as promptly as practicable, and in any event within ten (10) Business Days thereafter, execute (or cause to be executed) and deliver (or cause to be delivered) to the Holder a certificate or certificates representing the Warrant Shares issuable upon such exercise, together with cash in lieu of any fraction of a share, as provided in **Section 3(d)** hereof. The stock certificate or certificates so delivered shall be, to the extent possible, in such denomination or denominations as the exercising Holder shall reasonably request in the Exercise Agreement and shall be registered in the name of the Holder or, subject to compliance with **Section 6** below, such other Person's name as shall be designated in the Exercise Agreement. This Warrant shall be deemed to have been exercised and such certificate or certificates of Warrant Shares shall be deemed to have been issued, and the Holder or any other Person so designated to be named therein shall be deemed to have become a holder of record of such Warrant Shares for all purposes, as of the Exercise Date.

(d) **Fractional Shares**. The Company shall not be required to issue a fractional Warrant Share upon exercise of any Warrant. As to any fraction of a Warrant Share that the Holder would otherwise be entitled to purchase upon such exercise, the Company shall pay to such Holder an amount in cash (by delivery of a certified or official bank check or by wire transfer of immediately available funds) equal to the product of (i) such fraction multiplied by (ii) the Fair Market Value of one Warrant Share on the Exercise Date.

(e) **Delivery of New Warrant**. Unless the purchase rights represented by this Warrant shall have expired or shall have been fully exercised, the Company shall, at the time of delivery of the certificate or certificates representing the Warrant Shares being issued in accordance with **Section 3(c)** hereof, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unexpired and unexercised Warrant Shares called for by this Warrant. Such new Warrant shall in all other respects be identical to this Warrant.

(f) **Valid Issuance of Warrant and Warrant Shares; Payment of Taxes**. With respect to the exercise of this warrant, the Company hereby represents, covenants and agrees:

(i) This Warrant is, and any Warrant issued in substitution for or replacement of this Warrant shall be, upon issuance, duly authorized and validly issued.

(ii) All Warrant Shares issuable upon the exercise of this Warrant pursuant to the terms hereof shall be, upon issuance, and the Company shall take all such actions as may be necessary or appropriate in order that such Warrant Shares are, validly issued, fully paid and non-assessable, issued without violation of any preemptive or similar rights of any stockholder of the Company and free and clear of all taxes, liens and charges.

(iii) The Company shall take all such actions as may be necessary to ensure that all such Warrant Shares are issued without violation by the Company of any applicable law or governmental regulation or any requirements of any domestic securities exchange upon which shares of Common Stock or other securities constituting Warrant Shares may be listed at the time of such exercise (except for official notice of issuance which shall be immediately delivered by the Company upon each such issuance).

(iv) The Company shall use its best efforts to cause the Warrant Shares, immediately upon such exercise, to be listed on any domestic securities exchange upon which shares of Common Stock or other securities constituting Warrant Shares are listed at the time of such exercise.

(v) The Company shall pay all expenses in connection with, and all taxes and other governmental charges that may be imposed with respect to, the issuance or delivery of Warrant Shares upon exercise of this Warrant; provided, that the Company shall not be required to pay any tax or governmental charge that may be imposed with respect to any applicable withholding or the issuance or delivery of the Warrant Shares to any assignee or transferee of the Holder in excess of the amount of such taxes or governmental charges that would have been imposed upon issuance of such Warrant Shares to the Holder, and no such issuance or delivery shall be made unless and until the Person requesting such issuance has paid to the Company the amount of any such tax, or has established to the satisfaction of the Company that such tax has been paid.

(g) **Conditional Exercise**. Notwithstanding any other provision hereof, if an exercise of any portion of this Warrant is to be made in connection with a public offering or a sale of the Company (pursuant to a merger, sale of stock, or otherwise), such exercise may at the election of the Holder be conditioned upon the consummation of such transaction, in which case such exercise shall not be deemed to be effective until immediately prior to the consummation of such transaction.

(h) **Reservation of Shares**. During the Exercise Period, the Company shall at all times reserve and keep available out of its authorized but unissued Common Stock or other securities constituting Warrant Shares, solely for the purpose of issuance upon the exercise of this Warrant, the maximum number of Warrant Shares issuable upon the exercise of this Warrant, and the par value per Warrant Share shall at all times be less than or equal to the applicable Exercise Price. The Company shall not increase the par value of any Warrant Shares receivable upon the exercise of this Warrant above the Exercise Price then in effect, and shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant.

(i) **Wholly-Owned Subsidiary**. IM Brands, LLC shall at all times remain a wholly-owned direct or indirect Subsidiary of the Company.

4. Adjustment to Number of Warrant Shares. In order to prevent dilution of the purchase rights granted under this Warrant, the number of Warrant Shares issuable upon exercise of this Warrant shall be subject to adjustment from time to time as provided in this **Section 4** (in each case, after taking into consideration any prior adjustments pursuant to this **Section 4**).

(a) **Record Date.** For purposes of any adjustment to the number of Warrant Shares in accordance with this **Section 4**, in case the Company shall take a record of the holders of its Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in Common Stock, Options or Convertible Securities or (B) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(b) **Treasury Shares.** The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company or any of its wholly-owned subsidiaries, and the disposition of any such shares (other than the cancellation or retirement thereof or the transfer of such shares among the Company and its wholly-owned subsidiaries) shall be considered an issue or sale of Common Stock for the purpose of this **Section 4**.

(c) **Other Dividends and Distributions.** Subject to the provisions of this **Section 4(c)**, if the Company shall, at any time or from time to time after the Original Issue Date, make or declare, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or any other distribution payable in securities of the Company (other than a dividend or distribution of shares of Common Stock, Options or Convertible Securities in respect of outstanding shares of Common Stock as to which Section 4(d) shall be applicable), cash or other property, then, and in each such event, provision shall be made so that the Holder shall receive upon exercise of the Warrant, in addition to the number of Warrant Shares receivable thereupon, the kind and amount of securities of the Company, cash or other property which the Holder would have been entitled to receive had the Warrant been exercised in full into Warrant Shares on the date of such event and had the Holder thereafter, during the period from the date of such event to and including the Exercise Date, retained such securities, cash or other property receivable by them as aforesaid during such period, giving application to all adjustments called for during such period under this **Section 4** with respect to the rights of the Holder; provided, that no such provision shall be made if the Holder receives, simultaneously with the distribution to the holders of Common Stock, a dividend or other distribution of such securities, cash or other property in an amount equal to the amount of such securities, cash or other property as the Holder would have received if the Warrant had been exercised in full into Warrant Shares on the date of such event.

(d) **Adjustment to Number of Warrant Shares Upon Dividend, Subdivision or Combination of Common Stock**. If the Company shall, at any time or from time to time after the Original Issue Date, (i) pay a dividend or make any other distribution upon the Common Stock or any other capital stock of the Company payable in shares of Common Stock or in Options or Convertible Securities, or (ii) subdivide (by any stock split, recapitalization or otherwise) its outstanding shares of Common Stock into a greater number of shares, the number of Warrant Shares issuable upon exercise of this Warrant immediately prior to any such dividend, distribution or subdivision shall be proportionately increased. If the Company at any time combines (by combination, reverse stock split or otherwise) its outstanding shares of Common Stock into a smaller number of shares, the number of Warrant Shares issuable upon exercise of this Warrant immediately prior to such combination shall be proportionately decreased. Any adjustment under this **Section 4(d)** shall become effective at the close of business on the date the dividend, subdivision or combination becomes effective.

(e) **Adjustment to Number of Warrant Shares Upon Reorganization, Reclassification, Consolidation or Merger**. In the event of any (i) capital reorganization of the Company, (ii) reclassification of the stock of the Company (other than, subject to Section 3(h), a change in par value or from par value to no par value or from no par value to par value or as a result of a stock dividend or subdivision, split-up or combination of shares), (iii) consolidation or merger of the Company with or into another Person, (iv) sale of all or substantially all of the Company's assets to another Person or (v) other similar transaction (other than any such transaction covered by **Section 4(d)**), in each case which entitles the holders of Common Stock to receive (either directly or upon subsequent liquidation) stock, securities or assets with respect to or in exchange for Common Stock, each Warrant shall, immediately after such reorganization, reclassification, consolidation, merger, sale or similar transaction, remain outstanding and shall thereafter, in lieu of or in addition to (as the case may be) the number of Warrant Shares then exercisable under this Warrant, be exercisable for the kind and number of shares of stock or other securities or assets of the Company or of the successor Person resulting from such transaction to which the Holder would have been entitled upon such reorganization, reclassification, consolidation, merger, sale or similar transaction if the Holder had exercised this Warrant in full immediately prior to the time of such reorganization, reclassification, consolidation, merger, sale or similar transaction and acquired the applicable number of Warrant Shares then issuable hereunder as a result of such exercise; and, in such case, appropriate adjustment (in form and substance satisfactory to the Holder) shall be made with respect to the Holder's rights under this Warrant to insure that the provisions of this **Section 4** hereof shall thereafter be applicable, as nearly as possible, to this Warrant in relation to any shares of stock, securities or assets thereafter acquirable upon exercise of this Warrant. The provisions of this **Section 4(e)** shall similarly apply to successive reorganizations, reclassifications, consolidations, mergers, sales or similar transactions. The Company shall not effect any such reorganization, reclassification, consolidation, merger, sale or similar transaction unless, prior to the consummation thereof, the successor Person (if other than the Company) resulting from such reorganization, reclassification, consolidation, merger, sale or similar transaction, shall assume, by written instrument substantially similar in form and substance to this Warrant and satisfactory to the Holder, the obligation to deliver to the Holder such shares of stock, securities or assets which, in accordance with the foregoing provisions, such Holder shall be entitled to receive upon exercise of this Warrant. Notwithstanding anything to the contrary contained herein, with respect to any corporate event or other transaction contemplated by the provisions of this **Section 4(e)**, the Holder shall have the right to elect prior to the consummation of such event or transaction, to give effect to the exercise rights contained in **Section 2** instead of giving effect to the provisions contained in this **Section 4(e)** with respect to this Warrant.

(f) **Certain Events**. If any event of the type contemplated by the provisions of this **Section 4** but not expressly provided for by such provisions occurs, then the Board shall make an appropriate adjustment in the number of Warrant Shares issuable upon exercise of this Warrant so as to protect the rights of the Holder in a manner consistent with the provisions of this **Section 4**; provided, that no such adjustment pursuant to this **Section 4(f)** shall decrease the number of Warrant Shares issuable as otherwise determined pursuant to this **Section 4**.

(g) **Certificate as to Adjustment**.

(i) As promptly as reasonably practicable following any adjustment of the number of Warrant Shares pursuant to the provisions of this **Section 4**, but in any event not later than ten (10) Business Days thereafter, the Company shall furnish to the Holder a certificate of an executive officer setting forth in reasonable detail such adjustment and the facts upon which it is based and certifying the calculation thereof.

(ii) As promptly as reasonably practicable following the receipt by the Company of a written request by the Holder, but in any event not later than ten (10) Business Days thereafter, the Company shall furnish to the Holder a certificate of an executive officer certifying the number of Warrant Shares or the amount, if any, of other shares of stock, securities or assets then issuable upon exercise of the Warrant.

(h) **Participation Right**. In the event that the Company shall determine to issue shares of Common Stock ("Issued Shares") or securities convertible into or exchangeable for Issued Shares or any other options, rights or warrants to purchase Issued Shares ("Securities") to any Person the Company shall notify the Holder in writing of the proposed issuance, the number of Issued Shares or amount of Securities to be issued, the date on or about which such issuance is to be consummated and the price and other terms and conditions thereof. For a period of ten (10) days after the Shareholders' receipt of the notice referred to in the foregoing sentence, the Holder shall have the option to purchase, upon the same price, terms and conditions as such Issued Shares or Securities are issued or proposed to be issued to such Person, that number of such Issued Shares or Securities as may be necessary to adjust the number of shares of Common Stock of the Company owned by the Holder on a fully-diluted as-exercised basis to provide that the percentage of all of the fully-diluted as-exercised shares of Common Stock of the Company owned by such Holder immediately after the date of issuance to such Person and the Holder (the date of any such issuance hereinafter referred to as the "Issuance Date") is not less than the percentage of all of the fully-diluted shares of Common Stock of the Company owned by such Holder immediately prior to the Issuance Date. If such Holder exercises its purchase option under this Section 4(h) it shall purchase such Issued Shares or Securities at the time of consummation of the issuance of Issued Shares or Securities to such Person; provided, however, that the Company may consummate such issuance prior to the expiration of the applicable ten (10) day period so long as sufficient Issued Shares or Securities are reserved for issuance to the Holder upon the exercise of its rights under this Section 4(h). Without limiting the generality of the foregoing, this Section 4(h) shall be applicable to any issuance by the Company of Issued Shares other than any Excluded Issuance. The rights of the Holders under this Section 4(h) shall be in effect for a period of five (5) years from the Original Issue Date and shall survive the exercise of this Warrant and the issuance of the Warrant Shares. Each of the Holder and the Company shall execute and deliver subscription and purchase documents (and any ancillary documents) executed and delivered by and to other purchasers of Securities. Notwithstanding anything herein to the contrary, (i) if the Company issues Securities as part of a more comprehensive transaction or series of transactions and such issuance is not an Excluded Issuance (e.g. in connection with a credit facility), the Holder shall only have the right to participate in the purchase of Securities in accordance with this Section 4(h) but shall not have the right to participate in any other aspect of the transaction, and the Holder and the Company shall negotiate in good faith the price at which the Holder shall have the right to purchase Securities pursuant to this Section 4(h) and (ii) if the consideration received or receivable by the Company in connection with an issuance of Securities is in a form other than cash, the Company and the Holder shall negotiate in good faith the price at which the Holder shall have the right to purchase Securities pursuant to this Section 4(h).

(i) **Notices**. In the event:

(i) that the Company shall take a record of the holders of its Common Stock (or other capital stock or securities at the time issuable upon exercise of the Warrant) for the purpose of entitling or enabling them to receive any dividend or other distribution, to vote at a meeting (or by written consent), to receive any right to subscribe for or purchase any shares of capital stock of any class or any other securities, or to receive any other security; or

(ii) of any capital reorganization of the Company, any reclassification of the Common Stock of the Company, any consolidation or merger of the Company with or into another Person, or sale of all or substantially all of the Company's assets to another Person; or

(iii) of the voluntary or involuntary dissolution, liquidation or winding-up of the Company;

then, and in each such case, the Company shall send or cause to be sent to the Holder at least ten (10) days prior to the applicable record date or the applicable expected effective date, as the case may be, for the event, a written notice specifying, as the case may be, (A) the record date for such dividend, distribution, meeting or consent or other right or action, and a description of such dividend, distribution or other right or action to be taken at such meeting or by written consent, or (B) the effective date on which such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding-up is proposed to take place, and the date, if any is to be fixed, as of which the books of the Company shall close or a record shall be taken with respect to which the holders of record of Common Stock (or such other capital stock or securities at the time issuable upon exercise of the Warrant) shall be entitled to exchange their shares of Common Stock (or such other capital stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding-up, and the amount per share and character of such exchange applicable to the Warrant and the Warrant Shares.

5. Purchase Rights. In addition to any adjustments pursuant to **Section 4** above, if at any time the Company grants, issues or sells any shares of Common Stock, Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of Common Stock (the "**Purchase Rights**"), then the Holder shall be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder would have acquired if the Holder had held the number of Warrant Shares acquirable upon complete exercise of this Warrant immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

6. Transfer of Warrant. Subject to the transfer conditions referred to in the legend endorsed hereon, this Warrant and all rights hereunder are transferable, in whole or in part, by the Holder without charge to the Holder, upon surrender of this Warrant to the Company at its then principal executive offices with a properly completed and duly executed Assignment in the form attached hereto as **Exhibit B**, together with funds sufficient to pay any transfer taxes described in **Section 3(f)(v)** in connection with the making of such transfer. Upon such compliance, surrender and delivery and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees and in the denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant, if any, not so assigned and this Warrant shall promptly be cancelled.

7. Holder Not Deemed a Stockholder; Limitations on Liability. Except as otherwise specifically provided herein (including **Section 4(c)**), prior to the issuance to the Holder of the Warrant Shares to which the Holder is then entitled to receive upon the due exercise of this Warrant, the Holder shall not be entitled to vote or receive dividends or be deemed the holder of shares of capital stock of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, as such, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. Notwithstanding this **Section 7**, the Company shall provide the Holder with copies of the same notices and other information given to the stockholders of the Company generally, contemporaneously with the giving thereof to the stockholders.

8. Replacement on Loss; Division and Combination.

(a) **Replacement of Warrant on Loss**. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and upon delivery of an indemnity reasonably satisfactory to it (it being understood that a written indemnification agreement or affidavit of loss of the Holder shall be a sufficient indemnity) and, in case of mutilation, upon surrender of such Warrant for cancellation to the Company, the Company at its own expense shall execute and deliver to the Holder, in lieu hereof, a new Warrant of like tenor and exercisable for an equivalent number of Warrant Shares as the Warrant so lost, stolen, mutilated or destroyed; provided, that, in the case of mutilation, no indemnity shall be required if this Warrant in identifiable form is surrendered to the Company for cancellation.

(b) **Division and Combination of Warrant**. Subject to compliance with the applicable provisions of this Warrant as to any transfer or other assignment which may be involved in such division or combination, this Warrant may be divided or, following any such division of this Warrant, subsequently combined with other Warrants, upon the surrender of this Warrant or Warrants to the Company at its then principal executive offices, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the respective Holders or their agents or attorneys. Subject to compliance with the applicable provisions of this Warrant as to any transfer or assignment which may be involved in such division or combination, the Company shall at its own expense execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants so surrendered in accordance with such notice. Such new Warrant or Warrants shall be of like tenor to the surrendered Warrant or Warrants and shall be exercisable in the aggregate for an equivalent number of Warrant Shares as the Warrant or Warrants so surrendered in accordance with such notice.

9. No Impairment. The Company shall not, by amendment of its Certificate of Incorporation or Bylaws, or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed by it hereunder, but shall at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may reasonably be requested by the Holder in order to protect the exercise rights of the Holder against dilution or other impairment, consistent with the tenor and purpose of this Warrant.

10. Agreement to Comply with the Securities Act; Legend. Each Warrant certificate, and each certificate representing shares of Common Stock issued upon exercise of the Warrants, shall be stamped with a legend in substantially the form of the legend on the face hereof.

11. Warrant Register. The Company shall keep and properly maintain at its principal executive offices books for the registration of the Warrant and any transfers thereof. The Company may deem and treat the Person in whose name the Warrant is registered on such register as the Holder thereof for all purposes, and the Company shall not be affected by any notice to the contrary, except any assignment, division, combination or other transfer of the Warrant effected in accordance with the provisions of this Warrant.

12. Notices. Any notices required or permitted to be sent hereunder shall be given to the following addresses, or such other addresses as shall be given by notice delivered hereunder:

If to the Company:

Xcel Brands, Inc.
475 Tenth Avenue, 4th Floor
New York, New York 10018
Attention: Chief Executive Officer and
Chief Financial Officer
Telecopy: (347) 727-2479

with a copy to:	Blank Rome LLP The Chrysler Building 405 Lexington Avenue New York, New York 10174 Attention: Robert J. Mittman Telecopy: (212) 885-5000
If to the Holder:	Great American Life Insurance Company c/o MidMarket Capital Partners, LLC 430 Park Avenue New York, New York 10022 Attention: Gabriel Gengler Telecopy: (866) 376-4175
with a copy to:	Keating Muething & Klekamp PLL One East Fourth Street, Suite 1400 Cincinnati, Ohio 45202 Attention: John S. Fronduti Telecopy: (513) 579-6457

Any notice hereunder shall be deemed to have been given and received on the day on which it is delivered (by means including personal delivery, overnight air courier, United States mail) or telecopied (or, if such day is not a Business Day or if the notice is not telecopied during business hours of the intended recipient, at the place of receipt, on the next following Business Day).

13. Cumulative Remedies. Except to the extent expressly provided in **Section 7** to the contrary, the rights and remedies provided in this Warrant are cumulative and are not exclusive of, and are in addition to and not in substitution for, any other rights or remedies available at law, in equity or otherwise.

14. Entire Agreement. This Warrant, together with the Credit Agreement and the other Loan Documents, constitutes the sole and entire agreement of the parties to this Warrant with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Warrant, the Credit Agreement and the other Loan Documents, the statements in the body of this Warrant shall control.

15. Successor and Assigns. Except as otherwise expressly provided herein, the provisions of this Warrant shall be binding upon and inure to the benefit of the respective heirs, executors and administrators and the permitted successors and assigns of the parties hereto, whether so expressed or not. In addition and whether or not any express assignment has been made, the provisions of this Warrant which are for the benefit of the Holder are also for the benefit of, and enforceable by, any permitted subsequent Holder who consents in writing to be bound by this Warrant.

16. No Third-Party Beneficiaries. This Warrant is for the sole benefit of the Company and the Holder and their respective successors and, in the case of the Holder, permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever, under or by reason of this Warrant.

17. Headings. The headings in this Warrant are for reference only and shall not affect the interpretation of this Warrant.

18. Amendment and Modification; Waiver. Except as otherwise provided herein, this Warrant may only be amended, modified or supplemented by an agreement in writing signed by each party hereto. No waiver by the Company or the Holder of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any rights, remedy, power or privilege arising from this Warrant shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

19. Severability. Whenever possible, each provision of this Warrant will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Warrant.

20. Governing Law. The rights, duties and obligations of each party hereto shall be construed in accordance with and governed by the laws of the State of New York (without giving effect to any choice of law principles which would result in the application of the law of any other state). Any judicial proceeding brought with respect to any claim arising out of or relating to this Warrant or any other Loan Document (a "**Claim**") shall be brought in any court of competent jurisdiction in New York County, New York and, by execution and delivery of this Warrant, the Company and the Holder each (a) accepts, generally and unconditionally, the nonexclusive jurisdiction of such courts and any related appellate court and irrevocably agrees to be bound by any judgment rendered thereby in connection with any Claim and (b) irrevocably waives any objection it may now or hereafter have as to the venue of any such proceeding brought in such a court or that such a court is an inconvenient forum. The Company and the Holder each hereby waive personal service of process and consent that service of process upon it may be made by certified or registered mail, return receipt requested, at its address specified or determined in accordance with the provisions of Section 12, and service so made shall be deemed completed on the fifth Business Day after such service is deposited in the mail. THE COMPANY AND THE HOLDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING ANY CLAIM.

21. Counterparts. This Warrant may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and all of which counterparts together shall constitute one instrument.

22. No Strict Construction. This Warrant shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has duly executed this Warrant on the Original Issue Date.

XCEL BRANDS, INC.

By: /s/ Robert W. D'Loren
Name: Robert W. D'Loren
Title: Chairman of the Board and
Chief Executive Officer

Accepted and agreed,

GREAT AMERICAN LIFE
INSURANCE COMPANY

By: /s/ Mark F. Muething
Name: Mark F. Muething
Title: Executive Vice President &
Secretary

EXHIBIT A

Form of Exercise Agreement

(To be executed only upon exercise of Warrant)

The undersigned registered owner of this Warrant irrevocably exercises this Warrant and purchases _____ shares of Common Stock of XCel Brands, Inc.. (f/k/a NetFabric Holdings, Inc.), a Delaware corporation, purchasable with this Warrant, and herewith makes payment therefor in the amount of $_____, all at the price and on the terms and conditions specified in this Warrant. The undersigned requests that the shares be registered in the name of [_____]. If such number of shares does not include all shares of Common Stock issuable as provided in this Warrant, the undersigned does hereby direct that a new Warrant of like tenor for the number of shares of Common Stock not being purchased hereunder be issued in the name of the undersigned.

DATED :

_____
(Signature of Registered Owner)

_____
(Street Address)

_____
(City) (State) (Zip)

EXHIBIT B

Form of Assignment

FOR VALUE RECEIVED the undersigned registered owner of this Warrant hereby sells, assigns and transfers unto the assignee named below all of the rights of the undersigned under the within Warrant, with respect to the number of shares of Common Stock set forth below:

Name of Assignee	Address	No. of Shares

and does hereby irrevocably constitute and appoint _____ attorney to make such transfer on the books of XCel Brands, Inc. (f/k/a NetFabric Holdings, Inc.), a Delaware corporation, maintained for the purpose, with full power of substitution in the premises.

DATED :

(Signature)

(Witness)

FORM OF WARRANT

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), OR QUALIFIED UNDER ANY STATE OR FOREIGN SECURITIES LAWS AND MAY NOT BE OFFERED FOR SALE, SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED OR ASSIGNED UNLESS (I) A REGISTRATION STATEMENT COVERING SUCH SHARES IS EFFECTIVE UNDER THE ACT AND IS QUALIFIED UNDER APPLICABLE STATE AND FOREIGN LAW OR (II) THE TRANSACTION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS UNDER THE ACT AND THE QUALIFICATION REQUIREMENTS UNDER APPLICABLE STATE AND FOREIGN LAW AND, IF THE CORPORATION REQUESTS, AN OPINION SATISFACTORY TO THE CORPORATION TO SUCH EFFECT HAS BEEN RENDERED BY COUNSEL.

Warrant Certificate No.: 2

Original Issue Date: September 29, 2011

FOR VALUE RECEIVED, XCel Brands, Inc. (f/k/a NetFabric Holdings, Inc.), a Delaware corporation (the "**Company**"), hereby certifies that Great American Insurance Company, an Ohio corporation, or its registered assigns (the "**Holder**") is entitled to purchase from the Company 109,328 duly authorized, validly issued, fully paid and nonassessable shares of Common Stock at a purchase price per share of $0.01 (the "**Exercise Price**"), all subject to the terms, conditions and adjustments set forth below in this Warrant. Certain capitalized terms used herein are defined in **1** hereof.

This Warrant has been issued pursuant to the terms of the Credit Agreement dated as of September 29, 2011 (the "**Credit Agreement**") among IM Brands, LLC, MidMarket Capital Partners, LLC, as Administrative Agent and the Lenders from time to time party thereto.

1. Definitions. As used in this Warrant, the following terms have the respective meanings set forth below:

"**Aggregate Exercise Price**" means an amount equal to the product of (a) the number of Warrant Shares in respect of which this Warrant is then being exercised pursuant to **Section 3** hereof, multiplied by (b) the Exercise Price.

"**Board**" means the board of directors of the Company.

"**Business Day**" means any day, except a Saturday, Sunday or legal holiday, on which banking institutions in the city of New York are authorized or obligated by law or executive order to close.

"**Common Stock**" means the common stock of the Company, $.01 par value per share or any security into which the Common Stock is converted or issued in exchange for Common Stock whether in connection with a dividend, capital restructuring or reorganization or otherwise.

"**Company**" has the meaning set forth in the preamble.

"**Convertible Securities**" means any securities (directly or indirectly) convertible into or exchangeable for Common Stock, but excluding Options.

"**Excluded Issuances"** the issuance of (a) Common Stock, options to acquire Common Stock, or other equity awards granted to employees, officers or directors of, or consultants to, the Company pursuant to (x) any stock or option plan in effect at the date hereof, or (y) any amendment to such plan or any new such plan that is duly adopted for such purpose, by a majority of the non-employee members of the Board of Directors or a majority of the members of a committee of non-employee directors established for such purpose; (b) securities upon the exercise or exchange of or conversion of any securities exercisable or exchangeable for or convertible into Common Stock issued (or to be issued on the date hereof) and outstanding on the date of this Warrant; (c) securities pursuant to a merger, amalgamation, plan of arrangement, acquisition and any other business combination, joint venture, strategic transaction or other commercial relationship (the primary purpose of which is not raising equity capital);

"**Exercise Date**" means, for any given exercise of this Warrant, the date on which the conditions to such exercise as set forth in **Section 3** shall have been satisfied at or prior to 5:00 p.m., New York, New York time, on a Business Day, including, without limitation, the receipt by the Company of the Exercise Agreement, the Warrant and the Aggregate Exercise Price.

"**Exercise Agreement**" has the meaning set forth in **Section 3(a)(i)**.

"**Exercise Period**" has the meaning set forth in **Section 2**.

"**Exercise Price**" has the meaning set forth in the preamble.

"**Fair Market Value**" means, as of any particular date: (a) the volume weighted average of the closing sales prices of the Common Stock for such day on all domestic securities exchanges on which the Common Stock may at the time be listed; (b) if there have been no sales of the Common Stock on any such exchange on any such day, the average of the highest bid and lowest asked prices for the Common Stock on all such exchanges at the end of such day; (c) if on any such day the Common Stock is not listed on a domestic securities exchange, the closing sales price of the Common Stock as quoted on Nasdaq, the OTC Bulletin Board, the OTC Pink Sheets or similar quotation system or association for such day; or (d) if there have been no sales of the Common Stock on Nasdaq, the OTC Bulletin Board, the OTC Pink Sheets or similar quotation system or association on such day, the average of the highest bid and lowest asked prices for the Common Stock quoted on Nasdaq, the OTC Bulletin Board, the OTC Pink Sheets or similar quotation system or association at the end of such day; in each case, averaged over twenty (20) consecutive Business Days ending on the Business Day immediately prior to the day as of which "Fair Market Value" is being determined; provided, that if the Common Stock is listed on any domestic securities exchange, the term "Business Day" as used in this sentence means Business Days on which such exchange is open for trading. If at any time the Common Stock is not listed on any domestic securities exchange or quoted on Nasdaq, the OTC Bulletin Board, the OTC Pink Sheets or similar quotation system or association, the "Fair Market Value" of the Common Stock shall be the fair market value per share as determined jointly by the Board and the Holder.

"**Holder**" has the meaning set forth in the preamble.

"**Options**" means any warrants or other rights or options to subscribe for or purchase Common Stock or Convertible Securities.

"**Original Issue Date**" means September 29, 2011, the date on which the Warrant was issued by the Company pursuant to the Credit Agreement.

"**Nasdaq**" means The Nasdaq Stock Market, Inc.

"**OTC Bulletin Board**" means the OTC Market Group, Inc., OTC Bulletin Board.

"**OTC Pink Sheets**" means the OTC Market Group, Inc. OTC Pink Sheets.

"**Person**" means any individual, sole proprietorship, partnership, limited liability company, corporation, joint venture, trust, incorporated organization or government or department or agency thereof.

"**Warrant**" means this Warrant and all warrants issued upon division or combination of, or in substitution for, this Warrant.

"**Warrant Shares**" means the shares of Common Stock or other capital stock of the Company then purchasable upon exercise of this Warrant in accordance with the terms of this Warrant.

2. Term of Warrant. Subject to the terms and conditions hereof, at any time or from time to time after the date hereof and prior to 5:00 p.m., New York, New York time, on the seventh (7^{th}) anniversary of the date hereof or, if such day is not a Business Day, on the next preceding Business Day (the "**Exercise Period**"), the Holder of this Warrant may exercise this Warrant for all or any part of the Warrant Shares purchasable hereunder (subject to adjustment as provided herein).

3. Exercise of Warrant.

(a) **Exercise Procedure**. This Warrant may be exercised from time to time on any Business Day during the Exercise Period, for all or any part of the unexercised Warrant Shares, upon:

(i) surrender of this Warrant to the Company at its then principal executive offices (or an indemnification undertaking with respect to this Warrant in the case of its loss, theft or destruction), together with an Exercise Agreement in the form attached hereto as **Exhibit A** (each, an "**Exercise Agreement**"), duly completed (including specifying the number of Warrant Shares to be purchased) and executed; and

(ii) payment to the Company of the Aggregate Exercise Price in accordance with **Section 3(b)**.

(b) **Payment of the Aggregate Exercise Price**. Payment of the Aggregate Exercise Price shall be made, at the option of the Holder as expressed in the Exercise Agreement, by the following methods:

(i) by delivery to the Company of a certified or official bank check payable to the order of the Company or by wire transfer of immediately available funds to an account designated in writing by the Company, in the amount of such Aggregate Exercise Price;

(ii) by instructing the Company to withhold a number of Warrant Shares then issuable upon exercise of this Warrant with an aggregate Fair Market Value as of the Exercise Date equal to such Aggregate Exercise Price; or

(iii) any combination of the foregoing.

In the event of any withholding of Warrant Shares pursuant to clause (ii) or (iii) above where the number of shares whose value is equal to the Aggregate Exercise Price is not a whole number, the number of shares withheld by or surrendered to the Company shall be rounded up to the nearest whole share and the Company shall make a cash payment to the Holder (by delivery of a certified or official bank check or by wire transfer of immediately available funds) based on the incremental fraction of a share being so withheld by or surrendered to the Company in an amount equal to the product of (x) such incremental fraction of a share being so withheld or surrendered multiplied by (y) in the case of Common Stock, the Fair Market Value per Warrant Share as of the Exercise Date.

(c) **Delivery of Stock Certificates**. Upon receipt by the Company of the Exercise Agreement, surrender of this Warrant and payment of the Aggregate Exercise Price (in accordance with **Section 3(a)** hereof), the Company shall, as promptly as practicable, and in any event within ten (10) Business Days thereafter, execute (or cause to be executed) and deliver (or cause to be delivered) to the Holder a certificate or certificates representing the Warrant Shares issuable upon such exercise, together with cash in lieu of any fraction of a share, as provided in **Section 3(d)** hereof. The stock certificate or certificates so delivered shall be, to the extent possible, in such denomination or denominations as the exercising Holder shall reasonably request in the Exercise Agreement and shall be registered in the name of the Holder or, subject to compliance with **Section 6** below, such other Person's name as shall be designated in the Exercise Agreement. This Warrant shall be deemed to have been exercised and such certificate or certificates of Warrant Shares shall be deemed to have been issued, and the Holder or any other Person so designated to be named therein shall be deemed to have become a holder of record of such Warrant Shares for all purposes, as of the Exercise Date.

(d) **Fractional Shares**. The Company shall not be required to issue a fractional Warrant Share upon exercise of any Warrant. As to any fraction of a Warrant Share that the Holder would otherwise be entitled to purchase upon such exercise, the Company shall pay to such Holder an amount in cash (by delivery of a certified or official bank check or by wire transfer of immediately available funds) equal to the product of (i) such fraction multiplied by (ii) the Fair Market Value of one Warrant Share on the Exercise Date.

(e) **Delivery of New Warrant**. Unless the purchase rights represented by this Warrant shall have expired or shall have been fully exercised, the Company shall, at the time of delivery of the certificate or certificates representing the Warrant Shares being issued in accordance with **Section 3(c)** hereof, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unexpired and unexercised Warrant Shares called for by this Warrant. Such new Warrant shall in all other respects be identical to this Warrant.

(f) **Valid Issuance of Warrant and Warrant Shares; Payment of Taxes**. With respect to the exercise of this warrant, the Company hereby represents, covenants and agrees:

(i) This Warrant is, and any Warrant issued in substitution for or replacement of this Warrant shall be, upon issuance, duly authorized and validly issued.

(ii) All Warrant Shares issuable upon the exercise of this Warrant pursuant to the terms hereof shall be, upon issuance, and the Company shall take all such actions as may be necessary or appropriate in order that such Warrant Shares are, validly issued, fully paid and non-assessable, issued without violation of any preemptive or similar rights of any stockholder of the Company and free and clear of all taxes, liens and charges.

(iii) The Company shall take all such actions as may be necessary to ensure that all such Warrant Shares are issued without violation by the Company of any applicable law or governmental regulation or any requirements of any domestic securities exchange upon which shares of Common Stock or other securities constituting Warrant Shares may be listed at the time of such exercise (except for official notice of issuance which shall be immediately delivered by the Company upon each such issuance).

(iv) The Company shall use its best efforts to cause the Warrant Shares, immediately upon such exercise, to be listed on any domestic securities exchange upon which shares of Common Stock or other securities constituting Warrant Shares are listed at the time of such exercise.

(v) The Company shall pay all expenses in connection with, and all taxes and other governmental charges that may be imposed with respect to, the issuance or delivery of Warrant Shares upon exercise of this Warrant; provided, that the Company shall not be required to pay any tax or governmental charge that may be imposed with respect to any applicable withholding or the issuance or delivery of the Warrant Shares to any assignee or transferee of the Holder in excess of the amount of such taxes or governmental charges that would have been imposed upon issuance of such Warrant Shares to the Holder, and no such issuance or delivery shall be made unless and until the Person requesting such issuance has paid to the Company the amount of any such tax, or has established to the satisfaction of the Company that such tax has been paid.

(g) **Conditional Exercise**. Notwithstanding any other provision hereof, if an exercise of any portion of this Warrant is to be made in connection with a public offering or a sale of the Company (pursuant to a merger, sale of stock, or otherwise), such exercise may at the election of the Holder be conditioned upon the consummation of such transaction, in which case such exercise shall not be deemed to be effective until immediately prior to the consummation of such transaction.

(h) **Reservation of Shares**. During the Exercise Period, the Company shall at all times reserve and keep available out of its authorized but unissued Common Stock or other securities constituting Warrant Shares, solely for the purpose of issuance upon the exercise of this Warrant, the maximum number of Warrant Shares issuable upon the exercise of this Warrant, and the par value per Warrant Share shall at all times be less than or equal to the applicable Exercise Price. The Company shall not increase the par value of any Warrant Shares receivable upon the exercise of this Warrant above the Exercise Price then in effect, and shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant.

(i) **Wholly-Owned Subsidiary**. IM Brands, LLC shall at all times remain a wholly-owned direct or indirect Subsidiary of the Company.

4. Adjustment to Number of Warrant Shares. In order to prevent dilution of the purchase rights granted under this Warrant, the number of Warrant Shares issuable upon exercise of this Warrant shall be subject to adjustment from time to time as provided in this **Section 4** (in each case, after taking into consideration any prior adjustments pursuant to this **Section 4**).

(a) **Record Date.** For purposes of any adjustment to the number of Warrant Shares in accordance with this **Section 4**, in case the Company shall take a record of the holders of its Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in Common Stock, Options or Convertible Securities or (B) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(b) **Treasury Shares.** The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company or any of its wholly-owned subsidiaries, and the disposition of any such shares (other than the cancellation or retirement thereof or the transfer of such shares among the Company and its wholly-owned subsidiaries) shall be considered an issue or sale of Common Stock for the purpose of this **Section 4**.

(c) **Other Dividends and Distributions.** Subject to the provisions of this **Section 4(c)**, if the Company shall, at any time or from time to time after the Original Issue Date, make or declare, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or any other distribution payable in securities of the Company (other than a dividend or distribution of shares of Common Stock, Options or Convertible Securities in respect of outstanding shares of Common Stock as to which Section 4(d) shall be applicable), cash or other property, then, and in each such event, provision shall be made so that the Holder shall receive upon exercise of the Warrant, in addition to the number of Warrant Shares receivable thereupon, the kind and amount of securities of the Company, cash or other property which the Holder would have been entitled to receive had the Warrant been exercised in full into Warrant Shares on the date of such event and had the Holder thereafter, during the period from the date of such event to and including the Exercise Date, retained such securities, cash or other property receivable by them as aforesaid during such period, giving application to all adjustments called for during such period under this **Section 4** with respect to the rights of the Holder; provided, that no such provision shall be made if the Holder receives, simultaneously with the distribution to the holders of Common Stock, a dividend or other distribution of such securities, cash or other property in an amount equal to the amount of such securities, cash or other property as the Holder would have received if the Warrant had been exercised in full into Warrant Shares on the date of such event.

(d) **Adjustment to Number of Warrant Shares Upon Dividend, Subdivision or Combination of Common Stock**. If the Company shall, at any time or from time to time after the Original Issue Date, (i) pay a dividend or make any other distribution upon the Common Stock or any other capital stock of the Company payable in shares of Common Stock or in Options or Convertible Securities, or (ii) subdivide (by any stock split, recapitalization or otherwise) its outstanding shares of Common Stock into a greater number of shares, the number of Warrant Shares issuable upon exercise of this Warrant immediately prior to any such dividend, distribution or subdivision shall be proportionately increased. If the Company at any time combines (by combination, reverse stock split or otherwise) its outstanding shares of Common Stock into a smaller number of shares, the number of Warrant Shares issuable upon exercise of this Warrant immediately prior to such combination shall be proportionately decreased. Any adjustment under this **Section 4(d)** shall become effective at the close of business on the date the dividend, subdivision or combination becomes effective.

(e) **Adjustment to Number of Warrant Shares Upon Reorganization, Reclassification, Consolidation or Merger**. In the event of any (i) capital reorganization of the Company, (ii) reclassification of the stock of the Company (other than, subject to Section 3(h), a change in par value or from par value to no par value or from no par value to par value or as a result of a stock dividend or subdivision, split-up or combination of shares), (iii) consolidation or merger of the Company with or into another Person, (iv) sale of all or substantially all of the Company's assets to another Person or (v) other similar transaction (other than any such transaction covered by **Section 4(d)**), in each case which entitles the holders of Common Stock to receive (either directly or upon subsequent liquidation) stock, securities or assets with respect to or in exchange for Common Stock, each Warrant shall, immediately after such reorganization, reclassification, consolidation, merger, sale or similar transaction, remain outstanding and shall thereafter, in lieu of or in addition to (as the case may be) the number of Warrant Shares then exercisable under this Warrant, be exercisable for the kind and number of shares of stock or other securities or assets of the Company or of the successor Person resulting from such transaction to which the Holder would have been entitled upon such reorganization, reclassification, consolidation, merger, sale or similar transaction if the Holder had exercised this Warrant in full immediately prior to the time of such reorganization, reclassification, consolidation, merger, sale or similar transaction and acquired the applicable number of Warrant Shares then issuable hereunder as a result of such exercise; and, in such case, appropriate adjustment (in form and substance satisfactory to the Holder) shall be made with respect to the Holder's rights under this Warrant to insure that the provisions of this **Section 4** hereof shall thereafter be applicable, as nearly as possible, to this Warrant in relation to any shares of stock, securities or assets thereafter acquirable upon exercise of this Warrant. The provisions of this **Section 4(e)** shall similarly apply to successive reorganizations, reclassifications, consolidations, mergers, sales or similar transactions. The Company shall not effect any such reorganization, reclassification, consolidation, merger, sale or similar transaction unless, prior to the consummation thereof, the successor Person (if other than the Company) resulting from such reorganization, reclassification, consolidation, merger, sale or similar transaction, shall assume, by written instrument substantially similar in form and substance to this Warrant and satisfactory to the Holder, the obligation to deliver to the Holder such shares of stock, securities or assets which, in accordance with the foregoing provisions, such Holder shall be entitled to receive upon exercise of this Warrant. Notwithstanding anything to the contrary contained herein, with respect to any corporate event or other transaction contemplated by the provisions of this **Section 4(e)**, the Holder shall have the right to elect prior to the consummation of such event or transaction, to give effect to the exercise rights contained in **Section 2** instead of giving effect to the provisions contained in this **Section 4(e)** with respect to this Warrant.

(f) **Certain Events**. If any event of the type contemplated by the provisions of this **Section 4** but not expressly provided for by such provisions occurs, then the Board shall make an appropriate adjustment in the number of Warrant Shares issuable upon exercise of this Warrant so as to protect the rights of the Holder in a manner consistent with the provisions of this **Section 4**; provided, that no such adjustment pursuant to this **Section 4(f)** shall decrease the number of Warrant Shares issuable as otherwise determined pursuant to this **Section 4**.

(g) **Certificate as to Adjustment**.

(i) As promptly as reasonably practicable following any adjustment of the number of Warrant Shares pursuant to the provisions of this **Section 4**, but in any event not later than ten (10) Business Days thereafter, the Company shall furnish to the Holder a certificate of an executive officer setting forth in reasonable detail such adjustment and the facts upon which it is based and certifying the calculation thereof.

(ii) As promptly as reasonably practicable following the receipt by the Company of a written request by the Holder, but in any event not later than ten (10) Business Days thereafter, the Company shall furnish to the Holder a certificate of an executive officer certifying the number of Warrant Shares or the amount, if any, of other shares of stock, securities or assets then issuable upon exercise of the Warrant.

(h) **Participation Right**. In the event that the Company shall determine to issue shares of Common Stock ("Issued Shares") or securities convertible into or exchangeable for Issued Shares or any other options, rights or warrants to purchase Issued Shares ("Securities") to any Person the Company shall notify the Holder in writing of the proposed issuance, the number of Issued Shares or amount of Securities to be issued, the date on or about which such issuance is to be consummated and the price and other terms and conditions thereof. For a period of ten (10) days after the Shareholders' receipt of the notice referred to in the foregoing sentence, the Holder shall have the option to purchase, upon the same price, terms and conditions as such Issued Shares or Securities are issued or proposed to be issued to such Person, that number of such Issued Shares or Securities as may be necessary to adjust the number of shares of Common Stock of the Company owned by the Holder on a fully-diluted as-exercised basis to provide that the percentage of all of the fully-diluted as-exercised shares of Common Stock of the Company owned by such Holder immediately after the date of issuance to such Person and the Holder (the date of any such issuance hereinafter referred to as the "Issuance Date") is not less than the percentage of all of the fully-diluted shares of Common Stock of the Company owned by such Holder immediately prior to the Issuance Date. If such Holder exercises its purchase option under this Section 4(h) it shall purchase such Issued Shares or Securities at the time of consummation of the issuance of Issued Shares or Securities to such Person; provided, however, that the Company may consummate such issuance prior to the expiration of the applicable ten (10) day period so long as sufficient Issued Shares or Securities are reserved for issuance to the Holder upon the exercise of its rights under this Section 4(h). Without limiting the generality of the foregoing, this Section 4(h) shall be applicable to any issuance by the Company of Issued Shares other than any Excluded Issuance. The rights of the Holders under this Section 4(h) shall be in effect for a period of five (5) years from the Original Issue Date and shall survive the exercise of this Warrant and the issuance of the Warrant Shares. Each of the Holder and the Company shall execute and deliver subscription and purchase documents (and any ancillary documents) executed and delivered by and to other purchasers of Securities. Notwithstanding anything herein to the contrary, (i) if the Company issues Securities as part of a more comprehensive transaction or series of transactions and such issuance is not an Excluded Issuance (e.g. in connection with a credit facility), the Holder shall only have the right to participate in the purchase of Securities in accordance with this Section 4(h) but shall not have the right to participate in any other aspect of the transaction, and the Holder and the Company shall negotiate in good faith the price at which the Holder shall have the right to purchase Securities pursuant to this Section 4(h) and (ii) if the consideration received or receivable by the Company in connection with an issuance of Securities is in a form other than cash, the Company and the Holder shall negotiate in good faith the price at which the Holder shall have the right to purchase Securities pursuant to this Section 4(h).

(i) **Notices**. In the event:

(i) that the Company shall take a record of the holders of its Common Stock (or other capital stock or securities at the time issuable upon exercise of the Warrant) for the purpose of entitling or enabling them to receive any dividend or other distribution, to vote at a meeting (or by written consent), to receive any right to subscribe for or purchase any shares of capital stock of any class or any other securities, or to receive any other security; or

(ii) of any capital reorganization of the Company, any reclassification of the Common Stock of the Company, any consolidation or merger of the Company with or into another Person, or sale of all or substantially all of the Company's assets to another Person; or

(iii) of the voluntary or involuntary dissolution, liquidation or winding-up of the Company;

then, and in each such case, the Company shall send or cause to be sent to the Holder at least ten (10) days prior to the applicable record date or the applicable expected effective date, as the case may be, for the event, a written notice specifying, as the case may be, (A) the record date for such dividend, distribution, meeting or consent or other right or action, and a description of such dividend, distribution or other right or action to be taken at such meeting or by written consent, or (B) the effective date on which such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding-up is proposed to take place, and the date, if any is to be fixed, as of which the books of the Company shall close or a record shall be taken with respect to which the holders of record of Common Stock (or such other capital stock or securities at the time issuable upon exercise of the Warrant) shall be entitled to exchange their shares of Common Stock (or such other capital stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding-up, and the amount per share and character of such exchange applicable to the Warrant and the Warrant Shares.

5. Purchase Rights. In addition to any adjustments pursuant to **Section 4** above, if at any time the Company grants, issues or sells any shares of Common Stock, Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of Common Stock (the "**Purchase Rights**"), then the Holder shall be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder would have acquired if the Holder had held the number of Warrant Shares acquirable upon complete exercise of this Warrant immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

6. Transfer of Warrant. Subject to the transfer conditions referred to in the legend endorsed hereon, this Warrant and all rights hereunder are transferable, in whole or in part, by the Holder without charge to the Holder, upon surrender of this Warrant to the Company at its then principal executive offices with a properly completed and duly executed Assignment in the form attached hereto as **Exhibit B**, together with funds sufficient to pay any transfer taxes described in **Section 3(f)(v)** in connection with the making of such transfer. Upon such compliance, surrender and delivery and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees and in the denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant, if any, not so assigned and this Warrant shall promptly be cancelled.

7. Holder Not Deemed a Stockholder; Limitations on Liability. Except as otherwise specifically provided herein (including **Section 4(c)**), prior to the issuance to the Holder of the Warrant Shares to which the Holder is then entitled to receive upon the due exercise of this Warrant, the Holder shall not be entitled to vote or receive dividends or be deemed the holder of shares of capital stock of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, as such, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. Notwithstanding this **Section 7**, the Company shall provide the Holder with copies of the same notices and other information given to the stockholders of the Company generally, contemporaneously with the giving thereof to the stockholders.

8. Replacement on Loss; Division and Combination.

(a) **Replacement of Warrant on Loss**. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and upon delivery of an indemnity reasonably satisfactory to it (it being understood that a written indemnification agreement or affidavit of loss of the Holder shall be a sufficient indemnity) and, in case of mutilation, upon surrender of such Warrant for cancellation to the Company, the Company at its own expense shall execute and deliver to the Holder, in lieu hereof, a new Warrant of like tenor and exercisable for an equivalent number of Warrant Shares as the Warrant so lost, stolen, mutilated or destroyed; provided, that, in the case of mutilation, no indemnity shall be required if this Warrant in identifiable form is surrendered to the Company for cancellation.

(b) **Division and Combination of Warrant**. Subject to compliance with the applicable provisions of this Warrant as to any transfer or other assignment which may be involved in such division or combination, this Warrant may be divided or, following any such division of this Warrant, subsequently combined with other Warrants, upon the surrender of this Warrant or Warrants to the Company at its then principal executive offices, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the respective Holders or their agents or attorneys. Subject to compliance with the applicable provisions of this Warrant as to any transfer or assignment which may be involved in such division or combination, the Company shall at its own expense execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants so surrendered in accordance with such notice. Such new Warrant or Warrants shall be of like tenor to the surrendered Warrant or Warrants and shall be exercisable in the aggregate for an equivalent number of Warrant Shares as the Warrant or Warrants so surrendered in accordance with such notice.

9. No Impairment. The Company shall not, by amendment of its Certificate of Incorporation or Bylaws, or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed by it hereunder, but shall at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may reasonably be requested by the Holder in order to protect the exercise rights of the Holder against dilution or other impairment, consistent with the tenor and purpose of this Warrant.

10. Agreement to Comply with the Securities Act; Legend. Each Warrant certificate, and each certificate representing shares of Common Stock issued upon exercise of the Warrants, shall be stamped with a legend in substantially the form of the legend on the face hereof.

11. Warrant Register. The Company shall keep and properly maintain at its principal executive offices books for the registration of the Warrant and any transfers thereof. The Company may deem and treat the Person in whose name the Warrant is registered on such register as the Holder thereof for all purposes, and the Company shall not be affected by any notice to the contrary, except any assignment, division, combination or other transfer of the Warrant effected in accordance with the provisions of this Warrant.

12. Notices. Any notices required or permitted to be sent hereunder shall be given to the following addresses, or such other addresses as shall be given by notice delivered hereunder:

If to the Company:	Xcel Brands, Inc. 475 Tenth Avenue, 4th Floor New York, New York 10018 Attention: Chief Executive Officer and Chief Financial Officer Telecopy: (347) 727-2479
with a copy to:	Blank Rome LLP The Chrysler Building 405 Lexington Avenue New York, New York 10174 Attention: Robert J. Mittman Telecopy: (212) 885-5000
If to the Holder:	Great American Insurance Company c/o MidMarket Capital Partners, LLC 430 Park Avenue New York, New York 10022 Attention: Gabriel Gengler Telecopy: (866) 376-4175
with a copy to:	Keating Muething & Klekamp PLL One East Fourth Street, Suite 1400 Cincinnati, Ohio 45202 Attention: John S. Fronduti Telecopy: (513) 579-6457

Any notice hereunder shall be deemed to have been given and received on the day on which it is delivered (by means including personal delivery, overnight air courier, United States mail) or telecopied (or, if such day is not a Business Day or if the notice is not telecopied during business hours of the intended recipient, at the place of receipt, on the next following Business Day).

13. Cumulative Remedies. Except to the extent expressly provided in **Section 7** to the contrary, the rights and remedies provided in this Warrant are cumulative and are not exclusive of, and are in addition to and not in substitution for, any other rights or remedies available at law, in equity or otherwise.

14. Entire Agreement. This Warrant, together with the Credit Agreement and the other Loan Documents, constitutes the sole and entire agreement of the parties to this Warrant with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Warrant, the Credit Agreement and the other Loan Documents, the statements in the body of this Warrant shall control.

15. Successor and Assigns. Except as otherwise expressly provided herein, the provisions of this Warrant shall be binding upon and inure to the benefit of the respective heirs, executors and administrators and the permitted successors and assigns of the parties hereto, whether so expressed or not. In addition and whether or not any express assignment has been made, the provisions of this Warrant which are for the benefit of the Holder are also for the benefit of, and enforceable by, any permitted subsequent Holder who consents in writing to be bound by this Warrant.

16. No Third-Party Beneficiaries. This Warrant is for the sole benefit of the Company and the Holder and their respective successors and, in the case of the Holder, permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever, under or by reason of this Warrant.

17. Headings. The headings in this Warrant are for reference only and shall not affect the interpretation of this Warrant.

18. Amendment and Modification; Waiver. Except as otherwise provided herein, this Warrant may only be amended, modified or supplemented by an agreement in writing signed by each party hereto. No waiver by the Company or the Holder of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any rights, remedy, power or privilege arising from this Warrant shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

19. Severability. Whenever possible, each provision of this Warrant will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Warrant.

20. Governing Law. The rights, duties and obligations of each party hereto shall be construed in accordance with and governed by the laws of the State of New York (without giving effect to any choice of law principles which would result in the application of the law of any other state). Any judicial proceeding brought with respect to any claim arising out of or relating to this Warrant or any other Loan Document (a "**Claim**") shall be brought in any court of competent jurisdiction in New York County, New York and, by execution and delivery of this Warrant, the Company and the Holder each (a) accepts, generally and unconditionally, the nonexclusive jurisdiction of such courts and any related appellate court and irrevocably agrees to be bound by any judgment rendered thereby in connection with any Claim and (b) irrevocably waives any objection it may now or hereafter have as to the venue of any such proceeding brought in such a court or that such a court is an inconvenient forum. The Company and the Holder each hereby waive personal service of process and consent that service of process upon it may be made by certified or registered mail, return receipt requested, at its address specified or determined in accordance with the provisions of Section 12, and service so made shall be deemed completed on the fifth Business Day after such service is deposited in the mail. THE COMPANY AND THE HOLDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING ANY CLAIM.

21. Counterparts. This Warrant may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and all of which counterparts together shall constitute one instrument.

22. No Strict Construction. This Warrant shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has duly executed this Warrant on the Original Issue Date.

XCEL BRANDS, INC.

By: /s/ Robert W. D'Loren
Name: Robert W. D'Loren
Title: Chairman of the Board and
Chief Executive Officer

Accepted and agreed,

GREAT AMERICAN INSURANCE
COMPANY

By: /s/ Stephen C. Beraha
Name: Stephen C. Beraha
Title: Assistant Vice President, Assistant
General Counsel & Assistant Secretary

EXHIBIT A

Form of Exercise Agreement

(To be executed only upon exercise of Warrant)

The undersigned registered owner of this Warrant irrevocably exercises this Warrant and purchases _____ shares of Common Stock of XCel Brands, Inc.. (f/k/a NetFabric Holdings, Inc.), a Delaware corporation, purchasable with this Warrant, and herewith makes payment therefor in the amount of $_____, all at the price and on the terms and conditions specified in this Warrant. The undersigned requests that the shares be registered in the name of [_____]. If such number of shares does not include all shares of Common Stock issuable as provided in this Warrant, the undersigned does hereby direct that a new Warrant of like tenor for the number of shares of Common Stock not being purchased hereunder be issued in the name of the undersigned.

DATED :

(Signature of Registered Owner)

(Street Address)

(City) (State) (Zip)

EXHIBIT B

Form of Assignment

FOR VALUE RECEIVED the undersigned registered owner of this Warrant hereby sells, assigns and transfers unto the assignee named below all of the rights of the undersigned under the within Warrant, with respect to the number of shares of Common Stock set forth below:

Name of Assignee	Address	No. of Shares

and does hereby irrevocably constitute and appoint _____ attorney to make such transfer on the books of XCel Brands, Inc. (f/k/a NetFabric Holdings, Inc.), a Delaware corporation, maintained for the purpose, with full power of substitution in the premises.

DATED :

(Signature)

(Witness)

RIGHTS AGREEMENT

THIS RIGHTS AGREEMENT (this "Agreement"), dated as of September 29, 2011 is among XCEL BRANDS, INC. (f/k/a NetFabric Holdings, Inc., a Delaware corporation (the "Company"), GREAT AMERICAN LIFE INSURANCE COMPANY, an Ohio corporation ("GALIC"), and GREAT AMERICAN INSURANCE COMPANY, an Ohio corporation (collectively with GALIC, the "Investors").

RECITALS

WHEREAS, in connection with the Credit Agreement dated as of September 29, 2011 (the “Credit Agreement”) among IM Brands, LLC, MidMarket Capital Partners, LLC, as Administrative Agent and the Lenders from time to time party thereto, the Company is issuing to the Investors, collectively, 364,428 Warrants to purchase Common Stock (the “Warrants”); and

WHEREAS, the Company and the Shareholders deems it desirable to grant certain rights to the Investors in order to induce the Investors to make the loans contemplated by the Credit Agreement.

AGREEMENTS

NOW, THEREFORE, in consideration of the recitals and the mutual promises and covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. Definitions. As used in this Agreement the following terms shall have the meanings specified below and capitalized terms used, and not otherwise defined, herein shall have the meanings ascribed thereto in the Credit Agreement:

"Commission" means the Securities and Exchange Commission.

"Common Stock" means the common stock of the Company, [$0.001] par value per share or any security into which the Common Stock is converted or issued in exchange for Common Stock whether in connection with a dividend, capital restructuring or reorganization or otherwise.

"Holder" means any holder of Investor Securities who or that is a party to this Agreement or is a successor or assign or subsequent holder as contemplated by Section 8 hereof. For purposes of this Agreement, the Company may deem the registered holder of a Registrable Security as the Holder thereof except for Registrable Securities held in "street name" for which beneficial owners of record shall be deemed the Holder thereof.

"Investor Securities" means at any time the following securities held by an Investor: (i) the Warrants; (ii) any share or shares of Common Stock held by an Investor or issued or issuable upon the exercise of the Warrants or upon any conversion or exchange of any securities; and (iii) any securities issued or issuable as a result of, or in connection with, any stock dividend, stock split, reverse stock split, combination, recapitalization, reclassification, merger or consolidation, exchange or distribution in respect of such Common Stock. For purposes of this Agreement, a Person will be deemed to be a holder of Investor Securities whenever such Person holds a security exercisable for or convertible into such Investor Securities, whether or not such exercise or conversion has actually been effected.

"Registrable Securities" means the Investor Securities other than the Warrants. Notwithstanding the foregoing, the securities held by a Holder shall not be Registrable Securities if, at the time of determination, such securities are effectively registered under the Securities Act or may be distributed by a Holder without volume restrictions pursuant to Rule 144.

"Registration Expenses" has the meaning ascribed to it in Section 6 of this Agreement.

"Rule 144" means Rule 144 adopted by the Commission under the Securities Act (as such rule may be amended from time to time), or any similar rule or regulation hereafter adopted by the Commission.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Shareholder" means each owner of Common Stock (other than any Investor or Holder) identified on the signature page hereof and each such Person's successors or assigns.

2. Piggyback Registration Rights. At any time, whenever the Company proposes to register any Common Stock under the Securities Act (other than a registration effected solely to implement an employee benefit plan or a transaction to which Rule 145 of the Securities Act is applicable, or a Registration Statement on Form S-4, S-8 or any successor form thereto) including, either in a primary distribution by the Company or a secondary distribution by any of its security holders, the Company will give prompt written notice to all Holders of its intention to effect such a registration and, subject to Section 3, will include in the registration all Registrable Securities with respect to which the Company has received written requests for inclusion in the registration within ten (10) business days after receipt of the Company's notice (a "Piggyback Registration"). Except as otherwise provided herein, Registrable Securities with respect to which such request for registration has been received will be registered by the Company on the same terms and conditions as all other securities of the Company included in the proposed registration.

3. Restrictions on Piggyback Rights.

(a) If the managing underwriter or underwriters advise the Company that in its or their opinion that the number of securities proposed to be sold in such Piggyback Registration by the Holders, the Company and any other Person entitled to have their securities included in such registration (the "Other Persons"), exceeds the number which can be effectively sold in, or would have a material adverse effect on, such offering, the Company will include in such registration the number of securities which, in the opinion of such underwriter or underwriters or the Company, based on such consultation, as the case may be, can be sold in the following order: in the case of primary offering on behalf of the Company (i) first, securities offered for the account of the Company, (ii) second, the Registrable Securities and securities offered for the account of any other Persons not covered by clause (i) above, pro rata based on the number of shares of Common Stock (on an as-exercised and as-converted basis) sought to be included in such offering, and (iii) third, such other securities as the Company determines to include in such registration and, in the case of an offering on behalf of holders of Common Stock other than Registrable Securities, (i) first, the number of shares of Common Stock requested to be included therein by the holder(s) requesting such registration and the Registrable Securities pro-rata based on the number of shares of Common Stock (on a fully diluted, as converted basis) sought to be included in such offering.

(b) Anything to the contrary in this Agreement notwithstanding, the Company may withdraw or postpone a registration statement at any time before it becomes effective. In addition, with respect to any registration statement filed pursuant hereto, if the Company determines in good faith that it would (because of the existence of, or in anticipation of, any acquisition or corporate reorganization or other transaction, financing activity, or other development involving the Company or any subsidiary, or any other event or condition of similar significance to the Company or any subsidiary) be materially detrimental (a "Material Development Condition") to the Company or its shareholders for such a registration statement to be maintained effective or for sales of securities to continue pursuant to the registration statement, the Company shall be entitled, upon the giving of a written notice that a Material Development Condition has occurred (a "Delay Notice") from an officer of the Company to the Holders whose Registrable Securities are included in such registration statement, (i) to cause sales of securities to cease, or (ii) to cause such registration statement to be withdrawn and the effectiveness of such registration statement terminated. In the event the Company elects not to withdraw or terminate the effectiveness of any registration statement but to cause the holders included in such registration statement to refrain from selling securities for any period during the effective period of such registration statement pursuant to Section 4(b), the effective period shall be extended by the number of days during such effective period that the Holders are required to refrain from selling their Registrable Securities.

4. Registration Procedures. Subject to Section 3 hereof, with respect to any registration of Registrable Securities, the Company will use its best efforts to effect the registration in accordance with the intended method of disposition thereof as promptly as practicable (time being of the essence under this Agreement) and, in connection with any such request, as promptly as practicable will:

(a) prepare and file with the Commission a registration statement that includes, subject to Section 3(a), the Registrable Securities and use its best efforts to cause such registration statement to become and remain effective as provided herein and use its best efforts to comply with the Securities Act and the rules and regulations of the Commission in preparing and filing such registration statement; *provided, however*, before filing a registration statement or any prospectus or amendments or supplements thereto, the Company will furnish to legal counsel selected by Holders of a majority of the Registrable Securities subject to the registration statement copies of all such documents proposed to be filed, which documents will be subject to review, comment and approval by such counsel with respect to any information in such prospectus relating to any such Holder;

(b) use its best efforts to prepare and file with the Commission such amendments and post-effective amendments to such registration statement as may be necessary to keep such registration statement effective for a period of ninety (90) days from the original effective date of the registration statement;

(c) furnish to any Holder of Registrable Securities subject to a registration statement and the underwriter or underwriters, if any, without charge, such number of copies of the prospectus (including each preliminary prospectus) and any amendments or supplements thereto, and any documents incorporated by reference therein, as the Holder and the underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities being registered (it being understood that the Company consents to the use of the prospectus and any amendment or supplement thereto by each Holder and the underwriter or underwriters, if any, in connection with the offering and sale of the Registrable Securities covered by the prospectus or any amendment or supplement thereto);

(d) provide notice (a "Supplemental Notice") to each Holder at any time when a prospectus relating to Registrable Securities included in a registration statement is required to be delivered under the Securities Act in the event (i) the Company becomes aware of the happening of any event as a result of which the prospectus included in such registration statement (as then in effect) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading; (ii) of any request by the Commission for amendments or supplements to any registration statement or prospectus or for additional information, other than routine requests, (iii) of any stop order suspending the effectiveness of any such registration statement or the initiation of any proceedings for that purpose, or (iv) of any suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation of any proceeding for such purpose;

(e) take such actions as are reasonably required in order to facilitate the disposition of such Registrable Securities;

(f) subject to the execution of a confidentiality agreement in form satisfactory to the Company, make reasonably available for inspection by: (i) any Holder with Registrable Securities subject to the registration statement and (ii) any attorney, accountant or other agent retained by any Holder (collectively, the "Inspectors"), all pertinent financial and other records, and pertinent corporate documents of the Company (collectively, the "Records") as shall be reasonably necessary to enable them to exercise their due diligence responsibilities in connection with the registration statement and the registration, and cause the Company's officers, directors and key employees to supply all information reasonably requested by any such Inspector in connection with such registration statement;

(g) make generally available to its security holders an earnings statement satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder as soon as practicable and in any event no later than thirty (30) days after the end of the twelve-month period beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the registration statement, which statement shall cover such twelve-month period, provided that the foregoing requirement will be deemed satisfied if the Company timely files complete and accurate information of Forms 10-Q, 10-K and 8-K under the Securities Exchange Act and otherwise complies with Rule 158 under the Securities Act;

(h) use its commercially reasonable efforts to prevent the entry of any threatened, or obtain the withdrawal of any issued, order suspending the effectiveness of any registration statement at the earliest practicable time;

(i) on or prior to the date on which any registration statement is declared effective, use its commercially reasonable efforts to register or qualify, and cooperate with the Holders of the Registrable Securities subject to the registration statement and their counsel in connection with the registration or qualification of the Registrable Securities subject to the registration statement, under the securities or blue sky laws of each state and any other jurisdiction as any Holder or underwriter reasonably requests in writing, and to do any and all other acts or things necessary or advisable to facilitate the disposition in all such jurisdictions of the Registrable Securities subject to the registration statement; *provided*, *however*, that the Company will not be required to: (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify; (ii) consent to general service of process in any such jurisdiction; or (iii) subject itself to general taxation in any such jurisdiction;

(j) cooperate with the Holders of the Registrable Securities subject to the registration statement to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing the Registrable Securities being sold and to enable the certificates to be in such denominations and registered in such names as the managing underwriter or underwriters, if any, or the Holders, may reasonably request;

(k) use its commercially reasonable efforts to cause all Registrable Securities to be sold under the registration statement to be listed on a national securities exchange, other securities exchange and/or trading market on which similar securities issued by the Company are listed; and

(l) permit any Holder which Holder, in its sole judgment, is or may be deemed to be an underwriter or a controlling person of the Company, to participate in the preparation of the Registration Statement and to require the insertion of provisions furnished to the Company by or on behalf of such Holder in writing which in the reasonable judgment of such Holder should be included in the applicable Registration Statement.

5. Cooperation by Holders.

(a) Each Holder of Registrable Securities will furnish to the Company in writing such information and affidavits as the Company may reasonably request and as may be required by applicable law or regulation in connection with any registration, qualification or compliance with respect to the Registrable Securities. In addition, in the event of an underwritten offering, each Holder participating in such underwriting will enter into and perform its obligations under customary agreements (including an underwriting agreement in customary form); provided, however, that no Holder shall be required to make any representations or warranties to the Company or the underwriter(s) (other than regarding such Holders existence and authority, ownership of its Common Stock and method of distribution) or undertake any indemnification obligations other than as set forth in Section 7.

(b) The failure of any Holder to furnish any information or documents in accordance with any provision contained in this Section 5 will not affect the obligations of the Company under this Agreement to any other Holder who furnishes such information and documents unless, in the reasonable opinion of counsel to the Company or the underwriters, such failure impairs or may impair the viability of the offering or the legality of the registration statement or the underlying offering.

(c) Each Holder upon receipt of any Supplemental Notice will forthwith discontinue disposition of the Registrable Securities pursuant to the then current registration statement until such party has received copies of any required supplemented or amended prospectus or until it is advised in writing by the Company that a new registration statement covering the offer of the Registrable Securities has become effective under the Securities Act or that the use of the prospectus may be resumed. If so directed by the Company, the Holder will deliver to the Company all copies, other than permanent file copies then in such party's possession, of the prospectus covering such Registrable Securities current at the time of receipt of the relevant Supplemental Notice.

(d) In connection with any registered offering, each Holder agrees to execute agreements pursuant to which the Holder agrees not to, directly or indirectly, offer, sell or contract to sell or otherwise dispose of, or announce the offering of, any securities of the Company beneficially owned by such party, other than Registrable Securities subject to the registration statement, for a reasonable period of time before and after the offering (not to exceed ninety (90) days (one hundred and eighty (180) in the case of the first underwritten offering by the Company) after the offering), upon the reasonable request of the managing underwriter(s), but only to the same extent and for the same period as all other Company "insiders" holding at least five percent (5%) of the Common Stock (on an as-exercised, and as-converted basis) are restricted and any release from such restrictions of other Company "insiders" shall be extended, on a pro rata basis, to each Holder of Registrable Securities.

6. Registration Expenses.

(a) Subject to subsections (b) and (c) below, all costs and expenses of each registration hereunder will be borne by the Company, including: (i) the fees and expenses of legal counsel, accountants or other representatives of the Company; (ii) all other costs and expenses of the Company incident to the preparation, printing and filing under the Securities Act of any registration statement (and all amendments and supplements thereto) and furnishing copies thereof and of the prospectus included therein; and (iii) costs and expenses incurred by the Company in connection with the qualification of the Registrable Securities under the state securities or blue sky laws of applicable jurisdictions (collectively the "Registration Expenses"); provided, however, that Registration Expenses shall not include out-of-pocket expenses incurred by the Holders (including legal fees and expenses of the holder) or underwriting discounts, commissions or fees attributable to the sale of Registrable Securities. Without limitation, the Company will pay or cause to be paid all Registration Expenses in connection with any Piggyback Registration whether or not the registration statement becomes effective.

(b) Notwithstanding the Holders' ongoing rights to reimbursement or payment under this Section 6 to the contrary, to the extent actually required by applicable law or regulation, the Holders participating in a Piggyback Registration will pay their proportionate share of the expenses of the offering determined on a *pro rata* basis in accordance with the number of shares of Registrable Securities offered by each party participating in the registration.

7. Indemnification.

(a) The Company agrees to indemnify, to the fullest extent not prohibited by applicable law, each seller of Registrable Securities, its officers, directors, managers and shareholders and each Person who controls such seller (within the meaning of the Securities Act or the Securities Exchange Act) and of their respective Affiliates against all losses, claims, damages, liabilities and expenses (including, without limitation, reasonable attorneys' fees except as limited by Section 7(c)) caused by any untrue or alleged untrue statement of a material fact contained in any registration statement, any final prospectus contained therein or any amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, except statements or omissions or alleged statements or omissions that are consistent with any information furnished in writing to the Company by said seller expressly for use therein, resulting from said seller's failure to deliver a copy of the registration statement or final prospectus or any amendments or supplements thereto or the use by said seller of an outdated or defective prospectus after the company has notified such Seller in writing that the prospectus is outdated or defective. The reimbursements required by this Section 7(a) will be made by periodic payments during the course of the investigation or defense, as and when bills are received or expenses incurred.

(b) In connection with any registration statement in which a seller of Registrable Securities is participating, each such seller will furnish to the Company in writing such information and affidavits as the Company reasonably requests for use in connection with any such registration statement or prospectus and, to the fullest extent not prohibited by applicable law, will indemnify the Company, its directors and officers and each underwriter (if any) and each Person who controls the Company or such underwriter (within the meaning of the Securities Act or the Securities Exchange Act) against any losses, claims, damages, liabilities and expenses (including, without limitation, reasonable attorneys' fees except as limited by Section 7(c)) resulting from (i) any untrue or alleged untrue statement of a material fact contained in the registration statement, final prospectus contained therein, or any amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that such untrue statement or omission is consistent with any information or affidavit so furnished in writing by such seller expressly for use therein, (ii) said seller's failure to deliver a copy of the registration statement or final prospectus or any amendments or supplements thereto or (iii) the use by said seller of an outdated or defective prospectus after the company has notified such Seller in writing that the prospectus is outdated or defective; *provided, however,* that the obligation to indemnify will be several, not joint and several, among such sellers of Registrable Securities, and the liability of each such seller of Registrable Securities will be in proportion to, and be limited to, the net amount received by such seller from the sale of Registrable Securities pursuant to such registration statement.

(c) Any Person entitled to indemnification hereunder will: (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification; provided, however, that the failure of an indemnified party to notify an indemnifying party of any such claim shall not relieve the indemnifying party from any liability in respect of such claim (except to the extent of any actual prejudice caused by such failure). and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided, however, that if (A) any indemnified party shall have reasonably concluded that there may be one or more legal or equitable defenses available to the indemnified party which are in addition to or conflict with those available to the indemnifying party or that such claim could have an effect upon matters beyond the scope of the indemnity provided hereunder or (B) such claim seeks an injunction or equitable relief against any indemnified party or involves actual or alleged criminal activity, the indemnifying party shall not have the right to assume the dense of such action and such indemnifying party shall reimburse such indemnified party for the fees and expenses of counsel retained by the indemnified party. If such defense is assumed, the indemnified party will not be subject to any liability for any settlement made by the indemnifying party which does not include a provision releasing the indemnified party from all liability, without the indemnified party's consent (which consent will not be unreasonably withheld). The indemnified party will not settle any claim or liability without first providing the indemnifying party a reasonable opportunity to assume its defense. An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim unless a conflict of interest exists which prevents such counsel from representing each such indemnified party; provided that if the indemnifying party is not entitled to assume such defense, any such counsel shall be reasonably acceptable to the indemnifying party. The indemnified party shall not settle or compromise any such claim without the written consent of the indemnifying party, which shall not be unreasonably withheld.

(d) The indemnification provided for under this Agreement will remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling Person of such indemnified party and will survive the permitted transfer of securities.

(e) If the indemnification provided for in this Section 7 is unavailable or insufficient to hold harmless an indemnified party in respect of any losses, claims, damages, liabilities or expenses referred to herein, then the indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand, and the indemnified party on the other, in connection with the statement or omission which resulted in such losses, claims, damages, liabilities or expenses as well as any other relevant equitable considerations, including the failure to give the notice required hereunder. The relative fault of the indemnifying party and the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact relates to information supplied by the indemnifying party or the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Holders agree that it would not be just and equitable if contributions pursuant to this Section 7(e) were determined by pro rata allocation or by any other method of allocation which did not take into account the equitable considerations referred to herein. The amount paid or payable to an indemnified party as a result of the losses, claims, damages, liabilities or expenses referred to above shall be deemed to include any legal or other expenses reasonably incurred in connection with investigating or defending the same. Notwithstanding the foregoing, in no event shall the amount contributed by any Holder exceed the aggregate net offering proceeds received by any such Holder from the sale of its Registrable Securities. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation.

8. Transfer of Registration Rights. Without limiting the generality of Section 11 hereof, the right to cause the Company to register Registrable Securities under this Agreement may be assigned by a Holder to a transferee or assignee of any of its Registrable Securities; *provided*, *however*, that the Company is given written notice by the Holder at the time of or within a reasonable time after said transfer, stating the name and address of said transferee or assignee and identifying the Registrable Securities with respect to which such registration rights are being transferred or assigned and that such transfer is made in accordance with the federal securities laws and applicable state securities laws.

9. Current Public Information. The Company will file in a timely manner all reports and other documents required to be filed by it under the Securities Act and the Securities Exchange Act and the rules and regulations adopted by the Commission thereunder and will make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act. Upon request, the Company shall deliver to any Holder of Registrable Securities a written statement as to whether it has complied with such requirements.

10. Amendments and Waivers. Except as otherwise expressly provided herein, the provisions of this Agreement may be amended or waived at any time only by the written agreement of the Company and the Holders of a majority in interest of the then-outstanding Investor Securities. Any waiver, permit, consent or approval of any kind or character on the part of any such Holders of any provision or condition of this Agreement must be made in writing and shall be effective only to the extent specifically set forth in writing.

11. Successors and Assigns. Except as otherwise expressly provided herein, the provisions of this Agreement shall be binding upon and inure to the benefit of the respective heirs, executors and administrators and the permitted successors and assigns of the parties hereto, whether so expressed or not. In addition and whether or not any express assignment has been made, the provisions of this Agreement which are for the benefit of Holders of Registrable Securities are also for the benefit of, and enforceable by, any permitted subsequent Holders of Registrable Securities who consent in writing to be bound by this Agreement.

12. Final Agreement. This Agreement, together with the other Loan Documents, constitute the final and entire agreement of the parties concerning the matters referred to herein, and supersedes all prior or contemporaneous agreements and understandings, written or oral, including, without limitation, the letter agreement between the Company and the Agent dated June 17, 2011.

13. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

14. Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience of reference only and do not constitute a part of and shall not be utilized in interpreting this Agreement.

15. Notices. Any notices required or permitted to be sent hereunder shall be given to the following addresses, or such other addresses as shall be given by notice delivered hereunder:

(a) If to an Investor:

Great American Life Insurance Company
Great American Tower
301 East Fourth St.
Cincinnati, Ohio 45202
Attention: Mark F. Muething
Fax: 513.369.3655

Great American Insurance Company
Great American Tower – 15S
301 East Fourth St.
Cincinnati, Ohio 45202
Attention: Stephen C. Beraha
Fax: 513.412.4925

in each case, with a copy to:

American Money Management Corporation
One East Fourth Street – 3rd Floor
Cincinnati, Ohio 45202
Attention: David P. Meyer
Fax: 513.579.2910

and

MidMarket Capital Partners, LLC
430 Park Avenue – Suite 701
New York, New York
Attention: Gabriel Gengler
Fax: 866.376.4157

(b) If to any Shareholder, to the respective addresses set forth in the stock transfer records of the Company.

(c) If to any other Holders of Investor Securities, to the respective addresses set forth in the stock transfer records of the Company.

(d) If to the Company:

XCel Brands, Inc.
475 Tenth Avenue – 4th Floor
New York, New York 10018
Attention: Chief Executive Officer and Chief Financial Officer
Fax: (347) 727-2479

Any notice hereunder shall be deemed to have been given and received on the day on which it is delivered (by means including personal delivery, overnight air courier, United States mail) or telecopied (or, if such day is not a business day or if the notice is not telecopied during business hours of the intended recipient, at the place of receipt, on the next following business day).

16. Governing Law. The rights, duties and obligations of each party hereto shall be construed in accordance with and governed by the laws of the State of New York (without giving effect to any choice of law principles which would result in the application of the law of any other state). Any judicial proceeding brought with respect to any claim arising out of or relating to this Agreement or any other Loan Document (a "Claim") shall be brought in any court of competent jurisdiction in New York County, New York and, by execution and delivery of this Agreement, the Company, each Investor and each Shareholder (a) accepts, generally and unconditionally, the nonexclusive jurisdiction of such courts and any related appellate court and irrevocably agrees to be bound by any judgment rendered thereby in connection with any Claim and (b) irrevocably waives any objection it may now or hereafter have as to the venue of any such proceeding brought in such a court or that such a court is an inconvenient forum. The Company, each Investor and each Shareholder hereby waive personal service of process and consent that service of process upon it may be made by certified or registered mail, return receipt requested, at its address specified or determined in accordance with the provisions of Section 19, and service so made shall be deemed completed on the fifth business day after such service is deposited in the mail. THE COMPANY, EACH SHAREHOLDER AND EACH INVESTOR HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING ANY CLAIM.

17. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and all of which counterparts together shall constitute one instrument.

[Signature page follows]

The parties hereto have caused this Agreement to be executed and delivered in their names and on their behalf as of the date first set forth above.

XCEL BRANDS, INC.
By: /s/ Robert W. D'Loren
Name: Robert W. D'Loren
Title: Chief Executive Officer

GREAT AMERICAN LIFE INSURANCE COMPANY
By: /s/ Mark F. Muething
Name: Mark F. Muething
Title: Executive Vice President & Secretary

GREAT AMERICAN INSURANCE COMPANY

By: /s/ Stephen C. Beraha
Name: Stephen C. Beraha
Title: Assistant Vice President, Assistant General Counsel & Assistant Secretary

VOTING AGREEMENT

THIS VOTING AGREEMENT (this "Agreement"), dated as of September 29, 2011, is made by and among XCel Brands, Inc., a Delaware corporation, and its successors and/or assigns (the "Company") and IM Ready-Made, LLC, a New York limited liability company (the "Seller").

WHEREAS, the Company and IM Brands, LLC ("IM Brands", together with the Company, collectively, the "Buyers") and the Seller have entered into that certain Asset Purchase Agreement, dated as of May 19, 2011 (the "Purchase Agreement"), pursuant to which Buyers have agreed to acquire certain of the assets that relate to the Business (as defined in the Purchase Agreement) of the Seller;

WHEREAS, pursuant to the terms of the Purchase Agreement, the Seller will be issued and will receive XCel Shares (as defined herein); and

WHEREAS, on the terms and conditions set forth in the Purchase Agreement, the Holders desire and agree to be bound by the restrictions on transfer, and to vote all XCel Shares issued to them pursuant to the terms of the Purchase Agreement as set forth herein.

NOW, THEREFORE, in consideration of the promises contained herein and for other good and valuable consideration, the receipt, sufficiency and adequacy of which is hereby acknowledged, the parties hereto agree as follows (with all capitalized terms used and not otherwise defined herein having their respective meanings as set forth in the Purchase Agreement):

1. Definitions. All capitalized terms used but not defined herein shall have the meanings given to such terms in the Purchase Agreement. For the purposes of this Agreement, the following terms shall have the respective meanings set forth below or elsewhere in this Agreement as referred to below:

"Acquisition" means any acquisition by the Company or any of its Affiliates of (i) all or substantially all of the assets, including assets constituting a business, division or product line, of any entity, or (ii) a majority of the equity interests or voting rights of any entity, whether such acquisition occurs through a merger, re-organization or direct purchase of equity interests.

"Common Stock" shall mean common stock, par value $0.001 per share, of the Company.

"Holder" means the Seller, for so long as it owns any XCel Shares, and each of their respective permitted successors, assigns and direct and indirect transferees who become beneficial owners of XCel Shares.

"Seller Group" means the seller in an Acquisition, and its stockholders, members, partners, officers, directors and Affiliates.

"Transfer" means to (i) sell, transfer, assign, or otherwise dispose of, or (ii) enter into any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of.

"XCel Shares" shall mean those shares of Common Stock issued to the Seller pursuant to the Purchase Agreement (including any shares of Common Stock issued in connection with the Initial Stock Consideration, the Earn-Out Shares, the QVC Earn-Out Shares or the Promissory Note).

2. Agreement to Vote Shares; Irrevocable Proxy. Each Holder hereby appoints such person as the Board of Directors of the Company may appoint after the date of this Agreement (the "Proxy Holder") its proxy and attorney-in-fact, with full power of substitution and resubstitution, to vote or act by written consent during the term of this Agreement with respect to the XCel Shares and any New Shares (as defined below) (collectively, the "Shares"). Holders shall take such further action or execute such other instruments as may be necessary to effectuate the intent of this proxy and limited power of attorney. The proxy and limited power of attorney granted hereunder by Holders shall be irrevocable during the term of this Agreement, shall be deemed to be coupled with an interest sufficient in law to support an irrevocable proxy and shall revoke any and all prior proxies granted by Holder with respect to the matters contemplated hereunder. The power of attorney granted by Holders herein is a limited durable power of attorney and shall survive the bankruptcy, death or incapacity of the Holders. The proxy and limited power of attorney granted hereunder shall terminate upon the termination of this Agreement. All parties hereto acknowledge and agree that the Proxy Holder shall, and the Holders hereby irrevocably consent to, vote all XCel Shares owned by them in favor of matters recommended or approved by the Board of Directors of the Company, or, if such matters are neither recommended nor approved by the Board of Directors of the Company, then at the direction of the Board of Directors of the Company, in respect of all matters for which stockholder approval is sought or required.

3. No Voting Trusts or Other Arrangements. Each of the Holders agrees that he will not, and will not permit any entity under his or its control to, grant any proxies with respect to the XCel Shares or subject any of the XCel Shares to any arrangement with respect to the voting of the XCel Shares other than this Agreement.

4. Transfer and Encumbrance.

(a) Each of the Holders represents and warrants that (i) the XCel Shares are free and clear of all liens, claims, charges, security interests or other encumbrances, other than those that may be created by the Purchase Agreement, the Lock-Up Agreement, the Promissory Note, and this Agreement, (ii) there are no options, warrants or other rights, agreements, arrangements or commitments of any character to which the Holders are a party relating to the pledge, disposition or voting of the XCel Shares, and there are no voting trusts or voting agreements with respect to the XCel Shares, other than this Agreement, the Purchase Agreement and applicable trust agreements for estate planning purposes, including but not limited to charitable remainder trusts, (iii) each of the Holders has full power and authority to enter into, execute and deliver this Agreement and to perform fully such Holder's obligations hereunder, and (iv) this Agreement constitutes the legal, valid and binding obligation of the Holders in accordance with its terms.

(b) In the event a Holder desires to Transfer any XCel Shares to one or more partners or members of such Holder, or to an Affiliate of such Holder (in each case, a "Related Party"), such Holder may Transfer such XCel Shares only if, as precondition to such Transfer, the Related Party agrees in writing, reasonably satisfactory in form and substance to the Company and Proxy Holder, to be bound by this Agreement. Except to the extent prohibited under the Lock-Up Agreement and applicable law, a Holder may, at any time and from time to time, Transfer some or all of the XCel Shares held by such Holder to a person or entity who is not a Related Party, and the XCel Shares so Transferred shall be free and clear of any restrictions under this Agreement (including, without limitation, those restrictions contained in Section 2).

5. New Shares. Each of the Holders agrees that all XCel Shares received by such Holder as a result of any stock splits, stock dividends or reclassifications of XCel Shares (all such XCel Shares collectively, "New Shares"), shall be subject to the terms of this Agreement to the same extent as if they constituted XCel Shares as of the date hereof.

6. Most Favored Nation. In the event that any Seller Group is issued ten percent (10%) or more of the then-outstanding XCel Shares, and such Seller Group has greater voting and/or transfer rights with respect to such XCel Shares than those provided to the Holders under this Agreement, then the terms of this Agreement shall be automatically amended, without the need of any further action, so that the Holders are provided with such greater voting and/or transfer rights.

7. Specific Performance. Each party hereto acknowledges that it will be difficult to measure in money the damage to the other party if a party hereto fails to comply with any of the obligations imposed by this Agreement in the event of any such failure, the other party will not have an adequate remedy at law or damages. Accordingly, each party hereto agrees that injunctive relief or other equitable remedy, in addition to remedies at law or damages, is the appropriate remedy for any such failure and will not oppose the granting of such relief on the basis that the other party has an adequate remedy at law. Each party hereto agrees that it will not seek, and agrees to waive any requirement for, the securing or posting of a bond in connection with any other party's seeking or obtaining such equitable relief.

8. Entire Agreement. This Agreement supersedes all prior agreements, written or oral, among the parties hereto with respect to the subject matter hereof and contains the entire agreement among the parties with respect to the subject matter hereof. This Agreement may not be amended or supplemented, and no provisions hereof may be modified or waived, except by an instrument in writing signed by all the parties hereto. No waiver of any provisions hereof by any party shall be deemed a waiver of any other provision hereof by any such party, nor shall any such waiver be deemed a continuing waiver of any provision hereof by such party.

9. Notices. All notices and other communications pursuant to this Agreement shall be in writing, either hand delivered or sent by certified or registered mail with charges prepaid or by commercial courier guaranteeing next business day delivery, or sent by facsimile, and shall be addressed:

(i) in the case of the Company, to the Company at its principal office set forth in the Purchase Agreement; and

(ii) in the case of a Holder, to the address provided by such Holder to the Company.

Any notice or other communication pursuant to this Agreement shall be deemed to have been duly given or made and to have become effective (i) when delivered in hand to the party to which it was directed, (ii) if sent by facsimile and properly addressed in accordance with the foregoing provisions of this Section 9, when received by the addressee, (iii) if sent by commercial courier guaranteeing next business day delivery, on the business day following the date of delivery to such courier, or (iv) if sent by first-class mail, postage prepaid, and properly addressed in accordance with the foregoing provisions of this Section 9, (A) when received by the addressee, or (B) on the third business day following the day of dispatch thereof, whichever of (A) or (B) shall be the earlier.

10. Miscellaneous.

(a) In addition to other legends that are required, either by agreement or by federal or state securities laws, each certificate representing any of the Shares shall be marked by the Company with a legend substantially in the following form:

"THE SALE, TRANSFER, HYPOTHECATION, NEGOTIATION, PLEDGE, ASSIGNMENT, ENCUMBRANCE, GRANT OF ANY OPTION, WARRANT OR OTHER RIGHT TO PURCHASE, OR OTHER DISPOSITION (COLLECTIVELY, "TRANSFER") OF THE SHARES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS AND A GRANT OF PROXY PURSUANT TO THAT CERTAIN VOTING AGREEMENT BY AND BETWEEN XCEL BRANDS, INC. AND THE HOLDERS NAMED THEREIN, DATED AS OF SEPTEMBER 29, 2011 (THE "VOTING AGREEMENT"), COPIES OF EACH OF WHICH MAY BE OBTAINED FROM THE SECRETARY OF XCEL BRANDS, INC. NO TRANSFER OF THE SHARES MAY BE MADE UNLESS SPECIFIC CONDITIONS OF THE VOTING AGREEMENT ARE SATISFIED."

(b) **THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN AND IN ALL RESPECTS SHALL BE INTERPRETED, CONSTRUED AND GOVERNED BY AND IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF.** The parties hereby irrevocably submit to the exclusive jurisdiction of the courts of the State of Delaware and the federal courts of the United States of America, in each case sitting in Delaware, solely in respect of the interpretation and enforcement of the provisions of this Agreement and in respect of the transactions contemplated hereby, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement may not be enforced in or by such courts, and the parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such a Delaware State or federal court. The parties hereby consent to and grant any such court jurisdiction over the person of such parties and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 9 or in such other manner as may be permitted by law shall be valid and sufficient service thereof.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, AND (iii) EACH PARTY MAKES THIS WAIVER VOLUNTARILY.

(d) If any provision of this Agreement or the application of such provision to any person or circumstances shall be held invalid or unenforceable by a court of competent jurisdiction, such provision or application shall be unenforceable only to the extent of such invalidity or unenforceability, and the remainder of the provision held invalid or unenforceable and the application of such provision to persons or circumstances, other than the party as to which it is held invalid, and the remainder of this Agreement, shall not be affected.

(e) This Agreement may be executed in one or more counterparts (including by facsimile), each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

(f) This Agreement shall terminate automatically upon the earlier of: (i) the Transfer of all XCel Shares held by the Holders to persons or entities who are not Related Parties of such Holders; and (ii) the date upon which the Holders, collectively, hold less than five percent (5%) of the then-outstanding XCel Shares. For purposes hereof, the term “Affiliate” shall mean any other person or entity who directly, or indirectly through one or more intermediaries, is in control of, is controlled by, or is under common control with, such Holder. For purposes of this definition, control of an entity means the power, directly or indirectly, to direct or cause the direction of the management and policies of such entity whether by contract, securities ownership or otherwise; and the terms “controlling” and “controlled” shall have the respective meanings correlative to the foregoing.

(g) Each party hereto shall execute and deliver such additional documents as may be necessary or desirable to effect the transactions contemplated by this Agreement.

(h) No party to this Agreement may assign any of its rights or obligations under this Agreement without the prior written consent of the other party hereto. Any assignment contrary to the provisions of this Section 10(h) shall be null and void.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Voting Agreement as of the date first written above.

XCEL BRANDS, INC.

By: /s/ Robert D'Loren

Name: Robert D'Loren
Title: CEO and President

HOLDERS:

IM READY-MADE, LLC

By: /s/ Isaac Mizrahi
Name: Isaac Mizrahi
Title: President

Signature Page to Voting Agreement

Execution Version

ASSET PURCHASE AGREEMENT
BY AND AMONG

XCEL BRANDS, INC.,

IM BRANDS, LLC,

AND

IM READY-MADE, LLC

DATED AS OF MAY 19, 2011

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Annexes, Exhibits and Schedules

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (this "Agreement") is entered into as of May 19, 2011, by and among XCel Brands, Inc., a Delaware corporation ("XCel"), IM Brands, LLC, a Delaware limited liability company ("IMB" and, together with XCel, the "Buyers"), IM Ready-Made, LLC, a New York limited liability company ("IM" or "Seller"), solely as to Sections 2.5, 7.3 and 7.15, Isaac Mizrahi, an individual ("Mizrahi"), and, solely as to Sections 7.3 and 7.15, Marisa Gardini, an individual ("MG" and together with Mizrahi, the "Individuals"). The Seller and Buyers are referred to herein each individually as a "Party," and collectively as the "Parties".

RECITALS

WHEREAS, the Seller owns certain assets used primarily in the conduct of the Business (as defined below);

WHEREAS, the Seller desires to sell, and Buyers desire to purchase from the Seller, certain assets of the Business, and to assume the liabilities associated therewith, on the terms and subject to the conditions set forth in this Agreement so as to permit Buyers to operate the Business;

WHEREAS, the Seller and the Buyers intend that the transfer of the assets of the Business contemplated by this Agreement, in connection with the Public Shell Transaction and the Buyers' related equity and debt financings, will qualify as a transaction or transactions described in Section 351 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, immediately prior to the Closing, XCel will merge with and into a publicly traded shell corporation ("Public XCel") or, alternatively, a newly formed subsidiary of Public XCel will merge with and into XCel, with XCel surviving the merger, and Public XCel shall at all times thereafter be deemed to be a "Buyer" hereunder (such merger, and the transactions contemplated thereby, the "Public Shell Transaction").

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS AND USAGE

1.1 Definitions. For purposes of this Agreement, the following terms and variations thereof have the meanings specified or referred to in this Section 1.1:

"Accounts Receivable" means (a) all trade accounts receivable, licensee royalty accounts receivable, supplier payments receivable, expense reimbursements receivable, and other rights to payment from licensees and customers of the Seller, (b) all advertising accounts receivable of the Seller related to advertising or marketing funds, (c) all other accounts or notes receivable of the Seller and the full benefit of all security for such accounts or notes, and (d) any claim, remedy or other right related to any of the foregoing.

"Accredited Investor" is defined in Regulation D promulgated under the Securities Act.

"Acquired Assets" means all of the Seller's right, title, and interest in and to all of the following assets of the Seller: (a) Furnishings and Equipment; (b) Books and Records; (c) Intellectual Property Rights; (d) all rights under the Assumed Contracts; (e) all Buyer Accounts Receivable; (f) the IM Archives; (g) the personal name, image, and likeness of Isaac Mizrahi as an individual; and (h) all rights to the operation of the Business, including all goodwill in connection therewith, except as otherwise limited herein; provided, however, notwithstanding anything to the contrary herein, the Acquired Assets shall not include any Excluded Assets or the Retained Media Rights as defined in Section 2.5 herein.

"Acquisition Proposal" is defined in Section 6.5.

"Adjustment" is defined in Section 6.15(b).

"Affiliate" of any Person means any Person which, directly or indirectly controls or is controlled by that Person, or is under common control with that Person. For the purposes of this definition, "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities or by contract or otherwise.

"Agreement" is defined in the preamble.

"Allocation Schedule" is defined in Section 3.7.

"Applicable Percentage" is defined in Section 3.4(a).

"Assumed Contracts" means all License Agreements and Design and Service Agreements (including, without limitation, the right to collect any and all amounts due and payable thereunder that are unpaid to the Seller as of the Closing Date), the Assumed Leases, and, subject to Section 3.8, all other Contracts to which the Seller is a party that relate to the operation of the Business and all security deposits relating thereto, all of which are listed on Schedule AC; provided, however, that the Assumed Contracts shall not include any Contracts related exclusively to the Retained Media Rights.

"Assumed Leases" is defined in Section 4.5(a).

"Assumed Liabilities" is defined in Section 2.3.

"Award" is defined in Section 11.12(b).

"Balance Sheet" is defined in Section 4.4(a).

"Board" is defined in Section 7.16.

"Books and Records" means all books and records of the Seller or its Affiliates relating exclusively to and necessary for the operation of the Business as it is currently operated, including files, documents, correspondence, cost and pricing information, accounting records, licensee lists and records, brand and marketing research, maintenance and inspection reports, archives, sales and marketing materials; provided, that "Books and Records" will not include any corporate records of the Seller or its Affiliates and will not include books and records to the extent not related to the Acquired Assets.

"Business" means the licensing, promotion via any form of media, and marketing of the IM Brands or the Isaac Mizrahi image and likeness for any commercial use relating to the manufacture, sale and/or distribution of clothing, related accessories, home goods (i.e., home furnishings, home décor, tabletop, cookware and kitchen prep items), food products and any and all other goods and services; provided, however, notwithstanding anything to the contrary herein, the Business shall not include the Retained Media Rights.

"Business Audited Financials" is defined in Section 6.4.

"Business Day" means any day other than (a) Saturday or Sunday or (b) any other day on which banks in New York, New York are permitted or required to be closed.

"Buyers" is defined in the preamble.

"Buyer Accounts Receivable" is defined in Section 3.9(a).

"Buyer Disclosure Schedule" is defined in the first paragraph of Article V.

"Buyer Disclosure Supplement" is defined in Section 6.7(b).

"Buyer Indemnified Parties" is defined in Section 11.2.

"Buyer Material Adverse Effect" means any change, effect, event, occurrence, state of facts or development that is, or would reasonably be expected to be, materially adverse to the assets, business, liabilities, prospects, results of operations or condition (financial or otherwise) of the Buyers taken as a whole or that prevents or materially impedes, or would reasonably be expected to prevent or materially impede, the consummation by any of the Buyers of the transactions contemplated by this Agreement; provided, however, that none of the following shall constitute, or shall be considered in determining whether there has occurred, a Buyer Material Adverse Effect: (a) changes that are solely the result of economic or political factors affecting the national, regional or world economy or the Buyers' industry, acts of war or terrorism or other force majeure events, in each case except where such condition has a disproportionate effect on the Buyers; (b) changes that are solely the result of factors generally affecting the industries or markets in which any of the Buyers operates, in each case except where such condition has a disproportionate effect on the Buyers; (c) changes in Legal Requirements or the interpretation thereof; or (d) any action required to be taken pursuant to this Agreement.

"Cap" is defined in Section 11.4(b).

"Cash Net Royalty Income" means, with respect to any period, the sum of (i) gross royalties for the Business in such period, less the sum of advertising royalties, commissions paid to third parties, payments under royalty sharing or participation agreements, and international withholding (solely to the extent the Buyers are unable to claim a federal tax credit with respect to such international withholding) and other transfer taxes, in each case to the extent related to such gross royalties, calculated on a cash basis, and (ii) any booked revenue for the Business in such period, calculated in accordance with GAAP, to the extent not included in clause (i) above, but only to the extent that Buyers or any of their Affiliates collect such booked revenue within one hundred (100) days following the end of such period.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. § 9601, et seq.).

"Claim" is defined in Section 12.11.

"Claim Notice" is defined in Section 11.7.

"Closing" is defined in Section 3.1.

"Closing Date" is defined in Section 3.1.

"Closing Date Reference Price" means the price of XCel common stock as of the close of markets on the Business Day immediately preceding the Closing.

"Closing Payment" is defined in Section 3.3.

"COBRA" means Section 4980B of the Code, Sections 601 through 608, inclusive, of ERISA and any applicable similar state laws.

"Code" is defined in Recitals.

"Competes with the Business" means to participate in any business or enterprise (including, without limitation, any division, group or franchise of a larger organization) that engages or proposes (as publicly announced or announced to the Seller or the Individuals) to engage in the Business. For purposes of this definition, the term "participate in" shall include, without limitation, having any direct or indirect interest in any Person, whether as a sole proprietor, owner, stockholder, partner, member, joint venturer, creditor or otherwise, or rendering any direct or indirect service or assistance to any Person (whether as a director, officer, supervisor, employee, agent, consultant or otherwise). Notwithstanding anything to the contrary, the term "Competes with the Business" shall not include (i) the passive ownership of not more than (3%) of the outstanding stock of any class of a publicly held corporation whose stock is traded on a national securities exchange or in the over-the-counter market, (ii) the exploitation of the license granted under Section 7.17, or (iii) the performance of the Retained Media Rights in accordance with Section 2.5.

"Comprehensive Rules" is defined in Section 12.11(b).

"Contract" means any agreement, contract, license, sublicense, lease, sublease, indenture, mortgage, instrument, guaranty, loan or credit agreement, note, bond, customer order, purchase order, franchise, dealer and distributorship agreement, supply agreement, development agreement, joint venture agreement, promotion agreement, partnership agreement or other arrangement, understanding or commitment, whether written or oral and including any right or obligation under any of the foregoing.

"Core Representations" is defined in Section 11.1.

"Corporate Governance and Nominating Committee" means the corporate governance and nominating committee of Public XCel or any committee or body serving a similar role for Public XCel as may from time to time be constituted.

"Couture Business" is defined in Section 7.17.

"Damages" is defined in Section 11.2.

"Decreased Cap" is defined in Section 11.4(b).

"Decree" means any final, non-appealable judgment, decree, ruling, injunction, assessment, attachment, undertaking, award, charge, writ, executive order, administrative order or any other order of any Government Authority.

"Design and Service Agreement" means any Contract between the Seller and any Person pursuant to which the Seller receives compensation for design services, consulting services, or granting such Person the right to associate an IM Brand or the Isaac Mizrahi name and/or image and likeness with any product or service; provided, however, that the term Design and Service Agreement shall not include any Contract relating exclusively to the Retained Media Rights.

"Earn-Out Period" means the period of time commencing on the Closing Date and ending on the last day of the Fourth Royalty Target Period.

"Earn-Out Reconciliation" is defined in Section 3.4(b).

"Earn-Out Shares" is defined in Section 3.4(a).

"Earn-Out Value" is defined in Section 3.4(a).

"EB Agreement" means the agreement dated November 6, 2001 by and between Laugh Club, Inc. and Earthbound, LLC, and as amended, extended, or assigned thereafter.

"EB Termination and Release" is defined in Section 8.10.

"Employee Benefit Plan" means any "employee benefit plan" as defined in Section 3(3) of ERISA and any other material employee benefit or fringe benefit plan, program or arrangement of any kind (whether written or oral).

"Employment Agreements" is defined in Section 8.8.

"Environmental and Safety Requirements" means all federal, state, local and foreign statutes, regulations, ordinances, codes and other provisions having the force and effect of law, all judicial and administrative orders and determinations, all contractual obligations and all common law concerning public health and safety, worker health and safety, and pollution or protection of the environment, including all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control or cleanup of, or exposure to, any hazardous materials, substances or wastes, chemical substances or mixtures, pesticides, pollutants, contaminants, toxic chemicals, petroleum products or byproducts, asbestos, polychlorinated biphenyls, noise or radiation, as previously, now or hereafter in effect.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means, with respect to any entity, any trades or business (whether or not incorporated) that are treated as a single employer with such entity under Sections 414(b), (c), (m) or (o) of the Code.

"Escrow Agreement" means the Escrow Agreement to be entered into by the Buyers and the Seller in substantially the form attached hereto as Exhibit B.

"Escrow Amount" is defined in Section 3.3.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

"Excluded Assets" is defined in Section 2.2.

"Excluded Liabilities" is defined in Section 2.4.

"Exclusivity Termination Fee" is defined in Section 10.2(b).

"Financial Statements" is defined in Section 4.4.

"Fraction" is defined in Section 3.9(c).

"Furnishings and Equipment" means the tangible personal property (other than Inventory and Intellectual Property Rights), including machinery, equipment (including all television studio lighting, sound and cooling equipment), computers, and furniture that relate to the Business, including but not limited to the items listed on Schedule FE to this Agreement.

"GAAP" means generally accepted accounting principles for financial reporting in the United States.

"Government Authority" means any domestic or foreign national, state, multi-state or municipal or other local government, any subdivision, agency, commission or authority thereof, including any quasi-governmental or private body exercising any regulatory or taxing authority thereunder or any judicial authority (or any department, bureau or division thereof).

"Government Authorization" means any approval, consent, license, permit, waiver, or other authorization issued, granted, given or otherwise made available by or under the authority of any Government Authority or pursuant to any Legal Requirement.

"IMB" is defined in the preamble.

"IM" is defined in the preamble.

"IM Archives" means, except for the Retained Physical Sketches, all products, samples, garments, computer-aided designs, designs, drawings, paintings, illustrations, patterns, fabrics, artwork, advertising, press books and other books, prints, video and audio related to the IM Brands, all original sketches of any kind, and all other such materials that primarily relate to the Business, including, but not limited to, all Target-related archives.

"IM Brands" means the brand names "Isaac Mizrahi", "IsaacMizrahiLIVE", "Isaac Mizrahi New York", or such derivations thereof as have been used by the Seller prior to date hereof, and/or any brand now existing or created in the future using the Isaac Mizrahi personal name or any derivative thereof which may infringe on Buyers' rights as contemplated herein, image and/or likeness for any commercial use.

"IM Logos" means the logos associated with the IM Brands, as existing now or in the past or future, including the logos set forth on Schedule L attached hereto.

"Indemnification Objection" is defined in Section 11.7.

"Indemnified Party" is defined in Section 11.3.

"Indemnifying Party" is defined in Section 11.6(a).

"Indebtedness" means (a) indebtedness of Seller for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of Seller evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of Seller upon which interest charges are paid, (d) all obligations of Seller in respect of capitalized leases that, individually, involve an aggregate future liability in excess of $15,000 and obligations of Seller for the deferred purchase price of goods or services (other than trade payables or accruals incurred in the Ordinary Course of Business), (e) all obligations in respect of banker's acceptances or letters of credit issued or created for the account of Seller, (f) all indebtedness or obligations of the types referred to in the preceding clauses (a) through (e) of any other Person secured by any Lien on any assets of Seller, even though Seller has not assumed or otherwise become liable for the payment thereof, (g) all guarantees by Seller of obligations of the type described in clauses (a) through (f) above of any other Person, and (h) payment obligations in respect of interest under any interest rate swap or other hedge agreement or arrangement entered into by Seller with respect to any Indebtedness described in clauses (a) through (g) above.

"Independent Auditors" means the nationally recognized accounting firm retained by Public XCel to be its independent auditor.

"Initial Period" is defined in Section 6.15(b).

"Initial Purchase Price" is defined in Section 3.2.

"Initial Stock Consideration" is defined in Section 3.3.

"Insider Lock-Up Agreements" is defined in Section 6.15(a).

"Insurance Policies" is defined in Section 4.18.

"Intellectual Property Rights" means all of the following in any jurisdiction throughout the world, and whether used now or in the future: (i) patents, patent applications and patent disclosures; (ii) trademarks, service marks, proprietary designs and design processes, trade dress, trade names, personal names, images and likenesses, product configuration, corporate names, logos, insignias and slogans (and all translations, adaptations, derivations and combinations of the foregoing) and Internet domain names, Internet websites, and URLs, Internet and phone applications and systems; (iii) copyrights and copyrightable works; (iv) registrations and applications for any of the foregoing; (v) trade secrets and confidential information (including inventions, ideas, formulae, compositions, know-how, manufacturing and production processes and techniques, research and development information, drawings, specifications, designs, plans, proposals, technical data, financial, business and marketing plans, and customer and supplier lists and related information); (vi) all other intellectual property; and (vii) any goodwill associated with each of the foregoing.

"Inventory" means inventories of raw materials and supplies, manufactured and purchased parts, goods in process and finished goods.

"IRS" means the United States Internal Revenue Service.

"IT Software" is defined in Section 4.20(b).

"Knowledge" means, with respect to the Seller, the actual knowledge, after reasonable due inquiry, of Mizrahi and MG, and with respect to the Buyers, the actual knowledge, after reasonable due inquiry, of Robert D'Loren, Seth Burroughs and James Haran. The terms "know" and "knows" and like terms will have correlative meanings.

"Leased Real Property" means all leasehold or subleasehold estates and other rights to use or occupy any land, buildings, structures, improvements, fixtures, or other interest in real or immovable property.

"Legal Requirement" means any federal, state, local, municipal, foreign, international, multinational or other administrative order, constitution, law, ordinance, principle of common law, regulation, rule, statute or treaty.

"Liability" means any liability or obligation of whatever kind or nature (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated and whether due or to become due), including any liability for Taxes.

"License Agreement" means any Contract between the Seller and any Person pursuant to which the Seller has granted such Person the right to design, manufacture, sell or distribute goods under or using the IM Brand; provided, that the term License Agreement shall not include any Contract relating exclusively to the Retained Media Rights.

"Licensee" means a Person who has entered into and as of the Closing Date is a party to a License Agreement.

"Liens" means any liens, pledges, claims, encumbrances, mortgages, charges, options, preemptive rights, rights of first refusal or similar rights, title retention agreements, easements, encroachments, leases, subleases, covenants, security interests and restrictions and encumbrances of any kind or nature whatsoever.

"Lock-Up Agreement" is defined in Section 6.15(a).

"Material Contracts" is defined in Section 4.17(a).

"Merchandising Notice" is defined in Section 7.7.

"Merchandising Rights" is defined in Section 7.7.

"Multiemployer Plan" is defined in Section 3(37) of ERISA.

"Net Royalty Income" means booked revenue for the Business, less the sum of advertising royalties, commissions paid to third parties, payments under royalty sharing or participation agreements, and international withholding (solely to the extent the Buyers are unable to claim a federal tax credit with respect to such international withholding) and other transfer taxes, in each case to the extent related to such booked revenue, calculated in accordance with GAAP; provided, however, that, (i) Net Royalty Income shall not include any deferred revenues recognized during the period for which Net Royalty Income is being calculated for which the Buyers have not received the related payment, and (ii) in the event of the termination of a license agreement with respect to the Business, the calculation of Net Royalty Income shall not include any revenue accelerated as a result of termination for which termination the Buyers have not received the related payment.

"Note Shares" is defined in Section 6.15.

"Ordinary Course of Business" means the ordinary course of business consistent with past custom and practice.

"Organizational Documents" means with respect to any entity, the certificate of incorporation, bylaws, certificate of formation, operating agreement or other governing documents of such entity.

"Party" or "Parties" have the meaning set forth in the preamble.

"Permitted Lien" means: (a) Liens for Taxes not yet delinquent or which are being contested in good faith by appropriate proceedings; (b) mechanics', workmen's, repairmen's, warehousemen's, carrier's or other similar Liens, including all statutory liens, arising or incurred in the Ordinary Course of Business; (c) with respect to leased or licensed personal property, the terms and conditions of the lease or license applicable thereto; (d) with respect to real property, zoning, building codes and other land use laws regulating the use or occupancy of such real property or the activities conducted thereon which are imposed by any Government Authority having jurisdiction over such real property which are not violated by the current use or occupancy of such real property or the operation of the Business, except where any such violation would not reasonably be expected to individually or in the aggregate materially impair the use or operation of the affected property or the conduct of the Business thereon as it is currently being conducted; (e) Liens for any financing secured by an asset, where the financing obligation is an Assumed Liability and such asset is an Acquired Asset; (f) easements, covenants, conditions, restrictions and other similar matters affecting title to real property and other encroachments and title and survey defects that do not or would not materially impair the use or occupancy of such real property in the operation of the Business taken as a whole; (g) matters that would be disclosed on an accurate survey of the real property; (h) Liens on the Seller Intellectual Property Rights created or evidenced by License Agreements with Licensees; (i) other Liens, none of which, individually or in the aggregate, would reasonably be expected to materially impair the use or operations of the affected property or the conduct of the Business therewith as it is currently being used and conducted; and (j) Liens created by or at the direction of any of the Buyers or pursuant to the terms of this Agreement.

"Person" means an individual, partnership, corporation, business trust, limited liability company, limited liability partnership, joint stock company, trust, unincorporated association, joint venture or other entity or a Government Authority.

"Proceeding" means any action, claim, cause of action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, judicial or investigative, whether formal or informal, whether public or private, whether at law or in equity) commenced, brought, conducted or heard by or before, or otherwise involving, and whether before any Government Authority or arbitrator.

"Promissory Note" is defined in Section 3.3.

"Public Shell Transaction" is defined in the Recitals.

"Public XCel" is defined in the Recitals.

"Public XCel Financing Statements" is defined in Section 5.4.

"Public XCel Reports" is defined in Section 5.3.

"Purchase Price" is defined in Section 3.2.

"QVC" means QVC, Inc., a Delaware corporation.

"QVC Advance" means the Advance Royalty Payments as defined in the QVC First Amendment, with such Advance Royalty Payments equal to $5,531,479.31 as of the Closing.

"QVC Agreement" means the agreement dated June 5, 2009 by and between QVC, the Seller and Mizrahi, as amended by that Addendum, dated January 29, 2010 and the QVC First Amendment, and as amended from time to time.

"QVC Earn-Out Amount" is defined in Section 3.4(c).

"QVC Earn-Out Date" means the four year anniversary of the Closing Date.

"QVC Earn-Out Period" is defined in Section 3.4(c).

"QVC Earn-Out Reconciliation" is defined in Section 3.4(d).

"QVC Earn-Out Shares" is defined in Section 3.4(d).

"QVC First Amendment" means the amendment to the QVC Agreement, dated December 20, 2010 by and between QVC, the Seller and Mizrahi.

"Related Agreements" means, collectively, the Promissory Note, the Escrow Agreement, the Voting Agreement, the Employment Agreements and all of the agreements, instruments certificates and other documents expressly contemplated by this Agreement.

"Related Transactions" means, collectively, the Public Shell Transaction and all equity and debt financing arrangements necessary to enable the Buyers to consummate the transactions contemplated by this Agreement.

"Representative" means, with respect to a particular Person, any director, officer, manager, employee, agent, consultant, advisor, accountant, financial advisor, legal counsel or other representative of that Person.

"Restricted Period" is defined in Section 7.3.

"Retained Media Rights" is defined in Section 2.5.

"Retained Physical Sketches" means only the physical original sketches created by Mizrahi prior to the Closing Date, and the right to retain such sketches and display them from time to time in museums, exhibits and other non-retail forums, provided, that, except for the foregoing rights, such term does not include any Intellectual Property Rights or other rights that may be associated with such sketches, nor does it include the right to exploit, present or publicly display such sketches in connection with the sale or promotion of goods and services or to otherwise use them for the purpose of developing competing goods, products or services.

"Royalty Shortfall Payment" is defined in Section 3.6.

"Royalty Target" is defined in Section 3.4(a).

"Royalty Target Period" is defined in Section 3.4(a).

"SEC" means the Securities and Exchange Commission.

"SEC Financial Statements" is defined in Section 7.4.

"Securities" is defined in Section 6.15(b).

"Securities Act" means the Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder.

"Seller" is defined in the preamble.

"Seller Accounts Receivable" is defined in Section 3.9(b).

"Seller Benefit Plan" is defined in Section 4.12(a).

"Seller Disclosure Schedule" is defined in the first paragraph of Article IV.

"Seller Disclosure Supplement" is defined in Section 6.7(a).

"Seller Employee" shall mean each employee of the Seller (including employees on approved leave of absence, sick leave and vacation leave or as to whom Seller would have a legal obligation to rehire).

"Seller Employment Agreement" means any individual agreement or arrangement, including any amendments thereto, between Seller, on the one hand, and a Seller Employee, on the other hand, other than any agreement, arrangement or other document under any stock option or other equity plan of Seller.

"Seller Indemnified Parties" is defined in Section 11.3.

"Seller Information" means any data and information relating to the Business, customers, financial statements, conditions or operations of the Business, in each case which is confidential in nature and not generally known to the public.

"Seller Intellectual Property Rights" is defined in Section 4.20(c).

"Seller Material Adverse Effect" means any change, effect, event, occurrence, state of facts or development that is, or would reasonably be expected to be, materially adverse to the assets, business, liabilities, prospects, results of operations or condition (financial or otherwise) of the Seller taken as a whole or that prevents or materially impedes, or would reasonably be expected to prevent or materially impede, the consummation by Seller of the transactions contemplated by this Agreement; provided, however, that none of the following shall constitute, or shall be considered in determining whether there has occurred, a Seller Material Adverse Effect: (a) changes that are solely the result of economic or political factors affecting the national, regional or world economy or the Seller's industry, acts of war or terrorism or other force majeure events, in each case except where such condition has a disproportionate effect on the Seller; (b) changes that are solely the result of factors generally affecting the industries or markets in which the Seller operates, in each case except where such condition has a disproportionate effect on the Seller; (c) changes in Legal Requirements or the interpretation thereof; or (d) any action required to be taken pursuant to this Agreement.

"Straddle Period" is defined in Section 7.2(b).

"Subsidiary" means, with respect to any Person, any other Person of which securities or other interests having the power to elect a majority of that corporation's or other Person's board of directors or similar governing body, or otherwise having the power to direct the business and policies of that other Person (other than securities or other interests having such power only upon the happening of a contingency that has not occurred), are held by such Person or one or more of its Subsidiaries.

"Survival Date" is defined in Section 11.1.

"Tax" means (i) any tax (including, without limitation, any income tax, franchise tax, margin tax, branch profits tax, capital gains tax, alternative or add-on minimum tax, estimated tax, value-added tax, sales tax, use tax, property tax, transfer tax, payroll tax, social security tax or withholding tax, escheat or abandoned property liability), and any related fine, penalty, interest or addition to tax with respect thereto, imposed, assessed or collected by or under the authority of any Government Authority or payable pursuant to any tax-sharing agreement relating to the sharing or payment of any such tax and (ii) any transferee, successor or other liability in respect of the taxes of another Person (whether by contract or otherwise).

"Tax Return" means any return (including any information return), report, statement, schedule, notice, form or other document or information filed with or submitted to, or required to be filed with or submitted to, any Government Authority in connection with the determination, assessment, collection or payment of any Tax.

"Termination Date" is defined in Section 10.1(b).

"Third Party" means a Person that is not a party to this Agreement.

"Third Party Claim" is defined in Section 11.6(b).

"Transfer" is defined in Section 6.15(b).

"Transfer Taxes" is defined in Section 7.2(a).

"Voting Agreement" is defined in Section 7.8.

"WARN Act" means the Worker Adjustment and Retraining Notification Act.

"XCel" is defined in the preamble.

"XCel Shares" means the shares of common stock of Public XCel.

1.2 Usage.

(a) Interpretation. In this Agreement, unless a clear contrary intention appears: (i) the singular number includes the plural number and vice versa; (ii) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are not prohibited by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually; (iii) reference to any gender includes each other gender; (iv) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof; (v) reference to any Legal Requirement means such Legal Requirement as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any Legal Requirement means that provision of such Legal Requirement from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision; (vi) "hereunder," "hereof," "hereto," and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Article, Section or other provision hereof; (vii) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; (viii) "or" is used in the inclusive sense of "and/or"; (ix) with respect to the determination of any period of time, "from" means "from and including" and "to" means "to but excluding"; and (x) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto.

(b) Legal Representation of the Parties. This Agreement was negotiated by the Parties with the benefit of legal representation, and any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any party shall not apply to any construction or interpretation hereof.

ARTICLE II
PURCHASE AND SALE OF BUSINESSES AND ASSETS

2.1 Purchase and Sale of Assets. On the terms and subject to the conditions of this Agreement, the Seller agrees to sell, assign, convey, transfer and deliver to the Buyers (as directed by the Buyers) as of the Closing Date, and each Buyer agrees to purchase and take assignment and delivery from the Seller as of the Closing Date, all of Seller's right, title and interest in and to the Acquired Assets, free and clear of all Liens other than the Permitted Liens.

2.2 Excluded Assets. Pursuant to this Agreement, no Buyer is acquiring, and the Seller shall retain, the following assets, rights and properties (collectively, the "Excluded Assets") and, as such, they are not included in the Acquired Assets:

(a) All cash and cash equivalents of the Seller on hand in the Seller's accounts immediately prior to Closing, other than security deposits related to the Assumed Contracts and Assumed Leases;

(b) The Seller Accounts Receivable;

(c) All Contracts that have terminated or expired prior to the Closing Date in the Ordinary Course of Business of the Seller, except (i) any License Agreements and Design and Service Agreements that are operating under formal or informal, written or verbal, short term extensions pending completion of the renewal process and execution of renewal License Agreements or Design and Service Agreements, or (ii) those rights contained in License Agreements and Design and Service Agreements that expressly or by their nature survive expiration or termination;

(d) All books and records as pertain to the organization, existence or capitalization of the Seller and any other records or materials relating to the Seller generally and not involving or relating to the Acquired Assets, other than the Books and Records;

(e) All Contracts, assets and rights associated with any Seller Benefit Plan, collective bargaining agreements or arrangements and any employment, severance, change of control or other similar agreements or arrangements, if any, maintained, contributed to or with respect to which the Seller or any ERISA Affiliate of the Seller has any actual or potential liability;

(f) All rights of the Seller under this Agreement, any Related Agreement and any side agreement between the Seller and any Buyer entered into on or after the date of this Agreement;

(g) The Retained Physical Sketches; and

(h) The assets set forth on Schedule 2.2 attached hereto.

2.3 Assumed Liabilities. On the terms and subject to the conditions set forth in this Agreement, at the Closing, the Buyers shall assume and agree to pay, discharge and perform when due, the Seller's liabilities and obligations (a) arising under the Assumed Contracts, including the License Agreements and the Design and Service Agreements, to the extent such liabilities or obligations are incurred on or after the Closing Date (but specifically excluding any liability or obligation relating to or arising out of such Assumed Contract that exists as a result of (i) any breach of such Assumed Contract occurring prior to the Closing Date, (ii) any obligation of the Seller to pay any Taxes allocated to the Buyers pursuant to Section 7.2(b), (iii) any violation of law, breach of warranty, tort or infringement occurring prior to the Closing Date or (iv) any charge, complaint, action, suit, proceeding, hearing, investigation, claim or demand to the extent related to acts or omissions occurring or arising prior to the Closing Date), (b) arising out of the operation of the Business to the extent that such liabilities or obligations accrue on and after the Closing Date based on the operation of the Business following the Closing, (c) any obligation to repay the QVC Advance or any portion thereof, and (d) other liabilities of a type and amount expressly identified on Schedule 2.3 (collectively, the "Assumed Liabilities").

2.4 Excluded Liabilities.Except as and to the extent expressly provided in Section 2.3, the Buyers are not agreeing to, and shall not, assume any other liability, margin guarantee contract, obligation, undertaking, expense or agreement of the Seller of any kind, character or description, whether absolute, contingent, known, unknown, accrued, liquidated, unliquidated, executory or otherwise, and whether arising prior to or following the Closing, and the execution and performance of this Agreement shall not render the Buyers liable for any such liability, obligation, undertaking, expense or agreement (all of such liabilities and obligations shall be referred to herein as the "Excluded Liabilities"). Without limiting the generality of the foregoing, the Excluded Liabilities shall include, and the Buyers will not assume or be liable for:

(a) Any liability or obligation with respect to any Excluded Asset, whether arising prior to or after the Closing;

(b) Except as expressly assumed pursuant to Section 2.3(c), any liability, claim or obligation, contingent or otherwise, arising out of the operation of the Business or any Acquired Asset prior to the Closing Date, including, without limitation, any contingent liabilities under the Assumed Contracts that became due and payable before the Closing Date;

(c) Any liability or obligation arising out of or related to any Contract that is not an Assumed Contract;

(d) Any liability or obligation arising out of, or related to, any lease for any Leased Real Property used by the Business that is not an Assumed Lease, whether arising prior to or after the Closing;

(e) Except as provided in Section 7.2(a), any liabilities or obligations of the Seller for expenses, fees or Taxes incident to or arising out of the negotiation, preparation, approval or authorization of this Agreement or the consummation (or preparation for the consummation) of the transactions contemplated hereby (including all attorneys' and accountants' fees and brokerage fees);

(f) Any liability or obligation for any Taxes of Seller or with respect to the Acquired Assets for any taxable period, or portion thereof, ending prior to the Closing Date;

(g) Except as provided in Section 6.13, any liability or obligation to any employee or former employee of the Seller, or any Affiliate of the Seller or other Person who provides services to the Seller (other than any liability or obligation arising on or after the Closing to any such employee hired by the Buyers and related solely to the Buyers' employment of such employee);

(h) Except as provided in Section 6.13, any duty, obligation or liability arising at any time under or relating to any Seller Benefit Plan or any employee benefit plan, program or arrangement at any time maintained, sponsored or contributed or required to be contributed to by the Seller or any ERISA Affiliate of the Seller or with respect to which the Seller or any of its ERISA Affiliates has any liability or potential liability;

(i) Any liability or obligation arising out of any violation by the Seller of any Legal Requirement applicable to the relationship between the Seller and the Licensees under the License Agreements;

(j) Any liability or obligation arising out of any infringement or other unlawful use by the Seller, or any Person acting under Seller's direction or control, of any Seller Intellectual Property Rights owned or held by any Person; and

(k) Any liability or obligation of the Seller arising out of any Proceeding by any Person relating to the Business as conducted prior to the Closing Date, whether or not such Proceeding is pending, threatened, or asserted before, on, or after the Closing Date or has been disclosed by the Seller to the Buyers.

2.5 Retained Media Rights.

(a) Notwithstanding anything to the contrary in this Agreement or any Related Agreement, Mizrahi shall, other than for the purpose of promoting, or selling any goods, products and/or services under, the IM Brands, retain the right to be involved with, and retain any compensation from his participation in, or contribution to, theater and motion pictures and entertainment shows that air on television, film, radio, the internet and/or any other medium, appearances, and any and all marketing and promotion fees, books, blogs and other publications (the "Retained Media Rights"), subject to the following: (i) the Seller and Mizrahi, personally, shall not utilize the IM Brands (including the Isaac Mizrahi name, image and/or likeness) in connection with any activity that Competes with the Business, and (ii) neither the Seller nor Mizrahi, personally, shall violate Section 7.15(a) (Nondisparagement). The Buyers acknowledge and agree that nothing in this Section 2.5 shall restrict the Seller or any of the Individuals with respect to any activity that does not utilize the IM Brands. The Buyers hereby grant to Mizrahi a perpetual, royalty-free license to use his name, likeness and image in order to perform the Retained Media Rights in accordance with this Section 2.5. The Seller shall use commercially reasonably efforts to notify the Buyers of any participation by Mizrahi in any project that utilizes the IM Brands (including Mizrahi's name, image or likeness), provided that failure to notify Buyers as provided herein shall not be a breach of this Agreement.

(b) Notwithstanding any limitations in Section 2.5(a), the Retained Media Rights shall include the right of Mizrahi to author or co-author autobiographical books and memoirs.

2.6 Treatment of Intercompany Accounts Receivable and Accounts Payable. All intercompany accounts receivable, intercompany accounts payable and other obligations due and owing between the Seller and any of its Affiliates shall be disregarded for purposes of the transactions contemplated hereby and shall not be treated as Assumed Liabilities, Acquired Assets, Excluded Assets or Excluded Liabilities.

ARTICLE III
PURCHASE PRICE; PAYMENT; ASSUMPTION OF OBLIGATIONS

3.1 The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Blank Rome, LLP (or such other location as shall be mutually agreed upon by the Seller and Buyers) commencing at 10:00 a.m. New York time on a date (the "Closing Date") that is the second Business Day after all conditions to the obligations of the Seller and Buyers to consummate the transactions contemplated hereby set forth in Article VIII and Article IX (other than conditions with respect to actions the Seller and/or Buyers will take at the Closing itself, but subject to the satisfaction or waiver of those conditions) have been satisfied or waived, or on such other date as shall be mutually agreed upon by the Seller and Buyers prior thereto. The effective time of the Closing shall be deemed to be 12:01 a.m. on the Closing Date.

3.2 Purchase Price. Subject to the terms and conditions of this Agreement, in reliance on the representations, warranties, covenants and agreements of the Seller contained herein, and in payment and consideration for the sale, conveyance, assignment, transfer and delivery of the Acquired Assets by the Seller to the Buyers, (i) the Buyers shall pay to the Seller at the Closing an amount equal to Thirty-One Million Three Hundred Forty-Six Thousand United States Dollars ($31,346,000) (the "Initial Purchase Price"), payable as hereinafter provided, (ii) the Buyers shall pay the Earn-Out Value, if any, to the Seller pursuant to Section 3.4, and (iii) the Buyers shall assume the Assumed Liabilities. The Initial Purchase Price, together with the Earn-Out Value, if any, and the QVC Earn-Out Amount, less the Royalty Shortfall Payment (if applicable), shall be referred to collectively as the "Purchase Price".

3.3 Payment Of Initial Purchase Price. At Closing, the Buyers shall pay the Initial Purchase Price as follows:

(i) Buyers shall pay to the Seller, Fourteen Million Eight Hundred Sixty Eight Thousand Five Hundred Sixty Eight United States Dollars ($14,868,568) (the "Closing Payment") in cash, by wire transfer of immediately available funds; provided, that the amount of the Closing Payment is subject to adjustment under subparagraph (v) of this Section 3.3;

(ii) Buyer shall deliver to the Escrow Agent Six Hundred Thousand United States Dollars ($600,000) (the "Escrow Amount") pursuant to the Escrow Agreement, provided, that the amount of the Escrow Amount is subject to adjustment under subparagraph (v) of this Section 3.3;

(iii) Buyers shall deliver to the Seller a promissory note, in the form attached hereto as Exhibit A, in the principal amount of Seven Million Three Hundred Seventy-Seven Thousand Four Hundred Thirty-Two United States Dollars ($7,377,432)(the "Promissory Note");

(iv) Buyers shall cause to be issued to the Seller a number of XCel Shares equal to the quotient obtained by dividing Eight Million Five Hundred Thousand Dollars ($8,500,000) by the Closing Date Reference Price (the "Initial Stock Consideration");

(v) Notwithstanding the foregoing, if Buyers have not received evidence from the Seller prior to the Closing Date, which is reasonably satisfactory to the Buyer, that the Seller has bought out, subleased or otherwise resolved the liabilities related to the Leased Real Property at 23 E. 67th St., New York, NY, then the amount of the Closing Payment shall be Fourteen Million Six Hundred Eighty-Eight Thousand Five Hundred Sixty-Eight United States Dollars ($14,688,568) and the amount of the Escrow Amount shall be Seven Hundred Eighty Thousand United States Dollars ($780,000). In the event the Escrow Amount is raised pursuant to this Section 3.3(v), then the Parties shall revise the Escrow Agreement to provide for the Escrow Amount to be disbursed in monthly releases of Sixty-Five Thousand United States Dollars ($65,000) unless the Escrow Agent is otherwise ordered by a joint written instruction.

Except as otherwise provided in the Promissory Note, the Promissory Note shall mature Thirty Six (36) months from the date of its issuance. The Buyer shall have the right to reduce or withhold payment of the principal due and owing under the Promissory Note to the extent permitted under Section 11.8 of this Agreement and the terms of the Promissory Note.

3.4 Earn-Out.

(a) Following the Closing and as additional consideration for the sale and purchase of the Acquired Assets as contemplated by the terms and conditions of this Agreement, the Seller shall be entitled to receive from the Buyers (subject to the terms and conditions set forth in this Section 3.4) additional XCel Shares (the "Earn-Out Shares") with a value (the "Earn-Out Value") based upon the Business achieving Net Royalty Income targets for the four successive twelve month periods beginning on the first day of the calendar quarter following the calendar quarter in which the Closing occurs (individually each such period being the "Royalty Target Period" and collectively the "Royalty Target Periods") (with each targeted Net Royalty Income a "Royalty Target") as follows:

ROYALTY TARGET PERIODS	ROYALTY TARGET	EARN-OUT VALUE
First Royalty Target Period	$ 16,000,000	$ 7,500,000
Second Royalty Target Period	$ 20,000,000	$ 7,500,000
Third Royalty Target Period	$ 22,000,000	$ 7,500,000
Fourth Royalty Target Period	$ 24,000,000	$ 7,500,000

The percentage of the Earn-Out Value that shall be earned by the Seller in each Royalty Target Period shall be determined based upon the percentage of the actual Net Royalty Income of the Business for such Royalty Target Periods to the Royalty Target for such Royalty Target Period (such percentage, the "Applicable Percentage") as follows:

APPLICABLE PERCENTAGE	% OF EARN-OUT VALUE EARNED
Less than 76%	0%
76% up to 80%	40%
80% up to 90%	70%
90% up to 95%	80%
95% up to 100%	90%
100% or greater	100%

By way of clarification, the Business must achieve Net Royalty Income in an amount equal to or in excess of 76% of the Royalty Target in a given Royalty Target Period for the Seller to be eligible to receive Earn-Out Shares related to that Royalty Target Period.

(b) Procedure for Earn-Out. As soon as practicable after the end of each Royalty Target Period, but in no event later than 30 days following the end of each of each Royalty Target Period, Buyers shall deliver to the Seller: (i) a statement from the Independent Auditors verifying the Net Royalty Income for the previous Royalty Target Period, (ii) a statement prepared by Buyer of the calculation of the Earn-Out Value for the previous Royalty Target Period and the number of XCel Shares to be issued to the Seller pursuant to this Section 3.4; and (iii) if requested by Seller, supporting documentation of the determination of Net Royalty Income for the previous Royalty Target Period (collectively, (i) and (ii), the "Earn-Out Reconciliation"). The determination of the Independent Auditors reflected in the Earn-Out Reconciliation shall be binding and conclusive on all of the Parties. Upon receipt of the Earn-Out Reconciliation by the Seller, the Buyers shall deliver the Earn-Out Shares related to the then previous Royalty Target Period to the Seller within 10 Business Days thereof, with the number of shares to be calculated as the quotient obtained by dividing (x) the Earn-Out Value earned by the Seller for the then previous Royalty Target Period, by (y) the average per-share price of XCel Shares at the close of business on the last twenty (20) Business Days of the then previous Royalty Target Period.

(c) QVC Earn-Out. Subject to the terms and conditions of this Section 3.4(c), as additional consideration for the sale and purchase of the Acquired Assets, the Sellers shall be entitled to a one-time payment (the "QVC Earn-Out Amount"), payable in either cash or XCel Shares (the method of payment to be determined in Buyers' sole discretion) in accordance with Section 3.4(d), the amount of which shall be determined as follows:

(i) If Cash Net Royalty Income from QVC is equal to or in excess of Two Million Five Hundred Thousand Dollars ($2,500,000) for the 12 month period ending on the QVC Earn-Out Date (the "QVC Earn-Out Period"), then the QVC Earn-Out Amount shall be equal to Two Million Seven Hundred Sixty Five Thousand Five Hundred Dollars ($2,765,500); or

(ii) If the QVC Agreement is amended by agreement of the parties thereto or terminated prior to the QVC Earn-Out Date, the QVC Earn-Out Amount shall be equal to the product of (A) Two Million Seven Hundred Sixty Five Thousand Five Hundred Dollars ($2,765,500) and (B) the quotient of (x) the sum of the Cash Net Royalty Income received from QVC by the Buyers and the Cash Net Royalty Income to be received by the Buyers from QVC as a result of such amendment(s) or termination and (y) the total Cash Net Royalty Income that was to be received by the Buyers from QVC under the QVC Agreement, as in effect on the Closing Date, for the period commencing on the Closing Date and ending on the QVC Earn-Out Date; provided, however, that the QVC Earn-Out Amount payable under this Section 3.4(c) shall not in any event exceed Two Million Seven Hundred Sixty Five Thousand Five Hundred Dollars ($2,765,500).

(d) Procedure for QVC Earn-Out. As soon as practicable after the QVC Earn-Out Date, but in no event later than 120 days thereafter, Buyers shall deliver to the Seller: (i) a statement from the Independent Auditors verifying, in the case of Section 3.4(c)(i), the Cash Net Royalty Income received from QVC for the QVC Earn-Out Period, or, in the case of Section 3.4(c)(ii), the Cash Net Royalty received from QVC for the period commencing on the Closing Date and ending on the QVC Earn-Out Date, (ii) a statement prepared by Buyer of the calculation of the QVC Earn-Out Amount and, if the Buyers elect to pay the QVC Earn-Out Amount in XCel Shares, the number of XCel Shares to be issued to the Seller pursuant to this Section 3.4(d); and (iii) if requested by Seller, supporting documentation of the determination of Cash Net Royalty Income from QVC and the calculation of the QVC Earn-Out Amount (collectively, (i) and (ii), the "QVC Earn-Out Reconciliation"). The determination of the Independent Auditors reflected in the QVC Earn-Out Reconciliation shall be binding and conclusive on all of the Parties. Within ten (10) days of receipt of the QVC Earn-Out Reconciliation by the Seller, the Buyers shall deliver, at Buyers' sole election, either (i) the QVC Earn-Out Amount earned, if any, by wire transfer or immediately available funds, or (ii) XCel Shares with a value equal to the QVC Earn-Out Amount earned ("QVC Earn-Out Shares"), if any, with the number of shares to be calculated as the quotient obtained by dividing (x) the QVC Earn-Out Amount earned by the Seller, by (y) the average per-share price of XCel Shares at the close of business on the last twenty (20) Business Days of the QVC Earn-Out Period.

(e) Buyers shall keep and maintain at their regular place of business accurate, complete and up-to-date books and records relating to the Cash Net Royalty Income received from QVC. From time to time, the Seller shall have the right, upon providing at least five (5) Business Days advance written notice to the Buyers, to inspect and/or audit, or have its duly authorized third party agents or Representatives inspect and/or audit, all such books and records. The Seller shall conduct, or cause to be conducted, such inspection and/or audit at its own expense; provided, however, that in the event that the inspection and/or audit reveals that the Buyers understated the amount of the amount of Cash Net Royalty Income that has been earned and received from QVC by 5% or more, then the Buyers shall promptly reimburse the Seller for all of its costs and expenses related to such inspection and/or audit.

3.5 Post-Closing Operation of the Business.

(a) During the Earn-Out Period, the Buyers shall prepare and maintain financial statements sufficient to allow the Net Royalty Income for each Royalty Target Period to be calculated and reviewed in accordance with this Agreement.

(b) During the Earn-Out Period, each Buyer shall, in good faith, not take any actions, or omit to take any actions, intentionally designed to reduce Net Royalty Income or Cash Net Royalty Income.

(c) If the Buyers sell, assign or transfer all or substantially all of the Acquired Assets to a Third Party during the Earn-Out Period, the Buyers shall cause such Third Party to assume the Buyers' obligations under Section 3.4 of this Agreement.

3.6 Royalty Shortfall Payment. If the Cash Net Royalty Income for the first Royalty Target Period is finally determined by the Independent Auditors to be less than Eight Million Six Hundred Thousand United States Dollars ($8,600,000), then, within thirty (30) days of such final determination thereof, Seller shall remit to Buyer, by wire transfer of immediately available funds, an amount (the "Royalty Shortfall Payment") equal to the difference between (x) Eight Million Six Hundred Thousand United States Dollars ($8,600,000) and (y) the actual Cash Net Royalty Income for the first Royalty Target Period, as finally determined by the Independent Auditors; provided, however, that the Royalty Shortfall Payment shall in no event exceed One Million Five Hundred Thousand Dollars ($1,500,000). At its sole option and in its sole discretion, Buyer may elect to satisfy any Royalty Shortfall Payment by decreasing the principal amount owed to Seller by Buyer under the Promissory Note.

3.7 Allocation. The Seller and the Buyers agree to allocate the sum of the Purchase Price and the Assumed Liabilities, including any adjustments thereto pursuant to this Agreement, among the Acquired Assets in accordance with the allocation schedule attached hereto as Annex A (the "Allocation Schedule"). Each of the Parties hereto agrees that: (i) none of the Parties shall take a position on any Tax Return (including IRS Form 8594, if applicable) that is in any way inconsistent with the Allocation Schedule without the written consent of the other Parties or unless specifically required by an applicable Government Authority; and (ii) they shall promptly notify each other regarding the existence of any Tax audit, controversy or litigation related to the Allocation Schedule. Notwithstanding the foregoing, nothing contained herein shall prevent the Buyers or the Seller from settling any proposed deficiency or adjustment assessed against it by any Government Authority based upon or arising out of the Allocation Schedule, and neither the Buyers nor the Seller shall be required to litigate before any court any such proposed deficiency or adjustment by any Government Authority challenging the Allocation Schedule.

3.8 Nonassignable Contracts. Notwithstanding anything to the contrary herein, to the extent that the assignment hereunder by the Seller to any Buyer of any Assumed Contract is not permitted or is not permitted without the consent of any other party to such Assumed Contract, this Agreement shall not be deemed to constitute an assignment of any such Assumed Contract if such consent is not given or if such assignment otherwise would constitute a breach of, or cause a loss of contractual benefits under, any such Assumed Contract, and the Buyers shall assume no obligations or liabilities under any such Assumed Contract. Without in any way limiting the Seller's obligation to obtain all consents and waivers necessary for the sale, transfer, assignment and delivery of the Assumed Contracts and the Acquired Assets to the Buyers hereunder, if any such consent is not obtained or if such assignment is not permitted irrespective of consent and if the Closing shall occur, the Seller shall cooperate with the Buyers following the Closing Date in any reasonable arrangement designed to provide the Buyers with the rights and benefits (subject to the obligations) under any such Assumed Contract, including enforcement for the benefit of the Buyers (at the Buyers' cost) of any and all rights of the Seller against any Third Party arising out of any breach or cancellation of any such Assumed Contract by such Third Party and, if requested by either Buyer, acting, at Buyers' cost, as an agent on behalf of such Buyer or as such Buyer shall otherwise reasonably require.

3.9 Accounts Receivable.

(a) The Seller shall promptly forward to the Buyer any and all proceeds from Accounts Receivable relating to the Business that are received by the Seller following the Closing Date to the extent such proceeds relate to a period ending after the Closing Date ("Buyer Accounts Receivable"). Notwithstanding the foregoing or anything to the contrary herein (including Section 3.9(c) below), in the event that the Closing occurs prior to June 1, 2011, any and all Accounts Receivable relating to the Business that are collected in, or relate to, any or all of the period ending on or prior May 31, 2011 shall be deemed to be Seller Accounts Receivables, and Buyers shall have no right therein.

(b) The Buyers acknowledge that all Accounts Receivable in respect of amounts due from Licensees or any Persons prior to the Closing Date shall remain the property of the Seller (the "Seller Accounts Receivable") and that none of the Buyers shall acquire any beneficial right or interest therein. The Seller Accounts Receivable as of March 31, 2011, are set forth on Schedule 3.9(b), which shall be finalized and updated as part of the pre-Closing audit described in Section 6.4.

(c) The Buyers shall promptly forward to the Seller upon receipt by any Buyer any amounts actually received by the Buyers following the Closing Date that are a Seller Accounts Receivable. For purposes of determining what constitutes a Seller Accounts Receivable for purposes of this Section 3.9, (x) in the case of Accounts Receivable relating to the Business received in respect of a period (such as a fiscal quarter or other similar period for which such amounts are paid) that was completed prior to the Closing Date, the entire amount of such Accounts Receivable shall be Seller Accounts Receivable and be forwarded to the Seller and (y) in the case of any Accounts Receivable relating to the Business that are paid on a periodic basis and are payable for a period (such as a fiscal quarter) that includes, but does not end prior to, the Closing Date, the Seller shall be forwarded a portion of such Accounts Receivable, which portion shall be Seller Accounts Receivable, equal to the Accounts Receivable for the entire applicable period multiplied by a fraction the numerator of which is the number of days in such period ending on the Closing Date and the denominator of which is the number of days in the entire period for which such Accounts Receivable are paid (the "Fraction"). Without limiting the generality of the foregoing, the Buyers acknowledge that the Business shall receive a payment from Liz Claiborne, Inc. in August of 2011 relating to the QVC Agreement with respect to the period of time between August 2010 and August 2011. The Buyers acknowledge and agree that the Seller shall be entitled to a portion of such payment, which portion shall constitute Seller Accounts Receivable, equal to such payment multiplied by the Fraction.

(d) Notwithstanding anything to the contrary in this Section 3.9, (i) neither the Seller nor any of its Affiliates shall be entitled to contact any Licensee regarding any past due Seller Accounts Receivable without the Buyers' prior approval, which shall not be unreasonably withheld, delayed or conditioned, and (ii) in the event that any Licensee or other Person is the debtor on any Seller Accounts Receivable, any amounts received by any Buyer from such Licensee or other Person shall first be deemed to be paid on account of the Seller Accounts Receivable (up and until such Seller Accounts Receivable is paid in full) and shall promptly be forwarded to the Seller.

(e) Each of the Buyers, on the one hand, and the Seller, on the other hand, shall provide to the other Parties reasonable access to its files, records and books of account for the purpose of verifying any funds that have been remitted to the Buyers or to the Seller, as applicable, and to verify collection of the accounts receivable.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller hereby represents and warrants to each of the Buyers with respect to itself that the statements contained in this Article IV are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Article IV except to the extent any representation or warranty expressly speaks only as of a different date), except as set forth in the disclosure schedule attached hereto (the "Seller Disclosure Schedule"), which Seller Disclosure Schedule sets forth the Seller's disclosures identified by the Seller. The disclosures in any section or subsection of the Seller Disclosure Schedule shall qualify the corresponding section or subsection in this Article IV and any other section or subsection in which such disclosure is required to be included to the extent the relevance of such disclosure is reasonably apparent.

4.1 Organization and Good Standing. The Seller is a limited liability company and is duly formed, validly existing and in good standing under the laws of the State of New York. The only members of the Seller are listed on Schedule 4.1, and no other members or owners of the Seller exist. The Seller has all requisite power and authority to own, lease and operate its assets and properties and to carry on the Business as currently conducted. The Seller is duly qualified as a foreign limited liability company, and, to the extent applicable, is in good standing, in each jurisdiction in which the character or location of the property owned, leased or operated by the Seller or the nature of the Business conducted by the Seller makes such qualification necessary, except where the failure to be so qualified would not, individually or in the aggregate, reasonably be expected to have a Seller Material Adverse Effect. The Seller does not have any Subsidiaries. The Seller does not own or hold the right to acquire any shares of stock or any other security or interest in any other Person or has any obligation to make any investment in any Person.

4.2 Enforceability; Authority. The Seller has all requisite limited liability company power and authority to execute and deliver this Agreement and each other Related Agreement to which the Seller is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by the Seller of this Agreement and each Related Agreement to which it is a party, and the consummation by it of the transactions contemplated hereby and thereby, have been duly authorized and approved by its members, and no other action on the part of the Seller is necessary to authorize the execution, delivery and performance of this Agreement or any Related Agreement to which the Seller is a party or the consummation of the transactions contemplated hereby or thereby. This Agreement has been duly executed and delivered by the Seller and constitutes, and, with respect to each other Related Agreement to which the Seller is a party, upon its execution and delivery by the Seller, will constitute, assuming the due execution of this Agreement and such other Related Agreement by the Buyers and/or the other parties thereto, a valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, receivership and similar laws affecting the enforcement of creditors' rights generally, and general equitable principles.

4.3 Consents; Approvals. Except as set forth in Schedule 4.3, the execution and delivery of this Agreement by the Seller and the consummation of the transactions contemplated hereby do not and will not:

(a) violate or conflict with the provisions of the Organizational Documents of the Seller;

(b) violate any Legal Requirement or Decree to which the Seller is subject or by which any of its material properties or assets are bound;

(c) require any permit, consent or approval of, or the giving of any notice to, or filing with any Government Authority; or

(d) result in a violation or breach of, conflict with, constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation, payment or acceleration) under, or result in the creation of any Lien (other than a Permitted Lien) upon any of the properties or assets of the Seller under any of the terms, conditions or provisions of any Contract or any other instrument or obligation to which the Seller is a party, or by which it or any of their respective properties or assets may be bound; excluding from the foregoing clauses (b), (c) and (d) permits, consents, approvals, notices and filings the absence of which, and violations, breaches, defaults and Liens the existence of which, have not had, and would not reasonably be expected, individually or in the aggregate, to have, a Seller Material Adverse Effect.

4.4 Financial Statements. .

(a) The Seller has delivered to the Buyers certain financial operational reports and net income statements with respect to the Seller's business and prepared under the cash accounting method, for the annual period ending December 31, 2008, 2009, and 2010, and the quarter ending March 31, 2011 (collectively, the "Financial Statements"), including an unaudited balance sheet of the Seller prepared under the cash accounting method as of March 31, 2011 (the "Balance Sheet"). The Financial Statements represent fairly in all material respects the financial condition of the Seller's business as of such date and for the period then ending, and, to the Seller's Knowledge, do not omit any material information or facts with respect thereto.

(b) Except as disclosed on Schedule 4.4(b), there are no material liabilities or obligations of the Business (whether absolute, accrued, contingent or otherwise and whether due or to become due), except for those liabilities and obligations accrued or disclosed on the Balance Sheet and those liabilities and obligations accrued after the date thereof in the Ordinary Course of Business, none of which arise out of a breach of any contract, tort, infringement, claim, lawsuit or breach of warranty. Furthermore, the QVC Advance shall be reported as a separate line item, and is equal to or less than the Advance Royalty Payment (as defined in the QVC Agreement) for each financial reporting period and on the Closing Date.

4.5 Real Property.

(a) Leased Real Property. Schedule 4.5(a)(i) sets forth a true and correct list of each Leased Real Property leased by the Seller, including the address and a description of each such Leased Real Property. Schedule 4.5(a)(ii) sets forth a list of the Leased Real Property that are used primarily for the Business. Accurate and current copies of all real property leases, subleases, licenses or other occupancy agreements (and all amendments thereto) directly relating to the Leased Real Property on Schedule 4.5(a)(ii) are set forth on Schedule 4.5(a)(iii) (the "Assumed Leases") and have been delivered to the Buyers. Except as set forth on Schedule 4.5(a)(iv), with respect to each of the Assumed Leases: (i) such lease is legal, valid, binding, enforceable and in full force and effect; (ii) the transactions contemplated by this Agreement do not require the consent of any other party to such lease, will not result in a breach of or default under such Assumed Lease, and will not otherwise cause such Assumed Lease to cease to be legal, valid, binding, enforceable and in full force and effect on identical terms following the Closing; (iii) the Seller's possession or quiet enjoyment of the Leased Real Property under such Assumed Lease has not been disturbed and there are no disputes with respect to such Assumed Lease; (iv) neither the Seller nor, to the Seller's Knowledge, any other party to the Assumed Lease is in breach of or default under such Assumed Lease, and no event has occurred or circumstance exists that, with the delivery of notice, the passage of time or both, would constitute such a breach or default, or permit the termination, modification or acceleration of rent under such lease; (v) no security deposit or portion thereof deposited with respect to such Assumed Lease has been applied in respect of a breach of or default under such Assumed Lease that has not been redeposited in full; (vi) the Seller does not owe, or will not owe in the future, any brokerage commissions or finder's fees with respect to such Assumed Lease; (vii) the other party to such Assumed Lease is not an Affiliate of, and otherwise does not have any economic interest in, the Seller; (viii) the Seller has not subleased, licensed or otherwise granted any Person the right to use or occupy the Leased Real Property for such Assumed Lease or any portion thereof; (ix) the Seller has not collaterally assigned or granted any other lien in such Assumed Lease or any interest therein; and (x) there are no liens on the estate or interest created by such Assumed Lease.

(b) The Leased Real Property identified on Schedule 4.5(a)(ii) comprises all of the real property used or intended to be used in, or otherwise related to, the Business, and the Seller is not a party to any agreement or option to purchase any real property or interest therein.

(c) The Seller does not own any real property. The Seller has not received any notice of violation of any real property Legal Requirement and there is no basis for the issuance of any such notice or the taking of any action for such violation. To the Seller's Knowledge, there is no pending or anticipated change in any real property Legal Requirement that will materially impair the Seller's lease, use or occupancy of any Leased Real Property leased by the Seller or any portion thereof in the continued operation of the Business as currently conducted thereon.

4.6 Title to Assets. Except for Excluded Assets and properties and assets reflected on the Balance Sheet that have been sold or otherwise disposed of by the Seller in the Ordinary Course of Business and as otherwise set forth on Schedule 4.6, the Seller has good and marketable title to, or a valid leasehold interest in, all properties and assets used by the Seller, including, without limitation, all the properties and assets reflected on the Balance Sheet as being owned by the Seller, free and clear of all Liens other than Permitted Liens. Each of the Furnishings and Equipment is in good operating condition and repair (with the exception of normal wear and tear), and is free from defects other than minor defects that do not interfere with the present use thereof in the conduct of normal operations.

4.7 Sufficiency of Assets. Except as set forth on Schedule 4.7, the Acquired Assets include all of the assets, properties and rights of every type and description, real, personal, mixed, tangible and intangible that are used in the conduct of the Business in substantially the same manner as currently conducted by the Seller as of the Closing Date, subject only to the exclusion of the Excluded Assets.

4.8 Accounts Receivable. Except as set forth on Schedule 4.8, all Accounts Receivable reflected on the Balance Sheet (net of allowances for doubtful accounts as reflected thereon and as determined in accordance with GAAP consistently applied) are or shall be valid receivables arising in the Ordinary Course of Business and, to the Seller's Knowledge, are or shall be current and collectible at the aggregate recorded amount therefore as shown on the Balance Sheet (net of allowances for doubtful accounts as reflected thereon and as determined in accordance with GAAP consistently applied). Except as set forth on Schedule 4.8, no Person has any Liens on such receivables or any part thereof, and no agreement for deduction, free goods, discount or other deferred price or quantity adjustment has been made with respect to any such receivables. Schedule 3.11 sets forth a complete and accurate statement of the Seller Accounts Receivable due and owing the Seller as of March 31, 2011.

4.9 Insolvency Proceedings. No insolvency proceedings of any kind, including, without limitation, bankruptcy, receivership, reorganization, composition or arrangement with creditors, voluntary or involuntary, affecting the Seller or the Acquired Assets are pending or, to the Seller's Knowledge, threatened. The Seller has not made an assignment for the benefit of creditors or taken any action with a view to, or that would constitute a valid basis for, the institution of any such insolvency proceedings.

4.10 Taxes.

(a) All material Tax Returns required to be filed by or on behalf of the Seller with respect to the Acquired Assets have been timely filed and all Taxes shown as due thereon have been paid. The Seller is not a beneficiary of any extension of time within which to file any Income Tax Return. The Seller has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other Third Party, and all Forms W-2 and 1099 required with respect thereto have been properly completed and timely filed, except where the failure to do so would not, individually or in the aggregate, reasonably be expected to have a Seller Material Adverse Effect. There are no Liens (other than Permitted Liens) on any of the assets of the Seller that arose in connection with the failure (or alleged failure) to pay any Tax.

(b) There is no material dispute or claim concerning any Tax liability of the Seller either (A) claimed or raised by any authority in writing or (B) as to which any of the officers or managers of the Seller has knowledge based upon personal contact with any agent of such authority.

(c) Schedule 4.10 lists all federal, state, local, and foreign Tax Returns filed by or on behalf of the Seller for taxable periods ended on or after December 31, 2005, indicates those Tax Returns that have been audited, and indicates those Tax Returns that currently are the subject of audit. The Seller has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(d) The Assumed Liabilities do not include any obligations that will not be deductible under Code §280G. The Seller, with respect to the Acquired Assets, does not have any liability for the Taxes of any other Person as a transferee or successor, by contract, or otherwise.

(e) The aggregate unpaid Taxes of the Seller with respect to the Acquired Assets (i) did not, as of December 31, 2010, exceed the reserve for Tax liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of the Balance Sheet (rather than in any notes thereto) and (ii) will not exceed that reserve as adjusted for operations and transactions through the Closing Date in accordance with the past custom and practice of the Seller in filing its Tax Returns.

4.11 Labor Relations; Compliance.

(a) The Seller has complied in all material respects with all applicable laws relating to the employment of labor. Except as set forth on Schedule 4.11, there are no Proceedings pending or, to the Seller's Knowledge, threatened against the Seller with respect to or by any employee or former employee of the Businesses and, to the Seller's Knowledge, there are no Proceedings pending or threatened against any employees or former employee of the Business. The Seller has not engaged in any unfair labor practices.

(b) The Seller is not a party to any collective bargaining agreement or relationship with any labor organization, and, to the Seller's Knowledge, there are no organizational efforts presently made or threatened by or on behalf of any labor union with respect to the employees of the Business. Within the last three (3) years, the Seller has not experienced any union organization attempts, strikes, work stoppages, slowdowns, grievances, claims of unfair labor practices or other collective bargaining disputes, and none are underway or, to the Seller's Knowledge, threatened.

(c) With respect to the transactions contemplated hereby, any notice required under any law or collective bargaining agreement has been or prior to Closing will be given, and all bargaining obligations with any employee representative have been or prior to Closing will be satisfied. The Seller has not implemented any layoff of employees that could implicate the WARN Act, or any similar state or local law, regulation or ordinance, and no such action will be implemented without advance notification to the Buyers.

(d) To the Seller's Knowledge no executive or manager of the Seller (i) has any present intention to terminate his or her employment, or (ii) is a party to any confidentiality, non-competition, proprietary rights or other such agreement between such employee and any Person besides the Seller that would be material to the performance of such employee's employment duties, or the ability of the Buyers to conduct the Businesses.

4.12 Employee Benefits.

(a) Schedule 4.12 lists each Employee Benefit Plan, and each other employment, severance, incentive, retention, consulting, change-in-control, fringe benefit, deferred compensation, or other compensatory plan, policy, agreement or arrangement which is maintained, contributed to or to which there is an obligation to contribute for the benefit of any current or former employee, director or other personnel of the Seller and/or any ERISA Affiliate of the Seller or with respect to which the Seller or any ERISA Affiliate of the Seller has or may have a direct or indirect liability (each a "Seller Benefit Plan").

(b) The Seller has delivered to Buyers copies of each Seller Benefit Plan document.

(c) Each Seller Benefit Plan has been maintained and administered in all respects in accordance with its terms and the provisions of applicable Legal Requirements, including ERISA and the Code.

(d) All contributions, premium and benefit payments required to be made under or in connection with each Seller Benefit Plan through the Closing Date have been made and all contributions, premium and benefit payments not yet required to be made under or in connection with each Seller Benefit Plan through the Closing Date will be made or properly accrued.

(e) Except as set forth in Schedule 4.12, neither the Seller nor any ERISA Affiliate thereof contributes to, ever has contributed to, or ever has been required to contribute to any Multiemployer Plan or employee pension plan subject to Title IV of ERISA or Code Section 412 or has any liability, or indirect liability, including any liability on account of a "partial withdrawal" or complete withdrawal (as defined in ERISA Sections 4205 and 4203 respectively), under any Multiemployer Plan or under Title IV of ERISA. Neither the Seller nor any ERISA Affiliates are bound by any Contract that would result in any direct or indirect liability described in ERISA Section 4204.

(f) Except as set forth in Schedule 4.12, the consummation of the transaction contemplated by this Agreement will not, either alone or in combination with any other event, (1) entitle any current or former employee, director or officer of the Seller to severance pay or any other payment or benefit, or (2) accelerate the time of payment or vesting, or increase the amount of compensation due any such employee, director or officer.

4.13 Litigation; Decrees.

(a) Except as set forth on Schedule 4.13(a), there is no material Proceeding pending or, to the Seller's Knowledge, threatened, against the Seller or relating to any of the Acquired Assets or Business.

(b) Except as set forth on Schedule 4.13(b), (i) there is no Decree to which the Seller or any of the Acquired Assets is subject, and (ii) the Seller is in compliance with each Decree to which it or its properties or assets are subject.

4.14 Compliance With Laws; Permits.

(a) Except as set forth on Schedule 4.14, the Seller is in full compliance with each Legal Requirement that is applicable to it or to the conduct or operation of the Business or the ownership of the Acquired Assets, except for such non-compliance, individually or in the aggregate, as would not reasonably be expected to have a Seller Material Adverse Effect. The Seller has not received any written notice or other communication (whether oral or written) from any Government Authority or any other Person regarding any actual, alleged, possible or potential violation of, or failure to comply with, any material Legal Requirement applicable to the Business.

(b) The Seller possesses all Government Authorizations necessary for the ownership of its properties and the conduct of the Business as currently conducted, except for such exceptions as, individually or in the aggregate, have not had and would not reasonably be expected to have a Seller Material Adverse Effect. Further, (i) to the Seller's Knowledge, all such Government Authorizations are in full force and effect and (ii) the Seller has not received any written notice of any event, inquiry, investigation or proceeding threatening the validity of such Government Authorizations.

4.15 Operations of the Seller. Except as set forth on Schedule 4.15, since December 31, 2010, through the date of this Agreement, there has not been any change, event or condition of any character that has had or would reasonably be expected to have a Seller Material Adverse Effect. Without limiting the generality of the foregoing, except as set forth on Schedule 4.15, since December 31, 2010, the Seller has operated the Business in the Ordinary Course of Business, and during such time period, the Seller has not:

(a) sold, leased, transferred, or assigned any of its material assets;

(b) entered into any Material Contract outside the Ordinary Course of Business;

(c) accelerated, terminated, made material modifications to, or cancelled any Material Contract in any material respect;

(d) transferred, assigned, or granted any license or sublicense of any rights under or with respect to any Seller Intellectual Property Right, other than in the Ordinary Course of Business;

(e) made any capital expenditure (or series of related capital expenditures) either involving more than $5,000, individually, or $15,000, in the aggregate, or outside the Ordinary Course of Business;

(f) engaged in any sales or promotional discount or other similar activities with customers (including, without limitation, materially altering credit terms) other than any such activities undertaken in accordance with the terms of its current License Agreements;

(g) delayed or postponed the payment of any accounts payable, other payables, expenses or other liabilities (including marketing or promotional expenses), or accelerated the collection of or discount any Accounts Receivable or otherwise accelerated cash collections of any type other than in the Ordinary Course of Business and in an amount not greater than $25,000 in the aggregate;

(h) incurred any Indebtedness or incurred or become subject to any material liability, except current liabilities incurred in the Ordinary Course of Business and liabilities under Contracts (other than liabilities for breach) entered into in the Ordinary Course of Business;

(i) suffered any extraordinary losses or waived any rights of material value, whether or not in the Ordinary Course of Business;

(j) experienced any material damage, destruction, or loss (whether or not covered by insurance) to its property;

(k) become liable for any Damages in connection with, or become obligated to rescind or otherwise materially modify, any License Agreement; or

(l) committed to do any of the foregoing actions.

4.16 Payment and Collections Practices; Customers and Suppliers. Since January 1, 2011, and except as otherwise set forth on Schedule 4.16(i), the Seller has made all payments to its suppliers that were due and payable, and collected all accounts receivables from its customers that were due and payable, in each case in the Ordinary Course of Business in all material respects. Schedule 4.16(ii) lists (i) the ten (10) largest customers (by revenue) of the Business during the fiscal year ended December 31, 2010, and (ii) the ten (10) largest suppliers (by cost) of the Seller's business during the fiscal year ended December 31, 2010. Except as set forth on Schedule 4.16(iii), Seller has not been engaged in any material disputes with any such customer or supplier since January 1, 2011, that would be reasonably expected to result in a material decrease in the quantity of items purchased from the Business or in the quantity of items made available for purchase by the Business, respectively.

4.17 Material Contracts.

(a) Schedule 4.17 contains a complete and correct list identified by the Seller, as of the date of this Agreement, of the following Contracts to which the Seller is a party or by which the Seller is bound (collectively, the "Material Contracts"), including:

(i) any agreement (or group of related agreements) for the lease of personal property to or from a Person providing for lease payment in excess of $15,000 per annum, which is not terminable by the Seller on less than ninety (90) days notice;

(ii) any agreement (or group of related agreements) for the purchase or sale of raw materials, commodities, supplies, products, or other personal property, or for the furnishing or receipt of services, the performance of which will extend over a period of more than one year, or involve consideration in excess of $15,000;

(iii) each License Agreement currently in effect;

(iv) each License Agreement submitted to a Person for execution since January 1, 2011 but not yet executed and delivered to the Seller by such Person;

(v) each Design and Service Agreement currently in effect;

(vi) each Design and Service Agreement submitted to a Person for execution since January 1, 2011 but not yet executed and delivered to the Seller by such Person;

(vii) each Seller Employment Agreement currently in effect;

(viii) any agreements relating to Intellectual Property Rights;

(ix) any agreement imposing continuing confidentiality obligations on the Seller;

(x) all executory contracts for capital expenditures with remaining obligations in excess of $15,000 in any year, which is not terminable by the Seller on less than 90 days notice;

(xi) all contracts containing covenants that in any way purport to limit the freedom to engage in any line of business or to compete with any Person or in any geographical area;

(xii) all severance, change of control or similar agreements or contracts with any employees; and

(xiii) any other agreement the performance of which involves consideration in excess of $15,000.

(b) All Material Contracts are in full force and effect and in written form and true, correct and complete copies of all Material Contracts, including any amendments, waivers, supplements or other modifications thereto, have been made available to the Buyers. Except as disclosed in Schedule 4.17(b), the Seller is not in violation or breach of or in default under any Material Contract. No Proceeding or event or condition has occurred or exists or, to the Seller's Knowledge, is alleged by any party to have occurred or exist which, with notice or lapse of time or both, would constitute a default by any of the parties thereto of their respective obligations under a Material Contract (or would give rise to any right of termination or cancellation). To the Seller's Knowledge, no party to a Material Contract is in breach of a Material Contract, or has expressed in writing, orally, or through any other means of communication, plans to breach, terminate, re-negotiate, or fail to renew a Material Contract.

(c) Schedule 4.17(c) contains a complete and correct list of all written agreements, contracts or instruments to which an Affiliate of the Seller is a party and pursuant to which the Seller is a beneficiary of any goods, services or other benefits related to the Acquired Assets.

(d) Except as set forth on Schedule 4.17(d), the Seller is not precluded under any Assumed Contract from assigning such contract to the Buyers, nor is any consent required to assign such contract to the Buyers.

4.18 Insurance. Schedule 4.18 sets forth an accurate and complete summary of (a) each insurance policy providing for liability exposure (including policies providing property, casualty, liability and workers' compensation coverage and bond and surety arrangements) to which the Seller is currently a party, a named insured or otherwise the beneficiary of coverage ("Insurance Policies") and (b) all insurance loss runs or workers' compensation claims received for the past three (3) policy years. All such Insurance Policies are in full force and effect. Since January 1, 2008, the Seller has paid all premiums due thereunder and, except as set forth in Schedule 4.18, no notice (whether oral or written) of cancellation of any such coverage or increase in premiums thereof has been received by the Seller.

4.19 Environmental Matters. Except as set forth on Schedule 4.19, in the conduct of the Seller's Business and with respect to the ownership and operation of the Acquired Assets: (i) the Seller has complied and is in compliance in all material respects with all Environmental and Safety Requirements; (ii) all Government Authorizations required under Environmental and Safety Requirements to be obtained by the Seller are valid and in full force and effect, the Seller has complied and is in compliance in all material respects with the terms and conditions of such permits and licenses; (iii) the Seller is not subject to any suit, investigation, inquiry or proceeding by or before any court or Government Authority under Environmental and Safety Requirements in connection with its current or former operations, properties or facilities; (iv) neither the Seller, nor any of its predecessors or Affiliates, has caused a release of hazardous substances, and, to the Seller's Knowledge, no condition of contamination by hazardous substances is present, at the Seller's Leased Real Properties, if any and no facts, events or conditions relating to current or former facilities, properties or operations of the Seller or of its predecessors or Affiliates will give rise to any investigatory, remedial, or corrective obligations or other liabilities under Environmental and Safety Requirements; (v) neither this Agreement nor the consummation of the transactions contemplated hereby will result in any obligations for site investigation or cleanup, or notification to or consent of any Government Authority or other Person pursuant to any of the so-called "transaction-triggered" or "responsible property transfer" Environmental and Safety Requirements; (vi) to the Seller's Knowledge, the Seller has made available to the Buyer copies of all material documents within its possession (including all Phase I and Phase II reports) concerning compliance with Environmental and Safety Requirements with respect to the current or former operations or facilities of each of the Seller and its predecessors and Affiliates; (vii) the Seller has not received written notice, report or other information regarding any violation of, or liability or obligation under any Environmental and Safety Requirement or that any existing Government Authorization that was obtained under any Environmental and Safety Requirement is to be revoked or suspended by any Government Authority or is not currently operating or required to be operating under, or subject to any outstanding compliance order, decree or agreement, any consent decree, order or agreement, or corrective action decree, order or agreement issued or entered into under, or pertaining to matters regulated by, any Environmental and Safety Requirement; (viii) the Seller does not own or operate any underground storage tanks other than those disclosed on Schedule 4.19 and no such underground tanks are in violation of any Environmental and Safety Requirement; (ix) neither the Seller, nor any of its predecessors or Affiliates, has treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled, released, or exposed any Person to, any hazardous materials, or owned or operated the Business or any property or facility relating to the Business in a manner that has given or would give rise to any liabilities or investigative, corrective or remedial obligations pursuant to CERCLA or any other Environmental and Safety Requirement; and (x) to the Seller's Knowledge, the Seller has provided to the Buyers access to all environmental audits and reports to the current and former operations and facilities of the Seller and its predecessors or Affiliates.

4.20 Intellectual Property.

(a) Schedule 4.20(a) attached hereto sets forth a complete and correct list of (i) all registered trademarks or service marks owned by the Seller; (ii) all pending applications for registration of any trademarks or service marks owned by the Seller; (iii) all trade names, common law trademarks and unregistered marks owned and used by the Seller; and (iv) all internet domain names and URLs registered or applied for by the Seller.

(b) Schedule 4.20(b) attached hereto sets forth a complete and correct list of: (i) all computer software licenses or similar agreements or arrangements relating to information technology used exclusively in the operation of the Business ("IT Software"); (ii) all other licenses or similar agreements or arrangements, in effect as of the date hereof, in which the Seller or its Affiliates are a licensee of Intellectual Property Rights that are related to or used in connection with, and in both cases material to, the Business; (iii) all licenses or similar agreements or arrangements in which the Seller or its Affiliates are a licensor of Intellectual Property Rights that are related to or used in connection with the Business, including License Agreements; and (iv) all other agreements or similar arrangements, in effect as of the date hereof, relating to the use of Intellectual Property Rights by the Seller, including settlement agreements, consent-to-use or standstill agreements and standalone indemnification agreements.

(c) Except as set forth on Schedule 4.20(c), (i) the Seller owns and possesses all right, title and interest in and to, or has the enforceable right to use, the Intellectual Property Rights, identified with the Seller and set forth in Schedule 4.20(a), has a valid and enforceable right to use pursuant to the agreements set forth in Schedule 4.20(b), or otherwise owns and possesses all right, title and interest in and to all other Intellectual Property Rights necessary for the operation of the Business as currently conducted, free and clear of all Liens, other than Permitted Liens (collectively, the "Seller Intellectual Property Rights"), and (ii) the Seller has not licensed any of the Seller Intellectual Property Rights to any Third Party on an exclusive basis.

(d) Except as set forth on Schedule 4.20(d), (i) the Seller has not infringed, diluted, misappropriated or otherwise conflicted with, and the operation of the Business as currently conducted does not infringe, misappropriate or otherwise conflict with, any Intellectual Property Rights of any Person; (ii) the Seller has no Knowledge of any facts which indicate a likelihood of any of the foregoing; (iii) the Seller has not received any written notices regarding any of the foregoing (including any demands that the Seller is required to license any Intellectual Property Rights from any Person or any requests for indemnification from customers) and (iv) the Seller has not requested nor received any written opinions of counsel related to the foregoing.

(e) Except as set forth on Schedule 4.20(e), (i) no loss or expiration of any of the Seller Intellectual Property Rights is threatened, pending or reasonably foreseeable, except for those rights expiring at the end of their current registration terms without renewal by the Seller (and not as a result of any act or omission by the Seller, including a failure by the Seller to pay any required maintenance or renewal fees); (ii) all of the Seller Intellectual Property Rights are valid and enforceable; (iii) no claim by any Third Party contesting the validity, enforceability, use or ownership of any of the Seller Intellectual Property Rights has been made, is currently outstanding or to the knowledge of Seller is threatened; (iv) to the extent the Seller Intellectual Property is protected by applications or registrations, Seller will continue to maintain and protect such applications and registrations prior to the Closing so as not to adversely affect the validity or enforceability thereof; and (v) the Seller has not disclosed or allowed to be disclosed any of its trade secrets or confidential information to any Third Party other than pursuant to a written confidentiality agreement and Seller has entered into written confidentiality agreements with all of its employees and independent contractors acknowledging the confidentiality of the Seller Intellectual Property Rights.

(f) Except as set forth on Schedule 4.20(f), to the Seller's Knowledge, no Person has infringed, diluted, misappropriated or otherwise conflicted with any of the Seller Intellectual Property Rights and the Seller does not know of any facts that indicate a likelihood of any of the same.

(g) Except as set forth on Schedule 4.20(g), all Intellectual Property Rights owned by the Seller were: (i) developed by employees of the Seller working within the scope of their employment; (ii) developed by officers, directors, agents, consultants, contractors, subcontractors or others who have executed appropriate instruments of assignment in favor of the Seller as assignee that have conveyed to the Seller ownership of all of such Person's rights in the Intellectual Property Rights relating to such developments; or (iii) acquired in connection with acquisitions in which the Seller obtained appropriate representations, warranties and indemnities from the transferring party relating to the title to such Intellectual Property Rights.

(h) Except as set forth in Schedule 4.20(h), none of the Seller Intellectual Property Rights is subject to any Proceeding or Decree restricting in any manner the use, transfer or licensing thereof by the Seller, or which may affect the validity, use or enforceability of the Seller Intellectual Property Rights.

(i) The Seller has collected, used, imported, exported and protected all personally identifiable information, and other information relating to individuals protected by law, in accordance with the privacy policies of the Seller and in accordance with applicable law, including by entering into agreements, where applicable, governing the flow of such information across national borders.

(j) Each item of the Seller Intellectual Property Rights is valid, enforceable and subsisting in the United States and the jurisdictions set forth on Schedule 4.20. Prior to the Closing, the Seller will deliver to the Buyers all files, documents, or instruments necessary to the preservation and maintenance of the Seller Intellectual Property Rights.

(k) The Seller does not own, nor have pending, any patent applications or patents.

4.21 Affiliate Transactions. Except as set forth on Schedule 4.21: (a) there are no Assumed Contracts between the Seller, on the one hand, and any member, interest or right holder or any family member or affiliate of any such member, interest or right holder, on the other hand; (b) there are no Assumed Contracts between the Seller, on the one hand, and any employee or director or any family member or affiliate of any such person, on the other hand, other than employment agreements entered into in the Ordinary Course of Business; and (c) there are no loans or other indebtedness owing by any employee of the Seller or any family member or affiliate of any such person to the Seller.

4.22 Brokers or Finders. No agent, broker, firm or other Person acting on behalf of the Seller or, to the Seller's Knowledge, any of its Affiliates is, or will be, entitled to any investment banking, commission, broker's or finder's fees from any of the parties hereto, or from any Affiliate of any of the parties hereto, in connection with any of the transactions contemplated by this Agreement.

4.23 Suppliers. Except for the suppliers named in Schedule 4.23, neither the Seller nor any Affiliates of the Seller or any of the Seller's employees receives any fees or other consideration from any suppliers who supply products or services to its Licensees.

4.24 Powers of Attorney. Except as set forth on Schedule 4.24, there are no outstanding powers of attorney executed by or on behalf of the Seller.

4.25 Investment. The Seller (a) understands that the XCel Shares have not been, and will not be, registered under the Securities Act, or under any state securities laws, and are being offered and sold in reliance upon federal and state exemptions for transactions not involving any public offering, (b) except as contemplated by Section 7.12, is acquiring the XCel Shares solely for the Seller's own account and for investment purposes, and not with a view to the distribution thereof, (c) is a sophisticated investor with knowledge and experience in business and financial matters, (d) has received certain information concerning XCel and has had the opportunity to obtain additional information as desired in order to evaluate the merits and the risks inherent in holding the XCel Shares, (e) is able to bear the economic risk and lack of liquidity inherent in holding the XCel Shares, and (f) is an Accredited Investor.

4.26 Other Contracts. The Seller has not entered into any Contract with any of the parties identified on Schedule 4.17 that is not otherwise required to be set forth on the Disclosure Schedules.

4.27 Disclaimer of Other Representations and Warranties. Except for the representations and warranties contained in this Article IV or expressly contained in any other Related Agreement, Seller does not make any other representation or warranty, express or implied.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF THE BUYERS

The Buyers, jointly and severally, hereby represent and warrant to the Seller, that the statements contained in this Article V are correct and complete as of the date of this Agreement and will be correct and complete as of the time immediately prior to the consummation of the Public Shell Transaction (the "Reference Date") (as though made then and as though the Reference Date were substituted for the date of this Agreement throughout this Article V except to the extent any representation or warranty expressly speaks only as of a different date), except in each case as set forth in the disclosure schedule attached hereto (the "Buyer Disclosure Schedule"). Notwithstanding the foregoing, the representations and warranties in Sections 5.3, 5.4 and 5.12 shall only be made on the Closing Date and the representations and warranties in Sections 5.1(a) and (b), 5.2 and, to the Knowledge of Buyers, Section 5.7, shall be true and correct as of the date of this Agreement and will be correct and complete as of the Closing Date. The disclosures in any section or subsection of the Buyer Disclosure Schedule shall qualify the corresponding section or subsection in this Article V and any other section or subsection in which such disclosure is required to be included to the extent the relevance of such disclosure is reasonably apparent.

5.1 Existence and Good Standing; Authorization.

(a) Each Buyer is organized, validly existing and in good standing under the laws of its incorporation, organization or formation.

(b) Each Buyer has all requisite corporate or organizational power and authority to execute and deliver this Agreement and each other Related Agreement to which such Buyer is a party, to perform its obligations hereunder and thereunder and to consummate the sale and the other transactions contemplated hereby and thereby. The execution, delivery and performance by each Buyer of this Agreement and each other Related Agreement to which it a party, and the consummation by it of the transactions contemplated hereby and thereby, have been duly authorized and approved by its respective board of directors or members, and no other corporate, stockholder, organizational, member or manager action on the part of any Buyer is necessary to authorize the execution, delivery and performance by any Buyer of this Agreement or any other Related Agreement to which such Buyer is a party and the consummation thereby of the transactions contemplated hereby and thereby. This Agreement has been duly executed and delivered by each Buyer and constitutes, and, with respect to each other Related Agreement, upon its execution and delivery by each Buyer party thereto, will constitute, assuming the due execution of this Agreement and such other Related Agreement by the Seller and/or the other parties thereto, a valid and binding obligation of each Buyer enforceable against such Buyer in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, receivership and similar laws affecting the enforcement of creditors' rights generally, and general equitable principles.

(c) XCel owns all of the equity interests of IMB. Except for IMB, XCel has no Subsidiaries.

5.2 Consents and Approvals; No Violations. The execution and delivery of this Agreement by each Buyer, and the execution and delivery of each Related Agreement to which each Buyer is a party, and the consummation of the transactions contemplated hereby and thereby do not and will not:

(a) violate or conflict with any provisions of the Organizational Documents of any Buyer;

(b) violate any Legal Requirement or Decree to which any Buyer is subject or by which any of their respective material properties or assets are bound;

(c) require any permit, consent or approval of, or the giving of any notice to, or filing with any Government Authority on or prior to the Closing Date; and

(d) result in a material violation or breach of, conflict with, constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation, payment or acceleration) under, or result in the creation of any Lien upon any of the material properties or assets of any Buyer under any of the material terms, conditions or provisions of any Material Contract or any other instrument or obligation to which any Buyer is a party, or by which it or any of their respective material properties or assets may be bound; excluding from the foregoing clauses (b), (c) and (d) permits, consents, approvals, notices and filings the absence of which, and violations, breaches, defaults and Liens the existence of which, would not, individually or in the aggregate, reasonably be expected to prevent such Buyer from performing its obligations under this Agreement.

5.3 Exchange Act Reports. The Buyers shall have made available to the Seller complete and accurate copies, as amended or supplemented, of Public XCel's (a) if applicable, Annual Report on Form 10-K for Public XCel's last completed fiscal year, which contain audited financial statements for the year ended as of such date, as filed with the SEC, and (b) all other reports filed by Public XCel under Section 13 or subsections (a) or (c) of Section 14 of the Exchange Act with the SEC since its formation (such reports are collectively referred to herein as the "Public XCel Reports"). To the Knowledge of Buyers, the Public XCel Reports constitute all of the material documents required to be filed by the Public XCel with the SEC, including, without limitation, under Section 13 or subsections (a) or (c) of Section 14 of the Exchange Act, from its formation through the Closing Date. To the Knowledge of Buyers, the Public XCel Reports complied in all material respects with the requirements of the Exchange Act and the rules and regulations thereunder when filed. To the Knowledge of Buyers, there are no material outstanding or material unresolved comments in comment letters received from the SEC with respect to any of the Public XCel Reports. To the Knowledge of Buyers, as of their respective dates, the Public XCel Reports did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

5.4 Public XCel Financial Statements. To the Knowledge of Buyers, all financial statements of Public XCel included in the Public XCel Reports (collectively, the "Public XCel Financial Statements") (i) complied as to form in all material respects with applicable accounting requirements and, as appropriate, the published rules and regulations of the SEC with respect thereto when filed, (ii) were prepared in accordance with GAAP applied on a consistent basis, in all material respects, throughout the periods covered thereby (except as may be indicated therein or in the notes thereto, and in the case of quarterly financial statements, as permitted by Form 10-Q under the Exchange Act), (iii) fairly present the consolidated financial condition, results of operations and cash flows of the Public XCel, in all material respects, as of the respective dates thereof and for the periods referred to therein, and (iv) are consistent with the books and records of Public XCel in all material respects.

5.5 Undisclosed Liabilities. Except as set forth on Schedule 5.5, no Buyer has any liability (whether known or unknown, whether absolute or contingent, whether liquidated or unliquidated and whether due or to become due), except for liabilities arising between the date hereof and the Closing Date or as a result of the Related Transactions that are disclosed to the Seller in accordance with Section 6.3(b).

5.6 Compliance with Laws.

(a) Each of the Buyers is in full compliance with each Legal Requirement that is applicable to it or to the conduct or operation of its business or the ownership of its assets, except for such non-compliance, individually or in the aggregate, as would not reasonably be expected to have a Buyer Material Adverse Effect. None of the Buyers has received any written notice or other communication (whether oral or written) from any Government Authority or any other Person regarding any actual, alleged, possible or potential violation of, or failure to comply with, any material Legal Requirement.

(b) Each Buyer possesses all Government Authorizations necessary for the ownership of its properties and the conduct of its business as currently conducted, except for such exceptions as, individually or in the aggregate, have not had and would not reasonably be expected to have a Buyer Material Adverse Effect. Further, (i) to the Buyers' Knowledge, all such Government Authorizations are in full force and effect and (ii) no Buyer has received any written notice of any event, inquiry, investigation or proceeding threatening the validity of such Government Authorizations.

(c) Each Buyer has complied with all federal and state securities laws and regulations.

(d) Except as set forth on Schedule 5.6, no Buyer (i) has, nor have the past and present officers, directors and Affiliates of such Buyer, been convicted of, nor does any officer or director of such Buyer have any reason to believe that such Buyer or any of its officers, directors or Affiliates will be convicted of, any civil or criminal proceeding by any federal or state agency alleging a violation of securities laws; (ii) has been the subject of any voluntary or involuntary bankruptcy proceeding, nor has it been a party to any material litigation; (iii) is a "blank check company" as such term is defined by Rule 419 of the Securities Act.

5.7 Litigation.

(a) There is no Proceeding pending or, to the Buyers' Knowledge, threatened, against any of the Buyers.

(b) There is no Decree to which any of the Buyers is subject, and each of the Buyers is in compliance with each Decree to which it or its properties or assets are subject.

5.8 Buyer Environmental Matters. Each Buyer has complied and is in compliance in all material respects with all Environmental and Safety Requirements. All Government Authorizations required under Environmental and Safety Requirements to be obtained by each Buyer are valid and in full force and effect, each Buyer has complied and is in compliance in all material respects with the terms and conditions of such permits and licenses. None of the Buyers is subject to any suit, investigation, inquiry or proceeding by or before any court or Government Authority under Environmental and Safety Requirements in connection with its current or former operations, properties or facilities. No Buyer, nor any of its predecessors or Affiliates, has caused a release of hazardous substances, and, to the Buyers' Knowledge, no condition of contamination by hazardous substances is present, at any Buyer's Leased Real Properties, if any and no facts, events or conditions relating to current or former facilities, properties or operations of any Buyer or of its predecessors or Affiliates will give rise to any investigatory, remedial, or corrective obligations or other liabilities under Environmental and Safety Requirements. Neither this Agreement nor the consummation of the transactions contemplated hereby will result in any obligations for site investigation or cleanup, or notification to or consent of any Government Authority or other Person pursuant to any of the so-called "transaction-triggered" or "responsible property transfer" Environmental and Safety Requirements. To the Buyers' Knowledge, each Buyer has made available to the Seller copies of all material documents within its possession (including all Phase I and Phase II reports) concerning compliance with Environmental and Safety Requirements with respect to the current or former operations or facilities of each Buyer and its predecessors and Affiliates. None of the Buyers has received any written notice, report or other information regarding any violation of, or liability or obligation under any Environmental and Safety Requirement or that any existing Government Authorization that was obtained under any Environmental and Safety Requirement is to be revoked or suspended by any Government Authority or is not currently operating or required to be operating under, or subject to any outstanding compliance order, decree or agreement, any consent decree, order or agreement, or corrective action decree, order or agreement issued or entered into under, or pertaining to matters regulated by, any Environmental and Safety Requirement. No Buyer owns or operates any underground storage tanks and no such underground tanks are in violation of any Environmental and Safety Requirement. No Buyer, nor any of its predecessors or Affiliates, has treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled, released, or exposed any Person to, any hazardous materials, or owned or operated any Buyer's business or any property or facility relating to any Buyer's business in a manner that has given or would give rise to any liabilities or investigative, corrective or remedial obligations pursuant to CERCLA or any other Environmental and Safety Requirement.

5.9 Taxes. There are no Taxes due and payable by any Buyer which have not been timely paid. There are no accrued and unpaid Taxes of any Buyer which are due, whether or not assessed or disputed. There have been no examinations or audits of any Tax Returns of Buyers by any Government Authority. Each Buyer has duly and timely filed all Tax Returns required to have been filed by it and there are in effect no waivers of applicable statutes of limitations with respect to Taxes for any year.

5.10 Financing. As of the date of this Agreement, the Buyers reasonably expect to secure financing arrangements sufficient to provide to Buyers the funds necessary to consummate the transactions contemplated by this Agreement.

5.11 Brokers' or Finders' Fees. Except as set forth on Schedule 5.11 and any due diligence and advisory fees and costs incurred in connection with Buyers' due diligence, such fees and costs being payable solely by Public XCel, no agent, broker, firm or other Person acting on behalf of any Buyer is, or will be, entitled to any investment banking, commission, broker's or finder's fees from any of the parties hereto for which the Seller would be responsible to pay, or from any Person controlling, controlled by or under common control with any of the parties hereto, in connection with any of the transactions contemplated by this Agreement.

5.12 Post-Closing Capitalization.

(a) Immediately after the Closing, at least 80% of the total combined voting power of all XCel Shares entitled to vote and at least 80% of the total number of all other classes of Public XCel stock (in each case subject to such voting agreements as may be in effect) will be owned by the Seller and shareholders of Public XCel who transferred cash in exchange for XCel Shares in the Related Transactions or otherwise would properly be treated as having transferred property to Xcel in exchange for shares for purposes of Treasury Regulation Section 1.351-1(a)(ii)).

(b) As of the Closing, the Buyers shall have aggregate outstanding debt on borrowed money, excluding any debt owed to QVC or its Affiliates, of no more than Twenty-Five Million Dollars ($25,000,000).

5.13 Due Diligence Investigation. To the Buyers' Knowledge, there are no facts, events or circumstances that constitute, or are reasonably likely to constitute, a breach by the Seller of any of its representations or warranties under Article IV, or any event, circumstance or effect that would be or is reasonably likely to be a Seller Material Adverse Effect.

5.14 Disclaimer of Other Representations and Warranties. Except for the representations and warranties contained in this Article V or expressly contained in any other Related Agreement, Buyer does not make any other representation or warranty, express or implied.

ARTICLE VI
PRE-CLOSING COVENANTS

6.1 Efforts to Closing. On the terms and subject to the conditions in this Agreement, and provided that none of the Buyers is in default hereunder, the Seller agrees to use commercially reasonable efforts to take, or cause to be taken, all actions as may reasonably be necessary to consummate the transactions contemplated hereby and to cause the conditions set forth in Article VIII to be satisfied, and the Buyers agree to use their commercially reasonable efforts to take, or cause to be taken, all actions as may reasonably be necessary to consummate the transactions contemplated hereby and to cause the conditions set forth in Article IX to be satisfied as soon as practicable after the date hereof but not later than June 30, 2011. Without limiting the generality of the foregoing, the Seller shall give or cause to be given any notices to Third Parties required to be given pursuant to any Assumed Contract to which it is a party as a result of this Agreement or any of the transactions contemplated hereby. The Seller shall use commercially reasonable efforts to obtain prior to the Closing, and deliver to the Buyers at or prior to the Closing, all consents, waivers and approvals required to be obtained under each Assumed Contract to which it is a party or by which it is bound, including any consents to assignment required under the Assumed Contracts listed in Schedule 4.3, in form and substance reasonably acceptable to the Buyers. The Buyers shall use commercially reasonable efforts to cooperate with the Seller in the Seller's efforts to obtain the aforementioned consents, including by providing such information as the other contracting parties may reasonably request.

6.2 Conduct of the Business. From the date of this Agreement until the Closing Date, the Seller shall conduct the Business in the Ordinary Course of Business; make ordinary design, marketing, advertising, promotional and other budgeted expenditures; and use commercially reasonable efforts to preserve and maintain the ongoing operations, organization, assets and goodwill of the Business. Further, and without limiting the generality of the foregoing, during the period from the date hereof to the Closing Date, except as may be first approved by the Buyers in writing, or as is otherwise expressly permitted or required by this Agreement, the Seller shall not:

(a) Cancel, encumber, or in any way discharge, terminate, adversely modify or amend or impair any Assumed Contract other than in the Ordinary Course of Business, or commit any act or fail to take any action that would cause a material breach of any such Assumed Contract;

(b) Waive, modify, alter, reduce or compromise any material amounts payable by any Licensee;

(c) Sell or dispose of any of the Acquired Assets, except for immaterial sales or for other dispositions in the Ordinary Course of Business;

(d) Create or suffer or permit the creation of any Lien including but not limited to any royalty advances or other advances from Third Parties (other than Permitted Liens) on any of the Acquired Assets or with respect thereto, unless such Lien will be discharged prior to Closing;

(e) Take any action that would reasonably be likely to prevent the Seller from consummating the transactions contemplated in this Agreement;

(f) Knowingly violate any applicable material Legal Requirement;

(g) Make any capital commitment, individually or in the aggregate, in excess of $25,000, other than those to be paid for in full prior to Closing;

(h) Take, or fail to take, any other action which would reasonably be expected to result in a material breach or inaccuracy in any of the representations or warranties of the Seller contained in this Agreement;

(i) Enter into any transaction whereby the Seller receives an advance or lump sum payment that provides value or a discount to future value for a period in excess of three (3) months, except as related exclusively to the Retained Media Rights;

(j) Enter into any amendment, renewal or modification of any Assumed Lease; or

(k) Agree or commit, whether in writing or otherwise, to take any of the actions specified in the foregoing clauses.

6.3 Access and Investigation.

(a) The Seller will permit the Buyers and their respective Representatives to have reasonable access, prior to the Closing Date, to the properties and to the books and records of the Seller during normal working hours and upon reasonable advance notice, to familiarize itself with the Seller's properties, Business and operating and financial conditions. As promptly as practicable after the end of each month ended after the date of this Agreement and prior to the Closing Date, the Seller shall deliver to XCel unaudited financial statements of the Seller as at and for the year through the end of the most recently completed fiscal month.

(b) The Buyers will permit the Seller and its Representatives to have reasonable access, prior to the Closing Date, to the properties and to the books and records of the Buyers during normal working hours and upon reasonable advance notice, to familiarize itself with the Buyers' business plans, operations and structure, including its current and proposed equity and debt capitalization. Prior to the Closing, the Buyers shall (i) not less than on a weekly basis, or such shorter period of time as is appropriate to assure the timeliness of the information, keep the Seller informed of the status and the progress of the Related Transactions, (ii) provide to Seller, or notify Seller of and make available to Seller, all material due diligence received by Buyer and its Representatives with respect to the Public Shell and, to the extent Buyer deems it reasonable in its sole discretion, summaries and analyses thereof prepared by Buyers and/or their Representatives, (iii) not less than ten (10) calendar days prior to the Closing Date, deliver to Seller a capitalization table that sets forth, based on the information then-available to the Buyers, the Buyers' estimate of the equity and debt capitalization of the Buyers immediately after the consummation of the Public Shell Transaction, all Related Transactions and the transactions contemplated hereby (the "Capitalization Table"), and (iv) promptly deliver updates to the Capitalization Table as they are reasonably available.

6.4 Audited Financial Statements. The Seller shall cause to be prepared, and deliver to the Buyers audited financial statements of the Business for 2009, 2010, and a review of the Business for the quarter ending March 31, 2011, as soon as commercially practicable and, in any event, prior to Closing (the "Business Audited Financials"). The audit shall include only the accounts of the Business, and the Seller is not obligated to provide audited results of the Seller. Such audit shall be conducted at Seller's sole cost and expense. The Buyers shall reimburse the Seller for up to One Hundred Thousand United States Dollars ($100,000) of the Seller's actual costs and expenses in preparing the Business Audited Financials at, and subject to, the Closing.

6.5 Exclusivity. Provided that none of the Buyers is in breach of this Agreement, the Seller agrees that neither the Seller nor any of its members or officers shall, and that they shall cause their Affiliates, employees, agents and representatives (including any investment banker, attorney or accountant retained by them) not to (and shall not authorize any of them to) directly or indirectly: (i) solicit, initiate, knowingly encourage or knowingly facilitate any inquiries with respect to, or the making, submission or announcement of, any offer or proposal from any Person (other than the Buyers) concerning any proposal for a merger, sale of substantial assets (including the license of any assets), sale of shares of stock or securities of the Seller, business combination involving the Seller, or other takeover or business combination transaction involving the Seller (an "Acquisition Proposal"); (ii) participate in any discussions or negotiations regarding, or furnish to any Person any nonpublic information with respect to, or otherwise cooperate in any respect with, any Acquisition Proposal; (iii) engage in discussions with any Person with respect to any Acquisition Proposal (except to inform such Person that these restrictions exist); (iv) approve, endorse or recommend any Acquisition Proposal; or (v) enter into any letter of intent or similar document or any contract, agreement, arrangement, understanding or commitment contemplating any Acquisition Proposal or transaction contemplated thereby or requiring opposition to or seeking to prevent or undermine the transactions contemplated by this Agreement. The Seller will immediately cease any and all existing activities, discussions or negotiations with any Third Parties conducted heretofore with respect to any Acquisition Proposal.

6.6 Notice of Developments. The Seller shall promptly advise the Buyers, and each Buyer, as the case may be, shall promptly advise the Seller, in writing of any (a) event, circumstance or development that results (or would reasonably be expected to result on the Closing Date) in a breach of any representation, warranty or covenant made by it in this Agreement and (b) any material failure of the Seller or the Buyers, as the case may be, to comply with or satisfy any condition or agreement to be complied with or satisfied by it hereunder; provided that no disclosure pursuant to this Section 6.6 shall be deemed to amend or supplement any provision of this Agreement or any disclosure schedule hereto, or to prevent or cure any misrepresentation, breach of warranty or breach of covenant.

6.7 Notice of Supplemental Disclosure.

(a) Without limiting the obligations of the Seller contemplated by Section 6.6, prior to the Closing Date, the Seller may inform Buyer pursuant to this Section 6.7(a) that any representation or warranty of the Seller was inaccurate when made as of the date hereof, and/or would be inaccurate if made as of the Closing Date, and provide a supplement to the Seller Disclosure Schedule to correct such inaccuracy (a "Seller Disclosure Supplement"). If the inaccuracies contemplated by such Seller Disclosure Supplement are sufficiently material to prevent, after a reasonable period in which to cure such inaccuracy, the satisfaction of the condition set forth in Article VIII, Buyers may terminate this Agreement within five (5) Business Days after receipt by Buyers of such Seller Disclosure Supplement. If Buyers have not exercised such right of termination by such date, the Seller Disclosure Schedule shall be deemed to have been amended (effective as of the date of this Agreement) to add such Seller Disclosure Supplement.

(b) Without limiting the obligations of the Buyers contemplated by Section 6.6, prior to the Closing Date, the Buyers may inform the Seller pursuant to this Section 6.7(b) that any representation or warranty of the Buyers was inaccurate when made as of the date hereof, and/or would be inaccurate if made as of the Closing Date, and provide a supplement to the Buyer Disclosure Schedule to correct such inaccuracy (a "Buyer Disclosure Supplement"). If the inaccuracies contemplated by such Buyer Disclosure Supplement are sufficiently material to prevent, after a reasonable period in which to cure such inaccuracy, the satisfaction of the condition set forth in Article IX, the Seller may terminate this Agreement within five (5) Business Days after receipt by the Seller of such Buyer Disclosure Supplement. If the Seller has not exercised such right of termination by such date, the Buyer Disclosure Schedule shall be deemed to have been amended (effective as of the date of this Agreement) to add such Buyer Disclosure Supplement.

6.8 Preservation of Business. Except as set forth on Schedule 6.8, the Seller will use commercially reasonable efforts to keep the Business substantially intact in all material respects, including maintaining its present operations, working conditions and relationships with suppliers, customers and employees.

6.9 Insurance; Risk of Loss.

(a) Seller shall keep, or cause to be kept, all insurance policies, or suitable replacements therefor, to the extent relating to the Business, in full force and effect through the close of business on the Closing Date. As of the close of business on the Closing Date, Seller shall terminate or cause its Affiliates to terminate all coverage relating to the Business under the general corporate policies of insurance of Seller for the benefit of all of its controlled Subsidiaries; provided, however, that: (i) no such termination of any policy in force as of the Closing Date shall be effected so as to prevent the Business from recovering under such policies for losses from events occurring prior to the Closing Date, it being understood that the Business shall be responsible for any deductible payable under the terms of the applicable policy in connection with any such claims; and (ii) no such termination of any claims made policy in force as of the Closing Date shall be effected so as to prevent the Business from recovering under such policies for losses from events occurring prior to the Closing Date and for which Buyers have given Seller written notice of such loss within 90 days of the Closing Date. Buyers shall become solely responsible for all insurance coverage and related risk of loss with respect to the Business based on (A) events occurring on or after the close of business on the Closing Date and (B) events occurring on or prior to the Closing Date with respect to which notice has not been received by the date set forth in clause (ii) of the preceding sentence. Seller shall notify each applicable insurance company for any claims made prior to the Closing Date and, with respect to clause (ii) above, for any claims made within 90 days of the Closing Date. After the Closing Date, Buyers shall promptly (in all cases within ten days of receipt of any notice) notify Seller of any claims arising from events that occurred prior to the Closing Date that may be covered by Seller's insurance policies. Buyer shall cooperate as fully as practicable with Seller and its insurers in the investigation and defense of any such claim.

(b) To the extent that, after the Closing Date, the Seller requires any information regarding claim data, payroll or other information in order to make filings with insurance carriers, Buyers shall use its best efforts to supply such information to Seller.

6.10 Press Releases and Public Announcements. No Party shall issue any press release or make any public announcement relating to the existence or subject matter of this Agreement without the prior written approval of the other Party; provided, however, that any Party may make any public disclosure it believes in good faith is required by applicable law or any listing requirement (including, without limitation, the listing requirements of the Nasdaq Global Market and securities laws applicable to XCel or Public XCel) or trading agreement concerning its publicly-traded securities (in which case the disclosing Party will use commercially reasonable efforts to advise the other Party a reasonable period of time prior to making the disclosure and to provide such other Party the opportunity to comment thereon). The Seller acknowledges and agrees that Buyers may be required to file a Current Report on Form 8-K disclosing the transactions contemplated by this Agreement and attaching as an exhibit thereto a copy of this Agreement, provided that no such filing shall be made unless the Buyers and the Seller reasonably agree on the form and substance thereof.

6.11 Maintenance of Real Property. The Seller shall maintain the condition of any of its Leased Real Property in the Ordinary Course of Business, and shall not demolish or remove any of the existing improvements thereon, or erect new improvements on the Leased Real Property or any portion thereof, without the prior written consent of the Buyers, which consent shall not be unreasonably withheld, delayed or conditioned.

6.12 Leases. The Seller shall not amend, modify, extend, renew or terminate any lease for its Leased Real Property, nor shall the Seller enter into any new lease sublease, license or other agreement for the use or occupancy of any real property, without the prior written consent of the Buyers, which consent shall not be unreasonably withheld, delayed or conditioned. The Seller shall use commercially reasonable efforts to secure all required approvals for the assignment of the Assumed Leases.

6.13 Employee Matters.

(a) Business Employees. Prior to the Closing Date, Buyer shall offer employment to be effective as of the Closing Date to the Seller Employees identified in Schedule 6.13(a) (the "Business Employees").

(b) COBRA. Commencing on the Closing Date, and for such period of time as required by COBRA and to the extent required by COBRA, Buyer shall be responsible for, and shall offer COBRA coverage to former employees of the Business who do not accept employment with Buyer, or who are not eligible to participate in the Buyers' healthcare plans, and their beneficiaries and dependents, at the expense of such former employees; provided, that such COBRA coverage may be administered by a Third Party.

(c) Cooperation with Respect to Business Employees. The Seller shall reasonably assist Buyers in communicating with each of the Business Employees.

(d) Vesting. As of the Closing Date, each Business Employee shall be fully vested in all benefits accrued as of the Closing Date under each of the Seller Benefit Plans.

6.14 Xcel Shares. Buyers shall use best efforts to ensure that all of the XCel Shares issuable in accordance with this Agreement will be, when so issued, duly authorized, validly issued, fully paid and non-assessable and free and clear of any Liens (other than those created under federal and state securities laws, any Lock-Up Agreement, and the Voting Agreement) and not subject to preemptive or other similar rights of the stockholders of XCel.

6.15 Lock-Up Agreements.

(a) Seller agrees to execute an agreement (a "Lock-Up Agreement") not to sell, transfer, pledge, hypothecate or otherwise dispose of any securities of Public XCel consistent with the provisions of Section 6.15(b) in form and substance requested by the placement agent in any offering of Public XCel's securities consummated in connection with the Public Shell Transaction; provided that, notwithstanding the foregoing, the terms of the Lock-Up Agreement shall in no event be more restrictive than those agreed to by the officers or directors of any of the Buyers (collectively, the "Insider Lock-Up Agreements").

(b) Subject to Section 6.15(a), the Seller agrees to execute a Lock-Up Agreement with respect to the Initial Stock Consideration, any Earn-Out Shares and QVC Earn-Out Shares, and any XCel Shares issued as payment under the Promissory Note ("Note Shares"), consistent with the following terms: (i) during the twelve (12) month from the Closing Date, in the case of the Initial Stock Consideration, or during the twelve month period from the date the applicable Earn-Out Shares, QVC Earn-Out Shares or Note Shares are issued, in the case of Earn-Out Shares, QVC Earn-Out Shares or Note Shares (such period herein referred to as the "Initial Period"), other than in connection with a "change of control" transaction of Public XCel, the Seller shall not, directly or indirectly, through an "affiliate" or "associate" (as such terms are defined in the General Rules and Regulations under the Securities Act of 1933, as amended), or otherwise, offer, sell, pledge, hypothecate, grant an option for sale, or otherwise dispose of, or transfer or grant any rights with respect thereto in any manner either privately or publicly (each, a "Transfer") any of the XCel Shares or Shares of Public XCel acquired by the Seller pursuant to a stock split, stock dividend, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of XCel (each an "Adjustment") affecting XCel Shares (together with the XCel Shares, "Securities"), or enter into any agreement or any transaction that has the effect of transferring, in whole or in part, directly or indirectly, the economic consequence of ownership of the Securities, whether any such agreement or transaction is to be settled by delivery of the Securities; (ii) upon the expiration of the Initial Period, such foregoing restrictions on Transfer shall lapse with respect to 25% of the number of corresponding XCel Shares received by the Seller as part of the Initial Stock Consideration, Earn-Out Shares, QVC Earn-Out Shares or Note Shares, as applicable (in each case taking into account and proportionally adjusting for any Adjustments occurring during such period), and the Seller may Transfer such XCel Shares, in open market transactions without restriction; (iii) on the first day of each of the first three consecutive three month periods following the end of the Initial Period, the restrictions on Transfer provided for in this Section 6.15(b) shall lapse with respect to 25% of the number of corresponding XCel Shares received by the Seller as part of the Initial Stock Consideration, Earn-Out Shares, QVC Earn-Out Shares or Note Shares, as applicable (in each case taking into account and proportionally adjusting for any Adjustments occurring during such period), and the Seller may Transfer such XCel Shares, in open market transactions without restriction. By way of clarification, upon the date that is no later than the 21-month anniversary of the Closing Date, all restrictions under the Lock-Up Agreement shall have terminated. The Lock-Up Agreement shall provide that the Seller may transfer XCel Shares to its members at any time and cause such members to agree with this provision and receive all benefits of the XCel Shares.

(c) In the event that any XCel Shares owned, held or controlled by any of the officers or directors of any of the Buyers are released from any of the restrictions set forth in the applicable Insider Lock-Up Agreement, then a pro rata amount (with such amount calculated based on the aggregate amount of the Initial Stock Consideration owned by the Seller and/or its members in relation to the aggregate amount of XCel Shares owned, held or controlled by such officer of director) of the XCel Shares owned by the Seller and/or its members shall be automatically released from the applicable restrictions in the Lock-Up Agreement.

6.16 Benefit of Agreements Related to the Public Shell Transaction. Buyers shall use commercially reasonable efforts to cause their counterparties in a Public Shell Transaction to (i) make substantially the same representations and warranties to Seller as those made, if any, to XCel, and (ii) provide substantially the same indemnification protections, if any, to Seller, as those provided to XCel.

6.17 Public Shell Transaction. The Buyers agree that XCel shall not consummate the Public Shell Transaction unless Public XCel, immediately prior to such transaction, does not, to the Buyer's Knowledge, have any material Liabilities. Unless the Parties agree otherwise in writing, the Public Shell Transaction shall be consummated as described in the Recitals. Prior to consummating the Public Shell Transaction, the Buyers shall conduct a reasonably prudent due diligence investigation into Public XCel, which shall include, without limitation, an investigation into the existence of any contingent liabilities of Public XCel.

6.18 Resolution of New York Lease. Seller shall use commercially reasonable efforts to buy out, sub-lease, or otherwise resolve the liabilities related to its Leased Real Property at 23 E. 67th St., New York, NY.

6.19 Further Action. Prior to the Closing, each of the Parties shall use commercially reasonable efforts to take, or cause to be taken, all appropriate action, do or cause to be done all things necessary, proper or advisable under applicable Legal Requirements, and execute and deliver such documents and other papers, as may be required to consummate the transactions contemplated herein.

ARTICLE VII
POST-CLOSING COVENANTS

7.1 Cooperation. The Parties shall cooperate with each other, and shall use their commercially reasonable efforts to cause their respective Representatives to cooperate with each other, to provide an orderly transition of the Business from the Seller to Buyer and to minimize the disruption to the Business resulting from the transactions contemplated hereby.

7.2 Taxes Related to Purchase of Assets; Tax Cooperation.

(a) The Buyers, on the one hand, and the Seller, on the other hand, shall each be responsible for one-half of any and all stamp, transfer, documentary, sales and use, registration and other similar taxes and fees (including any penalties and interest) incurred in connection with this Agreement and the transactions contemplated hereby (collectively, the "Transfer Taxes") regardless of the Person liable for such Transfer Taxes under applicable Legal Requirements. Except to the extent required to be filed by the Seller, the Buyers shall properly file on a timely basis all necessary Tax Returns and other documentation with respect to all Transfer Taxes, provided that the Buyers shall provide copies of all such Transfer Tax Returns to the Seller at least twenty (20) days prior to the due date thereof for Seller's review and approval. The non-filing Party shall promptly reimburse the filing Party for 50% of the amount of such Transfer Tax within ten (10) Business Days of receipt by the non-filing Party of evidence of the timely filing and payment thereof. The provisions of this Section 7.2 and no other provision, shall govern the economic burden of Transfer Taxes. Each of Buyers and Seller shall (and shall cause their respective Affiliates to) timely sign and deliver such certificates or forms as may be necessary or appropriate to establish an exemption from (or otherwise reduce), or file Tax Returns or reports with respect to, Transfer Taxes.

(b) All Taxes and assessments on the Acquired Assets for any taxable period commencing on or prior to the Closing Date and ending after the Closing Date (a "Straddle Period") shall be prorated between the Buyers and the Seller as of the close of business on the Closing Date based on the best information then available, with (a) the Seller liable for such Taxes attributable to any portion of a Straddle Period ending on or prior to the Closing Date and (b) the Buyers being liable for such Taxes attributable to any portion of a Straddle Period beginning after the Closing Date. Information available after the Closing Date that alters the amount of Taxes due with respect to the Straddle Period will be taken into account and any change in the amount of such Taxes shall be prorated between the Buyers the Seller as set forth in the next sentence. All prorations of Straddle Period Taxes on the Acquired Assets shall be allocated so that items relating to the portion of a Straddle Period ending on or prior to the Closing Date shall be allocated to the Seller based upon the number of days in the Straddle Period on or prior to the Closing Date and items related to the portion of a Straddle Period beginning after the Closing Date shall be allocated to the Buyers based upon the number of days in the Straddle Period after the Closing Date. The amount of all such prorations that must be paid in order to convey the Acquired Assets to the Buyers free and clear of all Liens other than Permitted Liens have been calculated and shall be paid on the Closing Date; all other prorations shall be calculated and paid as soon as practicable thereafter.

(c) The Seller and the Buyers shall (and shall cause their respective Affiliates to) cooperate fully with each other and make available or cause to be made available to each other for consultation, inspection and copying (at such other party's expense) in a timely fashion such personnel, Tax data, relevant Tax Returns or portions thereof and filings, files, books, records, documents, financial, technical and operating data, computer records and other information as may be reasonably requested, including, without limitation, (a) for the preparation by such other party of any Tax Returns or (b) in connection with any Tax audit or proceeding including one party (or an Affiliate thereof) to the extent such Tax audit or proceeding relates to or arises from the transactions contemplated by this Agreement.

7.3 Noncompetition and Nonsolicitation.

(a) For a period of three (3) years from the date of this Agreement (the "Restricted Period"), the Seller and each of the Individuals will not directly or indirectly, on its own behalf, as an agent of, on behalf of or in conjunction with, or as a member, partner or shareholder of, any other firm, corporation or other entity or Person:

(i) engage in any business that Competes with the Business;

(ii) induce any former employee, licensee, independent contractor, manufacturer, supplier or Licensee of the Seller with respect to the Business, to terminate his or her employment or relationship, as applicable, with the Buyers or their Affiliates.

(b) The Buyers are entitled (without limitation of any other remedy) to specific performance and/or injunctive relief with respect to any breach or threatened breach of the covenants in this Section 7.3. If any court of competent jurisdiction at any time deems the time periods for the foregoing covenants too lengthy or the scope of the covenants too broad, the restrictive time periods will be deemed to be the longest period permissible by law, and the scope will be deemed to comprise the broadest scope permissible by law under the circumstances. It is the intent of the parties to protect and preserve the Business and the Acquired Assets and therefore the parties agree and direct that the time period and scope of the foregoing covenants will be the maximum permissible duration (not to exceed three years) and size.

7.4 Buyer Audit. The Seller shall, and the Buyers shall permit Seller to: (x) review pro forma financial statements that XCel may file in reports filed pursuant to the Exchange Act or the Securities Act (the "SEC Financial Statements"); and (y) at Buyer's sole cost and expense, take such other similar actions reasonably requested by the Buyers, including (i) consenting to the proper use of its report(s) on the audited financial statements included in the SEC Financial Statements; and (ii) performing a SAS 100 review of any unaudited financial statements included in the SEC Financial Statements. In connection with the foregoing, the Seller shall use its commercially reasonable efforts to assist the Buyers in the preparation of such SEC Financial Statements, at the Buyers' cost and expense, including without limitation providing the Buyers' Representatives with full access during normal business hours, and in a manner so as not to interfere with the normal business operations of the Seller and on reasonable advance notice, but in any event not less than five (5) Business Days, to all relevant books, records, work papers, information and employees and auditors of the Seller, solely to the extent necessary in connection with the preparation of any such SEC Financial Statements.

7.5 Confidentiality. From and after the date hereof, until three (3) years from the date hereof, the Seller shall, and shall cause each of its Affiliates to, treat as confidential and use commercially reasonable efforts to safeguard and not to use, except as expressly agreed in writing by the Buyers, any and all Seller Information included within the Acquired Assets, including the Seller Intellectual Property Rights, in each case using the standard of care reasonably necessary to prevent the unauthorized use, dissemination or disclosure of such Seller Information. For purposes of this Section 7.5, from and after the date hereof, confidential information included within the Acquired Assets shall be deemed to be "Seller Information" notwithstanding the fact that such information was available to or in the possession of the Seller or any of their Affiliates prior to the Closing. From the date of this Agreement to the Closing, each Buyer shall, and shall cause each of its Affiliates to, treat as confidential and use commercially reasonable efforts to safeguard and not to use, except as expressly agreed in writing by the Seller, any and all Seller Information, in each case using the standard of care reasonably necessary to prevent the unauthorized use, dissemination or disclosure of such Seller Information. Notwithstanding the generality of the foregoing, nothing in this Section 7.5 shall prohibit any Party from making public disclosures required by applicable Legal Requirements, according to Section 12.1.

7.6 Reserved.

7.7 Procedure for Mizrahi to Obtain Licenses Related to the Retained Media Rights. In the event Mizrahi (i) desires to enter into an agreement with a Third Party pursuant to the Retained Media Rights and (ii) such Third Party requires the right to sell products, goods or services which would utilize any IM Brand (including Mizrahi's name, image and likeness) (any such request rights being "Merchandising Rights"), then Mizrahi shall give notice to Buyers specifying the identity of the Third Party and the nature of the requested Merchandising Rights (a "Merchandising Request"). Upon receipt of a Merchandising Request, Buyers shall use commercially reasonable efforts to enter into a license agreement with the Third Party (either as a separate agreement or as part of Mizrahi's agreement with the Third Party) pursuant to which Buyers shall license the Merchandising Rights to the Third Party; provided, however, that Buyers shall have no obligation to enter into any license granting the Merchandising Rights if (i) the financial terms of such license are not commercially reasonable, or (ii) the requested license or granting of the Merchandising Rights would result in a violation or breach of, conflict with, constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation, payment or acceleration) under, or result in the creation of any Lien (other than a Permitted Lien) upon any Contract or any other instrument or obligation to which the Buyer is a party.

7.8 Agreement to Vote. The Seller agrees to enter into a voting agreement at the Closing, in substantially the form attached hereto as Exhibit C (the "Voting Agreement"). The Seller and Public XCel agree to comply with the terms of the Voting Agreement.

7.9 Access to Records. At all times after the Closing, each Party will permit the other Parties and their Affiliates reasonable access on not less than five (5) business days prior written notice, during normal business hours, at the sole cost and expense of the requesting party and in a manner that will not unreasonably interfere with the normal operations of the providing party, to and the right to make copies of the Books and Records and such other books and records of such party relating to the Seller and/or the Acquired Assets existing prior to Closing and in such providing party's possession or control; provided, however, that the requesting party shall only use such information (a) to protect or enforce its rights or perform its obligations under this Agreement and any agreements entered into among the parties in connection herewith or (b) in connection with tax or other regulatory filings, litigation or financial reporting. In addition, the providing party will make available to the requesting party or its Affiliate, upon reasonable request and to the extent still employed by the providing party, personnel who are familiar with any such matter requested. Further, the Buyers agree for a period extending six (6) years from and after the Closing Date not to destroy or otherwise dispose of such books, records and other data without first offering in writing to surrender such books, records and other data to the Seller.

7.10 Recording of Intellectual Property Assignments. The Seller and Buyers shall cooperate to timely record and file the Intellectual Property Assignments, at Public XCel's sole cost and expense, with the appropriate Government Authorities as promptly as practicable following the Closing.

7.11 Foreign Intellectual Property. The Seller agrees to use commercially reasonably efforts to take, or cause to be taken, all actions, at Buyers' cost and expense, as any of the Buyers may reasonably request or as may be otherwise necessary to assist with the registration and transfer of all foreign trademarks included in the Acquired Assets.

7.12 Distribution to Seller's Members. The Seller shall distribute the Purchase Price to its members, including the Initial Purchase Price, Earn-Out Shares and QVC Earn-Out Shares in accordance with each such member's ownership percentage of the Seller. Notwithstanding the foregoing, the members of the Seller shall have the right to enter into an agreement to otherwise dictate the terms of any distributions from, or payments to, the Seller related to this Agreement and the transactions contemplated herein.

7.13 Reserved.

7.14 Suppliers. During the Restricted Period, except in connection with J. Christopher Capital, LLC and its Affiliates, the Seller and Seller's employees and Affiliates shall not solicit or receive any fees or other consideration from any suppliers who supply products or services to its Licensees or otherwise supply products or services related to the Business.

7.15 Non-Disparagement.

(a) Neither the Individuals, Seller, nor any of the Seller's Affiliates, shall make any false or disparaging statements, in public or private, which is reasonably likely to materially impair the reputation, goodwill or commercial interest of the Buyers.

(b) Neither the Buyers nor any of their Affiliates shall make any false or disparaging statements, in public or private, which is reasonably likely to materially impair the reputation, goodwill or commercial interest of the Seller or any of its members or Affiliates, including, without limitation, Mizrahi.

(c) Buyer shall use the IM Brands, the IM Logos and the rest of the Seller Intellectual Property Rights, and shall otherwise conduct its business, in a manner that would not reasonably be considered: (i) to be immoral, deceptive, scandalous or obscene; (ii) to disparage or falsely suggest a connection with institutions, beliefs, national symbols or persons (living or dead), other than Mizrahi, or to bring them into contempt or disrepute; or (iii) to injure, tarnish, damage or otherwise negatively affect the reputation and goodwill associated with Mizrahi.

(d) Each Party shall be entitled (without limitation of any other remedy) to specific performance and/or injunctive relief with respect to any breach or threatened breach of the covenants in this Section 7.15.

7.16 Board Matters. XCel shall take all action to cause the individual named on Schedule 7.16 to be elected to the board of directors of Public XCel (the "Board") upon the closing of the Public Shell Transaction. For so long as Seller and its Affiliates beneficially own at least 5% of the outstanding common stock of Public XCel, at each annual meeting of stockholders of Public XCel following the Public Shell Transaction, Seller shall have the right to propose one nominee to the Corporate Governance and Nominating Committee for election to the Board; provided, however, that the final determination as to the appointment or recommendation to shareholders for election of any director or any successor director to the Board or any committee thereof shall remain in the sole discretion of the Corporate Governance and Nominating Committee, and provided further that in making such determination, the Corporate Governance and Nominating Committee shall apply reasonably and uniform standards consistent with past practices and consistent with Public XCel's corporate governance principles as in effect from time to time, and provided, further that in the event the Corporate Governance and Nominating Committee determines not to appoint or recommend to shareholders the election of any director, any successor director or any alternative nominee proposed by the Seller, the Seller shall be entitled to nominate an alternative nominee for such directorship until the Corporate Governance and Nominating Committee shall so appoint and recommend to shareholders the election of an alternative nominee of the Seller. Each such director or any successor director shall also be required at the time of nomination to satisfy the independence requirements and listing standards of any securities exchange on which the securities of Public XCel are listed from time to time.

7.17 Couture License. Commencing on the Closing Date and ending upon delivery by Buyers to the Seller of a termination notice with respect to the license granted pursuant to this Section 7.17, which termination notice may be delivered at any time in the Buyers' sole discretion, each of the Buyers grants to the Seller a royalty-free, non-exclusive license to use the Acquired Assets in connection with the design, manufacture, sale and marketing of couture and ready-to-wear clothing, in each case only in best retailers (i.e. Bergdorf Goodman, Saks Fifth Avenue and their peers) (the "Couture Business"); provided, however, that, notwithstanding termination of the license, the Seller shall be entitled to sell-off any merchandise that was prepared prior to the Seller's receipt of the termination notice. Commencing on the Closing Date, the Seller agrees to fund up to the Escrow Amount of operating costs for the Couture Business. Except for the foregoing, the Seller shall have no obligations with respect to the Couture Business. Notwithstanding anything to the contrary herein, Buyers may terminate the license granted in this Section 7.17 at any time provided that in the event of such termination the Seller shall retain the ability to sell the Seller's inventory existing as of the date of termination. In the event the Buyers terminate the license granted in this Section 7.17, then the parties shall cooperate to execute a joint written instruction within five (5) Business Days of such termination which instructs the escrow agent appointed under the Escrow Agreement to release any remaining Escrow Amount to the Seller.

7.18 Copies of Retained Physical Sketches. The Seller agrees to use commercially reasonable efforts to deliver high-resolution copies of all Retained Physical Sketches to the Buyers as soon as practicable after the Closing Date.

7.19 Further Assurances. From time to time following the Closing, each party shall execute and deliver, or cause to be executed and delivered, such instruments and documents as a party may reasonably request or as may be otherwise necessary to more effectively consummate the transactions contemplated hereby. Following the Closing, the Seller agrees to forward to the Buyers any correspondence or other communications addressed to the Seller received by it that relates to the Acquired Assets or Assumed Liabilities.

ARTICLE VIII
CONDITIONS PRECEDENT TO BUYERS' OBLIGATION TO CLOSE.

The Buyers' obligation to purchase the Acquired Assets and the Buyers' obligations to take the other actions required to be taken by the Buyers are the Closing is subject to the satisfaction at or prior to the Closing, of each of the following conditions (any of which may be waived by the Buyers, in whole or in part):

8.1 Truth of Representations and Warranties. The representations and warranties of the Seller contained in this Agreement that are qualified as to materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects, as of the date of this Agreement and on and as of the Closing Date, except to the extent that any such representation or warranty expressly relates to an earlier date, in which case such representation and warranty qualified as to materiality shall be true and correct, and such representation and warranty not so qualified shall be true and correct in all material respects, as of such earlier date.

8.2 Performance of Agreements. Each of the covenants and agreements of the Seller to be performed or complied with by it at or prior to the Closing Date pursuant to the terms hereof, shall have been performed or complied with in all material respects.

8.3 Certificate. The Seller shall have delivered (and caused to be delivered) to the Buyers a certificate, dated the Closing Date and executed by or on behalf of the Seller, certifying as to the satisfaction of the conditions set forth in Sections 8.1 and 8.2 of this Agreement.

8.4 No Injunction. No court or other Government Authority shall have issued a Decree, which shall then be in effect, restraining or prohibiting the completion of the transactions contemplated hereby.

8.5 Governmental and Other Approvals. All of the Government Authorizations and third-party consents and approvals set forth on Schedule 8.5 shall have been received and shall be in full force and effect.

8.6 Assignment of Assumed Contracts. The Seller shall have secured all required approvals for the assignment of the Assumed Contracts to the Buyers, including those listed on Schedule 4.17(d).

8.7 Lien Release. The Buyers shall have received copies of releases of all Liens (other than Permitted Liens) against any asset, property or right of the Acquired Assets.

8.8 Employment Agreements with Mizrahi and MG. Mizrahi and MG shall have entered into employment agreements in substantially the forms attached hereto as Exhibit D-1 and Exhibit D-2, respectively (collectively, the "Employment Agreements").

8.9 Key Man Insurance for Mizrahi. Buyers shall have in place a binding commitment from an insurance provider for (i) key man insurance for Mizrahi, personally, for an amount equal to or greater than Thirty Million United States Dollars ($30,000,000), and (ii) disability insurance for Mizrahi, personally, for an amount equal to or greater than Seven Million Five Hundred Thousand United States Dollars ($7,500,000).

8.10 Termination and Release of EB Agreement. The Seller shall have received a termination and full release from the EB Agreement (the "EB Termination and Release") in a form reasonably satisfactory to the Buyers, with such EB Termination and Release releasing the Buyers from any liabilities, contingent or otherwise, associated with the EB Agreement.

8.11 Termination and Release of Side Agreements with QVC. The Seller shall have received written confirmation from QVC that any agreements between QVC and Earthbound, LLC shall have been terminated and that there are no outstanding amounts owed to QVC by Earthbound, LLC.

8.12 Amendments to Certain Agreements. Seller shall have entered into amendments to the agreements set forth on Schedule 4.17(c), each in a form reasonably satisfactory to Buyers. If the consummation of the transactions contemplated herein would require the consent of any of the agreements on Schedule 4.17(c), as amended, then the Seller shall have delivered to Buyers written consents of the counterparties to such agreements.

8.13 Resolution of Chicago Lease. . The Seller shall have bought out, sub-leased, or otherwise resolved the liabilities related to its Leased Real Property at 935-939 Rush Street and 44-48 E. Walton Street in Chicago, IL to Buyers' reasonable satisfaction.

8.14 Assignments. The Seller shall have received written assignments, in forms reasonably satisfactory to the Buyer, of all Seller Intellectual Property Rights, from Mizrahi personally, Laugh Club, Inc., and any and all predecessor organizations to the Seller.

8.15 Delivery of Audited Financials. The Seller shall have delivered the Business Audited Financials to the Buyer pursuant to Section 6.4 of this Agreement which Business Audited Financials show EBITDA for 2009 of $8 million or greater, and EBITDA for 2010 of $5.5 million or greater.

8.16 No Seller Material Adverse Effect. From the date hereof to the Closing Date, there shall not have occurred any event, circumstance or effect that has had or would reasonably be expected to have a Seller Material Adverse Effect.

8.17 Financing. The Buyers shall have obtained, on terms and conditions reasonably satisfactory to the Buyers, all of the financing it needs in order to consummate the transactions contemplated hereby including but not limited to debt and equity financing.

8.18 Leased Real Property. No damage or destruction or other change has occurred with respect to any of the Leased Real Property that is subject to any Assumed Lease, or any material portion thereof that, individually or in the aggregate, would materially impair the use or occupancy of such Leased Real Property or the operation of the Seller's Business as currently conducted thereon.

8.19 No Decree or Proceeding. No Decree or Proceeding shall be pending against the Seller which would be reasonably expected to (i) prevent consummation of any of the transactions contemplated by this Agreement, or (ii) cause any of the transactions contemplated by this Agreement to be rescinded following consummation thereof.

8.20 Payment of Accounts Payable, Lines of Credit and Notes. The Seller shall have (i) paid off all known lines of credit, loans, and notes related to the Business or otherwise owed by the Seller as of the Closing Date, and (ii) except as consented to in writing by Buyer, paid off or made arrangements to pay off all known Accounts Payable of the Seller related to the Business, other than such Accounts Payable that are Assumed Liabilities.

8.21 Payment of Advisory, Due Diligence Fees and Expenses . The Seller shall have paid to any of XCel's third party advisors, including its Affiliates, all advisory fees, due diligence fees and expenses incurred by the Seller in connection with the transaction contemplated by this Agreement, with such fees and expenses not to exceed $500,000.

8.22 Closing Deliverables. In addition to any other documents to be delivered or actions to be taken under other provisions of this Agreement, at the Closing, the Seller shall deliver to the Buyers:

(a) One or more executed bills of sale in form and substance reasonably satisfactory to the Buyers transferring to the Buyers all Furnishings and Equipment;

(b) in respect of the Acquired Assets, such documents as Buyer may reasonably require to effect the transfer to the Buyers of the Seller's interests therein free and clear of all Liens, other than Permitted Liens and Liens arising as a result of any action taken by any Buyer or any of its Affiliates;

(c) One or more executed assignment and assumption agreement(s) in form and substance reasonably satisfactory to the Buyers assigning to the Buyers the Assumed Contracts to be assigned hereunder;

(d) Counterparts of all Related Agreements executed by Seller, Mizrahi, and MG, as applicable;

(e) Certified copies of the resolutions of the Seller authorizing the execution, delivery, and performance of this Agreement by the Seller and the consummation of the transactions provided for herein;

(f) An executed assignment and assumption of the Seller Intellectual Property Rights, in form and substance reasonably acceptable to the Buyers;

(g) A receipt for the Initial Purchase Price;

(h) A non-foreign affidavit dated as of the Closing Date, sworn under penalty of perjury and in the form required under treasury regulations issued pursuant to Code §1445 stating that the Seller is not a foreign person as defined in Code §1445; and

(i) certificates of the Secretaries of State (or other applicable office) in each jurisdiction in which Seller is organized, dated as of the Closing Date (or as close thereto as reasonably practicable), certifying as to the good standing (to the extent such concept is recognized in such jurisdiction) and non-delinquent status of such entities.

ARTICLE IX
CONDITIONS PRECEDENT TO THE SELLER'S OBLIGATION TO CLOSE

All obligations of the Seller under this Agreement are subject to the fulfillment of each of the following conditions, any or all of which may be waived in whole or in part by the Seller, in its sole discretion:

9.1 Truth of Representations and Warranties. The representations and warranties of the Buyers contained in this Agreement that are qualified as to materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects, as of the date of this Agreement and on and as of the Closing Date, except to the extent that any such representation or warranty expressly relates to an earlier date, in which case such representation or warranty that is qualified as to materiality shall be true and correct, and such representation and warranty not so qualified shall be true and correct in all material respects, as of such earlier date.

9.2 Performance of Agreements. Each of the covenants and agreements of the Buyers to be performed or complied with by the Buyers at or prior to the Closing Date pursuant to the terms hereof, shall have been duly performed or complied with by each of the Buyers in all material respects.

9.3 Certificate. Buyers have delivered to the Seller a certificate, dated the Closing Date and executed by a duly authorized officer on behalf of the Buyers, certifying as to the satisfaction of the conditions set forth in Sections 9.1 and 9.2 of this Agreement.

9.4 No Injunction. No court or other Government Authority shall have issued a Decree, which shall then be in effect, restraining or prohibiting the completion of the transactions contemplated hereby.

9.5 Governmental and Other Approvals. All Government Authorizations and third-party consents and approvals set forth on Schedule 8.5 shall have been received and shall be in full force and effect.

9.6 Employment Agreements with Mizrahi and Marisa Gardini. Public XCel shall have entered into the Employment Agreements, which employment agreements shall be effective on and subject to the Closing.

9.7 Public Shell. The Public Shell Transaction shall have been consummated and the Buyers shall have provided the Seller with evidence thereof.

9.8 Related Transactions. The Related Transactions shall have been consummated and the Buyers shall have provided the Seller with evidence thereof.

9.9 Closing Deliverables. In addition to any other documents to be delivered or actions to be taken under other provisions of this Agreement, at Closing, the Buyers, as applicable, shall deliver to the Seller the following:

(a) The Initial Purchase Price as provided in Sections 3.2 and 3.3.

(b) Counterparts of all Related Agreements, executed by the Buyers, as applicable.

(c) One or more assignment and assumption agreement(s) assuming the Assumed Liabilities executed by the Buyers, in form and substance reasonably satisfactory to the Seller.

(d) A certified copy of the resolutions of the Buyers authorizing the execution, delivery and performance of this Agreement and the consummation of the transactions provided for herein.

ARTICLE X
TERMINATION

10.1 Right to Terminate.This Agreement and the transactions contemplated hereby may be terminated at any time prior to the Closing:

(a) by the mutual written consent of the Buyers and the Seller;

(b) by the Buyers or the Seller if the Closing shall not have occurred by July 29, 2011 (the "Termination Date");

(c) by the Buyers or the Seller if a court of competent jurisdiction or other Government Authority shall have issued a nonappealable final order, decree or ruling or taken any other action, in each case having the effect of permanently restraining, enjoining or otherwise prohibiting the transactions contemplated hereby, except if the party relying on such order, decree or ruling or other action has not complied with its obligations under this Agreement;

(d) by the Seller, if there has been a breach of any representation, warranty, covenant or agreement on the part of the Buyers set forth in this Agreement that causes the conditions set forth in Article IX to become incapable of fulfillment by the Termination Date, unless waived by the Seller;

(e) by the Buyers, if there has been a breach of any representation, warranty, covenant or agreement on the part of the Seller set forth in this Agreement that causes the conditions set forth in Article VIII to become incapable of fulfillment by the Termination Date, unless waived by the Buyers;

provided, however, that the party exercising its right to so terminate this Agreement pursuant to Section 10.1(b), 10.1(d) or 10.1(e) shall not have a right to terminate if, at the time of such termination, there exists a breach of any of its representations, warranties, covenants or agreements contained in this Agreement that results in the closing conditions set forth in Article VIII or IX, as applicable, not being satisfied.

10.2 Effect of Termination; Termination Fee.

(a) Except as otherwise set forth in this Section 10.2, in the event of a termination of this Agreement by either Seller or Buyers as provided in Section 10.1, this Agreement shall forthwith become void; provided, however, that, except as provided for in Section 10.2(b), such termination shall not relieve any Party of any liability for Damages actually incurred or suffered by the other Parties as a result of any breach of this Agreement.

(b) If this Agreement is terminated solely as a result of the Seller's breach of Section 6.5 (Exclusivity), then Seller shall pay to the Buyers, or a party designated by Buyers, (i) One Million Dollars ($1,000,000) (the "Exclusivity Termination Fee") not later than the day of such termination, and (ii) all of Buyers' reasonable fees and expenses related to the transaction contemplated herein (including reasonable legal fees and expenses of the Buyers) upon its receipt of an invoice for such fees and expenses from the Buyers. The Exclusivity Termination Fee shall be paid by wire transfer of immediately available funds to an account designated in writing to Seller by Buyers. The payment of such amounts shall be the sole and exclusive remedy for a breach by Seller of Section 6.5 (regardless of whether such breach is willful), and the Buyers shall have no further claim under this Agreement or under law or equity.

ARTICLE XI
INDEMNIFICATION; REMEDIES

11.1 Survival. All representations and warranties made by the Seller or the Buyers, herein, or in any certificate, schedule or exhibit delivered pursuant hereto, shall survive the Closing and continue in full force and effect until the 18-month anniversary of the Closing Date (the "Survival Date"), other than in the case of fraud and except as to any matters with respect to which a bona fide written claim shall have been made or action at law or in equity shall have been commenced before such date, in which event survival shall continue (but only with respect to, and to the extent of, such claim or action); provided, however, that the representations and warranties (i) in Section 4.10 shall survive and remain in full force and effect until 30 days after the expiration of the applicable statute of limitations for the assessment of Taxes (including all periods of extension, whether automatic or permissive) and (ii) in Sections 4.1, 4.2, 4.6, 4.22, 5.1, and 5.11 (the "Core Representations") shall survive and remain in full force and effect indefinitely. Each covenant and agreement of any of the Parties contained in this Agreement, which by its terms is required to be performed after the Closing Date, shall survive the Closing and remain in full force and effect until such covenant or agreement is performed.

11.2 Indemnification by the Seller. Subject to the limitations set forth in this Article XI, the Seller shall indemnify, defend and hold harmless the Buyers and their managers, members, officers, directors, agents, attorneys and employees, (hereinafter "Buyer Indemnified Parties") from and against any and all actual losses, claims, liabilities, debts, damages, fines, penalties, costs (in each case including, without limitation, reasonable out-of-pocket expenses (including, without limitation, reasonable fees and expenses of counsel)) that they incur (collectively, "Damages") incurred as a result of:

(a) the breach of any representation or warranty of the Seller contained in this Agreement or in any certificate or other instrument furnished to the Buyers by the Seller pursuant to this Agreement;

(b) the material breach of, default under or nonfulfillment of any covenant, obligation or agreement of the Seller under this Agreement or the agreements and instruments contemplated herein, which is not cured within thirty (30) days from the Seller's receipt of notice thereof;

(c) the Excluded Assets;

(d) the Excluded Liabilities;

(e) the breach of, default under or non-fulfillment of the Seller's obligations or Mizrahi's personal obligations, except to the extent such breach, default non-fulfillment is as a result of any actions or omissions by any Buyer, under (i) QVC Agreement or (ii) QVC First Amendment resulting in a termination as set forth in paragraph 3(a) of the QVC Agreement or paragraph 6(a) of the QVC First Amendment, other than any termination arising out of the death or disability of Mizrahi; or

(f) any and all actions, suits, or proceedings, incident to any of the foregoing.

11.3 Indemnification by Buyers. Subject to the limitations set forth in this Article XI, the Buyers will each indemnify, defend and hold harmless the Seller and its respective stockholders, managers, officers, directors, agents, attorneys and employees (hereinafter "Seller Indemnified Parties" and, together with the Buyer Indemnified Parties, the "Indemnified Party") from and against any and all Damages incurred or sustained by the Seller Indemnified Parties as a result of:

(a) the breach of any representation or warranty of the Buyers contained under this Agreement or any certificate or other instrument furnished by the Buyers to the Seller pursuant to this Agreement;

(b) the material breach of, default under of nonfulfillment of any covenant, obligation or agreement by the Buyers under this Agreement or in the agreements and instruments contemplated herein, which is not cured within thirty (30) days of Buyers' receipt of notice thereof;

(c) the operation of the Business and the ownership of the Acquired Assets by Buyers following the Closing;

(d) any Assumed Liability; and

(e) any and all actions, suits, or proceedings incident to any of the foregoing.

11.4 Limitation on Liability.

(a) Neither the Seller nor the Buyers shall have any liability for Damages under, respectively, Section 11.2 or Section 11.3, and neither the Seller Indemnified Parties nor the Buyer Indemnified Parties shall have the right to seek indemnification under, respectively, Section 11.2 or Section 11.3 until the aggregate amount of the Damages incurred by such Indemnified Party exceeds $375,000, and then, subject to the limitations on recovery and recourse set forth in this Article XI, only for such Damages which exceed, in the aggregate, $250,000. Notwithstanding the foregoing, the limitations in this Section 11.4(a) shall not apply to any breach of a Core Representation, in the case of fraud, or in connection with any failure by the Buyers to make any payment of the Purchase Price when due.

(b) Subject to Section 11.8(b), the aggregate liability of the Seller on the one hand, and the Buyers on the other, for all Damages under Section 11.2 or Section 11.3, as applicable, shall not exceed (i) $7,500,000 (the "Cap") in the case of claims for Damages made prior to the 18 month anniversary of the Closing Date, and (ii) $3,750,000 (the "Decreased Cap") in the case of claims for Damages made on or following the 18 month anniversary of the Closing Date; provided, however, that neither the Cap nor the Decreased Cap shall apply to any breach of a Core Representation, any breach of a covenant by the Parties, in the case of fraud, or in connection with any failure by the Buyers to make any payment of the Purchase Price when due.

(c) In determining the amount of Damages in respect of a claim under this Article XI, there shall be deducted an amount equal to the amount of any third-party insurance proceeds actually received by the Indemnified Party making such claim with respect to such Damages less the cost of any increase in insurance premiums over the projected period of such increase as a result of making a claim for such Damages, provided that there shall be no obligation to make a claim, and no offset against Damages shall be made, if a party reasonably believes that making a claim for such Damages is reasonably likely to result in a non-renewal of the insurance policy.

(d) Except for liability resulting from fraud, and notwithstanding anything contained herein to the contrary, no Party shall be liable under this Agreement for any lost profits, punitive, or exemplary damages of any kind or nature, regardless of the form of action through which such damages are sought.

11.5 Other Indemnification Provisions.

(a) To the extent that any representations and warranties of the Seller or the Buyers, as applicable, have been breached, thereby entitling the non-breaching party to indemnification pursuant to Section 11.2 and Section 11.3 hereof, it is expressly agreed and acknowledged by the parties that solely for purposes of calculation of Damages in connection with any right to indemnification, the representations and warranties of the Seller or Buyers, as applicable, that have been breached shall be deemed not qualified by any references therein to materiality generally, Knowledge or to whether or not any breach or inaccuracy results in a Seller Material Adverse Effect or Buyer Material Adverse Effect.

(b) An Indemnified Party's right to indemnification pursuant to this Article XI shall, except for equitable relief and specific performance of covenants that survive Closing, be the sole and exclusive remedy available to such Indemnified Party with respect to any matter arising under or in connection with this Agreement or the transactions contemplated hereby, other than for claims of fraud.

11.6 Procedure for Indemnification. The procedure to be followed in connection with any claim for indemnification by Buyer Indemnified Parties under Section 11.2 or Seller Indemnified Parties under Section 11.3 or any claims by one party against the other is set forth below:

(a) Notice. Whenever any Indemnified Party shall have received notice that a claim has been asserted or threatened against such Indemnified Party, which, if valid, would subject the indemnifying party (the "Indemnifying Party") to an indemnity obligation under this Agreement, the Indemnified Party shall promptly notify the Indemnifying Party of such claim; provided, however, that failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its indemnification obligations hereunder, except to the extent the Indemnifying Party is actually prejudiced thereby. Any such notice must be made to the Indemnifying Party not later than the expiration of the applicable survival period specified in Section 11.1 above.

(b) Defense of a Third Party Claim. If any Third Party shall notify any party with respect to any matter (a "Third Party Claim") that may give rise to a claim for indemnification against any other party under this Article XI, the Indemnifying Party will have the right, but not the obligation, to assume the defense of the Third Party Claim so long as (i) the Indemnifying Party provides the Indemnified Party with evidence reasonably acceptable to the Indemnified Party that the Indemnifying Party will have the financial resources to defend against the Third Party Claim and fulfill its indemnification obligations hereunder, (ii) uses counsel reasonably satisfactory to the Indemnified Party, (iii) the Indemnifying Party acknowledges its obligation to indemnify the Indemnified Party hereafter in respect of such matters and (iv) the relief sought is monetary damages.

(c) After notice from the Indemnifying Party to the Indemnified Party of its election to assume the defense of the Third Party Claim, the Indemnifying Party shall not, as long as the Indemnifying Party diligently conducts such defense, be liable to the Indemnified Party for any legal or other expense subsequently incurred by the Indemnified Party in connection with the defense thereof, other than reasonable costs of investigation; provided, however, that if counsel defending such Third Party Claim shall advise the parties of a potential conflict of interest arising from the existence of one or more legal defenses available to the Indemnified Party which are different from or additional to those available to the Indemnifying Party or its Affiliates, then the Indemnified Party may retain separate counsel to defend it and in that event the reasonable fees and expenses of such separate counsel shall be paid by the Indemnifying Party if applicable under this Article XI. Subject to the proviso to the foregoing sentence, if the Indemnifying Party assumes such defense, the Indemnified Party shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Indemnifying Party. The Indemnifying Parties shall be liable for the reasonable fees and expenses of counsel employed by the Indemnified Party for any period during which the Indemnifying Party have not assumed the defense thereof if they ultimately are found to be liable to indemnify the Indemnified Party. If the Indemnifying Party chooses to defend or prosecute any Third Party Claim, all of the parties hereto shall cooperate in the defense or prosecution thereof.

(d) If an Indemnifying Party assumes the defense of an action or proceeding, then without the Indemnified Party's written consent, the Indemnifying Party shall not settle or compromise any Third Party Claim or consent to the entry of any judgment which does not include as an unconditional term thereof the delivery by the claimant or other plaintiff to the Indemnified Party of a written release from all liability in respect of such Third Party Claim or if such settlement shall include injunctive or other relief that affects or relates to the right or obligations of such Indemnified Party, other than the obligation to pay monetary damages where such damages have been satisfied in full by the Indemnifying Party or their respective Affiliates.

11.7 Non-Third Party Claims. Within thirty (30) Business Days after a Party obtains knowledge that it has sustained any Damages not involving a Third Party Claim or action which such Party reasonably believes may give rise to a claim for indemnification from another party hereunder, such Indemnified Party shall deliver notice of such claim to the Indemnifying Party, together with a brief description of the facts and data which support the claim for indemnification (a "Claim Notice"); provided, however, that failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its indemnification obligations hereunder, except to the extent that the Indemnifying Party is actually prejudiced thereby. Any Claim Notice must be made to the Indemnifying Party not later than the expiration of the applicable survival period specified in Section 11.1 above. If the Indemnifying Party does not deliver notice to the Indemnified Party within thirty (30) Business Days following its receipt of a Claim Notice that the Indemnifying Party disputes its liability to the Indemnified Party under this Article XI (an "Indemnification Objection") the Indemnifying Party will be deemed to have rejected such claim, in which event the other party will be free to pursue such remedies as may be available to them.

11.8 Indemnification Payments. In the event any Buyer Indemnified Party is finally determined to be entitled to indemnification pursuant to this Article XI, such Buyer Indemnified Party shall obtain such indemnification as follows:

(a) first by decreasing the then remaining balance of the Promissory Note pursuant to the terms of the Promissory Note, and

(b) then, by deducting the amount of the Damages from any Earn-Out Shares earned but not yet received by the Seller; provided, that the amounts so deducted are not subject to the limitations set forth in Section 11.4(b) of this Agreement, and

(c) if the Promissory Note and Earn-Out Shares earned but not yet received by the Seller are insufficient to satisfy such indemnification claim, such Buyer Indemnified Party may seek indemnification from the Seller for the remaining indemnification amount owed to such Buyer Indemnified Party.

11.9 Tax Treatment. All indemnity payments made under this Article XI shall be treated as adjustments to the Purchase Price for all tax purposes.

ARTICLE XII
MISCELLANEOUS

12.1 Public Disclosure or Communications. Except to the extent required by applicable Legal Requirements (including, without limitation, securities laws applicable to the Parties), none of the Buyers nor the Seller or any of their Affiliates shall issue any press release or public announcement of any kind concerning the transactions contemplated by this Agreement without the prior written consent of the other parties; and, in the event that any such public announcement, release or disclosure is required by applicable Legal Requirements (including, without limitation, the rules of the stock market and/or securities laws), the disclosing party will provide the other parties, to the extent practicable and permissible under the circumstances, reasonable opportunity to comment on any such announcement, release or disclosure prior to the making thereof. Each of the parties hereto acknowledges that XCel may be required to file a Current Report on Form 8-K disclosing the transactions contemplated by this Agreement and attaching as an exhibit thereto a copy of this Agreement.

12.2 Notices. All notices, consents, waivers, and other communications under this Agreement must be in writing and will be deemed to have been duly given when (a) delivered by hand (with written confirmation of receipt), (b) sent by telecopier (with written confirmation of receipt); provided that a copy is mailed by registered mail, return receipt requested, or (c) one Business Day after its delivery, if sent by a nationally recognized overnight delivery service (receipt requested), in each case to the appropriate addresses and telecopier numbers set forth below (or to such other addresses and telecopier numbers as a party may designate by notice to the other parties):

If to the Seller:

IM Ready-Made, LLC
475 Tenth Avenue, 4th Floor
New York, NY 10018
Attention: Marisa Gardini, *President*
Facsimile: 347-727-2479

With a copy to (which shall not constitute notice):

Robinson & Cole LLP
885 Third Avenue, 28th Floor
New York, NY 10022
Attention: Eric J. Dale
Facsimile: 212-451-2999

If to the Buyers:

XCel Brands, Inc.
5 Penn Plaza, 23rd Floor
New York, NY 10001
Attention: Robert D'Loren, *CEO*
Facsimile: 516-584-9256

With a copy to (which shall not constitute notice):

Blank Rome, LLP
405 Lexington Avenue
New York, NY 10174
Attention: Robert Mittman
Facsimile: 212-885-5001

12.3 Entire Agreement; Nonassignability; Parties in Interest. This Agreement and the certificates, exhibits, schedules, documents, instruments and other agreements specifically referred to herein or therein or delivered pursuant hereto or thereto: (a) constitute the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter hereof, (b) are not intended to confer upon any other Person, either explicitly or implicitly, any equitable or legal rights or remedies of any nature whatsoever hereunder, and (c) shall not be assigned by operation of law or otherwise without the written consent of the other party; provided, however, that the Buyers may, without the consent of the Seller but upon written notice to the Seller thereof, (i) assign any or all of their rights and interests hereunder to one or more of their Affiliates or successors, (ii) designate one or more of their Affiliates to perform their obligations hereunder, (iii) direct the Seller, at the Closing and on behalf of the Buyers, to transfer title to all or some of the Acquired Assets directly to one of more of their Affiliates, and (iv) assign their rights and obligations under this Agreement to a purchaser of all or substantially all of the assets of the Buyers; provided, however, that in each of (i)-(iv) the Buyers shall remain obligated to perform all their obligations under this Agreement.

12.4 Bulk Sales Law. The Buyers hereby waive compliance by the Seller with the provisions of any so-called bulk transfer laws of any jurisdiction in connection with the sale of the Acquired Assets.

12.5 Expenses. Except as otherwise specifically provided in this Agreement, including the Exclusivity Termination Fee as provided in Section 10.2(b), whether or not the transactions contemplated by this Agreement are consummated, each party hereto shall bear its own costs, expenses and fees incurred in connection with this Agreement and the other transactions contemplated by this Agreement.

12.6 Waiver and Amendment. Any representation, warranty, covenant, term or condition of this Agreement which may legally be waived, may be waived, or the time of performance thereof extended, at any time by the party hereto entitled to the benefit thereof and any term, condition or covenant hereof may be amended by the Parties hereto at any time. Any such waiver, extension or amendment shall be evidenced by an instrument in writing executed on behalf of the appropriate party by a person who has been authorized by such party to execute waivers, extensions or amendments on its behalf. No waiver by any party hereto, whether express or implied, of its rights under any provision of this Agreement shall constitute a waiver of such party's rights under such provisions at any other time or a waiver of such party's rights under any other provision of this Agreement. No failure by any party hereto to take any action against any breach of this Agreement or default by another party shall constitute a waiver of the former party's right to enforce any provision of this Agreement or to take action against such breach or default or any subsequent breach or default by such other party.

12.7 Severability. Any term or provision of this Agreement which is invalid or unenforceable will be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining rights of the person intended to be benefited by such provision or any other provisions of this Agreement.

12.8 Remedies Cumulative. Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such party, and the exercise by a party of any one remedy will not preclude the exercise of any other remedy.

12.9 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, and all of which taken together shall constitute one instrument. Any signature page delivered by a facsimile machine, or in portable document format ("PDF") file format shall be binding to the same extent as an original signature page with regard to any agreement subject to the terms hereof or any amendment thereto.

12.10 Governing Law. The interpretation and construction of this Agreement, and all matters relating hereto, shall be governed by the laws of the State of New York, including Sections 5-1401 and 5-1402 of the New York General Obligations Law.

12.11 Dispute Resolution. The parties agree to submit to binding arbitration (as set forth below) any and all disputes, claims or controversies arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of the Agreement to arbitrate. It is expressly acknowledged and agreed that the Parties have chosen the mediation and arbitration process set forth herein in an effort to lower the cost and increase the efficiency of dispute resolution beyond that encountered in traditional litigation, and the JAMS mediator/arbitrator shall keep that objective in mind.

(a) Mediation. Before any dispute, controversy or claim arising out of or relating to this Agreement (independently or collectively, the "Claim") may be submitted to arbitration, the parties hereto shall first attempt to resolve any such Claim in a non-binding half-day mediation to be held in New York, New York before a mutually acceptable JAMS mediator. The mediation process shall proceed as follows: (a) the complaining Party shall submit its Claim in writing to the other Party; (b) the other Party shall respond in writing within three (3) Business Days; (c) the complaining Party shall reply in writing within three (3) Business Days; (d) the Parties shall negotiate in good faith using commercially reasonable efforts to settle the Claim without delay; (e) if the Claim is not settled within ten (10) Business Days of the complaining Party's provision, by facsimile and/or email, of its written reply to the other Party, the Claim will promptly be submitted to mediation as set forth above; and (f) the mediation shall occur no later than twenty-five (25) Business Days after the complaining Party's provision, by facsimile and/or email, of its written reply to the other Party.

(b) Arbitration. In the event that any Claim is not resolved through the mediation procedure outlined immediately above, the Parties agree that such Claim will be determined by arbitration as set forth herein. Any arbitration pursuant to this section will be held exclusively in New York, New York before a single JAMS arbitrator, and will be exclusively and finally settled, adjudicated and determined in accordance with the JAMS Comprehensive Arbitration Rules and Procedures ("Comprehensive Rules"). At the commencement of any arbitration, the parties will in good faith discuss and determine whether such arbitration should be conducted pursuant to the Expedited Procedures of the Comprehensive Rules, i.e. Rules 16.1 and 16.2. The arbitrator shall not authorize more than: (1) five (5) depositions per Party; (2) the issuance of more than ten (10) interrogatories per Party; (3) the issuance of more than seven (7) document subpoenas per Party; or (4) the issuance of more than ten (10) requests for admission per party. Any such Claim shall be governed by the laws of the State of New York, including its statutes of limitations, but without regard to its choice or conflicts of laws rules. All fact and expert discovery will be completed within 120 days of the Preliminary Conference, and any hearing shall commence and be completed within 150 days of the Preliminary Conference. Judgment upon the written Award (as defined below) rendered by the arbitrator may be enforced, confirmed, rendered and entered in any court of competent jurisdiction having jurisdiction thereof. All proceedings in connection with any arbitration, and any submissions relating to the arbitration, except for the final written Award of the arbitrator, will be kept confidential and may not be discussed or disclosed publicly without the prior written consent of all Parties to the arbitration unless required by applicable law or the rules of any securities exchange on which any Party's or its affiliate's securities are traded. The arbitrator's written award (the "Award") will include specific findings of fact and conclusions of law with citations to applicable authority, and will be issued as soon as practicable following the conclusion of the record or hearing, and in no event more than sixty (60) days after the conclusion of the record or hearing.

(c) Fees and Expenses. Any fees or expenses incurred by a Party in connection with mediation (as outlined above) shall be borne that Party, except that any fees, expenses and/or costs charged by the mediator shall be borne equally by the Parties. The arbitrator shall award to the prevailing Party in any arbitration (as outlined above) all reasonable fees, expenses and costs including, without limitation, attorneys' fees and expert witness fees and/or consultant fees.

(d) Interim Relief. Notwithstanding any provision of this Agreement including, without limitation, the foregoing sections outlining mediation and arbitration procedures, any Party may seek interim judicial relief pending mediation and/or arbitration, including injunctive or other equitable relief, to prevent irreparable harm or to preserve the status quo without waiving, and without prejudice to, the right or obligation to mediate and/or arbitrate. The Parties agree that any such request for equitable or injunctive relief may be pursued only in the state or federal courts located in New York, New York, and hereby submit to the jurisdiction of these courts for any such purpose..

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have each executed and delivered this Asset Purchase Agreement as of the day and year first above written.

XCEL BRANDS, INC.

By: /s/ Robert D'Loren
Name: Robert D'Loren
Title: CEO, President and Secretary

IM BRANDS, LLC
By: XCel Brands, Inc., its Managing Member

By: /s/ Robert D'Loren
Name: Robert D'Loren
Title: CEO, President and Secretary

[Signature Page to Asset Purchase Agreement]

IM READY-MADE, LLC

By: /s/ Isaac Mizrahi
Name: Isaac Mizrahi
Title: President

SOLELY WITH RESPECT TO SECTIONS 2.5, 7.3 AND 7.15

/s/ Isaac Mizrahi
Isaac Mizrahi

SOLELY WITH RESPECT TO SECTIONS 7.3 AND 7.15

/s/ Marisa Gardini
Marisa Gardini

[Signature Page to Asset Purchase Agreement]

FIRST AMENDMENT TO THE ASSET PURCHASE AGREEMENT

This First Amendment (the "Amendment") dated July 28, 2011 to the Asset Purchase Agreement (the "Agreement") dated as of May 19, 2011 is being entered into by and among XCel Brands, Inc., a Delaware corporation ("XCel"), IM Brands, LLC, a Delaware limited liability company ("IMB" and, together with XCel, the "Buyers"), IM Ready-Made, LLC, a New York limited liability company ("IM" or "Seller"), Isaac Mizrahi, an individual ("Mizrahi"), and Marisa Gardini, an individual ("MG" and together with Mizrahi, the "Individuals"). The Seller and Buyers are referred to herein each individually as a "Party," and collectively as the "Parties".

1. Section 6.1 of the Agreement is hereby amended to extend the date for the parties to satisfy their respective conditions precedent set forth in Articles VIII and IX to September 15, 2011.

2. Section 10.1(b) of the Agreement is hereby amended to read in its entirety as follows:

"by the Buyers or the Seller if the Closing shall not have occurred by September 15, 2011 (the "Termination Date");".

3. Except as modified by this Amendment, all of the terms of the Agreement shall remain unchanged and in full force and effect, and shall be the valid and binding agreement of the Parties in accordance with its terms. From and after the effective date hereof, any reference to the Agreement shall mean the Agreement as modified by this Amendment.

4. This Amendment is made under, and shall be construed and enforced in accordance with, the laws of the State of New York, applicable to agreements made and to be performed solely therein, without giving effect to principles of conflicts of law. In any action between or among any of the parties, whether arising out of this Amendment, any of the agreements contemplated hereby or otherwise, (a) each of the parties irrevocably consents to the exclusive jurisdiction and venue of the federal and state courts located in New York, New York, (b) if any such action is commenced in a state court, then, subject to applicable law, no party shall object to the removal of such action to any federal court located in New York, New York, (c) each of the parties irrevocably waives the right to trial by jury, (d) each of the parties irrevocably agrees to designate a service company located in the United States as its agent for service of process and consents to service of process by first class certified mail, return receipt requested, postage prepaid, to the address at which such party is located, and (e) the prevailing parties shall be entitled to recover their reasonable attorneys' fees, costs and disbursements from the other parties (in addition to any other relief to which the prevailing parties may be entitled).

5. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. Any counterpart may be executed by facsimile signature and such facsimile signature shall be deemed an original.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Amendment as of the day and year first written above.

XCEL BRANDS, INC.

By: /s/ Robert D'Loren
Name: Robert D'Loren
Title: CEO, President and Secretary

IM BRANDS, LLC
By: XCel Brands, Inc., its Managing Member

By: /s/ Robert D'Loren
Name: Robert D'Loren
Title: Chairman and CEO

IM READY-MADE, LLC

By: /s/ Marisa Gardini
Name: Marisa Gardini
Title:

/s/ Isaac Mizrahi
Isaac Mizrahi

/s/ Marisa Gardini
Marisa Gardini

SECOND AMENDMENT TO THE ASSET PURCHASE AGREEMENT

This Second Amendment (the "Amendment") dated September 15, 2011 to the Asset Purchase Agreement (the "Agreement") dated as of May 19, 2011 and as amended on July 28, 2011 is being entered into by and among XCel Brands, Inc., a Delaware corporation ("XCel"), IM Brands, LLC, a Delaware limited liability company ("IMB" and, together with XCel, the "Buyers"), IM Ready-Made, LLC, a New York limited liability company ("IM" or "Seller"), Isaac Mizrahi, an individual ("Mizrahi"), and Marisa Gardini, an individual ("MG" and together with Mizrahi, the "Individuals"). The Seller and Buyers are referred to herein each individually as a "Party," and collectively as the "Parties".

1. Section 6.1 of the Agreement is hereby amended to extend the date for the parties to satisfy their respective conditions precedent set forth in Articles VIII and IX to September 21, 2011.

2. Section 10.1(b) of the Agreement is hereby amended to read in its entirety as follows:

"by the Buyers or the Seller if the Closing shall not have occurred by September 21, 2011 (the "Termination Date");".

3. Except as modified by this Amendment, all of the terms of the Agreement shall remain unchanged and in full force and effect, and shall be the valid and binding agreement of the Parties in accordance with its terms. From and after the effective date hereof, any reference to the Agreement shall mean the Agreement as modified by this Amendment.

4. This Amendment is made under, and shall be construed and enforced in accordance with, the laws of the State of New York, applicable to agreements made and to be performed solely therein, without giving effect to principles of conflicts of law. In any action between or among any of the parties, whether arising out of this Amendment, any of the agreements contemplated hereby or otherwise, (a) each of the parties irrevocably consents to the exclusive jurisdiction and venue of the federal and state courts located in New York, New York, (b) if any such action is commenced in a state court, then, subject to applicable law, no party shall object to the removal of such action to any federal court located in New York, New York, (c) each of the parties irrevocably waives the right to trial by jury, (d) each of the parties irrevocably agrees to designate a service company located in the United States as its agent for service of process and consents to service of process by first class certified mail, return receipt requested, postage prepaid, to the address at which such party is located, and (e) the prevailing parties shall be entitled to recover their reasonable attorneys' fees, costs and disbursements from the other parties (in addition to any other relief to which the prevailing parties may be entitled).

5. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. Any counterpart may be executed by facsimile signature and such facsimile signature shall be deemed an original.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Amendment as of the day and year first written above.

XCEL BRANDS, INC.

By: /s/ Robert D'Loren
Name: Robert D'Loren
Title: CEO, President and Secretary

IM BRANDS, LLC
By: XCel Brands, Inc., its Managing Member

By: /s/ Robert D'Loren
Name: Robert D'Loren
Title: President

IM READY-MADE, LLC

By: /s/ Marisa Gardini
Name: Marisa Gardini
Title: President

/s/ Isaac Mizrahi
Isaac Mizrahi

/s/ Marisa Gardini
Marisa Gardini

THIRD AMENDMENT TO THE ASSET PURCHASE AGREEMENT

This Third Amendment (the "Amendment") dated September 21, 2011 to the Asset Purchase Agreement (the "Agreement") dated as of May 19, 2011 and as amended on July 28, 2011 and September 15, 2011 is being entered into by and among XCel Brands, Inc., a Delaware corporation ("XCel"), IM Brands, LLC, a Delaware limited liability company ("IMB" and, together with XCel, the "Buyers"), IM Ready-Made, LLC, a New York limited liability company ("IM" or "Seller"), Isaac Mizrahi, an individual ("Mizrahi"), and Marisa Gardini, an individual ("MG" and together with Mizrahi, the "Individuals"). The Seller and Buyers are referred to herein each individually as a "Party," and collectively as the "Parties".

1. Section 6.1 of the Agreement is hereby amended to extend the date for the parties to satisfy their respective conditions precedent set forth in Articles VIII and IX to September 30, 2011.

2. Section 10.1(b) of the Agreement is hereby amended to read in its entirety as follows:

"by the Buyers or the Seller if the Closing shall not have occurred by September 30, 2011 (the "Termination Date");".

3. Except as modified by this Amendment, all of the terms of the Agreement shall remain unchanged and in full force and effect, and shall be the valid and binding agreement of the Parties in accordance with its terms. From and after the effective date hereof, any reference to the Agreement shall mean the Agreement as modified by this Amendment.

4. This Amendment is made under, and shall be construed and enforced in accordance with, the laws of the State of New York, applicable to agreements made and to be performed solely therein, without giving effect to principles of conflicts of law. In any action between or among any of the parties, whether arising out of this Amendment, any of the agreements contemplated hereby or otherwise, (a) each of the parties irrevocably consents to the exclusive jurisdiction and venue of the federal and state courts located in New York, New York, (b) if any such action is commenced in a state court, then, subject to applicable law, no party shall object to the removal of such action to any federal court located in New York, New York, (c) each of the parties irrevocably waives the right to trial by jury, (d) each of the parties irrevocably agrees to designate a service company located in the United States as its agent for service of process and consents to service of process by first class certified mail, return receipt requested, postage prepaid, to the address at which such party is located, and (e) the prevailing parties shall be entitled to recover their reasonable attorneys' fees, costs and disbursements from the other parties (in addition to any other relief to which the prevailing parties may be entitled).

5. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. Any counterpart may be executed by facsimile signature and such facsimile signature shall be deemed an original.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Amendment as of the day and year first written above.

XCEL BRANDS, INC.

By: /s/ Robert D'Loren
Name: Robert D'Loren
Title: CEO, President and Secretary

IM BRANDS, LLC
By: XCel Brands, Inc., its Managing Member

By: /s/ Robert D'Loren
Name: Robert D'Loren
Title: President

IM READY-MADE, LLC

By: /s/ Isaac Mizrahi
Name: Isaac Mizrahi
Title: President

/s/ Isaac Mizrahi
Isaac Mizrahi

/s/ Marisa Gardini
Marisa Gardini

FOURTH AMENDMENT TO THE ASSET PURCHASE AGREEMENT

This Fourth Amendment (the "Amendment") dated as of September 29, 2011 to the Asset Purchase Agreement dated as of May 19, 2011 and as previously amended on July 28, 2011, September 15, 2011 and September 21, 2011 (the "Agreement") is being entered into by and among XCel Brands, Inc., a Delaware corporation ("XCel"), IM Brands, LLC, a Delaware limited liability company ("IMB" and, together with XCel, the "Buyers"), IM Ready-Made, LLC, a New York limited liability company ("IM" or "Seller"), Isaac Mizrahi, an individual ("Mizrahi"), and Marisa Gardini, an individual ("MG" and together with Mizrahi, the "Individuals"). The Seller and Buyers are referred to herein each individually as a "Party," and collectively as the "Parties".

WHEREAS, the Parties and the Individuals have entered into the Agreement, and in connection therewith, the Parties and the Individuals desire to amend the Agreement as set forth below, and

WHEREAS, this Amendment is intended to constitute an integral part of and be effective as of the date of the Agreement. Any capitalized terms utilized but not defined herein shall have the meaning ascribed to such terms as set forth in the Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained in the Agreement and as set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

1. The introductory paragraph of the Agreement is hereby amended to read in its entirety as follows:

> "This ASSET PURCHASE AGREEMENT (this "Agreement") is entered into as of May 19, 2011, by and among XCel Brands, Inc., a Delaware corporation ("XCel"), IM Brands, LLC, a Delaware limited liability company ("IMB" and, together with XCel, the "Buyers"), IM Ready-Made, LLC, a New York limited liability company ("IM" or "Seller"), solely as to Sections 2.5, 7.3, 7.15, 7.19, 7.20 and 7.22, Isaac Mizrahi, an individual ("Mizrahi"), and, solely as to Sections 7.3 and 7.15, Marisa Gardini, an individual ("MG" and together with Mizrahi, the "Individuals"). The Seller and Buyers are referred to herein each individually as a "Party," and collectively as the "Parties"."

2. The following definition of "Closing Date Reference Price" set forth in Section 1.1 of the Agreement is hereby deleted in its entirety and replaced with the following:

> "Closing Date Reference Price" means $5.00.

3. The definition of "EB Termination and Release" is hereby deleted in its entirety and all references to such definition are deleted from the Agreement.

4. The following definitions are hereby added to Section 1.1 of the Agreement in the appropriate alphabetical order:

"EB Contribution Agreement" means that certain Contribution Agreement, dated as of August 16, 2011, by and among Earthbound, LLC, XCel and Seller, as amended from time to time."

"EB Transition Services Agreement" means that certain Release and Transition Services Agreement, dated as of August 16, 2011, by and among Earthbound, LLC, XCel and Seller, as amended from time to time."

"Escrow Agent" means JPMorgan Chase Bank, National Association.

"Lease Guaranty" means that certain Guaranty, dated as of August 30, 2005, by Mizrahi in favor of Adler Holdings III, LLC.

5. Section 2.3 of the Agreement is hereby deleted in its entirety and replaced with the following:

"On the terms and subject to the conditions set forth in this Agreement, at the Closing, the Buyers shall assume and agree to pay, discharge and perform when due, the Seller's liabilities and obligations (a) arising under the Assumed Contracts, including the License Agreements and the Design and Service Agreements, to the extent such liabilities or obligations are incurred on or after the Closing Date (but specifically excluding any liability or obligation relating to or arising out of such Assumed Contracts that exist as a result of (i) any breach of any Assumed Contract occurring prior to the Closing Date, (ii) any obligation of the Seller to pay any Taxes allocated to the Seller pursuant to Section 7.2(b), (iii) any violation of law, breach of warranty, tort or infringement occurring prior to the Closing Date or (iv) any charge, complaint, action, suit, proceeding, hearing, investigation, claim or demand to the extent related to acts or omissions occurring or arising prior to the Closing Date), (b) arising out of the operation of the Business to the extent that such liabilities or obligations accrue on and after the Closing Date based on the operation of the Business following the Closing, (c) to repay the QVC Advance or any portion thereof, (d) under Section 3(ii) of the EB Transition Services Agreement, and (e) of a type and amount expressly identified on Schedule 2.3 (collectively, the "Assumed Liabilities")."

6. Section 2.4(l) is hereby added as an Excluded Liability and shall read in its entirety as follows:

"Any liability under Section 3(i) of the EB Transition Services Agreement."

7. Section 3.3(i) of the Agreement is hereby deleted in its entirety and replaced with the following:

"Buyers shall pay to the Seller (or as designated by Seller), $9,673,568 (the "Closing Payment") in cash, by wire transfer of immediately available funds;"

8. Section 3.3(ii) of the Agreement is deleted in its entirety and replaced with the following:

"Buyers shall deliver to the Escrow Agent Five Hundred Thousand Dollars ($500,000) (the "Escrow Amount") pursuant to the Escrow Agreement. Upon receipt by Buyers of evidence, which is reasonably satisfactory to Buyers, that (i) the Seller has paid, subleased or otherwise satisfied the liabilities related to the Leased Real Property at 23 E. 67th St., New York, NY, the Parties shall cooperate to execute and deliver a joint written instruction to the Escrow Agent, within five (5) Business Days of the receipt by Buyers of such evidence, instructing the Escrow Agent to disburse $100,000 (or the balance remaining in the Escrow Account (as defined in the Escrow Agreement) if the joint written instruction referenced in clause (ii) below has already been delivered) to Seller, or (ii) the Seller has paid, subleased or otherwise satisfied the liabilities related to the Leased Real Property at 44-48 E. Walton Street, Chicago, IL, the Parties shall cooperate to execute and deliver a joint written instruction to the Escrow Agent, within five (5) Business Days or the receipt by Buyers of such evidence, instructing the Escrow Agent to disburse $400,000 (or the balance remaining in the Escrow Account (as defined in the Escrow Agreement) if the joint written instruction referenced in clause (i) above has already been delivered) to Seller."

9. Section 3.3(iv) of the Agreement is hereby deleted in its entirety and replaced with the following:

"Buyers shall cause to be issued to the Seller a number of XCel Shares equal to the quotient obtained by dividing $13,795,000 by the Closing Date Reference Price (the "Initial Stock Consideration");"

10. Section 3.3(v) of the Agreement is hereby deleted in its entirety and replaced with the following:

"Reserved."

11. The last sentence of Section 3.4(b) of the Agreement is hereby deleted and replaced with the following:

"Upon receipt of the Earn-Out Reconciliation by the Seller, the Buyers shall deliver the Earn-Out Shares related to the then previous Royalty Target Period to the Seller within 10 Business Days thereof, with the number of shares to be calculated as the quotient obtained by dividing (x) the Earn-Out Value earned by the Seller for the then previous Royalty Target Period, by (y) the greater of (i) $4.50 (as adjusted for a stock split, stock dividend, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of Public XCel, which are collectively referred to herein as "Adjustments"), and (ii) the average closing price of XCel Shares for the last twenty (20) Business Days of the previous Royalty Target Period."

12. The last sentence of Section 3.4(d) of the Agreement is hereby deleted and replaced with the following:

"Within ten (10) days of receipt of the QVC Earn-Out Reconciliation by the Seller, the Buyers shall deliver, at the Buyers' sole election, either (i) the QVC Earn-Out Amount earned, if any, by wire transfer or immediately available funds, or (ii) XCel Shares with a value equal to the QVC Earn-Out Amount earned ("QVC Earn-Out Shares"), if any, with the number of shares to be calculated as the quotient obtained by dividing (x) the QVC Earn-Out Amount earned by the Seller, by (y) the greater of (i) $4.50 (subject to any Adjustments) and (ii) the average closing price of XCel Shares on the last twenty (20) Business Days of the QVC Earn-Out Period."

13. Section 7.2(d) is hereby added to the Agreement and reads in its entirety as follows:

"The Seller and the Buyers intend that the transfer of the assets of the Business contemplated by this Agreement, in connection with the Public Shell Transaction and the Public Shell's related equity and debt financings, will qualify as a transaction or transactions described in Section 351 of the Code. The Parties intend to treat the transaction contemplated herein as a transaction described in Section 351 of the Code and will timely file statements (including applicable extensions) pursuant to Treasury Regulation Section 1.351-3. The Parties shall report the transactions governed by this Agreement consistent with this Section 7.2(d) and shall take no position contrary thereto unless required to do so by applicable Tax law pursuant to a determination as defined in Section 1313(a) of the Code."

14. The first sentence of Section 7.16 of the Agreement is hereby deleted and replaced with the following:

"Board Matters. Subject to the qualifications below, XCel shall take all action to cause the individual named on Schedule 7.16 to be elected to the board of directors of Public XCel (the "Board") within 30 calendar days of the closing of the Public Shell Transaction."

15. Section 7.17 of the Agreement is hereby deleted in its entirety and replaced with the following:

"Couture License. Commencing on the Closing Date and ending upon delivery by Buyers to the Seller of a termination notice with respect to the license granted pursuant to this Section 7.17, which termination notice may be delivered at any time in the Buyers' sole discretion, each of the Buyers grants to the Seller a royalty-free, non-exclusive license to use the Acquired Assets in connection with the design, manufacture, sale and marketing of couture and ready-to-wear clothing, in each case only in best retailers (i.e. Bergdorf Goodman, Saks Fifth Avenue and their peers) (the "Couture Business"); provided, however, that, notwithstanding termination of the license, such license shall continue solely with respect to any merchandise that was prepared, or which Seller committed to prepare, which commitment is not reversible without cost, prior to the Seller's receipt of the termination notice. Notwithstanding anything to the contrary herein, Buyers may terminate the license granted in this Section 7.17 at any time provided that such license shall continue as, and to the extent, provided in the foregoing sentence."

16. Section 7.19 of the Agreement is hereby deleted in its entirety and replaced with the following:

"Further Assurances.

From time to time following the Closing, each Party shall execute and deliver, or cause to be executed and delivered, such instruments and documents as a Party may reasonably request or as may be otherwise necessary to more effectively consummate the transactions contemplated hereby. Following the Closing, the Seller agrees to forward to the Buyers any correspondence or other communications addressed to the Seller received by it that relate to the Acquired Assets or Assumed Liabilities.

From time to time following the Closing, Mizrahi shall promptly execute, acknowledge and deliver (or cause to be executed, acknowledged and delivered) to Buyers such approvals, notices, instruments and other documents and take (or cause to be taken) such other actions as Buyers may reasonably request (a) to confirm to any third party the sale and transfer of the Acquired Assets to Buyers, (b) to confirm and acknowledge to any third party the Buyers right, title and interest in all or any part of the Intellectual Property Rights, and the name, image and likeness of Isaac Mizrahi as an individual, in each case to the extent included within the Acquired Assets, or (c) to otherwise carry out the intent and accomplish the purposes of this Agreement."

17. Section 7.20 is hereby added to the Agreement and reads in its entirety as follows:

"QVC Agreement. Mizrahi shall use his best efforts to cooperate with Buyers as may be necessary to enable Buyers to cause a reputable insurer to issue and maintain the disability insurance on Mizrahi in full force and effect in the amount and for the periods required by the QVC Agreement.

18. Section 7.21 is hereby added to the Agreement and reads in its entirety as follows:

"Termination of EB Agreement. Buyers and Seller shall promptly, and in any event within five (5) Business Days following the Closing Date, execute such documents and take such other action as may be necessary to terminate the EB Agreement, without liability to any Party, other than any obligations or liabilities set forth in or arising out of the EB Contribution Agreement and EB Transition Services Agreement."

19. Section 7.22 is hereby added to the Agreement and reads in its entirety as follows:

"Guaranties.

(a) In the event that Mizrahi ceases to be an employee of XCel, for any reason, the Buyers shall use best efforts to promptly, and in any event within ten (10) Business Days of such last day of employment, take such action as may be necessary to release Mizrahi from the Lease Guaranty.

(b) Buyers will, jointly and severally, indemnify, defend and hold harmless Mizrahi from and against any Damages incurred or sustained by Mirzahi as a result of the Lease Guaranty. Such indemnification shall be without regard to any the limitations set forth in Section 11.4 of the Agreement."

20. Section 8.10 of the Agreement is hereby deleted in its entirety and replaced with the following:

"The Buyers, Earthbound and the Seller shall have entered into the EB Transition Services Agreement and the EB Contribution Agreement."

21. The resolution of the Chicago lease is removed as a condition to close. Accordingly, Section 8.13 of the Agreement is hereby deleted in its entirety and replaced with the following:

"Reserved."

22. Section 8.15 of the Agreement is hereby deleted in its entirety and replaced with the following:

"The Seller shall have delivered the Business Audited Financials to the Buyers pursuant to Section 6.4 of this Agreement."

23. Section 9.7 of the Agreement is hereby deleted in its entirety and replaced with the following:

"Public Shell. The Public Shell Transaction shall have been consummated. The Parties acknowledge that the Public Shell Transaction shall be deemed to be consummated contemporaneously with the Closing."

24. Schedules 4.4(b), 4.11, 4.13, 4.15, 4.20(a) and 6.13 to the Agreement are amended in their entirety by Schedules 4.4(b), 4.11, 4.13, 4.15, 4.20(a) and 6.13 attached hereto.

25. The Form of Promissory Note attached to the Agreement as Exhibit A is hereby amended and replaced in its entirety by the Form of Promissory Note attached hereto as Exhibit A.

26. The Form of Escrow Agreement attached to the Agreement as Exhibit B shall be replaced with a Form of Escrow Agreement with substantially the same terms as the Form of Escrow Agreement attached to the Agreement as Exhibit B, but with such changes as are necessary in order for the Parties to engage JPMorgan Chase Bank, National Association as the escrow agent and to reflect the changes set forth in Paragraphs 8 and 17 of this Amendment.

27. Except as modified by this Amendment, all of the terms of the Agreement shall remain unchanged and in full force and effect, and shall be the valid and binding agreement of the Parties in accordance with its terms. From and after the date hereof, any reference to the Agreement shall mean the Agreement as modified by this Amendment.

28. This Amendment is made under, and shall be construed and enforced in accordance with, the laws of the State of New York, applicable to agreements made and to be performed solely therein, without giving effect to principles of conflicts of law. In any action between or among any of the parties, whether arising out of this Amendment, any of the agreements contemplated hereby or otherwise, (a) each of the parties irrevocably consents to the exclusive jurisdiction and venue of the federal and state courts located in New York, New York, (b) if any such action is commenced in a state court, then, subject to applicable law, no party shall object to the removal of such action to any federal court located in New York, New York, (c) each of the parties irrevocably waives the right to trial by jury, (d) each of the parties irrevocably agrees to designate a service company located in the United States as its agent for service of process and consents to service of process by first class certified mail, return receipt requested, postage prepaid, to the address at which such party is located, and (e) the prevailing parties shall be entitled to recover their reasonable attorneys' fees, costs and disbursements from the other parties (in addition to any other relief to which the prevailing parties may be entitled).

29. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. Any counterpart may be executed by facsimile signature and such facsimile signature shall be deemed an original.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Amendment as of the day and year first written above.

XCEL BRANDS, INC.

By: /s/ Robert D'Loren
Name: Robert D'Loren
Title: CEO, President and Secretary

IM BRANDS, LLC
By: XCel Brands, Inc., its Managing Member

By: /s/ Robert D'Loren
Name: Robert D'Loren
Title: President

IM READY-MADE, LLC

By: /s/ Isaac Mizrahi
Name: Isaac Mizrahi
Title: President

/s/ Isaac Mizrahi
Isaac Mizrahi

/s/ Marisa Gardini
Marisa Gardini

PROMISSORY NOTE

$7,377,432.00 September 29, 2011

FOR VALUE RECEIVED, XCel Brands, Inc. and its successors (the "Company") hereby promise to pay to the order of IM Ready-Made, LLC, a New York limited liability company, or its permitted assigns ("Holder"), the principal sum of Seven Million, Three Hundred Seventy-Seven Thousand Four Hundred Thirty-Two and 00/100 Dollars ($7,377,432.00), in accordance with the provisions of this note ("Note").

This Note is issued pursuant to that certain Asset Purchase Agreement, dated as of May 19, 2011, as amended, by and among the Company and IM Brands, LLC (collectively the "Buyers") and Holder (the "Purchase Agreement"), pursuant to which Buyers acquired certain assets and licensing operations of Holder (the "Business") and constitutes the "Promissory Note" as defined in the Purchase Agreement. This Note evidences the absolute and unconditional obligation of the Company, subject only to the rights of off-set as specified in Section 7 hereof.

1. Scheduled Payments

(a) Principal. Subject to Section 7 of this Note, the entire unpaid principal balance of this Note shall become due and payable in full on the third anniversary of the date the Note is issued (September 29, 2014), subject to any optional prepayments under Section 1(c) and any Pending Indemnification Claims pursuant to Section 7 (the "Maturity Date") unless such Maturity Date is extended to the first Business Day subsequent to the fifth anniversary of the issuance date (September 29, 2016) pursuant to Section 2(b) (the "Subsequent Maturity Date"). For the avoidance of doubt, the unpaid principal amount shall refer to the balance of the Note after any reduction of the principal of this Note whether by optional prepayment, partial conversion or offset made in accordance with Section 7 of this Note.

(b) Interest. The Note shall accrue interest, compounded semiannually, at a rate equal to the applicable Federal short-term rate under Section 1274(d) of the Internal Revenue Code of 1986, as amended, and as in effect on the date the Note is issued. Interest shall accrue from the date of this Note to the date upon which the unpaid principal amount is paid in full, at which time such interest shall become due and payable. Upon the occurrence of an Event of Default, the Note shall accrue interest at the rate of fifteen percent (15%) per annum above the current rate of interest. Interest shall be calculated on the basis of the actual number of days elapsed and a year of 365 days. On the date this Note is issued, the Company shall prepay $122,568.00 in interest to the Holder. In no event shall the Holder have any obligation to return any portion of such prepayment to the Company.

(c) Optional Prepayments. The Company may at any time prepay, without premium or penalty, all or any portion of the Company's obligations under this Note as provided for under Paragraph 2 herein.

2. Payment of Note.

(a) Except to the extent permitted in Section 2(b), all payments and prepayments of principal and interest on this Note shall be made to the Holder in lawful money of the United States of America by wire transfer of immediately available funds to a United States bank account designated in writing by the Holder (or at such other place as the holder hereof shall notify the Company in writing).

(b) Conversion; Prepayment

(i) Prior to the Maturity Date, the Company shall have the right, in its sole discretion, to prepay the principal amount of the Note, in whole or in part, in shares of common stock of the Company ("Company Shares"). If the Company elects to make such payment in Company Shares, the number of Company Shares to be issued shall equal the quotient obtained by dividing (i) the prepaid principal amount of the Note by (ii) the average per share closing price for the Company Shares as reported on the exchange or other interdealer quotation system on which the Company Shares are listed or quoted for the twenty (20) consecutive trading days ending on the trading day immediately preceding the date of payment (the "Average Trading Price"), provided that the Average Trading Price is at least $4.50 (as adjusted for a stock split, stock dividend, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company, which are collectively referred to herein as "Adjustments").

(ii) Ten (10) Business Days prior to the Maturity Date, the Company shall notify the Holder in writing (the "Notice Letter") of the Company's intention to pay the outstanding principal amount of the Note in cash or in Company Shares. If the Company elects to make such payment in Company Shares, the number of Company Shares to be issued shall equal the quotient obtained by dividing (i) the principal amount of this Note then outstanding by (ii) the greater of (x) the Average Trading Price and (y) $4.50 subject to any Adjustments (the greater of the Average Trading Price and $4.50 (subject to any Adjustments) is referred to herein as the "Floor Conversion Price"). If the Average Trading Price in the Notice Letter is below $4.50 (subject to any Adjustments), then the Holder may, in its discretion, notify the Company prior to the close of business on the day immediately prior to the Maturity Date, of Holder's intention to extend the Maturity Date to the Subsequent Maturity Date. If the Holder elects to extend the Maturity Date to the Subsequent Maturity Date, the Company's Notice Letter shall be void.

(iii) During the period from the Maturity Date to the Subsequent Maturity Date (the "Extension Period"), the Holder may, at any time and from time to time, in its discretion, convert all or a portion of the outstanding principal amount of the Note into a number of Company Shares obtained by dividing the principal amount of the Note to be converted by the Floor Conversion Price. Additionally, during the Extension Period, the Company, in its sole discretion, may convert all or a portion of the outstanding principal amount of the Note into a number of Company Shares obtained by dividing the principal amount of the Note to be converted by the Average Trading Price, provided that the Average Trading Price is at least $4.50 (subject to any Adjustments).

(iv) Upon the Subsequent Maturity Date, if any principal amount of the Note is outstanding, the Company shall pay the outstanding principal amount of the Note in cash or by issuing a number of Company Shares obtained by dividing (i) the outstanding principal amount of the Note by (ii) the Average Trading Price, the method of payment being determined by the Company, in its sole discretion.

3. Event of Default; Consequences. Upon the occurrence of any one or more of the following events (each, an "Event of Default"), the Holder may, by notice of default and acceleration given to the Company, accelerate the Maturity Date or Subsequent Maturity Date and declare the entire outstanding principal amount of the Note, together with all accrued and unpaid interest thereon, immediately due and payable.

(a) Subject to the Company's right of off-set pursuant to Section 7 below, if the Company fails to pay when due any amount (whether interest, principal or other amount) then payable under the Note;

(b) If, pursuant to or within the meaning of the United States Bankruptcy Code or any other federal or state law relating to insolvency or relief of debtors (each, a "Bankruptcy Law"), the Company shall: (i) commence a voluntary case or proceeding; (ii) consent to the entry of an order for relief against it in an involuntary case; (iii) consent to the appointment of a trustee, receiver, assignee, liquidator or similar official; (iv) make an assignment for the benefit of its creditors; (v) be unable to pay its debts as they become due; or (vi) be insolvent by any other measure.

(c) If a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that: (i) is for relief against the Company in an involuntary case; (ii) appoints a trustee, receiver, assignee, liquidator or similar official of the Company or substantially all of the Company's properties; or (iii) orders the liquidation of the Company, and in each case the order or decree is not dismissed within sixty (60) days;

(d) The liquidation, dissolution or winding up of the Company; and

(e) Any of the following: (i) a merger or consolidation to which the Company is a party (other than one in which the stockholders of the Company prior to the event own a majority of the voting power of the surviving or resulting corporation), (ii) a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company, or (iii) a sale or transfer by the Company's stockholders of voting control, in a single transaction or a series of transactions.

4. Waiver. The rights and remedies of the Holder under the Note shall be cumulative and not alternative. No waiver by the Holder of any right or remedy under the Note shall be effective unless signed by the Holder. No failure or delay of the Holder in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. Except as provided herein, the Company hereby waives presentment for payment, demand, protest, and notice of demand, protest and nonpayment, and any other notice that might be required by law, and consents to any and all renewals or extensions that might be made by the Holder as to the time of payment of the Note from time to time.

5. Replacement and Cancellation.

(a) Replacement of Lost Note. Upon receipt of evidence reasonably satisfactory to the Company (an affidavit of the Holder shall be satisfactory) of the ownership and the loss, theft, destruction or mutilation of the Note and, in the case of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company (provided that, if the holder is a financial institution or other institutional investor, its own agreement shall be satisfactory), or, in the case of any such mutilation, upon the surrender of such Note to the Company at its principal office, the Company shall (at the Holder's expense) execute and deliver, in lieu thereof, a new Note of the same class and representing the same rights represented by such lost, stolen, destroyed or mutilated Note and dated so that there will be no loss of interest on such Note. Any Note in lieu of which any such new Note has been so executed and delivered by the Company shall not be deemed to be an outstanding Note.

(b) Cancellation. After all principal, accrued interest and all other amounts at any time owed on the Note have been paid in full, the Note shall be surrendered to the Company for cancellation.

6. Business Days. If any payment is due, or any time period for giving notice or taking action expires, on a day which is not a business day in the State of New York the payment shall be due and payable on, and the time period shall automatically be extended to, the next business day immediately following, and interest shall continue to accrue at the required rate hereunder until any such payment is made.

7. Indemnification Claims. In the event that on or prior to the Maturity Date a Buyer Indemnified Party is entitled to indemnification from the Seller under Article XI of the Purchase Agreement (a "Resolved Claim"), the Company shall have the right to off-set the amount of the Resolved Claim against the principal balance of the Note, subject to the terms and conditions of Article XI of the Purchase Agreement. If on the Maturity Date, a Buyer Indemnified Party has asserted a claim for indemnification in accordance with Article XI of the Purchase Agreement, but the Seller has not agreed to the validity or amount of the claim (a "Pending Indemnification Claim"), then on the Maturity Date the Company shall: (i) pay all accrued and unpaid interest to the Holder in accordance with Section 2(a) of the Note; (ii) make a principal payment to the Holder pursuant to Section 2 of the Note equal to (x) the outstanding principal amount, less (y) the amount asserted as the Pending Indemnification Claim; and (iii) pay a cash amount equal to the amount asserted as the Pending Indemnification Claim to an escrow agent reasonably acceptable to the Company and the Holder. Upon resolution of the Pending Indemnification Claim in accordance with the Purchase Agreement, the Company and the Holder shall direct the escrow agent to disburse to the Company such amount (if any) to which the Company is entitled to as a result of the Pending Indemnification Claim and to disburse the balance (if any) to the Holder.

8. Purchase Agreement. The Note has been executed and delivered pursuant to and in accordance with the terms and conditions of the Purchase Agreement (as defined herein). Capitalized terms used in the Note without separate definition shall have the respective meanings given to them in the Purchase Agreement.

9. Subordination. The Holder acknowledges and agrees that the payment obligations under the Note shall unconditionally be subordinate to the obligations of the Company or Buyers to its lenders under any loan, convertible debt, or other debt facility (the "Lenders"). The Holder agrees to execute a subordination agreement with any Lender or Lenders as requested by the Company and/or its Lenders; provided, however, that nothing therein shall preclude payment under the Note in Company Shares or payment in cash on the Subsequent Maturity Date. The Company agrees that it shall not enter into any agreement that will prevent the Company from paying all amounts owing under the Note in cash on the Subsequent Maturity Date.

10. Governing Law. The Note shall be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

11. Successors and Assigns. The Note may not be assigned or transferred by the Company or the Holder except by operation of law or any assignment by the Holder to its members. The Note may not be pledged, hypothecated or otherwise encumbered by the Holder. Any transfer or assignment in violation of this Section 11 shall be void, and the Company shall not recognize such purported transferee as a holder of the Note.

12. Amendments. No supplement, modification or amendment of any term, provision or condition of the Note shall be binding or enforceable unless executed in writing by the Company and the Holder.

13. Costs and Expenses. The Company agrees to pay on demand any and all costs and expenses (including reasonable counsel fees and expenses) in connection with the enforcement of the Note.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Promissory Note as of the date first written above.

XCEL BRANDS, INC.

By: /s/ Robert D'Loren
Name: Robert D'Loren
Title: CEO, President and Secretary

Accepted and agreed to by:

IM READY-MADE, LLC

By: /s/ Isaac Mizrahi
Name: Isaac Mizrahi
Title: President

[Signature Page to Promissory Note]

LOCKUP AGREEMENT

THIS LOCKUP AGREEMENT (the "Agreement") is made as of the 29th day of September, 2011, by _____ ("Holder") in connection with the ownership of shares of NetFabric Holdings, Inc., a Delaware corporation (the "Company"). Capital terms used and not otherwise defined herein shall have the respective meanings set forth in the Asset Purchase Agreement by and among Xcel Brands, Inc., IM Brands LLC, and IM Ready-Made LLC, dated as of May 19, 2011 as amended, and its attachments thereto (the "Purchase Agreement").

NOW THEREFORE, for good and valuable consideration, the sufficiency and receipt of which consideration are hereby acknowledged, Holder agrees as follows:

1. Background.

a. On May 19, 2011, XCel Brands, Inc., a Delaware corporation (''XCel'') and its wholly owned subsidiary, IM Brands, LLC entered into the Purchase Agreement with Holder, pursuant to which the Buyers acquired certain assets (the "Assets") of IM Ready-Made, LLC ("IM Ready"), including (i) the "Isaac Mizrahi" brands (including the trademarks "Isaac Mizrahi New York," "Isaac Mizrahi" and "Isaac MizrahiLIVE") (the "IM Trademarks"), (ii) the license agreements between IM Ready and third parties related to the IM Trademarks, (iii) design agreements with Liz Claiborne and QVC, Inc. to design the "Liz Claiborne New York" brand for sale exclusively at QVC, and (iv) computers, design software, and other assets related to the licensing and design of the IM Trademarks and the design of the Liz Claiborne New York brand.

b. On September 29, 2011, the Company, XCel, and NetFabric Acquisition Corp., a Delaware corporation (''Acquisition Corp.'') and wholly-owned subsidiary of the Company, entered into an Agreement of Merger and Plan of Reorganization (the ''Merger Agreement'') pursuant to which Acquisition Corp. was merged with and into XCel, with XCel surviving as a wholly-owned subsidiary of the Company (the ''Merger''). The closing of the Purchase Agreement is occurring in conjunction with the consummation of the Merger.

c. Simultaneous with the Purchase Agreement and the Merger, the Company is conducting a private offering (the "Offering") to certain accredited investors (the "Investors") consisting of a minimum of $2,500,000 up to a maximum of $4,000,000 of investment units, each consisting of one hundred thousand (100,000) shares of the Company's common stock (the "Common Stock"), $0.001 par value, and one warrant to purchase fifty thousand (50,000) shares of Common Stock, at a per unit purchase price of $500,000, pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act") and Rule 506 promulgated under Regulation D thereunder in accordance with the rules and regulations of the United States Securities and Exchange Commission.

d. After giving effect to the Merger, Holder is the beneficial owner of the amount of Common Stock designated on the signature page hereto.

e. As a condition to the Purchase Agreement pursuant to Section 6.15(a) and as an inducement to the Investors to participate in the Offering, Holder has agreed to refrain from selling any of the Lockup Shares (as defined below) pursuant to the terms set forth in Section 2 herein and refrain from including any of the Lockup Shares in the registration statement (the "Registration Statement") to be filed by the Company with the Securities and Exchange Commission to register for resale the securities issues or issuable to Investors in the Offering.

2. Sale Restriction.

a. Holder hereby agrees that during the six (6) months from the date hereof (the "Restriction Period"), Holder shall not, directly or indirectly, through an "affiliate" or "associate" (as such terms are defined in the General Rules and Regulations under the Securities Act), or otherwise, offer, sell, contract to sell, pledge, hypothecate, grant an option for sale, or otherwise dispose of, or transfer or grant any rights with respect thereto in any manner (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition, whether by actual disposition, effective economic disposition due to cash settlement, transfer of the entity holding the Lockup Shares or otherwise) either privately or publicly (each, a "Transfer") any Common Stock (including any of the shares of Common Stock acquired pursuant to a stock split, stock dividend, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company) or any options, warrants or other rights to purchase Common Stock or any other security of the Company which Holder owns or has a right to acquire as of the date hereof, other than Excluded Shares (defined below) (the "Lockup Shares"), or enter into any agreement or any transaction that has the effect of transferring, in whole or in part, directly or indirectly, the economic consequence of ownership of the Lockup Shares, whether any such agreement or transaction is to be settled by delivery of the Lockup Shares, other than in connection with an offer made to all shareholders of the Company in connection with merger, consolidation or similar transaction involving the Company. Holder further agrees that the Company and its transfer agent are authorized to place "stop orders" on its books to prevent any transfer of the Lockup Shares held by Holder in violation of this Agreement. "Excluded Shares" means shares of Common Stock acquired by the Holder in the Offering or issuable to the Holder upon exercise of the Warrants issued to the Holder in the Offering.

b. Notwithstanding the foregoing restrictions on transfer, the Holder may, at any time and from time to time during the Restriction Period or otherwise, transfer the Lockup Shares (i) as bona fide gifts or transfers by will or intestacy, (ii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the Holder, provided that any such transfer shall not involve a disposition for value, (iii) to a partnership which is the general partner of a partnership of which the Holder is a general partner, or (iv) to the Holder's members, provided, that, in the case of any gift or transfer described in clauses (i), (ii), (iii) or (iv), each donee or transferee agrees in writing to be bound by the terms and conditions contained herein in the same manner as such terms and conditions apply to the undersigned. For purposes hereof, "immediate family" means any relationship by blood, marriage or adoption, not more remote than first cousin.

3. Restriction on Registration Rights.

a. Notwithstanding any other agreement between the Holders and the Company to the contrary, the Holder agrees that the Lockup Shares will not be included in the Registration Statement to be filed pursuant to the Registration Rights Agreement entered into between the Company and the Investors in connection with the Offering. This Section 3 does not affect any rights the Holder otherwise has to include the Excluded Shares in the Registration Statement.

4. Miscellaneous.

a. At any time, and from time to time, after the signing of this Agreement Holder will execute such additional instruments and take such action as may be reasonably requested by the Company to carry out the intent and purposes of this Agreement.

b. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts of New York or in the federal courts located in the state of New York. The parties to this Agreement hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. **The parties executing this Agreement and other agreements referred to herein or delivered in connection herewith agree to submit to the in personam jurisdiction of such courts and hereby irrevocably waive trial by jury.** The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Notices hereunder shall be given in the same manner as set forth in the Purchase Agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

c. The restrictions on transfer described in this Agreement are in addition to and cumulative with any other restrictions on transfer otherwise agreed to by the Holder or to which the Holder is subject to by applicable law.

d. This Agreement shall be binding upon Holder, its legal representatives, successors and assigns.

e. This Agreement may be signed and delivered by facsimile signature and delivered electronically.

f. The Company agrees not to take any action or allow any act to be taken which would be inconsistent with this Agreement.

g. The Holder acknowledges that this Lockup Agreement is being entered into for the benefit of the Investors in the Offering and may be enforced by the Investors and may not be amended without the consent of the Investors, which may be withheld for any reason.

[*Signature Page Follows*]

IN WITNESS WHEREOF, and intending to be legally bound hereby, Holder has executed this Agreement as of the day and year first above written.

HOLDER:

_____
Name:

_____
Amount of Common Stock
Beneficially Owned

COMPANY:

By: _____
Name:
Title:

[Signature Page to Management Lockup Agreement]

LOCKUP AGREEMENT

THIS LOCKUP AGREEMENT (the "Agreement") is made as of September 29, 2011 by IM Ready-Made LLC, a New York limited liability company ("Holder") in connection with the ownership of shares of NetFabric Holdings, Inc., a Delaware corporation (the "Company"). Capital terms used and not otherwise defined herein shall have the respective meanings set forth in the Asset Purchase Agreement by and among Xcel Brands, Inc., IM Brands LLC, and IM Ready-Made LLC, dated as of May 19, 2011 as amended, and its attachments thereto (the "Purchase Agreement").

NOW THEREFORE, for good and valuable consideration, the sufficiency and receipt of which consideration are hereby acknowledged, the Company and the Holder hereby agree as follows:

1. Background.

a. On May 19, 2011, XCel Brands, Inc., a Delaware corporation (''XCel'') and its wholly owned subsidiary, IM Brands, LLC entered into the Purchase Agreement with Holder, pursuant to which the Buyers acquired certain assets of Holder (the "Assets"), including (i) the "Isaac Mizrahi" brands (including the trademarks "Isaac Mizrahi New York," "Isaac Mizrahi" and "Isaac MizrahiLIVE") (the "IM Trademarks"), (ii) the license agreements between Holder and third parties related to the IM Trademarks, (iii) design agreements with Liz Claiborne and QVC, Inc. to design the "Liz Claiborne New York" brand for sale exclusively at QVC, and (iv) computers, design software, and other assets related to the licensing and design of the IM Trademarks and the design of the Liz Claiborne New York brand.

b. On September 29, 2011, the Company, XCel, and NetFabric Acquisition Corp., a Delaware corporation (''Acquisition Corp.'') and wholly-owned subsidiary of the Company, entered into an Agreement of Merger and Plan of Reorganization (the ''Merger Agreement'') pursuant to which Acquisition Corp. was merged with and into XCel, with XCel surviving as a wholly-owned subsidiary of the Company (the ''Merger''). The closing of the Purchase Agreement occurred in conjunction with the consummation of the Merger.

c. Simultaneous with the Purchase Agreement and the Merger, the Company is conducting a private offering (the "Offering") to certain accredited investors (the "Investors") consisting of a minimum of $2,500,000 up to a maximum of $4,000,000 of investment units, each consisting of one hundred thousand (100,000) shares of the Company's common stock (the "Common Stock"), $0.001 par value, and one warrant to purchase fifty thousand (50,000) shares of Common Stock, at a per unit purchase price of $500,000, pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act") and Rule 506 promulgated under Regulation D thereunder in accordance with the rules and regulations of the United States Securities and Exchange Commission.

d. As partial consideration for the Assets, Holder is being issued 2,759,000 shares of Common Stock, par value $.001 pursuant to Section 3.3(iv) of the Purchase Agreement (the "Initial Stock Consideration"), and may acquire additional shares in the future pursuant to the Purchase Agreement, including the Earn-Out Shares, QVC Earn-Out Shares and Note Shares (the "Additional Stock Consideration") (collectively the Initial Stock Consideration and the Additional Stock Consideration, but excluding the Excluded Shares (as defined below), are referred to as the "Lockup Shares").

e. As a condition to the Purchase Agreement pursuant to Section 6.15 and as an inducement to the Investors to participate in the Offering, Holder has agreed to refrain from selling any of the Lockup Shares pursuant to the terms set forth in Section 2 herein other than up to 1,200,000 of the shares which constitute Initial Stock Consideration which may be transferred free of any restrictions on transfer under this Agreement (the "Excluded Shares").

f. As an inducement to the Investors to participate in the Offering, Holder has agreed to refrain from including any Lockup Shares other than the Excluded Shares in the registration statement (the "Registration Statement") to be filed by the Company with the Securities and Exchange Commission to register for resale securities issued or issuable to the Investors of the Offering.

g. As an inducement to the Holder to enter into this Agreement and consummate the transactions contemplated by the Purchase Agreement, the Company has agreed to include the Excluded Shares in the Registration Statement.

2. Sale Restriction.

a. Initial Stock Consideration. Holder hereby agrees that during the six (6) months from the date hereof, in the case of the Initial Stock Consideration (other than the Excluded Shares), including any shares of Common Stock acquired pursuant to a stock split, stock dividend, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company (each an "Adjustment") (such period herein referred to as the "Initial Period"), Holder shall not, directly or indirectly, through an "affiliate" or "associate" (as such terms are defined in the General Rules and Regulations under the Securities Act), or otherwise, offer, sell, contract to sell, pledge, hypothecate, grant an option for sale, or otherwise dispose of, or transfer or grant any rights with respect thereto in any manner (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition, whether by actual disposition, effective economic disposition due to cash settlement, transfer of the entity holding the Lockup Shares or otherwise) either privately or publicly (each, a "Transfer") any of the Initial Stock Consideration (other than the Excluded Shares), or enter into any agreement or any transaction that has the effect of transferring, in whole or in part, directly or indirectly, the economic consequence of ownership of the Initial Stock Consideration whether any such agreement or transaction is to be settled by delivery of the Lockup Shares, other than in connection with an offer made to all shareholders of the Company in connection with merger, consolidation or similar transaction involving the Company. Holder further agrees that the Company and its transfer agent are authorized to place "stop orders" on its books to prevent any transfer of any of the Initial Stock Consideration (other than the Excluded Shares) held by Holder in violation of this Agreement.

b. Additional Stock Consideration.

i Holder hereby further agrees that during the twelve (12) month period from the respective date on which any Additional Stock Consideration is issued (each such twelve month period herein referred to as an "Additional Lockup Period" and any issuance of Additional Stock Consideration is referred to as an "Additional Stock Issuance"), including any shares of Common Stock acquired pursuant to an Adjustment, Holder shall not, directly or indirectly, through an "affiliate" or "associate" (as such terms are defined in the General Rules and Regulations under the Securities Act), or otherwise, Transfer any of the Additional Stock Consideration, or enter into any agreement or any transaction that has the effect of transferring, in whole or in part, directly or indirectly, the economic consequence of ownership of the Additional Stock Consideration, whether any such agreement or transaction is to be settled by delivery of the Lockup Shares, other than in connection with an offer made to all shareholders of the Company in connection with merger, consolidation or similar transaction involving the Company. Holder further agrees that the Company and its transfer agent are authorized to place "stop orders" on its books to prevent any transfer of the Additional Stock Consideration held by Holder in violation of this Agreement.

ii Upon the expiration of an Additional Lockup Period, the foregoing restrictions on Transfer set forth in Section 2(a) shall lapse with respect to 25% of the Additional Stock Consideration as to which such Additional Stock Issuance relates (in each case taking into account and proportionally adjusting for any Adjustments occurring during such period), and the Holder may Transfer such shares without restriction subject to applicable federal securities laws. Additionally, on the first day of each of the first three consecutive three month periods following the end of an Additional Lockup Period, the restrictions on Transfer provided for in Section 2(a) shall lapse with respect to an additional 25% of the Additional Stock Consideration as to which such Additional Stock Issuance relates (in each case taking into account and proportionally adjusting for any Adjustments occurring during such period), and the Holder may Transfer such shares without restriction subject to applicable federal securities laws.

c. Notwithstanding the foregoing restrictions on transfer, the Holder may, at any time and from time to time during the Initial Period or otherwise, transfer the Lockup Shares (i) as bona fide gifts or transfers by will or intestacy, (ii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the Holder, provided that any such transfer shall not involve a disposition for value, (iii) to a partnership which is the general partner of a partnership of which the Holder is a general partner, or (iv) to the Holder's members, provided, that, in the case of any gift or transfer described in clauses (i), (ii), (iii) or (iv), each donee or transferee agrees in writing to be bound by the terms and conditions contained herein in the same manner as such terms and conditions apply to the undersigned, and provided that any sales by such done or transferee shall be aggregated with any sales of the Holder for purposes of complying with the restriction set forth in Section 2(c)(ii) herein. For purposes hereof, "immediate family" means any relationship by blood, marriage or adoption, not more remote than first cousin. Notwithstanding anything to the contrary, the Excluded Shares shall not be subject to any of the restrictions set forth in this Section 2.

d. In the event that any shares of Common Stock owned, held or controlled by any of the officers or directors of the Company are released from any of the restrictions set forth in their applicable lockup agreements, then a pro rata amount (with such amount calculated based on the aggregate amount of the Initial Stock Consideration owned by the Holder and/or its members in relation to the aggregate amount of Common Stock owned, held or controlled by such officer of director) of the Lockup Shares shall be automatically released from the applicable restrictions in this Agreement.

3. Registration Rights and Limitations.

As partial consideration for the execution of this Agreement, (i) the Company agrees that (a) the Company shall include the Excluded Shares in the Registration Statement and (ii) the Holder shall have the same registration rights with respect to the Excluded Shares that are granted to the Investors in the Offering and (b) the Holder agrees that the Lockup Shares will not be included in the Registration Statement. Notwithstanding anything to the contrary in this Agreement, the Company agrees that it shall file the Registration Statement within sixty (60) days of the date hereof.

4. Miscellaneous.

a. At any time, and from time to time, after the signing of this Agreement Holder will execute such additional instruments and take such action as may be reasonably requested by the Company to carry out the intent and purposes of this Agreement.

b. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts of New York or in the federal courts located in the state of New York. The parties to this Agreement hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. **The parties executing this Agreement and other agreements referred to herein or delivered in connection herewith agree to submit to the in personam jurisdiction of such courts and hereby irrevocably waive trial by jury.** The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Notices hereunder shall be given in the same manner as set forth in the Purchase Agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

c. The restrictions on transfer described in this Agreement are in addition to and cumulative with any other restrictions on transfer otherwise agreed to by the Holder or to which the Holder is subject to by applicable law.

d. This Agreement shall be binding upon Holder, its legal representatives, successors and assigns.

e. This Agreement may be signed and delivered by facsimile signature and delivered electronically.

f. The Company agrees not to take any action or allow any act to be taken which would be inconsistent with this Agreement.

g. The Holder acknowledges that this Lockup Agreement is being entered into for the benefit of the Investors in the Offering and may be enforced by the Investors and may not be amended without the consent of the Investors, which may be withheld for any reason.

[*Signature Page Follows*]

IN WITNESS WHEREOF, and intending to be legally bound hereby, Holder has executed this Agreement as of the day and year first above written.

HOLDER:

/s/ Isaac Mizrahi
(Signature of Holder Representative)

Isaac Mizrahi, Vice President
(Print Name of Holder Representative)

COMPANY:

By: /s/ Robert D'Loren
Name: Robert D'Loren
Title:

SECOND AMENDED AND RESTATED AGREEMENT
AND CONSENT TO ASSIGNMENT

THIS SECOND AMENDED AND RESTATED AGREEMENT AND CONSENT TO ASSIGNMENT (this "Agreement") is made as of September 28, 2011, by and among QVC, Inc. ("QVC"), a Delaware corporation, on the one hand, and IM Brands, LLC ("Company"), a Delaware limited liability company, IM Ready Made, LLC ("Assignor"), a New York limited liability company, XCel Brands, Inc. ("XCel"), a Delaware corporation, and Isaac Mizrahi ("Mizrahi"), an adult individual, on the other hand. (QVC, Company, Assignor, XCel and Mizrahi hereinafter are referred to collectively as the "Parties" and each individually as a "Party", unless stated otherwise).

RECITALS

WHEREAS, QVC, Assignor and, for the limited purposes set forth therein, Mizrahi are parties to that certain Amended and Restated Agreement, dated January 29, 2010, as amended by that Addendum dated January 29, 2010 and that First Amendment to Amended and Restated Agreement dated December 20, 2010 (collectively, as amended, the "Amended and Restated Agreement");

WHEREAS, Company, XCel, Assignor, Mizrahi and Marisa Gardini have entered into an Asset Purchase Agreement, dated May 19, 2011, as amended July 28, 2011 and as may be amended thereafter (the "Asset Purchase Agreement"), pursuant to which the Company, as the wholly owned subsidiary of Xcel, has agreed to purchase substantially all of the trademarks and other intellectual property assets of Assignor, including, without limitation, all rights in and to the Mark (as defined below);

WHEREAS, the Parties desire, as of the Effective Date (as defined below) (a) to amend and restate the Amended and Restated Agreement as set forth herein, and (b) that QVC consent to the assignment from Assignor to Company of that certain agreement dated December 1, 2009, by and between QVC and Assignor (the "Design Services Reimbursement Agreement");

WHEREAS, QVC and its subsidiaries promote, market, sell and distribute (collectively, "Promote") products through various means and media, including without limitation, their televised shopping programs (the "Programs");

WHEREAS, QVC desires to have manufactured and to Promote various products bearing, marketed in connection with or otherwise associated with (i) the trademark "IsaacMizrahiLive"; (ii) such other words as may be determined in accordance with paragraph 1(g) below; and (iii) related logos as specified in Exhibit "A" to this Agreement (collectively, the "Mark"), including, but not limited to, books, home furnishings, home decor, tabletop, cookware, kitchen prep items, gardening products, beauty products, jewelry, fashion accessories, sunglasses, handbags, small leather goods, footwear and apparel that are endorsed, designed, marketed, and/or promoted by Company (all such products bearing, marketed in connection with or otherwise associated with the Mark, including, but not limited to, books, home furnishings, home decor, tabletop, cookware, kitchen prep items, gardening products, beauty products, jewelry, fashion accessories, sunglasses, handbags, small leather goods, footwear and apparel that are endorsed, designed, marketed, promoted and/or sold by Company, whether now in existence or developed hereafter, are collectively referred to hereinafter as the "Products"). For purposes of clarification, the Products shall be of unique designs, colors, prints, patterns, price points and/or materials (or unique in some other manner) to be sufficiently different from, so as to not directly compete with, products sold as part of the Liz Claiborne New York line of which Mizrahi is the creative director;

WHEREAS, QVC desires to Promote, and Company desires to have Promoted, certain items that are developed, manufactured and/or licensed by third parties ("Vendors"), which items will (i) bear, be marketed in connection with or otherwise associated with the trademark(s) and/or service mark(s) of the Vendors and (ii) bear, be marketed in connection with or otherwise associated with the Mark, and (iii) contain a design element (a "Design Element") provided by Company and Mizrahi or, in the event of (A) the death of Mizrahi or (B) the disability of Mizrahi, and the election of QVC not to terminate this Agreement pursuant to paragraph 6(c) in the event of either occurrence, a substitute designer mutually acceptable to Company and QVC (all such items are hereinafter referred to as "Co-Branded Products");

WHEREAS, Company and QVC desire that QVC Promote the Products and Co-Branded Products through certain means and media, and that Company cause Mizrahi or another spokesperson mutually agreeable to QVC and Company (Mizrahi and such other spokesperson as may be mutually agreeable to QVC and Company hereinafter are referred to as "Spokesperson", unless stated otherwise) to appear on certain of the Programs to assist QVC in promoting the Products and Co-Branded Products; and

WHEREAS, Earthbound LLC ("Earthbound"), a New York limited liability company, is the brand manager for Assignor for the period prior to the Effective Date (as defined in paragraph 1(a) below) and is a party to that certain agreement, dated as of September 1, 2009, as subsequently amended, by and between QVC, on the one hand, and Earthbound, on the other hand (the "Earthbound Agreement").

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the undersigned parties, incorporating the above Recitals, hereby agree, as of the Effective Date, to amend and restate the Amended and Restated Agreement as follows:

1. Effectiveness of Agreement; Grant of License and Other Rights by Company.

(a) This Agreement shall become effective simultaneously with the closing of the transactions contemplated by the Asset Purchase Agreement and the delivery to QVC of a life insurance policy, or the absolute assignment of a life insurance policy, as required by paragraph 6(c) below (the "Effective Date"); provided, however, that in the event the Effective Date does not occur by September 30, 2011, this Agreement shall be rendered null and void ab initio. On the Effective Date, the Company shall provide notice to QVC (in the manner prescribed in paragraph 11(e) below) that the same has occurred. On the Effective Date, Company shall pay, or cause one or more of its affiliates to pay, the sum of One Million Five Hundred Thousand Dollars ($1,500,000.00), in good and immediately available funds, to QVC, via wire transfer (with telephone notice of the Federal reference number to QVC's Treasury Department Attn: Nicole Maganas at 484.701.1416 upon transfer) pursuant to the following wiring instructions (unless otherwise directed in writing by QVC):

Account Name:	QVC, Inc.
Account Number:	***
Bank Name:	***
Bank Address:	***
ABA #:	***
SWIFT:	***
Bank Contact Name:	***

On the Effective Date, Assignor shall pay, or cause one or more of its affiliates to pay, the sum of One Million Dollars ($1,000,000.00), in good and immediately available funds, to QVC, via wire transfer pursuant to the aforesaid wiring and notice instructions. Time is of the essence with respect to the aforesaid payment obligations of Company and Assignor on the Effective Date and, in the event of the failure of either Company or Assignor to make the respective payments required by this paragraph 1(a), this Agreement shall be rendered null and void ab initio. Notwithstanding anything contained in this Agreement to the contrary, QVC shall not be obligated to make any payments under this Agreement unless and until it receives (i) the aforesaid respective cash payments, in good and immediately available funds, from Company and Assignor; and (ii) delivery or, in the alternative, absolute assignment, of the insurance policy required by paragraph 6(c) below. For avoidance of doubt, the Parties agree that the Amended and Restated Agreement shall remain in effect, unmodified hereby, until the Effective Date.

(b) Company grants to QVC and its affiliates during the License Period (as defined in paragraph 3 below): (i) the exclusive worldwide right to Promote the Products through all means and media, now known or hereafter developed; (ii) the right to use, publish, reproduce and transmit the trademarks, trade names, service marks, trade dress, copyrights, designs, logos and/or other intellectual property rights owned, used, licensed and/or developed by Company solely in connection with the Products, including, without limitation, the Mark (whether now in existence or created hereafter, collectively, the "Product IP Rights") to Promote the Products in accordance with the terms and conditions of this Agreement and the right to sublicense to others the aforementioned rights; and (iii) the sub-licensable right to cause the Products to be manufactured by such manufacturer(s) ("Manufacturer(s)"), which Manufacturers shall be as mutually agreed upon by QVC and Company. For purposes of clarification, Company shall have final approval over any Manufacturer, which approval shall not be unreasonably withheld or delayed. Company grants to QVC and its affiliates the nonexclusive right (subject to the provisions of paragraph 5 below) to use the rights granted in (i), (ii) and (iii) above during the Sell-Off Period (as defined in paragraph 3 below). It is expressly understood that nothing in this paragraph shall prohibit Company or Spokesperson from entering into a similar product development licensing agreement with any other retailer and/or wholesaler to the extent not prohibited by, or in conflict with, the terms of this Agreement.

(c) Company grants to QVC and its affiliates during the License Period: (i) the exclusive worldwide right to Promote the Co-Branded Products through all means and media, now known or hereafter developed; (ii) the right to use, publish, reproduce and transmit certain of the trademarks, trade names, service marks, trade dress, copyrights, designs, logos and/or other intellectual property rights owned, used, licensed and/or developed by Company in connection with the Co-Branded Products, including, without limitation, the Design Element and the Mark (whether now in existence or created hereafter, collectively, the "Co-Branded IP Rights") to Promote the Co-Branded Products in accordance with the terms and conditions of the Agreement and the right to sublicense to others the aforementioned rights); and (iii) the sub-licensable right to cause the Co-Branded Products to be manufactured by Vendors (or their licensees), which Vendors shall be as mutually agreed by the parties. Company grants to QVC and its affiliates the nonexclusive right to use the rights granted in (i), (ii) and (iii) above during the Sell-Off Period.

(d) Company grants to QVC and its subsidiaries during the License Period the exclusive worldwide right to use the Spokesperson's name, likeness, image, voice and performance (the "Endorsement") to Promote the Products and the Co-Branded Products through all means and media, now known or hereafter developed. In addition, Company grants to QVC and its subsidiaries the non-exclusive (subject to the provisions of paragraph 5 below) right to use the rights granted in this subparagraph (d) during the Sell-Off Period. Hereinafter, the rights granted to QVC and its subsidiaries pursuant to this paragraph 1 are collectively referred to as the "License". Except as may be set forth herein to the contrary, the License grants rights to QVC and its subsidiaries with respect to the Mark and the Endorsement only.

(e) In order to ensure the consistent quality of the Products, QVC shall arrange directly with Manufacturers of Products for such Manufacturers of Products to provide to Company samples of Products and any packaging, or other promotional materials associated therewith for the purpose of allowing Company to verify that such samples conform to its specifications and requirements, if any, for the Products, provided that Company provides QVC with any such specifications and requirements at the time of delivery of the Designs (as defined in paragraph 2(f) below) for the subject Products. Any such specifications and requirements not delivered to QVC by Company at the time of delivery of the Designs for the subject Products shall be deemed to be waived by Company. For purposes of clarification, as between Company and QVC, Company shall be responsible for oversight with respect to the quality of Products and the use of the Product IP Rights in connection with the manufacture thereof.

(f) In order to ensure the consistent quality of the incorporation of the Design Element into Co-Branded Products, QVC shall arrange directly with Vendors for Vendors to provide to Company samples of Co-Branded Products for the purpose of allowing Company to verify that such samples conform to Company's specifications and requirements, provided that Company provides QVC with such specifications and requirements at the time of delivery of the Designs for the subject Products. Any such specifications and requirements not delivered to QVC by Company at the time of delivery of the Designs for the subject Products shall be deemed to be waived by Company. For purposes of clarification, as between Company and QVC, Company shall be responsible for oversight with respect to the quality of the incorporation of the Design Element into the Co-Branded Products and the use of the Co-Branded IP Rights in connection with the manufacture thereof.

(g) In addition to, or in lieu of, the Mark identified above, the Products and Co-Branded Products may be Promoted under a brand name or brand names as mutually agreed upon, in writing, by QVC and Company.

2. Products and Compensation.

(a) From time to time, QVC and its subsidiaries may issue to Manufacturer(s) a purchase order (any such purchase order, as may be issued from time to time, is hereinafter referred to as a "Purchase Order"). Hereafter, any purchases of Products by QVC shall be made according to the terms set forth in this Agreement and in any such Purchase Order(s). The terms of each Purchase Order, shall survive the expiration or termination of this Agreement. Notwithstanding anything to the contrary contained in this Agreement or otherwise, QVC and its subsidiaries expressly reserve the right to promote products that are in competition with the Products and make no representations or warranties with respect to (i) the amount of Products, if any, that may be sold through the Programs or otherwise, (ii) the number of times, if any, the Products may be offered for sale on the Programs or otherwise, or (iii) the amount of revenue, if any, that may be generated through any sales of Products on the Programs or otherwise. This Agreement does not obligate QVC or its subsidiaries to purchase any Products from Manufacturer(s) or to Promote any Products.

(b) From time to time, QVC and its subsidiaries may issue to Vendor(s) a purchase order (any such purchase order, as may be issued from time to time, is hereinafter referred to as a "Vendor Purchase Order"). Hereafter, any purchases of Co-Branded Products by QVC shall be made according to the terms set forth in this Agreement and in any such Vendor Purchase Order(s). The terms of each Vendor Purchase Order, shall survive the expiration or termination of the Agreement. Notwithstanding anything to the contrary contained in the Agreement or otherwise, QVC and its subsidiaries expressly reserve the right to promote products that are in competition with the Co-Branded Products and make no representations or warranties with respect to (i) the amount of Co-Branded Products, if any, that may be sold through the Programs or otherwise, (ii) the number of times, if any, the Co-Branded Products may be offered for sale on the Programs or otherwise, or (iii) the amount of revenue, if any, that may be generated through any sales of Co-Branded Products on the Programs or otherwise. This Agreement does not obligate QVC or its subsidiaries to purchase any Co-Branded Products from Vendor(s) or to Promote any Co-Branded Products.

(c) Company shall be responsible for all out-of-pocket costs and expenses incurred by Spokesperson and/or Company in connection with the services performed by Spokesperson and/or Company under this Agreement, subject to any reimbursements due to the Company in accordance with paragraph 4(a) of this Agreement.

(d) During the License Period, QVC shall pay Company as set forth in this paragraph 2 for the rights granted and services provided hereunder with respect to both Products and Co-Branded Products and Company shall accept the same as its sole compensation for such rights granted and services provided hereunder.

(e) During the License Period, within thirty (30) days after the end of each calendar quarter, QVC will send to Company a statement covering sales of Products and Co-Branded Products in such calendar quarter and any payment due pursuant to paragraphs 2(g) and 2(i) below for such calendar quarter, and will pay to Company any such payment that is so due in accordance with the provisions of paragraphs 2(g) and 2(i) below. Each statement shall become binding on Company and Company shall, absent fraud on the part of QVC, neither have nor make any claim against QVC with respect to such statement, unless Company shall advise QVC, in writing, of the specific basis of such claim within one (1) year after the date Company receives such statement. Company may, not more than once during any calendar year, but only once with respect to any statement rendered hereunder, audit QVC's books and records related to the Products and Co-Branded Products for the purpose of determining the accuracy of QVC's statements to Company. If Company wishes to perform any such audit, Company will notify QVC at least thirty (30) days before the date when Company plans to commence such audit. Company shall not be entitled to examine any records that do not report sales of Products and/or Co-Branded Products. All audits shall be made during regular business hours upon reasonable notice, and shall be conducted on Company's behalf by an independent Certified Public Accountant or other professional representative. Each examination shall be made at Company's own expense at QVC's regular place of business where the books and records are maintained; provided, however, that if any such audit reveals an underpayment of amounts owed pursuant to paragraphs 2(g) and 2(i) of greater than ten percent (10%), QVC shall pay all such past due amounts plus reasonable expenses of Company's audit including reasonable professional fees.

(f) Design and Manufacturing. QVC and the Company will cooperate and work in concert to develop designs ("Designs") and prototypes ("Prototypes") for the manufacture of the Products and Co-Branded Products. Company and Mizrahi or, in the event of (A) the death of Mizrahi or (B) the disability of Mizrahi, and the election of QVC not to terminate this Agreement pursuant to paragraph 6(c) in the event of either occurrence, a substitute designer mutually acceptable to Company and QVC, shall provide no fewer than 200 Designs to QVC during each License Period Year (as defined in paragraph 2(g) below) of the License Period. Prior to the manufacture of any specific Product line or Co-Branded Product line (each Product line or Co-Branded Product line, an "Item"), QVC will provide a production quality sample (each, a "Sample") of each Item for the Company's approval. Each Item produced, if any, by a Manufacturer will be an accurate reproduction in all material respects to the Sample. Further, the Company shall notify QVC of its approval or disapproval of any Sample within five (5) Business Days (as defined below) after Company receives such Sample. The parties will reasonably cooperate in an attempt to resolve any disapproval of, objections to or concerns with, the Sample. If, however, the Company fails to disapprove any Sample within five (5) Business Days of its receipt of such Sample, Company will be deemed to have approved such Sample. Company and Mizrahi acknowledge that as between them and QVC, QVC owns the Designs. "Business Day", as used herein, shall mean any day except Saturday, Sunday and/or any other day on which commercial banks in Philadelphia, Pennsylvania or New York, New York are authorized by law to close.

(g) QVC shall pay to the Company the following *** Royalty Payments ***, subject, however, to the provisions of paragraph 2(i) below:

***

As used herein, each License Period Year shall commence on October 1 and end on September 30 of the subsequent calendar year. The calendar quarters for each of the License Period Years shall consist of October, November and December as the first calendar quarter; January, February and March as the second calendar quarter; April, May and June as the third calendar quarter; and July, August and September as the fourth and final calendar quarter. The *** Royalty Payment shall be remitted in accordance with paragraph 2(i) below.

(h) The parties acknowledge and agree that *** to Assignor, which ***. QVC acknowledges and agrees that it is accepting the following in satisfaction of ***: (i) payment by Company of $1,500,000.00, in good and immediately available funds, to QVC pursuant to paragraph 1(a) above; (ii) payment by Assignor of $1,000,000.00, in good and immediately available funds, to QVC pursuant to paragraph 1(a) above; (iii) *** as set forth in the Amended and Restated Agreement; (iv) receipt of the Reverse Royalty (as defined below) payments due and owing to QVC pursuant to paragraph 2(k) below; ***and*** (v) receipt of the Third Participating Royalty Payments (as defined below) due and owing to QVC pursuant to paragraph 2(l) below. Notwithstanding anything contained in this Agreement to the contrary, (i) QVC shall have no recourse against Assignor for (A) ***; or (B) the payment of $1,500,000.00 due to QVC by Company pursuant to paragraph 1(a) above; or (C) for payment of the Reverse Royalty due to QVC pursuant to paragraph 2(k) below; and/or (D) for payment of the Third Participating Royalty Payments due to QVC pursuant to paragraph 2(l) below, provided, however, that nothing in this paragraph 2(h) modifies, amends or novates the payment obligations of Assignor as set forth in paragraph 1(a) above and in this paragraph 2(h)(ii); and (ii) QVC shall have no recourse against Company for (A) ***; and/or (B) the payment of $1,000,000.00 due to QVC by Assignor pursuant to paragraph 1(a) above, provided, however, that nothing in this paragraph 2(h) modifies, amends or novates the obligations of Company under this Agreement, including, without limitation, the obligations of Company as set forth in subsections (i), (iv) and (v) of this paragraph 2(h) in paragraph 1(a) above and in paragraph 2(l) below.

(i) The *** Royalty Payments set forth in paragraph 2(g) above shall be remitted pursuant to, and subject to the conditions in, this paragraph 2(i). QVC shall pay, and Company shall accept, the following as the sole compensation for the rights granted and services provided in this Agreement:

(i) In accordance with paragraph 2(e) above, QVC shall pay to Company the *** Royalty Payment with respect to the first three consecutive calendar quarters of each applicable License Period Year; and

(ii) In accordance with paragraph 2(e) above, QVC shall pay to Company with respect to the fourth and final calendar quarter of each applicable License Period Year ***. For purposes of this Agreement, "Gross Royalty" is defined to be ***. For purposes of this Agreement, "Net Retail Sales" shall mean the aggregate amount of all revenue generated through the sale of Products or Co-Branded Products, respectively, by QVC and its subsidiaries during the License Period Year, excluding freight, shipping and handling charges, customer returns, and sales, use or other taxes. For further clarification, and subject only to the provisions of paragraphs 2(g) and 2(i), QVC shall have no obligation to pay Company any royalties or other compensation hereunder for Products and Co-Branded Products which are returned, or sought by QVC to be returned, to Manufacturers and/or Vendors, as the case may be, by QVC. In addition, notwithstanding anything herein to the contrary, QVC shall have no obligation to pay any royalties hereunder or other compensation to Company for Products and/or Co-Branded Products sold by QVC at or below QVC's Landed Cost (as defined below) for those Products and/or Co-Branded Products. "Landed Cost", as used herein, shall mean the cost price of the Products or Co-Branded Products, respectively, as set forth on the applicable Purchase Orders or Vendor Purchase Orders, as the case may be, for such Products or Co-Branded Products, respectively, together with any and all other costs incurred by QVC for freight, custom duties and miscellaneous expenses with respect to the import of the subject Products or Co-Branded Products, respectively, into the continental United States of America from any foreign country or port.

(iii) The suspension or elimination of QVC's obligation to remit *** Royalty Payments shall not relieve QVC of any obligation, to the extent that the same otherwise exists, to remit the *** Royalty to Company as calculated in paragraph 2(i)(ii) above. In the event of the suspension or elimination of QVC's obligation to remit ***, the *** Royalty shall thereafter be paid on a quarterly calendar basis in accordance with paragraph 2(e) above. The payment by QVC for the quarterly calendar period in which QVC's obligation to remit *** Royalty Payments was suspended or eliminated shall include (A) any outstanding *** Royalty previously accrued but unpaid; and (B) the pro rata portion any *** Royalty Payments due to Company for the calendar quarter in which Mizrahi dies or becomes Disabled (as defined in paragraph 6(d) below). Notwithstanding anything contained in this paragraph 2(i)(iii) above, in the event that QVC's obligation to remit *** Royalty Payments is suspended due to the Disability of Spokesperson, but is thereafter reinstated due to the recovery and return of Spokesperson, the payment by QVC of *** Royalty Payments and/or the *** Royalty shall revert to the procedure and calculation set forth in paragraph 2(i)(i) and 2(i)(ii) above.

In the event of a renewal of this Agreement pursuant to paragraph 3 below, the *** Royalty shall continue to be paid on a quarterly calendar basis in accordance with paragraph 2(e) above.

(j) QVC and Company agree and acknowledge that time is of the essence in the delivery of the payments required by this Agreement, and further agree that interest shall accrue on all past due payments under this Agreement from their respective due dates until paid at the rate (except as may be expressly stated otherwise in this Agreement) of one percent (1%) per month, or if such rate exceeds the maximum rate allowed by law, at the maximum rate allowed by law, and shall be payable on demand.

(k) Notwithstanding the exclusive grant of license contained in paragraph 1, upon the prior written permission of an officer of QVC, which permission may be granted or withheld for any reason or no reason at all at the sole discretion of QVC, the Company may sell any of the Products via Prestige Retailers (as defined below). In addition, notwithstanding the exclusive grant of license contained in paragraph 1, Company may sell any of the Products via Company Media (as defined below); provided, however, that Company must, with respect to both sales of the Products via Prestige Retailers and/or sales of the Products via Company Media, provide QVC with at least thirty (30) days written notice prior to Company's issuance of any purchase order to Manufacturer(s) of the Products. During the Term of this Agreement and thereafter, Company shall pay to QVC a royalty ("Reverse Royalty") equal to (i) *** of wholesale sales of all Products sold by Company (or its affiliates) to Prestige Retail ("Company Prestige Retailer Sales"), if any, and (ii) *** of net retail sales of all Products sold by Company via Company Media, if any ("Company Media Sales") (such "Company Prestige Retailer Sales" and "Company Media Sales" being collectively referred to as "Company Sales"). Reverse Royalties earned hereunder, if any, will be accrued quarterly in the quarter in which such Company Sales, if any, are made by Company, and shall be paid within thirty (30) days after the end of each calendar quarter. Within thirty (30) days after the end of each calendar quarter, Company shall send to QVC a statement covering Company Sales in such quarter and Reverse Royalties for such Company Sales, and will pay QVC any Reverse Royalties that are due. As used in this Agreement, "Prestige Retailer" shall mean the stores and the respective internet websites of high-end Brick and Mortar Retailers (as defined below), e.g., Neiman Marcus, Bloomingdales and May Company Stores, but shall exclude (i) discount divisions of any of the foregoing and (ii) all retail channels of distribution other than by or through a Prestige Retailer, including without limitation, by or through "Mass Merchants" (as defined below), discount stores, drugstores, warehouse stores, superstores and retail outlet stores. As used in this Agreement, "Mass Merchants" shall mean general retail merchandisers, including but not limited to Sears, JC Penney, Target, Walmart and Kmart. As used herein, "Brick and Mortar Retailer" shall mean an entity whose primary means of deriving revenue is the marketing and sale of consumer products to end-users of such consumers products at a physical location to which such end-users come to purchase such consumer products, provided, however, a Brick and Mortar Retailer shall not include, and shall not be deemed or construed to include, any Direct Competitor (as defined below) or affiliate thereof. As used in this Agreement, "Company Media" shall mean Company's "Isaac Mizrahi" and "Isaac Mizrahi New York"-branded brick and mortar retail stores, if any, and its "Isaac Mizrahi"-branded and "Isaac Mizrahi New York"-branded internet websites. Notwithstanding any other provision in this paragraph 2(k), Company shall be permitted to use the Mark as the name or title of a television program or magazine without paying QVC a Reverse Royalty for such use; provided, however, that any such television program or magazine (and the content or subject matter thereof) remains subject to the non-compete provisions of paragraph 5 of this Agreement. The provisions of this paragraph 2(k) shall survive termination or expiration of this Agreement.

(l) Subject to paragraph 2(l)(ii) below, Company shall remit the First Participating Royalty Payments (as defined below) and the Second Participating Royalty Payments (as defined below) to Assignor and shall remit the Third Participating Royalty Payments (as defined below) to QVC as follows:

(i) Subject to paragraph 2(l)(ii), the Company shall pay to Assignor the first *** of Brick and Mortar Net Revenues (as defined below) earned and received by Company (or earned by any affiliate of Company) during each twelve (12) month period commencing on October 1, 2011 and ending on September 30, 2021 (collectively, the "First Participating Royalty Payments"). As between Assignor and QVC, on the one hand, and Company, on the other hand, and subject to paragraph 2(l)(ii), Company shall retain all of the next *** of Brick and Mortar Net Revenues earned and received by Company during each twelve (12) month period commencing on October 1, 2011 and ending on September 30, 2021 (collectively, the "Retained Brick and Mortar Net Revenues"). Subject to paragraph 2(l)(ii), Company shall pay to Assignor, during each of the twelve (12) calendar month periods commencing on October 1, 2011 and ending on September 30, 2021, *** of the Brick and Mortar Net Revenues earned and received by the Company (or earned by any affiliate of Company), if any, in excess of the First Participating Royalty Payment for each such twelve (12) calendar month period and the Retained Brick and Mortar Net Revenues in such twelve (12) calendar month period (collectively, the "Second Participating Royalty Payments"). As used herein, "Brick and Mortar Net Revenues" shall mean all revenues (including, without limitation, royalties of any kind), excluding the Excluded Company Royalties (as defined below), earned by Company from (A) the sale, license, consignment or any other form of distribution of any products, including, without limitation, the Products, bearing, marketed in connection with or otherwise associated with the Company's trademarks and brands and/or (B) the licensing of any and all intellectual property rights with respect to any and all products, including, without limitation, the Products, bearing, marketed in connection with or otherwise associated with the Company's trademarks and brands, after deduction from such revenues for: (i) any such products sold, licensed, consigned or otherwise distributed by or through the Company to any purchaser, consignee or licensee of such products, but thereafter returned to Company by such purchaser, consignee or licensee of such products for refund actually paid by Company to such customer; (ii) sales, use, excise or value added taxes actually paid by Company in connection with any such products sold, consigned, licensed or otherwise distributed by or through the Company to the purchaser, consignee or licensee of such products; (iii) custom duties and similar import impositions or charges actually paid by Company in connection with any such products sold, consigned, licensed or otherwise distributed by Company to the purchaser, consignee or licensee of such products; (iv) Advertising Royalties (as defined below); and (v) shipping and handling charges actually paid by Company in connection with the sale, consignment, license or other distribution of any such products to the purchaser, consignee or licensee of such products. As used herein, "Excluded Company Royalties" shall mean (A) royalties and any other amounts paid or credited by QVC to Company under this Agreement or the Design Services Reimbursement Agreement, (B) royalties and revenues that Company receives in connection with Company Sales, provided that QVC has received all Reverse Royalties due and payable to QVC pursuant to this Agreement in connection with respect to such Company Sales, and (C) royalties and revenues that the Company receives from Liz Claiborne in connection with the Liz Claiborne New York brand. "Advertising Royalties", as used herein, shall mean cash monies actually paid to Company from licensees other than affiliated licensees of Company to be held in trust by Company as a fiduciary to such non-affiliated licensees, which monies were received by Company (A) as a result of "arms length" negotiation with Company's licensees; (B) are not revenue, and are not characterized for any purpose as revenue, of Company; and (C) are earmarked for the sole purpose of marketing and promoting Company's trademarks for the benefit of licensees not affiliated with Company.

Notwithstanding anything contained in this Agreement to the contrary, Company (A) shall not, directly or indirectly (or otherwise cause a third person to) sell, license, consign or otherwise distribute any products, including, without limitation, the Products, bearing, marketed in connection with or otherwise associated with the Company's trademarks and brands to K-Mart, Wal-Mart Stores, Inc., Sears, Roebuck & Co. and/or any Direct Competitor (as defined below) and/or any respective affiliate thereof; and/or (B) shall not enter into any direct-to-retail license (i.e., a license with any retailer for the manufacture of goods and products) with any off-price retainer for apparel or footwear. As used herein, "Direct Competitor" shall mean any entity (or affiliate thereof) other than QVC, including, but not limited to, HSN, Inc. and/or ValueVision Media, Inc., whose primary means of deriving revenue is the transmission of Direct Response Television Programs (as defined in Paragraph 5 below), including without limitation, Home Shopping Network, ShopNBC, America's Store and Shop at Home Network.

QVC shall be entitled to terminate this Agreement (without further obligation on the part of QVC to perform hereunder, including, without limitation, any further obligation to remit any *** Royalty Payment otherwise due and owing to Company by QVC) in the event that, prior to October 1, 2021, Company conveys, transfers or assigns any of Company's trademarks, trade names, service marks, trade dress, copyrights, designs, logos and/or other intellectual property associated with Mizrahi to any of the following: (A) a Direct Competitor or any affiliate thereof; (B) an entity, or an affiliate of an entity, that, in the calendar year preceding any such conveyance, transfer or assignment, has sold, consigned or distributed by any other means goods or products to a Direct Competitor, or any affiliate thereof, in the amount of $25,000,000.00 or more; (C) a Mass Merchant or any affiliate thereof; (D) any entity or person convicted of, or subject to pending charges for, any felony under federal or state laws; (E) any entity or person who is the subject of any federal or state investigation for fraudulent activities or violation of federal or state securities laws; (F) any entity or person who is the subject of any investigation, conviction or pending charge related to the use of child labor; (G) any entity or person who is the subject of any investigation, conviction or pending charge for violation of the Foreign Corrupt Practice Act, 15 U.S.C. § 78dd-1, et seq., the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. § 1961, et seq. and/or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub.L. No. 107-56, 115 Stat. 272 (Oct. 26, 2001); and/or (H) any entity or person who is the subject of any federal, state or local investigation by a governmental authority or agency, conviction or pending charge for a crime involving Moral Turpitude (as defined below). "Moral Turpitude", as used herein, shall mean the act or commission (or the attempt or the criminal conspiracy to commit or the aiding or abetting**)** of any of the following crimes under federal, state or local laws: arson, criminal homicide, speculating or wagering on official action or information or other crime involving an abuse of public office or corrupt influence in official matters, cruelty to animals, open lewdness or other crime of public indecency, corruption or endangering the welfare of minors, sexual abuse or exploitation of children, unlawful communication or contact with a minor, kidnapping, burglary, robbery, theft, embezzlement or extortion of property with a value greater than $2,000.00 or of trade secrets by whatever means, forgery, bad checks, money laundering, counterfeiting, sale of controlled substances, deceptive business practices, commercial bribery, defrauding secured creditors, fraud, perjury or false swearing, unsworn falsification to authorities, obscenity, obstruction of justice, aggravated assault, rape or statutory sexual assault and/or aggravated indecent assault.

QVC shall be entitled to terminate this Agreement (without further obligation on the part of QVC to perform hereunder, including, without limitation, any further obligation to remit any *** Royalty Payment otherwise due and owing to Company by QVC) in the event that, prior to October 1, 2015, Company conveys, transfers or assigns any equity interest in the Company to a Direct Competitor or any affiliate or employee thereof.

In the event that QVC terminates this Agreement pursuant to the terms of this paragraph 2(l)(i), QVC shall have no obligation to remit any further *** Royalty Payments otherwise due and owing to Company by QVC, but Company shall continue to have the obligation to remit the Third Participating Royalty Payments to QVC in accordance with the provisions of this Agreement.

(ii) At such time as there is due to Assignor an aggregate of *** in First Participating Royalty Payments and Second Participating Royalty Payments pursuant to this paragraph 2(l), Company shall provide notice promptly of the same to QVC and thereafter shall pay to QVC *** of all Bricks and Mortar Net Revenues earned and received by Company (or earned by any affiliate of Company) until September 30, 2021 (collectively, the "Third Participating Royalty Payments") in lieu of the First Participating Royalty Payments and the Second Participating Royalty Payments. The Third Participating Royalty Payments shall be calculated without regard to the Retained Brick and Mortar Net Revenues, which shall not be included in any computation of the Third Participating Royalty Payments due and payable to QVC.

(iii) The Third Participating Royalty Payments from Brick and Mortar Net Revenues earned by the Company shall be reported and paid to QVC as follows: Within thirty (30) days after the end of each calendar quarter, Company will send to QVC a statement covering all Brick and Mortar Net Revenues earned and received by Company (or earned by any affiliate of Company) in such calendar quarter and any payment of Third Participating Royalty Payments due to QVC pursuant to this paragraph 2(l) for such calendar quarter, and will pay to QVC any such payment of Third Participating Royalty Payments that is so due in accordance with the provisions of this paragraph 2(l). Each statement shall become binding on QVC and QVC shall, absent fraud on the part of Company, neither have nor make any claim against Company with respect to such statement, unless QVC shall advise Company, in writing, of the specific basis of such claim within one (1) year after the date QVC receives such statement. QVC may, not more than once during any calendar year, but only once with respect to any statement rendered hereunder, audit Company's books and records related to the Brick and Mortar Net Revenues for the purpose of determining the accuracy of Company's statements to QVC. If QVC wishes to perform any such audit, QVC will be required to notify Company at least thirty (30) days before the date when QVC plans to commence such audit. QVC shall not be entitled to examine any records that do not report earnings of Brick and Mortar Net Revenues. All audits shall be made during regular business hours upon reasonable notice, and shall be conducted on QVC's behalf by an independent Certified Public Accountant or other professional representative. Each examination shall be made at QVC's own expense at Company's regular place of business where the books and records are maintained; provided, however, that if any such audit reveals an underpayment of amounts owed pursuant to this paragraph 2(l) of greater than ten percent (10%), Company shall pay all such past due amounts plus reasonable expenses of QVC's audit including reasonable professional fees.

Company shall use all commercially reasonable means to collect any and all Brick and Mortar Net Revenues from any and all entities and persons from whom such Brick and Mortar Net Revenues are due (and, in addition to, and not in lieu of, all rights of offset or recoupment by QVC under law), the failure of Company to do so (i) shall be a breach of this Agreement with respect to Brick and Mortar Net Revenues due from any person or entity in the amount of Ten Thousand Dollars ($10,000.00) or less and (ii) shall be a material breach of this Agreement with respect to Brick and Mortar Net Revenues due from any person or entity in any amount greater than Ten Thousand Dollars ($10,000.00). As used herein, "commercially reasonable means" shall be determined by reference to the dollar amount, collectability and cost of collection of the subject Brick and Mortar Net Revenues due to Company. The provisions of this paragraph 2(l) shall survive termination or expiration of this Agreement.

3. License Period and Term.

(a) Generally. The license period (the "License Period") shall be deemed to have commenced as of October 1, 2010 and shall expire, if not otherwise terminated as set forth below, at 12:00 a.m. (prevailing Eastern Time) on October 1, 2015; provided, however, that the License Period shall automatically be extended for successive one-year terms unless either Company or QVC notifies the other of its intent to terminate the License Period no later than sixty (60) days prior to the end of the then-current License Period. Notwithstanding any other provision of this Agreement, Company or QVC shall have the right to terminate the Agreement at any time if the other materially breaches this Agreement and fails to cure such breach within thirty (30) days of receipt of written notice of such material breach delivered in the manner prescribed by paragraph 10(e) below. QVC shall owe Company no *** Royalty Payments for any renewal term of the License Period. In the event that QVC shall elect to terminate this Agreement as a result of a material breach of this Agreement by Company, and the failure of Company to cure such breach within thirty (30) days of receipt of written notice of such material breach delivered in the manner prescribed by paragraph 10(e) below, QVC shall have no further obligation to remit any *** Royalty Payments otherwise due and owing to Company by QVC, but Company shall continue to have the obligation hereunder to remit the Third Participating Royalty Payments to QVC pursuant to paragraph 2 above. In the event that Company shall elect to terminate this Agreement as a result of a material breach of this Agreement by QVC, and the failure of QVC to cure such breach within thirty (30) days of receipt of written notice of such material breach delivered in the manner prescribed by paragraph 10(e) below, QVC shall not be entitled to receive any Third Participating Royalty Payments in excess of ***. The Term of this Agreement shall be as defined in paragraph 5 of this Agreement.

(b) [Omitted.]

(c) Sell-Off Period. The exclusive rights of QVC under the License shall terminate at the conclusion of the License Period, whereupon QVC may continue to exercise the License rights, including the Endorsement, on a non-exclusive basis (subject to the provisions of paragraph 5 below) for as long as necessary, including, after expiration or termination, for cause or otherwise, of the License Period, to Promote Products and Co-Branded Products through any means and media (i) to sell off any of its remaining inventory of Products and Co-Branded Products, (ii) to place additional orders with Manufacturers and/or Vendors for Products and Co-Branded Products, respectively, to fulfill any remaining unfilled customer orders for Products and/or Co-Branded Products, and (iii) to have such additional orders fulfilled by Manufacturer(s) or Vendor(s) (the "Sell-Off Period").

(d) QVC shall have no obligation to remit to Company, and Company shall not be entitled to receive, any royalty or other compensation from QVC for sales of Products and Co-Branded Products by QVC during the Sell-Off Period.

4. Appearances.

(a) If requested by QVC, Company shall cause Spokesperson to make, at minimum, the following number of monthly Appearances: (i) twelve (12) in License Period Year 1; (ii) sixteen (16) in License Period Year 2; (iii) eighteen (18) in License Period Year 3; (iv) twenty (20) in License Period Year 4; and (v) twenty (20) in License Period Year 5 and in each subsequent year in the event that this Agreement is automatically extended pursuant to paragraph 3(a) above. Each "Appearance" shall mean a one hour appearance on QVC's Direct Response Television Programs. The schedule of Appearances shall be mutually determined by the Company and QVC, subject to Spokesperson's schedule; provided, however, that once dates and times for Appearances have been agreed upon and scheduled by QVC, Company shall cause Spokesperson to make such Appearances, unless Company or Spokesperson provides QVC with written notice of Spokesperson's inability to make such Appearance at least sixty (60) days in advance of the scheduled Appearance date. Company shall cause Spokesperson to appear, in promotional announcements featuring the Direct Response Television Programs, at dates and times mutually determined by QVC and Spokesperson, subject to Spokesperson's reasonable availability. Unless otherwise agreed by the parties, all Appearances and promotional announcements shall take place at QVC's studios in West Chester, Pennsylvania or the Company's showroom located at 475 10th Avenue, New York, NY. Any costs and expenses of the Spokesperson that may arise in connection with all Appearances and promotional announcements, including without limitation, travel, lodging and food, shall be borne by Company; provided, however, that any production costs associated with the production of any program at the Company's showroom shall be borne by QVC or its affiliates. In the event of the failure of the Spokesperson to make an Appearance required pursuant to this Agreement for any other reason, Company shall use its best efforts to provide an alternative Spokesperson satisfactory to QVC.

(b) Upon the request of Company, Spokesperson may promote (but not offer for sale, sell or otherwise distribute) Apparel Products (as defined below) and/or Non-Apparel Products (as defined below) on, by or through the Programs subject to, and strictly conditioned upon, the following terms and conditions:

(i) Subject to the prior written approval by an officer of QVC at the level of Vice President or higher, which discretion may be withheld by QVC in its sole and unfettered discretion, Spokesperson may promote (but not offer for sale, sell or otherwise distribute) Apparel Products on, by or through the Programs pursuant to the conditions set forth in paragraph 4(b)(iii) below, provided, however, after such time as QVC receives payment in full (which payment is not disgorged from QVC by any court of competent jurisdiction) of the Third Participating Royalty Payments in the aggregate amount of no less than ***, QVC will forfeit the right to receive any further Third Participating Royalty Payments if it withholds consent for Spokesperson to promote Apparel Products on, by or through Programs more than three (3) times in any given six (6) month time period where the conditions set forth in paragraph 4(b)(iii) otherwise were met. Company agrees and acknowledges that its sole and exclusive remedy in the event that QVC so withholds its consent shall be that it is no longer obligated to remit the Third Participating Royalty Payments QVC in excess of the aggregate amount of ***. "Apparel Products", as used herein, shall mean apparel, footwear, fashion accessories and home textiles (other than the Products and the Co-Branded Products) bearing, marketed in connection with, or otherwise associated with Company's trademarks and brands that are being sold in Brick and Mortar Retailers.

(ii) Subject to the prior written approval by an officer of QVC at the level of Vice President or higher, which discretion may be withheld by QVC in its sole and unfettered discretion, Spokesperson may promote (but not offer for sale, sell or otherwise distribute) Non-Apparel Products on, by or through the Programs pursuant to the conditions set forth in paragraph 4(b)(iii) below "Non-Apparel Products", as used herein, shall mean any and all products, other than Apparel Products, the Products and the Co-Branded Products, bearing, marketed in connection with, or otherwise associated with Company's trademarks and brands that are being sold in Brick and Mortar Retailers.

(iii) All requests by Company for the promotion of Apparel Products and Non-Apparel Products shall be made to QVC (in the manner set forth in paragraph 11(e) below) no less than seven (7) Business Days prior to the date upon which Company seeks the promotion of such Apparel Products and/or Non-Apparel Products by, on or through the Programs and must meet and satisfy the following requirements and conditions:

(A) Upon the request of QVC, Company shall obtain any licenses or consents deemed required by QVC for the promotion of Apparel Products and/or Non-Apparel Products by, on or through the Programs;

(B) Company shall provide QVC (in the manner set forth in paragraph 11(e) below) with a script of the requested promotion of Apparel Products and/or Non-Apparel Products by, on or through the Programs and shall do so no less than seven (7) Business Days prior to the date upon which Company seeks such promotion;

(C) All Apparel Products and Non-Apparel Products requested by Company to be promoted on, by or through the Programs are subject to QVC's standards and practices, including, without limitation, such standards and practices pertaining to claims substantiation and quality assurance, and, if requested by QVC, samples of such promotion of such Apparel Products and/or Non-Apparel Products by, on or through the Programs shall be provided to QVC in sufficient time to allow for quality assurance testing by QVC;

(D) All claims, if any, made in connection with the promotion of all Apparel Products and Non-Apparel Products shall be demonstrated by Company and are subject to QVC's prior and continuing approval. No promotion of any Apparel Products or Non-Apparel Products shall include any testimonial or claim that cannot be authenticated or substantiated by QVC or any false or unwarranted claim or any unfair disparagement of the goods or products of any Brick and Mortar Retailer and/or any competitor of Company or QVC;

(E) The requested promotion by Company of any and all Apparel Products and Non-Apparel Products shall comply with all federal, state and local laws, statutes and regulations;

(F) No promotion of any Apparel Products and/or Non-Apparel Products shall infringe upon the trademarks, patents, trade dress or other intellectual property rights of any third party;

(G) QVC shall not be required to promote any Apparel Products and/or Non-Apparel Products that would bring QVC's reputation into public disrepute;

(H) Any requested promotion of any Apparel Products and/or Non-Apparel Products is limited to live programming and shall not include any films or video of any kind;

(I) Company shall be responsible for any and all licensing fees in connection with all requested promotion of any and all Apparel Products and Non-Apparel Products on, by or through the Programs;

(J) Company agrees and acknowledges that QVC is not responsible for any of Company's contractual obligations to any third party with respect to the promotion of Apparel Products and Non-Apparel Products;

(K) Company agrees and acknowledges that QVC may be required to shorten or eliminate any requested promotion of Apparel Products and/or Non-Apparel Products in order to conform to time limitations or to meet legal requirements;

(L) Company represents and warrants (which representation and warranty shall survive the expiration or termination of this Agreement) that it has or will obtain any and all licenses and consents as may be required for the promotion of any and all Apparel Products and Non-Apparel Products;

(M) Company shall protect, defend, hold harmless and indemnify QVC and its affiliates, employees, agents, officers and directors, from and against any and all claims, actions, suits, costs, liabilities, damages and expenses (including, without limitation, all attorneys' fees and court costs) arising out of or related to any and all promotions of Apparel Products and Non-Apparel Products and/or any acts or omissions of Company or any Spokesperson in connection with any and all such promotions, which obligations shall survive the expiration or termination of this Agreement;

(N) No single promotion by Spokesperson of Apparel Products or Non-Apparel Products shall exceed fifteen (15) seconds in duration; and

(O) Company may not request more than one (1) promotion by Spokesperson of Apparel Products or Non-Apparel Products for any given Appearance by Spokesperson.

(c) Company shall protect, defend, hold harmless and indemnify QVC and its affiliates, employees, agents, officers and directors, from and against any and all claims, actions, suits, costs, liabilities, damages and expenses (including, without limitation, all attorneys' fees and court costs) arising out of or related to any acts or omissions of Company or any Spokesperson in connection with the Appearances, which obligation shall survive the expiration or termination of this Agreement.

(d) In consideration of the services to be rendered by Spokesperson, Spokesperson shall be compensated by Company and not by QVC. Nothing in the Agreement shall be deemed or construed to render any Spokesperson an employee or independent contractor of QVC, or any affiliate thereof, or otherwise entitle any Spokesperson to any compensation or benefits from QVC or any affiliate thereof.

5. Non-Compete.

Except as contemplated hereunder and without the prior written consent of QVC, neither Assignor, Company nor Spokesperson shall, during the License Period of this Agreement and the one-year period thereafter (collectively, the "Term"), promote, advertise, endorse or sell (or otherwise cause a third party to promote, advertise, endorse or sell): (i) the Products and Co-Branded Products anywhere in the world through any means or media; and/or (ii) any goods, services or products, including without limitation, the Products and Co-Branded Products, anywhere in the world through Direct Response Television Programs. As used herein, "Direct Response Television Programs" shall mean any televised program which requests a consumer to respond to any promotion of any product or service by mail, telephone, internet or other electronic means, which program: (A) is live, contains an intermittent or continuous call to action and devotes at least twenty percent (20%) of its programming time to the promotion of products or services; or (B) is otherwise in the style or format of a televised retailing program, such as the Programs. Subject to the foregoing provisions of this paragraph 5, Company may promote, advertise, endorse, sell, license or otherwise commercialize any brand or mark, other than the Mark.

6. Representations, Warranties and Covenants.

(a) Company represents, warrants and covenants as of the Effective Date, which representations, warranties and covenants shall continue during the Term of this Agreement and shall survive the expiration or termination of this Agreement, that: (i) it possesses the full power and exclusive right to grant the License and Endorsement to QVC; (ii) the execution, delivery and performance of this Agreement by Company does not violate any agreement, instrument, judgment, order or award of any court or arbitrator or any law, rule or regulation; (iii) the Design, Prototype and Product IP Rights of each Product, and the Design Element and Co-Branded Product IP Rights with respect to each Co-Branded Product, shall comply with all foreign, federal, state, county, municipal or other statutes, laws, orders and regulations of any governmental or quasi-governmental entity; (iv) QVC's use of the License and the Endorsement, and QVC's Promotion of the Products and the Co-Branded Products as permitted hereunder, will not infringe or otherwise violate the copyrights, trademarks, or other proprietary rights of third parties or constitute unfair competition; (v) all claims concerning the Products and Co-Branded Products made by Company are, and will be, true and correct at the time such claims are made, and supported by data which complies with applicable law; (vi) there are no amendments to the Asset Purchase Agreement as of the Effective Date that have not been disclosed to QVC; and (vii) except as contemplated in this Agreement, there exist no agreements, or other arrangements, for Company to endorse, promote, advertise, or sell any Products or Co-Branded Products anywhere in the world. Company shall provide QVC with any and all documents reasonably required or requested by QVC at any time and from time to time to support the representations and warranties herein contained.

(b) Spokesperson represents, warrants and covenants as of the Effective Date, severally and not jointly as to any other Spokesperson only, which representations, warranties and covenants shall continue during the Term of this Agreement and shall survive the expiration or termination of this Agreement, that: (i) it has granted to Company, and possesses the full power and exclusive right to grant to Company, the Endorsement; (ii) the execution, delivery and performance of this Agreement by such Spokesperson does not violate any agreement, instrument, judgment, order or award of any court or arbitrator or any law, rule or regulation; (iii) QVC's use of the Endorsement will not infringe or otherwise violate the copyrights, trademarks, or other proprietary rights of third parties or constitute unfair competition; (iv) all claims concerning the Products and Co-Branded Products made by such Spokesperson are, and will be, true and correct at the time such claims are made, and supported by data which complies with applicable law; and (v) except as contemplated in this Agreement, there exist no agreements, or other arrangements, for Spokesperson to endorse, promote, advertise, or sell any Products or Co-Branded Products anywhere in the world. Spokesperson shall provide QVC with any and all documents reasonably required or requested by QVC at any time and from time to time to support the representations and warranties herein contained.

(c) On the Effective Date, but, in any event no later than September 30, 2011, Company shall obtain from an insurance company having a A.M. Best rating of A+ and shall deliver to QVC a life insurance policy insuring the life of Mizrahi. Such life insurance policy shall name QVC as the owner or, in the alternative, Company shall grant an absolute assignment in and to such insurance policy to QVC such that QVC shall become the owner thereof. Such life insurance policy shall be maintained by Company for the License Period Years set forth below. Such life insurance policy shall name QVC as the sole beneficiary and shall be maintained by Company in the following amounts:

License Period Years 2 and 3 -	$ 4,000,000.00
License Period Year 4 -	$ 3,000,000.00
License Period Year 5 -	$ 2,000,000.00

Such life insurance policy shall provide further that QVC shall receive notice in the event of any termination of coverage under such life insurance policy. Company shall provide QVC with any and all information and/or documentation reasonably requested by QVC (i) to demonstrate continuing life insurance coverage for Mizrahi during the License Period as required by this paragraph; and (ii) in order to allow QVC to remit all premium payments for the above-described life insurance policy, which premium payments shall be deducted by QVC from any and all *** Royalty Payments otherwise due to Company under this Agreement. Company hereby agrees and acknowledges that QVC may make such deductions from any and all *** Royalty Payments otherwise due to Company under this Agreement to the extent necessary to remit premium payments directly by QVC to the insurance company(ies) issuing the life insurance coverage for Mizrahi as described in this paragraph. Mizrahi shall take all actions reasonably requested by Company or QVC that are necessary for Company to obtain and deliver (and, to the extent necessary, absolutely) assign the above described life insurance policy and to ensure continued coverage thereunder. Notwithstanding anything contained in this Agreement to the contrary, QVC shall have no obligation to remit any payments otherwise potentially due to Company under this Agreement unless and until Company delivers to QVC the life insurance policy described above. Notwithstanding anything contained in this Agreement to the contrary, in the event of the death of Mizrahi, QVC shall not be required to accept any substitute designer under this Agreement unless and until QVC receives the proceeds from the life insurance policy required by this paragraph 6(c). In the event of the death of Mizrahi and the failure of Company to propose a substitute designer acceptable to QVC within twenty-four (24) months from the date of Mizrahi's death, QVC may elect to terminate this Agreement. In the event that QVC so terminates this Agreement, QVC shall have no obligation, except as otherwise expressly set forth in this paragraph 6(c) to the contrary, to remit any further *** Royalty Payments otherwise due and owing to Company by QVC, but Company shall continue to have the obligation to remit the Third Participating Royalty Payments to QVC pursuant to this Agreement up to the amount of ***.

Notwithstanding anything in this Agreement to the contrary, in the event of the death of Mizrahi, QVC shall have no obligation to remit any *** Royalty Payment otherwise due and owing to Company by QVC. QVC shall not be obligated to remit that portion of *** Royalty Payment due for any portion of a calendar quarter following the death of Mizrahi, provided, however, QVC shall continue, during the License Period, to remit a *** Royalty to Company in accordance with the provisions of paragraph 2(i)(ii) above.

(d) Notwithstanding anything in this Agreement to the contrary, in the event that Mizrahi should become Disabled (as defined below), QVC shall have no obligation to remit any *** Royalty Payment otherwise due and owing to Company by QVC during such period of Disability. "Disabled" and "Disability", as used herein, shall mean physical disfigurement or scarring, paralysis or loss of control of any part of the body, inability to stand or walk for sustained periods of time, a mental illness, disorder or disease, impairment of speech, loss of sight or hearing and/or loss of any limb. In the event that such Disability of Mizrahi should continue for a period of eighteen (18) months, QVC shall have no further obligation to remit any further *** Royalty Payments otherwise due and owing to Company by QVC. In the event of the failure of Company to propose a substitute designer acceptable to QVC within twenty-four (24) months from the date upon which Mizrahi should become Disabled, QVC may elect to terminate this Agreement. In the event that QVC so terminates this Agreement, QVC shall have no obligation, except as otherwise expressly set forth in this paragraph 6(d) to the contrary, to remit any further *** Royalty Payments otherwise due and owing to Company by QVC, but Company shall continue to have the obligation to remit the Third Participating Royalty Payments to QVC pursuant to this Agreement up to the amount of ***. QVC shall not be obligated to remit that portion of *** Royalty Payment due for any portion of a calendar quarter following the disability of Mizrahi, provided, however, QVC shall continue, during the License Period, to remit a *** Royalty to Company in accordance with the provisions of paragraph 2(i)(ii) above.

7. Confidentiality.

(a) Each Party agrees to treat this Agreement and the terms and conditions hereof as confidential information (the "Confidential Agreement Information"). Each Party shall only transmit the Confidential Agreement Information to such of its directors, officers, employees, affiliates, attorneys, accountants, consultants, commercial banker and advisors who need to know such information for purposes of effecting this Agreement and who shall agree to be bound by the terms and conditions of this paragraph. Subject to paragraph 7(b) below, each Party agrees that the Confidential Agreement Information shall not be disclosed to others, except as necessary to carry out or enforce the terms of this Agreement or as may be required by law or legal process; provided, however, that the Party making such disclosure shall provide notice to the other Party prior to such disclosure and shall use reasonable commercial efforts to secure confidential protection of such information and to limit such disclosure to the extent possible.

(b) Company acknowledges and agrees that any and all information regarding QVC or its operations disclosed to it in conjunction with this Agreement, and any information regarding the sale and promotion of Products, Co-Branded Products and/or products by QVC, will be treated as confidential information and will not be disclosed to any third party at any time during the Term of this Agreement, and thereafter. Company further agrees that any such information will not be used for any purposes by Company other than for purposes contemplated by this Agreement. Confidential information for the purposes of this paragraph 7(b) shall not be deemed to include information which: (a) is public knowledge or becomes generally available to the public other than as a result of disclosure by Company; (b) becomes available to Company on a non-confidential basis, from a source (other than QVC or its agents) who is not bound by a confidentiality agreement with QVC; or (c) is in the possession of Company prior to disclosure by QVC, provided that the source was not bound by a confidentiality agreement with QVC. Except as otherwise set forth in this paragraph 7(b), Company acknowledges and agrees that Company shall not (i) publicly disclose, publish, register or file any copy of this Agreement or any provision thereof, or any information or data contained herein, to or with any federal, state or local governmental authority or agency (including, without limitation, the United States Securities and Exchange Commission (the "Commission") and/or any state securities commission); (ii) disclose, publish, provide or transmit any copy of this Agreement or any provision thereof, or any information or data contained herein, in any prospectus intended for the solicitation of investment in, or the sale of the equity interest in, or assets of, Company; and/or (iii) disclose, provide or transmit any copy of this Agreement or any provision thereof, or any information or data contained herein to any prospective investor in, or prospective purchaser of, the assets of, or equity interest in, Company absent either (A) execution of a non-disclosure agreement (in the form attached hereto as Exhibit "B") by such prospective investor or purchaser of the equity interest in, or assets of, Company; (B) use of the redacted form of this Agreement attached hereto as Exhibit "C". Company and XCel each acknowledges and agrees that it will not solicit a potential investor in, or potential acquirer of, any equity interest in Company who is a Direct Competitor or any affiliate or employee thereof. Company and XCel each further acknowledges and agrees that, under no circumstances, will an unredacted copy of this Agreement be disclosed to a potential investor in, or potential acquirer of, any equity interest in the Company who is a Direct Competitor or any affiliate or employee thereof. Company agrees that in the event of a breach or threatened breach of the terms of this paragraph 7(b) and/or the provisions of paragraph 5, QVC shall be entitled to seek from any court of competent jurisdiction, preliminary and permanent injunctive relief which remedy shall be cumulative and in addition to any other rights and remedies to which QVC may be entitled. Company acknowledges and agrees that the confidential information and other information referred to in this paragraph 7(b) and the prohibitions provided in paragraph 5 above, are valuable and unique and that such breach of such provisions will result in immediate irreparable injury to QVC. Notwithstanding anything in this paragraph 7(b) to the contrary, in the event that disclosure of this Agreement by Company, XCel or any of their respective successors or assigns is required under the Securities Act of 1933, as amended (the "Securities Act") or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any regulations promulgated thereunder, then Company or XCel may file a Confidential Treatment Request (a "CT Request") with the Commission in the form attached hereto as Exhibit "D". Any such CT Request shall be filed in compliance with Rule 406 under the Securities Act and Rule 24b-2 under the Exchange Act and shall only involve a public filing on EDGAR or otherwise of a redacted form of this Agreement in the form attached as Exhibit "C". In addition, any such CT Request filed with the Commission shall list QVC as an interested party to this Agreement and shall provide the contact information for QVC listed in Section 11(e) of this Agreement in accordance with 17 CFR 200.83 (c)(5). Company or XCel shall not be permitted to modify the redacted version of this Agreement set forth as Exhibit "C" without the prior written consent of QVC, which consent shall not unreasonably be withheld, and all subsequent filings and periodic reports filed with the Commission may only include such redacted version of this Agreement. Company or XCel shall promptly notify QVC and provide QVC with a copy of (i) any correspondence it receives from the Commission regarding any CT Request filed and (ii) any Freedom Of Information Act request (each a "FOIA Request") it receives requesting disclosure of this Agreement. Company shall use its best efforts to ensure that the Commission or any other relevant governmental agency honors the provisions of this paragraph 7(b) by only allowing the redacted form of this Agreement attached hereto as Exhibit "C" to be publicly released in any manner. QVC and its selected legal counsel (as may be designated, from time to time, by QVC) shall be entitled to participate in any correspondence or discussions with the Commission regarding any CT Request filed with the Commission or with any other governmental agency regarding any FOIA Request and Company and XCel agree to consult and collaborate with QVC and its selected legal counsel (as may be designated, from time to time, by QVC) regarding Company's responses to any such correspondence or discussions. In the event that the Commission or any other governmental agency mandates public disclosure of redacted portions of this Agreement in writing or verbally (which verbal comments are verified by QVC or its selected legal counsel through direct communications with the Commission's examiner or the representative of the other governmental agency making the request), then disclosure by Company or XCel of the redacted portions of this Agreement to the extent required by the Commission or any other governmental agency shall not be deemed a breach of this agreement by Company or XCel. Company and XCel shall jointly and severally indemnify and hold QVC harmless for all costs and expenses (including, but limited to, reasonable attorneys' fees and costs) incurred by QVC during the License Period (i) up to an aggregate of $100,000.00 (which amount shall increase by an additional $100,000.00 if the License Period is extended or renewed pursuant to paragraph 3(a) above) relating or referring to, or arising from, any FOIA Requests seeking disclosure of this Agreement, including, without limitation, any costs and expenses (including, but not limited to, reasonable attorneys' fees) incurred by QVC with respect to any proceedings or civil actions relating or referring to, or arising from, any such FOIA Requests and (ii) up to $25,000.00 relating or referring to, or arising from, the drafting, review, filing and negotiation of the CT Request with the Commission. Company and XCel shall make any such indemnification payments to QVC within ten (10) Business Days of receiving written notice from QVC of the actual costs incurred in connection with the items listed in subparagraphs (i) or (ii) in the prior sentence. In the event that such indemnification payments are not forthcoming within such ten (10) Business Days, QVC, in addition to, and not in lieu of, any other remedies available to it, may offset the amount of such indemnification payments against any sums due by QVC to Company under this Agreement (subject to the limitations set forth in the preceding sentence).

(c) Spokesperson acknowledges and agrees that any and all information regarding QVC or its operations disclosed to it in conjunction with this Agreement and/or the Amended and Restated Agreement, and any information regarding the sale and promotion of Products, Co-Branded Products and/or products by QVC, will be treated as confidential information and will not be disclosed to any third party at any time during the Term of this Agreement, and thereafter. Spokesperson further agrees that any such information will not be used for any purposes by Spokesperson other than for purposes contemplated by this Agreement. Confidential information for the purposes of this paragraph 7(c) shall not be deemed to include information which: (a) is public knowledge or becomes generally available to the public other than as a result of disclosure by Spokesperson; (b) becomes available to Spokesperson on a non-confidential basis, from a source (other than QVC or its agents) who is not bound by a confidentiality agreement with QVC; or (c) is in the possession of Spokesperson prior to disclosure by QVC, provided that the source was not bound by a confidentiality agreement with QVC. Spokesperson agrees that in the event of a breach or threatened breach of the terms of this paragraph 7(c) and/or the provisions of paragraph 5, QVC shall be entitled to seek from any court of competent jurisdiction, preliminary and permanent injunctive relief which remedy shall be cumulative and in addition to any other rights and remedies to which QVC may be entitled. Spokesperson acknowledges and agrees that the confidential information and other information referred to in this paragraph 7(c) and the prohibitions provided in paragraph 5 above, are valuable and unique and that such breach of such provisions will result in immediate irreparable injury to QVC.

(d) Assignor acknowledges and agrees that any and all information regarding QVC or its operations disclosed to it in conjunction with this Agreement and/or the Amended and Restated Agreement, and any information regarding the sale and promotion of Products, Co-Branded Products and/or products by QVC, will be treated as confidential information and will not be disclosed to any third party at any time during the Term of this Agreement, and thereafter. Assignor further agrees that any such information will not be used for any purposes by Assignor other than for purposes contemplated by this Agreement. Confidential information for the purposes of this paragraph 7(d) shall not be deemed to include information which: (a) is public knowledge or becomes generally available to the public other than as a result of disclosure by Assignor; (b) becomes available to Assignor on a non-confidential basis, from a source (other than QVC or its agents) who is not bound by a confidentiality agreement with QVC; or (c) is in the possession of Assignor prior to disclosure by QVC, provided that the source was not bound by a confidentiality agreement with QVC. Assignor agrees that in the event of a breach or threatened breach of the terms of this paragraph 7(d) and/or the provisions of paragraph 5, QVC shall be entitled to seek from any court of competent jurisdiction, preliminary and permanent injunctive relief which remedy shall be cumulative and in addition to any other rights and remedies to which QVC may be entitled. Assignor acknowledges and agrees that the confidential information and other information referred to in this paragraph 7(d) and the prohibitions provided in paragraph 5 above, are valuable and unique and that such breach of such provisions will result in immediate irreparable injury to QVC.

(e) The rights and obligations of the Parties set forth in this paragraph 7 shall survive and continue after the termination or expiration of the Agreement.

8. Indemnification.

(a) Company hereby agrees to protect, defend, hold harmless and indemnify QVC, its subsidiaries and affiliates, and each of their respective employees, agents, officers, directors, successors and assigns from and against any and all claims, actions, suits, costs, liabilities, damages and expenses (including, but not limited to, reasonable attorneys' fees) based upon or resulting from any breach or alleged breach by Company or Spokesperson of any term or condition of this Agreement or any representation or warranty set forth herein, including without limitation any claim by any third party that such party owns or has a license or other proprietary interest in any Product IP Rights, the Design Element or the Co-Branded IP Rights, or that QVC's use of any Product IP Rights, the Design Element or the Co-Branded IP Rights as contemplated by this Agreement constitutes unfair competition or infringes or otherwise violates the copyright, trademark or other proprietary rights of third parties. For purposes of clarification, the indemnification obligations of Company with respect to the Product IP Rights, the Design Element or the Co-Branded IP Rights shall not apply with respect to any component (e.g., a trademark or service mark) of the Products or Co-Branded Products which is owned or licensed by QVC, if any. QVC shall give Company prompt written notice of any such action or claim, and Company shall then take such action as it deems advisable to defend such claim or action on behalf of QVC. In the event that appropriate action is not taken by Company within five (5) days of Company's receipt of notice from QVC, QVC shall have the right to defend such action or claim in its own name. In such event, Company shall be solely responsible for the payment or reimbursement, at QVC's option, of counsel fees and all other fees and costs incurred in defending such action, for any and all damages arising thereunder, and for any and all amounts paid by QVC in settlement thereof.

(b) Notwithstanding anything contained herein to the contrary, Assignor shall continue to protect, defend, hold harmless and indemnify QVC, its subsidiaries and affiliates, and each of their respective employees, agents, officers, directors, successors and assigns from and against any and all claims, actions, suits, costs, liabilities, damages and expenses (including, but not limited to, reasonable attorneys' fees) based upon or resulting from any breach or alleged breach prior to the Effective Date by Assignor or Spokesperson of any term or condition of the Amended and Restated Agreement or any representation or warranty set forth therein. QVC shall give Assignor prompt written notice of any such action or claim, and Assignor shall then take such action as it deems advisable to defend such claim or action on behalf of QVC. In the event that appropriate action is not taken by Assignor within five (5) days of Assignor's receipt of notice from QVC, QVC shall have the right to defend such action or claim in its own name. In such event, Assignor shall be solely responsible for the payment or reimbursement, at QVC's option, of counsel fees and all other fees and costs incurred in defending such action, for any and all damages arising thereunder, and for any and all amounts paid by QVC in settlement thereof.

(c) QVC hereby agrees to protect, defend, hold harmless and indemnify Company, its subsidiaries and affiliates, and each of their respective employees, agents, officers, directors, successors and assigns from and against any and all claims, actions, suits, costs, liabilities, damages and expenses (including, but not limited to, reasonable attorneys' fees) based upon or resulting from any breach or alleged breach by QVC of any term or condition of this Agreement or any representation or warranty set forth herein. Company shall give QVC prompt written notice of any such action or claim, and QVC shall then take such action as it deems advisable to defend such claim or action on behalf of Company. In the event that appropriate action is not taken by QVC within five (5) days of QVC's receipt of notice from Company, Company shall have the right to defend such action or claim in its own name. In such event, QVC shall be solely responsible for the payment or reimbursement, at Company's option, of counsel fees and all other fees and costs incurred in defending such action, for any and all damages arising thereunder, and for any and all amounts paid by Company in settlement thereof.

9. Publicity.

(a) Except for incidental non-derogatory remarks necessitated by the services provided hereunder, neither Assignor, Company nor Spokesperson shall issue any publicity or press release regarding its contractual relations with QVC or otherwise make any oral or written reference to QVC regarding their activities hereunder, without obtaining QVC's prior written consent, and approval of the contents thereof; provided, however, that nothing herein shall prohibit Assignor or Company from making any disclosure required by applicable law or securities regulations after giving notice to QVC as promptly as is practicable under the circumstances and/or as otherwise required by this Agreement. Neither Assignor, Spokesperson nor Company shall utilize any trade name, service mark, trademark, or copyright belonging to QVC without the prior written consent of QVC.

(b) QVC shall obtain Company's prior approval with respect to any third party press releases (which shall not be construed to include QVC program guides or the QVC Insider publication) involving Products, Co-Branded Products and/or Company.

10. Consent to Assignment; Termination of Earthbound Agreements and Obligations.

(a) Subject to satisfaction by Company and Assignor of their respective obligations under paragraph 1(a) above, QVC hereby: (i) consents to the assignment of Design Services Reimbursement Agreement from Assignor to Company; and (ii) agrees that Company shall succeed to all of the Assignor's rights and obligations under the Design Services Reimbursement Agreement.

(b) Subject to satisfaction by Company and Assignor of their respective obligations under paragraph 1(a) above and further subject to the payment of $175,000.00 due and owing to QVC by Earthbound as of September 30, 2011, QVC agrees that the Earthbound Agreement (the "Earthbound Agreement") is hereby terminated as of the Effective Date of this Agreement pursuant the Release Agreement attached hereto as Exhibit "E".

11. Miscellaneous.

(a) Amendment. This Agreement may not be varied, amended, or modified unless in writing signed by the Party against whom such amendment, variance or modification is sought to be enforced.

(b) No Assignment. This Agreement and the rights and obligations hereunder are not assignable and any such assignment shall be null and void ab initio.

(c) License of Intellectual Property. Company acknowledges and agrees that this Agreement shall constitute an executory contract within the meaning and scope of Section 365 of the United States Bankruptcy Code, 11 U.S.C. § 365, under which the Company is a licensor of Intellectual Property (as defined below), and as to which QVC shall have the right to make an election under Section 365(n) of the United States Bankruptcy Code, 11 U.S.C. § 365(n). For purposes of this Agreement, the rights granted to QVC hereunder shall be deemed to constitute "Intellectual Property" for purposes of Section 365(n) of the United States Bankruptcy Code, 11 U.S.C. § 365(n), and as used therein, notwithstanding any limitation or definition to the contrary in the United States Bankruptcy Code, 11 U.S.C. § 101, et seq., including, but not limited to, provisions of Section 101(35A) of the United States Bankruptcy Code, 11 U.S.C. § 101(35A).

(d) Governing Law. This Agreement shall be construed according to the internal laws of Commonwealth of Pennsylvania, without regard to conflict of laws principles. The Parties each hereby consent to the exclusive jurisdiction of the state courts of the Commonwealth of Pennsylvania, Chester County, and the United States District Court for the Eastern District of Pennsylvania, in all matters arising out of this Agreement.

(e) Notices. All notices provided for hereunder shall be sent via certified mail, return receipt requested, or by reputable overnight carrier, to the addresses indicated in this Section 11(e). All notices to QVC shall be addressed to:

President, U.S. Commerce
QVC, Inc.
Studio Park
1200 Wilson Drive
West Chester, PA 19380
and
General Counsel
QVC, Inc.
Studio Park
1200 Wilson Drive
West Chester, PA 19380

Notice to QVC shall not be deemed effective unless delivered to both President, U.S. Commerce and General Counsel as set forth above.

All notices to Company and Spokesperson shall be addressed to:

IM Brands, LLC
c/o XCel Brands, Inc.
475 Tenth Avenue, 4th Floor
New York, NY 10018
Attn: CFO

All notices to Assignor shall be addressed to:

IM-Ready Made, LLC
c/o XCel Brands, Inc.
475 Tenth Avenue, 4th Floor
New York, NY 10018
Attn: Marisa Gardini

with a copy (which shall not constitute notice) to:

Robinson & Cole LLP
885 Third Avenue, 28th Floor
New York, NY 10022
Attn: Eric J. Dale, Esq.

(f) Entire Agreement. This Agreement supersedes all prior communications between the parties regarding the subject matter hereof, whether oral or written, including, without limitation, the Amended and Restated Agreement, and constitutes the entire understanding of the parties. Company shall cause all future Spokespersons as may be agreed upon by QVC and Company, in addition to Mizrahi, to agree to the provisions set forth in this Agreement.

(g) Remedies and Waiver. No delay or failure on the part of any Party hereto in exercising any right or remedy under this Agreement, and no partial or single exercise thereof, shall constitute a waiver of such right or remedy or of any other right or remedy. The rights and remedies provided in this Agreement shall be in addition to, and not in lieu of, any rights and remedies provided under applicable law.

(h) Severability. If any term or condition of this Agreement or the application thereof shall be illegal, invalid or unenforceable, all other provisions hereof shall continue in full force and effect as if the illegal, invalid or unenforceable provision were not a part hereof. The headings used in this Agreement are for the convenience of the Parties only and shall not be construed in the interpretation of any provisions of' this Agreement.

(i) No Joint Venture. Nothing herein contained shall be construed to place QVC, on the one hand, and Company and/or Spokesperson, on the other hand, in the relationship of partners or joint venturers, and, with the exception of any and all rights and licenses that may have been, or are, granted to Company by Spokesperson, none of the Parties hereto shall have the power to obligate or bind the others in any manner whatsoever. Company hereto agrees that in performing its duties and obligations to QVC under this Agreement, it shall be in the position of an independent contractor to QVC.

(j) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same Agreement. This Agreement may be executed and delivered via electronic or telefacsimile transmission with the same force and effect as if it were executed and delivered by the parties simultaneously in the presence of one another.

(k) Interpretation and Construction. This Agreement has been fully and freely negotiated by the Parties hereto, shall be considered as having been drafted jointly by the Parties hereto, and shall be interpreted and construed as if so drafted, without construction in favor of or against any Party on account of its participation in the drafting hereof.

(l) Further Assurances. Company shall cooperate with QVC from time to time as requested by QVC to effectuate the purposes of this Agreement, including QVC's requests for information regarding the safety of any of the Products or Co-Branded Products.

(m) Survival. The provisions of paragraphs 2(k), 2(l), 5, 6, 7, 8, 10 and 11 (d), (e), (g), (l), and (m) shall survive the expiration or termination of this Agreement.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the Parties hereto have executed this Agreement as of the date first written above to be effective and in force as of the Effective Date.

QVC, INC.

By: /s/ Douglas Howe
Name: Douglas Howe
Title: EVP

IM BRANDS, LLC

By: /s/ Robert D'Loren
Name: Robert D'Loren
Title: President

IM READY MADE, LLC

By: /s/ Marisa Gardini
Name: Marisa Gardini
Title: President, CEO

/s/ Isaac Mizrahi
Isaac Mizrahi, individually

XCel Brands, Inc.

By: /s/ Robert D'Loren
Name: Robert D'Loren
Title: Chairman and CEO

Exhibit A
Trademarks and Logos

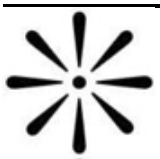
Mark	Country	Status	Serial No.	Intl. Class
	United States	Registered	77781922	IC 25
	United States	Registered	78875570	IC 18
"IsaacMizrahiLive" and Design	United States	Registered	77785921	IC 41
				
"IsaacMizrahiLive" and Design 	United States	Notice of Allowance issued - Extension filed	77786031	IC 25, 18
"IsaacMizrahiLive"	United States	Registered	77890574	IC 25
"IsaacMizrahiLive"	United States	pending 1A application	85297090	IC 18
"IsaacMizrahiLive"	United States	pending 1A application	85207293	IC 24
"IsaacMizrahiLive"	United States	pending 1A application	85208854	IC 21
"IsaacMizrahiLive"	United States	pending 1A application	85210764	IC 35
	United States	pending 1A application	85247619	IC 18

Exhibit C

[* * *]

Exhibit D

[* * *]

CONTRIBUTION AGREEMENT

THIS CONTRIBUTION AGREEMENT (this "Agreement") is dated as of August 16, 2011 (the "Execution Date"), by and among EARTHBOUND LLC, a Delaware limited liability and its affiliated entities, including without limitation IM LICENSING LLC ("Earthbound"), IM READY-MADE, LLC's a New York limited liability company ("IM") and XCEL BRANDS, INC., a Delaware corporation ("XCel"). For the purposes of this Agreement, Earthbound, XCel and IM shall each be referred to as a "Party" and collectively referred to as the "Parties".

RECITALS

WHEREAS, Earthbound is a party to an Agreement, dated as of November 6, 2001 (the "Brand Management Agreement"), whereby, among other agreements, Earthbound was granted certain intellectual property rights, brand-expansion and marketing rights with respect to IM's products and trademarks (the "IM Business"); and

WHEREAS, IM, XCel and IM Brands, LLC ("IMB") are parties to that certain Asset Purchase Agreement, dated May 19, 2011 and amended July 28, 2011 and as may be amended by the parties thereto in their sole discretion (the "APA"), pursuant to which XCel and IMB have agreed to acquire certain assets, and assume certain liabilities, of IM, in accordance with the terms thereof and which the parties thereto intend will qualify as a transaction or transactions described in Section 351 of the Internal Revenue Code of 1986, as amended (the Code"); and

WHEREAS, simultaneously with or immediately prior to the closing of the APA, XCel will merge with and into a wholly owned subsidiary of a public reporting company (the "Merger", with the surviving public reporting company following the Merger, consummation of the APA, and other related transactions referred to as "PublicCo") and offer shares of PublicCo to investors through a private offering transaction (the "Offering"); and,

WHEREAS, Earthbound has agreed to contribute cash and various assets, including without limitation the Brand Management Agreement and the intellectual property rights, brand-expansion and marketing rights associated therewith to XCel or its successor in interest in exchange for shares of common stock of PublicCo, and the Parties intend that such transaction, together with the transactions contemplated by the APA and with other third parties, will qualify as a transaction or transactions described in Section 351 of the Code.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Defined Terms. Capitalized terms used but not otherwise defined in this Agreement shall have the meanings and definitions attributed to such terms in the APA.

2. Effective Date. Contemporaneously with the closing of the transactions contemplated by the APA, and the Merger ("Effective Date"), this Agreement will become effective. In the event the transactions contemplated by the APA and Merger and this Agreement do not close on or before December 31, 2011, this Agreement shall be null and void.

3. Contribution of Assets.

On the Effective Date, Earthbound will deliver and/or assign to XCel (or cause to be delivered and/or assigned to XCel or its successor in interest) Earthbound's title to, or to the extent that Earthbound does not hold title to such property Earthbound's interest in, the following property ("Contributed Assets") in exchange for the PublicCo shares set forth in Section 4:

(i) the Brand Management Agreement, including all intellectual property rights and brand-expansion and marketing rights;
(ii) any Intellectual Property Rights owned by or developed by Earthbound relating to the IM Brands owned by Earthbound and/or its Affiliates, agents, officers, directors, employees, including, without limitation, all designs, archives and logos;
(iii) all Furnishings and Equipment and other materials and assets set forth on Exhibit A; and
(iv) all rights to any design software owned or licensed and used by Earthbound in connection with the IM Business and as set forth on Exhibit B (the "Design Software").

In addition, Earthbound shall invest or cause its affiliates to invest $500,000 in PublicCo on the same terms and conditions as other investors in the Offering (the "EB Investment", together with the Contributed Assets will hereafter be referred to as the "351 Assets"). For U.S. federal income tax purposes, the Parties agree that the fair market value of the design archives, logos, Furnishings and Equipment referenced in the Contributed Assets on the Effective Date shall equal approximately $105,000.

(a) Earthbound shall indemnify Xcel, and its respective affiliates, from any third party claims, costs, liabilities or losses (including reasonable attorney fees), arising out of or relating to the ownership or use of the Contributed Assets related to the period prior to the Effective Date or any ownership claims of the Contributed Assets by third parties from or after the Effective Date other than relating those arising under or related to the use of the Licensed Software from or after the Effective Date.

4. Effect of Contribution of Brand Management Agreement. The rights and obligations of Earthbound under the Brand Management Agreement shall immediately be transferred to XCel or its successor in interest as of the Effective Date, subject only to the following:

(a) On the Effective Date, in addition to issuance of the shares to Earthbound under Section 4(c), IM will pay to Earthbound an amount equal to all commissions due and owing at that time to Earthbound under Section 3(a) of the Brand Management Agreement ("Commissions") based upon royalties, vendor payments advances, and other payments that IM has received up to the Effective Date, less the expense reimbursement amount owed by Earthbound to IM, prorated through the Effective Date ("Expense Reimbursements") with such Expense Reimbursements equal to $84,000.00 per quarter, and which amount may be adjusted by written agreement between IM and Earthbound. Any Commissions earned by Earthbound prior to the Effective Date, but not yet paid to Earthbound (including, without limitation, the Commission due with respect to the royalty due to IM from QVC, Inc. for the quarter ending June 30, 2011 in accordance with Section 3(a) of the Brand Management Agreement, will be paid by IM or its successor in interest to Earthbound, less any prorated Expense Reimbursements that remain owed to IM through the Effective Date, on the same terms and conditions as set forth under said Section 3(a), except that any such payments shall be made to Earthbound within five (5) business days of receipt by IM or its successor in interest, but only after (and to the extent that) the royalties from which such Commissions are being paid have actually been received by IM or its successor in interest. In the event that XCel receives any payment which was the subject of the Brand Management Agreement and which is attributable to the period prior to the Effective Date, IM hereby irrevocably directs XCel to pay, and XCel agrees to pay, thirty-eight percent (38%) of such payment, less any prorated Expense Reimbursements that remain due and payable to IM, directly to Earthbound.

(b) On the Effective Date, Earthbound shall make payment to QVC, Inc. of a pro rata portion of the 2011 QVC, Inc. fee of $234,000.00 due and owing by Earthbound to QVC, Inc. under that certain agreement between Earthbound and QVC, Inc. dated September 1, 2009, as amended, based on the number of days attributable to such payment through the Effective Date (such pro rata portion, the "QVC Payment").

(c) On the Effective Date, XCel shall cause PublicCo to issue to Earthbound or its designee 943,216 shares of PublicCo common stock pursuant to the Offering, plus 100,000 shares and 50,000 warrants pursuant to the Offering related to the EB Investment.

(d) The Parties intend to treat the transaction contemplated herein as a transaction described in Code Section 351 and will timely file statements (including applicable extensions) pursuant to IRC Regulation Section 1.351-3, and will consistently report the aggregate valuation of the 351 Assets as required by the Internal Revenue Code and as determined by XCel in its reasonable discretion.

(e) Earthbound represents and warrants to IM and XCel that (i) it has received no vendor payments in connection with the IM Business ("Vendor Payments") that it has not provided to IM, and (ii) neither Earthbound nor any of its affiliates is a party to any agreement (whether written or oral) whereby Earthbound or any of its affiliates has a right to receive any Vendor Payments. In the event that Earthbound receives any Vendor Payment attributable to the period prior to the Effective Date, Earthbound shall promptly, and in any event within 5 days of receipt, deliver to IM an accounting of such Vendor Payment and forward sixty-two percent (62%) of such Vendor Payment to IM. In the event that Earthbound receives any Vendor Payment attributable to the period after the Effective Date, Earthbound shall promptly, and in any event within 5 days of receipt, deliver to XCel one-hundred percent (100%) of such Vendor Payment and promptly terminate such arrangement with the vendors and all other appropriate parties.

(f) In the event that IM is required to repay any amounts received from Co International for which Earthbound was paid royalties on such sums (such sums paid to Earthbound hereinafter referred to as the "Earthbound Co Int'l Payment"), Earthbound shall promptly, and in any event with five (5) business days of notice by IM and confirmation of such payment, reimburse IM the Earthbound Co Int'l Payment.

5. Agreements Between Earthbound and XCel. As consideration and inducement for Earthbound to transfer the Contributed Assets to XCel, XCel and Earthbound agree to the following:

(a) On the Effective Date, Earthbound shall execute and deliver such assignments and transfer documents as IM and XCel may reasonably request to effect the assignment and transfer of the Contributed Assets to XCel (or a designee of XCel).

(b) In the event that any of the Design Software to be contributed to XCel (or a designee of XCel) pursuant to Paragraph 3 of this Agreement is licensed, and not owned, by Earthbound (the "Licensed Software"), Earthbound will use its commercially reasonable efforts to cause the applicable third party licensor to consent to such assignment; and any such sale or assignment shall be subject to the consent of any third party licensor and payment of any associated costs due in connection therewith. Earthbound shall not be required to pay any costs due in connection with any such sale or assignment. In connection with any such Licensed Software that is assigned hereunder, XCel shall be responsible for the third party costs to assign such Licensed Software. XCel shall indemnify Earthbound for any claims arising as a result of, and costs related to, the transfer to XCel and/or use following the assignment of the Licensed Software to XCel and any claims arising under or relating to the Licensed Software relating to the period following the assignment.

(c) Earthbound shall execute any and all agreements, in such forms as XCel may reasonably request, to confirm that all agreements between Earthbound and QVC, Inc. shall be terminated as of the Effective Date.

(d) On or prior to the Effective Date, Earthbound and QVC shall enter into a release agreement (the "EB-QVC Release"), on terms satisfactory to Earthbound and XCel in their reasonable discretion, whereby QVC shall release Earthbound from any and all claims for any sums, directly or indirectly due to QVC up through and including the Effective Date, as well as from any and all claims for any sums, directly or indirectly due to QVC following the Effective Date, under any agreements between Earthbound and QVC, Inc. and/or any other party, or under such terms and conditions as otherwise agreed to in the EB-QVC Release.

(e) Contemporaneously with the execution of this Agreement, Earthbound and XCel (or its principals or affiliates, as appropriate) shall enter into an agreement terminating any and all prior agreements by and between Earthbound and its principals on the one hand, and XCel and its principals and affiliates on the other (the "XCel-EB Termination Agreement");

(f) Board Nomination and Observer. On the Effective Date, in connection with the Merger and related transactions, XCel shall nominate one of Earthbound's principal shareholders to serve as a director on the board of PublicCo (the "Board"), provided, however, that the final determination as to the appointment or recommendation to shareholders for election of any director or any successor director to the Board or any committee thereof shall remain in the sole discretion of the Corporate Governance and Nominating Committee, and provided further that in making such determination, the Corporate Governance and Nominating Committee shall apply reasonably and uniform standards consistent with past practices and consistent with PublicCo's corporate governance principles as in effect from time to time. Such board nominee shall also be required at the time of nomination to satisfy the independence requirements and listing standards of any securities exchange on which the securities of PublicCo are listed from time to time. At any time following the Effective Date during which a principal stockholder of Earthbound serves as a director of PublicCo, Earthbound shall also be entitled, subject to the execution of a confidentiality agreement in form acceptable to XCel, to have an additional principal shareholder of Earthbound attend meetings of the Board of directors of PublicCo (the "Board Observer").

6. Release and Indemnification by Earthbound.

(a) As of the Effective Date, excepting only obligations arising under this Agreement and obligations explicitly referenced in this Agreement as surviving the Effective Date including any indemnification obligations, Earthbound, on behalf of itself and the other Earthbound Parties (as defined in Section 7), remises, releases and forever discharges IM and each of IM's current and former employees, directors, managers, officers, members, affiliates (including Laugh Club Inc.), agents, assigns, representatives, attorneys, and/or successors in interest (collectively, the "IM Parties"), of and from any and all obligations, debts, reckonings, promises, covenants, agreements, contracts, endorsements, bonds, controversies, suits, actions, causes of actions, guaranties, judgments, executions, damages, debts, sums of money, dues, controversies, claims or demands, in law or in equity, known or unknown ("Claims") against any or all of the IM Parties, which Earthbound or any of the other Earthbound Parties, ever had, now has or hereafter can, shall, or may have from the beginning of the world to the Effective Date, including, but not limited to, any Claims arising under, or in connection with, the Brand Management Agreement, or otherwise with respect to the general business relationship between IM and Earthbound as it existed at any time on or prior to the Effective Date. Earthbound agrees to indemnify and hold harmless all IM Parties from and against any and all actions, liabilities, damages and costs arising from, or in connection with, any action or proceeding, brought by, or prosecuted by, or on the initiative of Earthbound and/or any person or entity acting on Earthbound's behalf, contrary to the provisions of this Section 6. Earthbound agrees that this agreement of indemnity shall be deemed breached and a cause of action shall be deemed to have accrued thereon immediately upon commencement of any action contrary to this Section 6(a), and that this Section 6(a) may be pleaded as a defense or asserted by way of counterclaim or cross-claim in any such action.

(b) As of the Effective Date, excepting only obligations arising under this Agreement and that certain consulting agreement to be entered into between Earthbound, IM and XCel and effective as of the Effective Date, Earthbound on behalf of itself and the other Earthbound Parties, remises, releases and forever discharges XCel and each of XCel's current and former employees, directors, officers, shareholders, affiliates, agents, assigns, representatives, attorneys, subsidiaries and/or successors in interest (collectively, the "XCel Parties"), of and from any and all Claims against any or all of the XCel Parties, which Earthbound, or any of the other Earthbound Parties, ever had, now has or hereafter can, shall, or may have from the beginning of the world to the Effective Date. Earthbound agrees to indemnify and hold harmless all XCel Parties from and against any and all actions, liabilities, damages and costs arising from, or in connection with, any action or proceeding, brought by, or prosecuted by, or on the initiative of Earthbound and/or any person or entity acting on Earthbound's behalf, contrary to the provisions of this Section 6(b). Earthbound agrees that this agreement of indemnity shall be deemed breached and a cause of action shall be deemed to have accrued thereon immediately upon commencement of any action contrary to this Section 6(b), and that this Section 6(b) may be pleaded as a defense or asserted by way of counterclaim or cross-claim in any such action.

(c) Earthbound further agrees to indemnify and hold harmless the IM Parties and the XCel Parties from and against any and all actions, liabilities damages and costs arising from, or in connection with the breach by Earthbound of any of its obligations under this Agreement.

7. Release and Indemnification by IM. As of the Effective Date, excepting only obligations arising under this Agreement and obligations explicitly referenced in this Agreement as surviving the Effective Date, IM, on behalf of itself and the other IM Parties (as defined in Section 6), remises, releases and discharges Earthbound and each of Earthbound's current and former employees, directors, members, managers, officers, shareholders, affiliates (including Laugh Club Inc.), agents, assigns, representatives, attorneys, and/or successors in interest (collectively, the "Earthbound Parties"), of and from any and all Claims against any or all of the Earthbound Parties, which IM, or any of the other IM Parties, ever had, now has or hereafter can, shall, or may have from the beginning of the world to the Effective Date, including, but not limited to, any Claims arising under, or in connection with, the Brand Management Agreement, or otherwise with respect to the general business relationship between Earthbound and IM as it existed at any time on or prior to the Effective Date. IM agrees to indemnify and hold harmless all Earthbound Parties from and against any and all actions, liabilities, damages and costs arising from, or in connection with, any action or proceeding, brought by, or prosecuted by, or on the initiative of IM and/or any person or entity acting on IM's behalf, contrary to the provisions of this Section 6. IM agrees that this agreement of indemnity shall be deemed breached and a cause of action shall be deemed to have accrued thereon immediately upon the commencement of any action contrary to this Section 7, and that this Section 7 may be pleaded as a defense or asserted by way of counterclaim or cross-claim in any such action. IM further agrees to indemnify and hold harmless the Earthbound Parties and the XCel Parties from and against any and all actions, liabilities damages and costs arising from, or in connection with the breach by IM of any of its obligations under this Agreement.

8. Indemnification by XCel.

(a) XCel agrees to indemnify and hold harmless the IM Parties from and against any and all actions, liabilities, damages and costs arising from, or in connection with, the breach by XCel or any of its affiliates of any of their respective obligations under this Agreement other than any claims which may be governed by the APA.

(b) To the extent not released by QVC, Inc. under the EB-QVC Release, XCel agrees to indemnify and hold harmless the Earthbound Parties from and against any and all payment claims made by QVC, Inc. against Earthbound, including without limitation claims, with respect to any expense reimbursement payments or any claim to repay any portion of the advance royalties paid by QVC, Inc. under that certain Agreement, by and among QVC, Inc., IM and Isaac Mizrahi, as amended. XCel shall also indemnify and hold harmless the Earthbound Parties from and against any and all actions, liabilities, damages and costs arising from, or in connection with, the assignment and use of the Licensed Software, including, without limitation, any claim of infringement of any intellectual property rights brought by licensor.

9. Termination of Agreements. As of the Effective Date, Earthbound and IM agree that, except for this Agreement and the Brand Management Agreement, all agreements (whether written or oral) between Earthbound and/or any of its affiliates, on the one hand, and IM and/or any of its affiliates, on the other hand, shall be deemed terminated as between Earthbound and IM.

10. Separate Counsel. The Parties hereto acknowledge and agree that (i) each Party has reviewed and negotiated the terms and provisions of this Agreement and has had the opportunity to contribute to its revision, and (ii) each Party has been represented by independent counsel of their choice in reviewing and negotiating such terms and provisions. Accordingly, the rule of construction to the effect that ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement. Any controversy over construction of this Agreement shall be decided without regard to events of authorship or negotiation.

11. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, including Sections 5-1401 and 5-1402 of the New York General Obligations Law. Each party hereto (a) submits to the jurisdiction of any state or federal court sitting in the State of New York in any action or proceeding arising out of or relating to this Agreement, (b) agrees that all claims in respect of such action or proceeding may be heard and determined in any such court, (c) waives any claim of inconvenient forum or other challenge to venue in such court, (d) agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court and (e) waives any right it may have to a trial by jury with respect to any action or proceeding arising out of or relating to this Agreement.

12. Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by all of the Parties hereto. No waiver by any Party hereto of any right or remedy hereunder shall be valid unless the same shall be in writing and signed by the Party giving such waiver. No waiver by any party hereto with respect to any default, misrepresentation, or breach of warranty or covenant hereunder shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

13. Entire Agreement. This Agreement constitutes the entire Agreement among the Parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements, representations and understandings of the Parties with respect thereto.

14. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile or digital signature.

[signature page follows]

IN WITNESS WHEREOF, each of the Parties hereto has executed this Agreement as of the date first written above.

EARTHBOUND LLC

By: /s/ Jeffrey Cohen
Name: Jeffrey Cohen
Title: Co-Chairman

IM READY-MADE LLC

By: /s/Marisa Gardini
Name: Marisa Gardini
Title: President and CEO

XCEL BRANDS, INC.

By: /s/ Robert W. D'Loren
Name: Robert D'Loren
Title:

[Signature Page to Contribution Agreement]

EXHIBIT A

Contributed Earthbound Assets

Category	Inventory Name	SN or Account Number	Description	Purchase Date
Internet Line	Megapath DSL	#2070817	ADSL2 8MB/1MB for 1 year aggrement	4/6/2011
Internet Line	Time Warner	8150200070479099	Cable line 50MB down / 5MB up (1 year contract expired)	12/9/2009
Phone System	M5	2963295	11 phone lines ($40 per line) (2 years contract until 12/02/11)	12/2/2009
Printer	A4678	A0HTA010R0021870	Konica bizhub C452 (37 months contract until 4/1/2013 with Konica Minolta Premier Finance, contract number is: 7516716-006)	3/16/2010
Printer	A4460	SVC05570	Canon ImageRunner 3035 (3 years contract until 12/23/12 with US bank, contract number is: 500-0228610-000)	12/23/2009
Computer	FLORIDA	1056JL1	Dell Optiplex 360 (Intel Core Duo 2 2.93GHz, 2GB, 320GB, Windows XP SP3), (half owned by Isaac $400)	12/2/2009
Computer	DELHI	6RYMFRKD	HP xw6600 (Quad-Core Xeon E5345 2.50GHz, 4GB, 160GB, Windows XP SP3).	6/16/2009
Computer	NAGOYA	2UA74519MY	HP xw8400 (Quad-Core Xeon E5345 2.33GHz, 4GB, 160GB, Windows XP SP3).	2007
Computer	HELSINKI	G89132U520G	Mac Pro (2*Quad-Core Intel Xeon 2.26GHz, 6GB, 600GB, Mac OS X 10.5.7)	2009
Computer	ATHENS	G85404B7R6U	Power Mac G5 (PowerPC G5 (3.0) 1.9GHz, 4.5GB, Mac OS X 10.4.10)	2007
Computer	CLEVELAND	G851018UQPL	Power Mac G5 (2*PowerPC G5 (3.0) 1.8GHz, 2GB, 80GB, Mac OS X 10.4.10)	2007
Computer	ATLANTA	G891256U20G	Mac Pro (2*Quad-Core Intel Xeon 2.26GHz, 6GB, 640GB, Mac OS X 10.5.7)	6/3/2009
Computer	BOSTON	G8831282XYK	Mac Pro (2*Quad-Core Intel Xeon 2.26GHz, 4GB, 320GB, Mac OS X 10.4.11)	9/15/2008
Computer	SEATTLE	G89152CY20G	Mac Pro (2*Quad-Core Intel Xeon 2.26GHz, 6GB, 600GB, Mac OS X 10.5.7)	7/18/2009
Computer	CAIRNS	G89152FC20G	Mac Pro (2*Quad-Core Intel Xeon 2.26GHz, 6GB, 600GB, Mac OS X 10.5.7)	7/18/2009
Computer	CALCUTTA	G87443BK08S	Mac Pro (2*Quad-Core Intel Xeon 3GHz, 5GB, 500GB, Mac OS X 10.5.7)	2009
Computer	BRUSSELS	G891256G20G	Mac Pro (2*Quad-Core Intel Xeon 2.26GHz, 6GB, 640GB, Mac OS X 10.5.7)	6/3/2009

Category	Inventory Name	SN or Account Number	Description	Purchase Date
Computer	AMSTERDAM	G891256T20G	Mac Pro (2*Quad-Core Intel Xeon 2.26GHz, 6GB, 600GB, Mac OS X 10.5.7)	2009
Computer	MANILA	SMXL9081FY9	HP Compaq dx7500 (Intel core 2 Duo 2.8GHz, 3GB, 60GB, Windows XP SP3)	7/18/2009
Computer	EDINBURGH	w8702B3AVuX	iMac (17-inch Late 2006, Intel core 2 duo 2Ghz 3GB, 160GB, Windows XP3)	2007
Phone	PH07	fch11109bws	Cisco IP Phone CP-7941G-GE	12/3/2009
Phone	PH13	INM09473BXH	Cisco IP Phone CP-7941G-GE	12/3/2009
Phone	PH12	INM09473CCF	Cisco IP Phone CP-7941G-GE	12/3/2009
Phone	PH14	FCH11109CIR	Cisco IP Phone CP-7941G-GE	12/3/2009
Phone	PH10	inm09472c46	Cisco IP Phone CP-7941G-GE	12/3/2009
Phone	PH09	inm09473c32	Cisco IP Phone CP-7941G-GE	12/3/2009
Phone	PH08	fch10308ek9	Cisco IP Phone CP-7941G-GE	12/3/2009
Phone	PH20	FCH11118AHK	Cisco IP Phone CP-7941G-GE	12/3/2009
Phone	PH21	FCH11118972	Cisco IP Phone CP-7941G-GE	12/3/2009
Phone	PH22	INM094736Y3	Cisco IP Phone CP-7941G-GE	12/3/2009
Phone	PH29	001B5413D358	Cisco IP Phone CP-7941G-GE	12/3/2009
Scanner	SC14	FVS0005738	Epson Expression 10000 XL	2007
Scanner	SC20	KDSA03336	CanoScan Lide 700F	7/3/2009
Scanner	SC21	KDSA00076	CanoScan Lide 700F	7/3/2009
Scanner	SC04	UZL005877	CanoScan Lide 500F	2007
Graphic Tablet	GT13	5DUM05073	Wacom Intuos3 6 x 8	9/18/2008
Graphic Tablet	GT01	5LZM13822	Wacom Intuos3 6 x 8	8/20/2008
Graphic Tablet	GT20	7AZM09808	Wacom Intuos3 6 x 8	7/24/2008
Graphic Tablet	GT38	8EZM03360	Wacom Intuos3 6 x 8	7/24/2008
Graphic Tablet	GT11	5DUM05093	Wacom Intuos3 6 x 8	2007
Graphic Tablet	GT37	8LAT003102	Wacom Intuos4 PTK640	6/3/2009
Graphic Tablet	GT34	9DAT001656	Wacom Intuos4 PTK640	6/3/2009
Graphic Tablet	GT39	9CAT000642	Wacom Intuos4 PTK640	6/16/2009
Graphic Tablet	GT30	8AZM05373	Wacom Intuos3 9 x 12	6/26/2008
Graphic Tablet	GT40	9DAT001868	Wacom Intuos4 PTK640	6/18/2009
Graphic Tablet	GT33	9DAT001645	Wacom Intuos4 PTK640	6/18/2009
Monitor	MN77	HU24HUMS300418	Samsung SyncMaster 245T 24	7/18/2009
Monitor	MN51	HU24HCGP908695	Samsung 245BW 24	8/20/2008
Monitor	MN86	MY22H9NS402320M	Samsung SyncMaster 2243SWX 22	2009

Category	Inventory Name	SN or Account Number	Description	Purchase Date
Monitor	MN23	2A54344VUFZ	Apple Cinema Display (20-inch DVI Late 2005)	2007
Monitor	MN67	HU24HVMS300395	Samsung SyncMaster 245T 24	7/3/2009
Monitor	MN72	HU24HVMS300393	Samsung SyncMaster 245T 24	7/18/2009
Monitor	MN68	HU24HVMS300124R	Samsung SyncMaster 245T 24	2009
Monitor	MN70	KI26HVNS400221	Samsung SyncMaster 2693HM 25.2	7/15/2009
Monitor	MN54	HU24HVMP906505	Samsung 245BW 24	8/20/2008
Monitor	MN69	HU24HVMS300375	Samsung SyncMaster 245T 24	7/3/2009
Monitor	MN66	HU24HVMS300385	Samsung SyncMaster 245T 24	7/3/2009
Monitor	MN76	MY22H9NS402545	Samsung SyncMaster 2243SWX 22	7/17/2009
Printer	ESPON	JZ20011651	Epson Stylus Pro 9880 Printer	12/14/2009
Printer	ESPON	JYU0014793	Epson Stylus Pro 7880 Printer	12/14/2009
Printer	PR15	CN09E2B44D	HP Deskjet 3050	2010
Server	FRANCE	72NFGF1	Dell PowerVault NX1950 Storage Server - SATAu Windows Unified Data Storage Server 2003 64 bits	12/21/2007
Blackberry	CHINA	5SN5QF1	Dell PowerVault MD3000 Storage Array - SATAu + 15 500GB SATA drives.	
Firewall	Watchguard	908671443-336D	Watchguard Firebox FB X550e	11/25/2009
Switch	CISCO	F0C1249W4VJ	Catalyst 3560G series PoE-48 (WS C3560G 48PS S)	12/3/2009
Software	MS office 2008 for Mac		$336 for 1 license and we have: 11 Apple computers	9/19/2008
Software	Adobe Creative Suite CS3 Standard for Mac/Windows		$1176 for 1 license and we have: 14 computers	5/19/2008
Software	Kaledo		Kaledo Print V2R1	3/9/2010
Software	Kaledo		Kaledo Print V1R1 + can be upgraded V2R1	6/16/2009
Software	Kaledo		Kaledo Textile V1R1 + can be upgraded V2R1	6/16/2009
Software	Image Print		ImagePrint for Epson 9880 Windows Edition	12/14/2009
Software	Image Print		ImagePrint for Epson 7880 Windows Edition (Additional License)	12/14/2009

Exhibit B

Software

Software Description	Licensed (Y/N)	Term of License	License Fee
Microsoft Office 2008 for Mac	Yes	n.a.	$336 per license x 11 mac computers
Adobe Creative Suite CS3 Standard for Mac/Windows	Yes	n.a.	$1,176 per license x 14 computers
Kaledo Print V2R1	Yes	n.a.	$ 9,500
Kaledo Print V1R1 + can be upgraded V2R1	Yes	n.a.	$ 12,600
Kaledo Textile V1R1 + can be upgraded V2R1	Yes	n.a.	$ 31,300
ImagePrint for Epson 9880 Windows Edition	Yes	n.a.	$ 2,420
ImagePrint for Epson 7880 Windows Edition (Additional License)	Yes	n.a.	$ 675

AMENDMENT TO CONTRIBUTION AGREEMENT

THIS AMENDMENT TO CONTRIBUTION AGREEMENT ("Amendment"), dated and effective as of September 20, 2011, is by and among Earthbound LLC, a Delaware limited liability company and its affiliated entities, including, without limitation, IM Licensing LLC ("Earthbound"), IM Ready-Made LLC, a New York limited liability company ("IM") and XCel Brands, Inc., a Delaware corporation ("XCel"), and amends the Contribution Agreement dated August 16, 2011, which together with this Amendment shall hereinafter be collectively referred to as the "Agreement". Any capitalized terms which are not defined herein shall have the definition set forth in the Agreement.

WHEREAS, the parties hereto desire to amend certain provisions of the Agreement as set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. The Agreement is hereby amended as follows:

Section 4(c) of the Agreement shall be deleted in its entirety and replaced with the following:

> On the Effective Date, XCel shall cause PublicCo to issue to Earthbound or its designee 944,688 shares of PublicCo common stock pursuant to the Offering, plus 100,000 shares and 50,000 warrants pursuant to the Offering related to the EB Investment.

2. This Amendment shall not constitute an amendment of any other provision of the Agreement not expressly referred to herein. Except as expressly amended, the provisions of the Agreement are and shall remain in full force and effect, and this Amendment shall be effective and binding upon the parties upon execution and delivery.

3. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original. Delivery of executed signature pages hereof by facsimile transmission shall constitute effective and binding execution and delivery hereof.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

EARTHBOUND LLC

By: /s/ Jeffrey Cohen
Name: Jeffrey Cohen
Title: Co-Chairman

IM READY-MADE LLC

By: /s/ Marisa Gardini
Name: Marisa Gardini
Title: President and CEO

XCEL BRANDS, INC.

By: /s/ Robert W. D'Loren
Name: Robert W. D'Loren
Title:

RELEASE AND TRANSITION SERVICES AGREEMENT

THIS RELEASE AND TRANSITION SERVICES AGREEMENT (this "Agreement") is dated as of August 16, 2011 (the "Execution Date"), by and among EARTHBOUND LLC, a Delaware limited liability and its affiliated entities, including without limitation IM LICENSING LLC (collectively, "Earthbound"), XCEL BRANDS, INC., a Delaware corporation ("XCel") and IM READY-MADE, LLC, a New York limited liability company ("IM"). For the purposes of this Agreement, Earthbound, XCel and IM shall each be referred to as a "Party" and collectively referred to as the "Parties".

RECITALS

WHEREAS, Earthbound and IM (as assignee of Laugh Club, Inc) are parties to an Agreement, dated as of November 6, 2001 (the "Brand Management Agreement"), whereby, among other agreements, Earthbound was granted certain brand-expansion and marketing rights with respect to IM's products and trademarks (the "IM Business");

WHEREAS, IM, XCel and IM Brands, LLC ("IMB") are parties to that certain Asset Purchase Agreement, dated May 19, 2011 and as amended July 28, 2011 and as may be amended by the parties thereto in their sole discretion (the "APA"), pursuant to which XCel and IMB have agreed to purchase certain assets, and assume certain liabilities, of IM, in accordance with the terms thereof; and

WHEREAS, in order to induce XCel and IMB to consummate the transactions contemplated by the APA, IM and Earthbound have agreed that Earthbound will contribute cash and various assets, including but not limited to the Brand Management Agreement and the intellectual property rights, brand-expansion and marketing rights associated therewith to XCel or its successor in interest, pursuant to the terms of that certain contribution agreement between Earthbound, XCel and IM ("Contribution Agreement").

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Defined Terms. Capitalized terms used but not otherwise defined in this Agreement shall have the meanings and definitions attributed to such terms in the APA.

2. Effective Date. Contemporaneously with the closing of the transactions contemplated by the APA, and payment of the Initial Payment as set forth in paragraph 3 ("Effective Date"), this Agreement will become effective. In the event the transactions contemplated by the APA do not close on or before December 31, 2011 or Earthbound does not receive payment of the Initial Payment as set forth in paragraph 3 this Agreement shall be null and void.

3. Transitional Services.

(i) As consideration for the transition services provided by Earthbound to IM in preparation for and in connection with the transactions contemplated by the APA, on the Effective Date, IM will pay Earthbound Six Hundred Thousand Dollars ($600,000) (the "Initial Payment") contemporaneously with the closing of the transactions contemplated by the APA, which amount shall be paid by wire transfer of immediately available funds to an account designated by Earthbound, and without any offset or deduction whatsoever and .

(ii) One Million Five Hundred Thousand Dollars ($1,500,000.00) (the "Future Payments") payable during the five calendar years following the Effective Date pursuant to the payment schedule set forth below. Such payments will be paid by wire transfer of immediately available funds to an account designated by Earthbound within 45 days following the end of each calendar quarter, as follows:

Quarters Ending	Payment per Quarter
March 31, 2012, June 30, 2012, September 30, 2012, December 31, 2012	$ 37,500.00
March 31, 2013, June 30, 2013, September 30, 2013, December 31, 2013	$ 81,250.00
March 31, 2014, June 30, 2014, September 30, 2014, December 31, 2014	$ 81,250.00
March 31, 2015, June 30, 2015, September 30, 2015, December 31, 2015	$ 87,500.00
March 31, 2016, June 30, 2016, September 30, 2016, December 31, 2016	$ 87,500.00

Earthbound and IM agree that IM shall assign all of its obligations under this Section 3(ii) to a purchaser of all or substantially all of its assets (the "Buyer") and, upon such assignment, (a) IM shall automatically be released, without any further action on the party of any party, from all of its obligations under this Section 3(ii), and (b) the Buyer shall make all installment payments of the Future Payments directly to Earthbound.

In the event any installment of the Future Payments is not paid when due, and payment is not made within thirty (30) days after notice of non-payment is sent to IM and XCel, interest shall accrue and be paid on such unpaid balance, computed from the original due date, at a rate of interest equal to the prime rate of interest as reported by Citibank on the date payment was due plus four (4) percentage points.

4. Release and Indemnification by Earthbound.

(a) As of the Effective Date, excepting only obligations arising under this Agreement and obligations explicitly referenced in this Agreement as surviving the Effective Date, Earthbound, on behalf of itself and the other Earthbound Parties (as defined in Section 5), remises, releases and forever discharges IM and each of IM's current and former employees, directors, managers, officers, members, affiliates (including Laugh Club Inc.), agents, assigns, representatives, attorneys, and/or successors in interest (collectively, the "IM Parties"), of and from any and all obligations, debts, reckonings, promises, covenants, agreements, contracts, endorsements, bonds, controversies, suits, actions, causes of actions, guaranties, judgments, executions, damages, debts, sums of money, dues, controversies, claims or demands, in law or in equity, known or unknown ("Claims") against any or all of the IM Parties, which Earthbound or any of the other Earthbound Parties, ever had, now has or hereafter can, shall, or may have from the beginning of the world to the Effective Date, including, but not limited to, any Claims arising under, or in connection with, the Brand Management Agreement, or otherwise with respect to the general business relationship between IM and Earthbound as it existed at any time on or prior to the Effective Date. Earthbound agrees to indemnify and hold harmless all IM Parties from and against any and all actions, liabilities, damages and costs arising from, or in connection with, any action or proceeding, brought by, or prosecuted by, or on the initiative of Earthbound and/or any person or entity acting on Earthbound's behalf, contrary to the provisions of this Section 4. Earthbound agrees that this agreement of indemnity shall be deemed breached and a cause of action shall be deemed to have accrued thereon immediately upon commencement of any action contrary to this Section 4(a), and that this Section 4(a) may be pleaded as a defense or asserted by way of counterclaim or cross-claim in any such action.

(b) As of the Effective Date, excepting only obligations arising under this Agreement and the Contribution Agreement, Earthbound on behalf of itself and the other Earthbound Parties, remises, releases and forever discharges XCel and each of XCel's current and former employees, directors, officers, shareholders, affiliates, agents, assigns, representatives, attorneys, subsidiaries, and/or successors in interest (collectively, the "XCel Parties"), of and from any and all Claims against any or all of the XCel Parties, which Earthbound, or any of the other Earthbound Parties, ever had, now has or hereafter can, shall, or may have from the beginning of the world to the Effective Date. Earthbound agrees to indemnify and hold harmless all XCel Parties from and against any and all actions, liabilities, damages and costs arising from, or in connection with, any action or proceeding, brought by, or prosecuted by, or on the initiative of Earthbound and/or any person or entity acting on Earthbound's behalf, contrary to the provisions of this Section 4(b). Earthbound agrees that this agreement of indemnity shall be deemed breached and a cause of action shall be deemed to have accrued thereon immediately upon commencement of any action contrary to this Section 4(b), and that this Section 4(b) may be pleaded as a defense or asserted by way of counterclaim or cross-claim in any such action.

(c) Earthbound further agrees to indemnify and hold harmless the IM Parties and the XCel Parties from and against any and all actions, liabilities damages and costs arising from, or in connection with the breach by Earthbound of any of its obligations under this Agreement.

5. Release and Indemnification by IM. As of the Effective Date, excepting only obligations arising under this Agreement and obligations explicitly referenced in this Agreement as surviving the Effective Date, IM, on behalf of itself and the other IM Parties (as defined in Section 4), remises, releases and discharges Earthbound and each of Earthbound's current and former employees, directors, members, managers, officers, shareholders, subsidiaries, affiliates (including Laugh Club Inc.), agents, assigns, representatives, attorneys, and/or successors in interest (collectively, the "Earthbound Parties"), of and from any and all Claims against any or all of the Earthbound Parties, which IM, or any of the other IM Parties, ever had, now has or hereafter can, shall, or may have from the beginning of the world to the Effective Date, including, but not limited to, any Claims arising under, or in connection with, the Brand Management Agreement, or otherwise with respect to the general business relationship between Earthbound and IM as it existed at any time on or prior to the Effective Date. IM agrees to indemnify and hold harmless all Earthbound Parties from and against any and all actions, liabilities, damages and costs arising from, or in connection with, any action or proceeding, brought by, or prosecuted by, or on the initiative of IM and/or any person or entity acting on IM's behalf, contrary to the provisions of this Section 6. IM agrees that this agreement of indemnity shall be deemed breached and a cause of action shall be deemed to have accrued thereon immediately upon the commencement of any action contrary to this Section 5, and that this Section 5 may be pleaded as a defense or asserted by way of counterclaim or cross-claim in any such action. IM further agrees to indemnify and hold harmless the Earthbound Parties and the XCel Parties from and against any and all actions, liabilities damages and costs arising from, or in connection with the breach by IM of any of its obligations under this Agreement.

6. Indemnification by XCel. XCel agrees to indemnify and hold harmless the IM Parties from and against any and all actions, liabilities, damages and costs arising from, or in connection with, the breach by XCel or any of its affiliates of any of their respective obligations under this Agreement other than any claims which may be governed by the APA.

7. Confidentiality. Each Party agrees to treat the other's trade secrets and nonpublic information and the terms and conditions of this Agreement as confidential information (the "Confidential Information"). Each party shall only transmit the Confidential Information to such of its directors, officers, employees, Affiliates, attorneys, accountants, consultants and advisors who need to know such information for purposes of effecting this Agreement or performing business hereunder and who shall agree to be bound by the terms and conditions of this Section. Each party agrees that the Confidential Information shall not be disclosed to others, except as necessary to carry out or enforce the terms of this Agreement or as may be required by law, securities regulations, or legal process; provided, however, that the party making such disclosure shall provide notice to the other party prior to such disclosure and shall use reasonable commercial efforts to secure confidential protection of such information and to limit such disclosure to the extent possible.

8. Separate Counsel. The Parties hereto acknowledge and agree that (i) each Party has reviewed and negotiated the terms and provisions of this Agreement and has had the opportunity to contribute to its revision, and (ii) each Party has been represented by independent counsel of their choice in reviewing and negotiating such terms and provisions. Accordingly, the rule of construction to the effect that ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement. Any controversy over construction of this Agreement shall be decided without regard to events of authorship or negotiation.

9. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, including Sections 5-1401 and 5-1402 of the New York General Obligations Law. Each party hereto (a) submits to the jurisdiction of any state or federal court sitting in the State of New York in any action or proceeding arising out of or relating to this Agreement, (b) agrees that all claims in respect of such action or proceeding may be heard and determined in any such court, (c) waives any claim of inconvenient forum or other challenge to venue in such court, (d) agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court and (e) waives any right it may have to a trial by jury with respect to any action or proceeding arising out of or relating to this Agreement.

10. Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by all of the Parties hereto. No waiver by any Party hereto of any right or remedy hereunder shall be valid unless the same shall be in writing and signed by the Party giving such waiver. No waiver by any party hereto with respect to any default, misrepresentation, or breach of warranty or covenant hereunder shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

11. Entire Agreement. This Agreement constitutes the entire Agreement among the Parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements, representations and understandings of the Parties with respect thereto.

12. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile or digital signature.

[signature page follows]

IN WITNESS WHEREOF, each of the Parties hereto has executed this Agreement as of the date first written above.

IM READY-MADE LLC

By: /s/ Isaac Mizrahi
Name: Isaac Mizrahi
Title:

IM READY-MADE LLC

By: /s/ Marisa Gardini
Name: Marisa Gardini
Title: President and CEO

EARTHBOUND LLC

By: /s/ Jack Dweck
Name: Jack Dweck
Title:

EARTHBOUND LLC

By: /s/ Jeff Cohen
Name: Jeff Cohen
Title: Co-Chairman

XCEL BRANDS, INC.

By: /s/ Robert W. D'Loren
Name: Robert W. D'Loren
Title:

[Signature Page to Release and Transition Services Agreement]

ASSIGNMENT AND ASSUMPTION, LANDLORD CONSENT

AGREEMENT (this "Agreement"), dated as of September 27, 2011, among Adler Holdings III, LLC, having its principal office c/o The Adler Group, Inc., at 654 Madison Avenue, New York NY 10065 (hereinafter referred to as "Landlord"), IM Ready-Made, LLC, a Delaware corporation, having an address at 475 Tenth Avenue, New York NY 10065 (hereinafter referred to as "Assignor"), and XCel Brands, Inc., a Delaware corporation, having an address at 475 Tenth Avenue, New York NY 10065 (hereinafter referred to as "Assignee").

W I T N E S S E T H:

WHEREAS, Landlord and Assignor, as tenant, are parties to that certain Agreement of Lease as described in Exhibit "A" annexed hereto, as the same may have been amended (the "Lease"), covering certain premises as described in the Lease and located at 475 Tenth Avenue, New York, New York (the "Building"); and

WHEREAS, Assignor desires to assign to Assignee, effective as of September 27, 2011, all of Assignor's right, title and interest, as tenant, in and to the Lease; and

WHEREAS, Assignor and Assignee have requested that Landlord consent thereto; and

WHEREAS, Landlord is willing to do so upon the terms and conditions hereinafter stated, and provided that IM Brands, LLC, a Delaware limited liability company, executes and delivers to Landlord that certain guaranty of the Lease in the form annexed hereto as Exhibit "B" (the "Guaranty").

NOW, THEREFORE, in consideration of One ($1.00) Dollar and other good and valuable consideration, the mutual receipt and sufficiency of which is hereby acknowledged, the undersigned hereby covenant, agree and represent as follows:

1. Assignment and Assumption. Assignor hereby assigns unto Assignee all of Assignor's right, title and interest in and to the Lease, including, without limitation, the security deposit held thereunder, and Assignee hereby assumes, covenants and agrees to perform and to observe all of the terms, covenants, conditions and agreements set forth in the Lease on the part of the tenant therein to be fulfilled, kept, observed and performed during the term of the Lease and any renewal, extension or modification thereof.

2. Consent to Assignment. Subject to the terms and conditions hereinafter set forth, Landlord hereby consents to the above assignment and assumption of the Lease.

3. Current Personal Guarantor; Release for Increased Security; Letter of Credit. A. Assignor and Assignee have requested that Landlord release Isaac Mizrahi ("IM") from his Guaranty (the "IM Guaranty") given to Landlord, pursuant to which he is personally liable under the terms of the IM Guaranty, and Landlord hereby agrees that provided and so long as Tenant has not be in default of this Lease (or, if in default, has cured such default within the applicable cure period), IM will be released from any and all obligations under the IM Guaranty with respect to all obligations of the Tenant under the Lease first arising and accruing after the date on which Assignee or IM delivers to Landlord a bank check payable to the order of Landlord, in sum sufficient to raise the security then held under the Lease to an amount equal to six (6) months of the then current rate of monthly fixed rent, which sum shall be held as additional security under the Lease in accordance with the same terms and conditions as apply to the existing security under the Lease. In lieu of a bank check as aforesaid, Assignee may deliver a letter of credit in the required amount subject to the terms and conditions below.

B. The letter of credit shall be a clean, irrevocable and unconditional letter of credit issued by and drawn upon a commercial bank reasonably satisfactory to Landlord having retail offices within New York County, with a tangible net worth of not less than $25,000,000,000 (the “Issuing Bank”). The letter of credit shall have a term of not less than one (1) year, be in form and content satisfactory to Landlord and for the account of Landlord in the required amount. Without limiting the foregoing, (a) the letter of credit shall at all times be presentable for immediate payment within the City and County of New York, (b) the costs chargeable by the Issuing Bank for transfer of the letter of credit to any transferee of Landlord shall be for the account of Assignee (hereinafter in this subparagraph B. referred to as “Tenant”"), and (c) in no event shall the letter of credit expire prior to the date which is thirty (30) days following the date on which the Lease expires, subject to the Issuing Bank's right to issue a "Non-Renewal Notice" (as hereinafter defined) which shall give rise to Landlord's right to draw down the letter of credit as hereinafter provided. The Issuing Bank shall pay to Landlord or its duly authorized representative the face amount of the letter of credit upon presentation of the letter of credit and a certificate as specified below. Said letter of credit shall expressly provide that it shall be deemed automatically renewed without amendment, for consecutive periods of one (1) year each thereafter during the term of the Lease, until the Issuing Bank sends written notice (the "Non-Renewal Notice") to Tenant by certified mail, return receipt requested, not less than sixty (60) days next preceding the expiration date of the existing letter of credit that it elects not to have such letter of credit renewed. Additionally, the letter of credit shall provide that Landlord shall have the right, exercisable after receipt of the Non-Renewal Notice, by sight draft on the Issuing Bank, to receive the monies represented by the existing letter of credit and, in such event, Landlord will hold said proceeds as a cash security deposit until a substitute letter of credit complying with the terms hereof is provided. The letter of credit shall provide that it will be honored by the Issuing Bank upon the delivery of Landlord's sight draft and a statement signed by Landlord indicating that Landlord is entitled to draw down on the letter of credit, without inquiry by the Issuing Bank as to such statement's accuracy and regardless of whether Tenant disputes the contents of such statements. If as a result of application of all or any part of the security deposit, the amount secured by the letter of credit shall be less than the required amount, Tenant shall provide Landlord, within ten (10) days after demand, an amendment to the letter of credit or additional letter(s) of credit and/or cash in an amount equal to such deficiency. In the event Tenant is in default and the Lease is terminated, or in the event Tenant seeks protection under applicable bankruptcy laws, Landlord shall have the right to draw down and retain for the proceeds of the letter of credit on account of its damages. In the event of a sale of the land and the building or a leasing of the building or any portion thereof of which the demised premises form a part, Landlord shall transfer the letter of credit or cash security, as the case may be, to the vendee or lessee, and Landlord shall thereupon be released by Tenant from all liability for the return thereof, provided that such transferee acknowledges in writing its receipt of said security. Tenant shall cooperate in causing the letter of credit to be transferred to the vendee or lessee, including, but not limited to, such instruments as may be required by the Issuing Bank. It is agreed that the provisions hereof shall apply to every transfer or assignment made of the letter of credit or cash security to a new owner or underlying lessor as aforesaid. Tenant covenants that it will not assign or encumber, or attempt to assign or encumber, the letter of credit or monies deposited hereunder as security, and that neither Landlord nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment, or attempted encumbrance.

4. No Default. Assignor and Assignee jointly and severally represent and warrant that (i) all obligations under the Lease to be performed by Landlord have been fully performed and satisfied, (ii) no circumstance or event exists which with the giving of notice or the passage of time, or both, would constitute a default by Landlord under the Lease, (iii) no claim of offset, counterclaim or deduction to any rent or other sum due or to become due thereunder exists, and (iv) the Lease is a valid and subsisting obligation binding and enforceable against Assignee, as tenant, in accordance with its terms, as modified hereby. Assignor and Assignee jointly and severally represent and warrant that Assignee has acquired and will continue to own all or substantially all of the assets of Assignor, including, but not limited to, all of the right, title and interest in and to any intellectual property utilized in connection therewith. This Agreement shall not release Assignor from any liability under the Lease for the term thereof as the original tenant thereunder.

5. Ratification. Except as hereinabove set forth, all of the terms, covenants and conditions of the Lease shall remain in full force and effect as heretofore written, and the Lease is hereby ratified and confirmed in every respect.

6. Broker. Assignor and Assignee jointly and severally represent and warrant to Landlord that they have had no dealings or communications in connection with this transaction or the negotiation hereof with any broker, agent, finder or like person, and each hereby jointly and severally covenants and agrees to hold harmless, defend and indemnify Landlord and its agents from and against any and all demands, claims, actions, proceedings, judgments, costs, expenses and/or liabilities, including, without limitation, reasonable attorneys' fee and court costs, suffered or incurred by Landlord and/or its agents, for any compensation, commissions, fees and/or charges claimed by anyone in connection with or arising from this transaction.

7. Governing Law; Paragraph Headings; No Recording. This Agreement shall be governed by the laws of the State of New York. The headings of each paragraph are for convenience only and the provisions of this Agreement are to be construed without reference thereto. This Agreement may not be recorded.

8. Entire Agreement; Modification; Counterparts. This Agreement contains the entire understanding among the parties, and any other prior understandings or agreements of any kind, oral or written, regarding the subject matter hereof are hereby merged in this Agreement. This Agreement cannot be modified except by a writing executed by the party to be charged. This Agreement may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original, and all such counterparts together shall constitute one and the same instrument.

9. Binding Nature. This Agreement, and the terms, covenants, conditions and provisions hereof, including the Landlord's consent herein, shall not be binding upon the Landlord unless and until (a) Landlord shall have received: (i) four (4) original counterparts of this Agreement duly executed by Assignor and Assignee, (ii) four (4) original counterparts of the Guaranty duly executed by the Guarantor, and (iii) Assignee's or Assignor's check in the amount of $$3,000.00 payable to the order of Levy Holm Pellegrino & Drath LLP for Landlord's attorneys' fees, and (b) Landlord shall have delivered to Assignee (and/or its counsel), a fully executed counterpart of this Agreement. If the check fails collection, Landlord, at its option may declare this Agreement null and void, and/or declare a default by under the Lease. Once delivered as aforesaid, this Agreement shall be binding upon the parties and their respective successors and permitted assigns.

[Balance of Page Intentionally Left Blank; Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as of the day and year set forth above.

Assignor:	IM Ready-Made, LLC By: /s/ Marisa Gardini Name: Marisa Gardini Title:
Assignee:	Xcel Brands, Inc. By: /s/ Robert D'Loren Name: Robert D'Loren Title: Chairman and CEO
Landlord:	Adler Holdings III, LLC By: /s/ Robert Liberman Name: Robert Liberman Title:

ACKNOWLEDGMENT FOR ASSIGNOR

STATE OF NEW YORK)
ss.
COUNTY OF NEW YORK)

On the ____ day of September, 2011, before me the undersigned, personally appeared _____ personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within agreement and acknowledged to me that he/she/their signature(s) on the instrument, the individual(s), or person upon behalf of which the individual(s) acted, executed the instrument.

Patricia Dolan Goldman
Notary

ACKNOWLEDGMENT FOR ASSIGNEE

STATE OF NEW YORK)
ss.
COUNTY OF NEW YORK)

On the ____ day of September, 2011, before me the undersigned, personally appeared _____ personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within agreement and acknowledged to me that he/she/their signature(s) on the instrument, the individual(s), or person upon behalf of which the individual(s) acted, executed the instrument.

_____
Notary

ACKNOWLEDGMENT FOR ASSIGNOR

STATE OF NEW YORK)
ss.
COUNTY OF NEW YORK)

On the ____ day of September, 2011, before me the undersigned, personally appeared _____ personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within agreement and acknowledged to me that he/she/their signature(s) on the instrument, the individual(s), or person upon behalf of which the individual(s) acted, executed the instrument.

_____
Notary

ACKNOWLEDGMENT FOR ASSIGNEE

STATE OF NEW YORK)
ss.
COUNTY OF NEW YORK)

On the 27th day of September, 2011, before me the undersigned, personally appeared ROBERT D'LOREN personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within agreement and acknowledged to me that he/she/their signature(s) on the instrument, the individual(s), or person upon behalf of which the individual(s) acted, executed the instrument.

Lori Ann Shea
Notary

EXHIBIT "A"

(Lease)

STANDARD FORM OF LOFT LEASE
The Real Estate Board of New York, Inc.

9/99

AGREEMENT OF LEASE, made as of this 29th day of August, 2005, between Adler Holdings III, LLC, a New York limited liability company, having an address c/o The Adler Group, Inc., 654 Madison Avenue, New York, New York 10021, party of the first part, hereinafter referred to as "Landlord" or "Owner", and IM Ready-Made, LLC, a New York limited liability company, having an address at 475 Tenth Avenue, New York, New York 10018, party of the second part, hereinafter collectively, referred to as "Tenant".

WITNESSETH: Landlord hereby leases to Tenant and Tenant hereby hires from Landlord the premises (hereinafter hereby called "premises", "demised premises" or "Premises") consisting of the entire rentable portion of the 4th floor, as substantially hatched on the floor plan annexed hereto as Exhibit A and made a part hereof, in the building known as 469-475 Tenth Avenue, New York, New York (hereinafter called "building" or "Building"), for the term (hereinafter called "term" or "Term") to commence on the date of substantial completion of Landlord's Work (such date, hereinafter call the "Commencement Date"), and to end on the tenth (10th) anniversary of the Rent Commencement Date, as herein defined (such date hereinafter called "Expiration Date"), or until such term shall sooner cease and expire as hereinafter provided, both dates inclusive, at an annual rental rate set forth in Article 68 hereof (hereinafter called "Rent" or "Fixed Rent"), together with all other sums of money as shall become due and payable by Tenant under this Lease (hereinafter called "additional rent" or "Additional Rent"), which Tenant agrees to pay in lawful money of the United States by check drawn on a bank or trust company which is a member of the Clearing House, in equal monthly installments in advance on the first day of each month during said term, at the office of Landlord or such other place as Landlord may designate, without any set off or deduction whatsoever, except that Tenant shall pay the first monthly installment of fixed rent, which sums shall be applied as provided hereunder from and after the expiration of the Abatement Period (as hereinafter defined).

The parties hereto, for themselves, their heirs, distributees, executors, administrators, legal representatives, successors and assigns, hereby covenant as follows:

Rent: 1. Tenant shall pay the rent as above and as hereinafter provided.

Occupancy: 2. Tenant shall use and occupy the demised premises for general, executive and administrative offices, showroom and design and production studio (collectively, the "Primary Use"); it being agreed that Tenant shall have the right, subject to the terms, conditions and limitations contained in this Lease, ancillary to the Primary Use, to use a portion of the Premises to accommodate live audiences (the "Audience Room") during the taping of television talk shows in various parts of the Premises (the "Taping Use"), all of which uses shall in all instances be commensurate with the character and dignity of the Building as a first class building, and for no other purpose. Tenant shall at all times conduct its business in a high grade and reputable manner and shall not violate any provisions of this Lease.

Alterations: 3. Tenant shall make no changes in or to the demised premises of any nature without Owner's prior written consent. Subject to the prior written consent of Owner and to the provisions of this article, Tenant, at Tenant's expense, may make alterations, installations, additions or improvements which are non-structural and which do not affect utility services or plumbing and electrical lines, in or to the interior of the demised premises, using contractors or mechanics first approved in each instance by Owner. Tenant shall, at its expense, before making any alterations, additions, installations or improvements obtain all permits, approvals and certificates required by any governmental or quasi-governmental bodies and (upon completion) certificates of final approval thereof, and shall deliver promptly duplicates of all such permits, approvals and certificates to Owner. Tenant agrees to carry, and will cause Tenant's contractors and sub-contractors to carry, such worker's compensation, general liability, personal and property damage insurance as Owner may require. If any mechanic's lien is filed against the demised premises, or the building of which the same forms a part, for work claimed to have been done for, or materials furnished to, Tenant, whether or not done pursuant to this article, the same shall be discharged by Tenant within thirty (30) days thereafter, at Tenant's expense, by payment or filing a bond as permitted by law. All fixtures and all panelling, partitions, railings and like installations, installed in the demised premises at any time, either by Tenant or by Owner on Tenant's behalf, shall, upon installation, become the property of Owner and shall remain upon and be surrendered with the demised premises unless Owner, by notice to Tenant no later than twenty (20) days prior to the date fixed as the termination of this lease, elects to relinquish Owner's right thereto and to have them removed by Tenant, in which event the same shall be removed from the demised premises by Tenant prior to the expiration of the lease, at Tenant's expense. Nothing in this article shall be construed to give Owner title to, or to prevent Tenant's removal of, trade fixtures, moveable office furniture and equipment, but upon removal of same from the demised premises, or upon removal of other installations as may be required by Owner, Tenant shall immediately, and at its expense, repair and restore the demised premises to the condition existing prior to any such installations, and repair any damage to the demised premises or the building due to such removal. All property permitted or required to be removed by Tenant at the end of the term remaining in the demised premises after Tenant's removal shall be deemed abandoned and may, at the election of Owner, either be retained as Owner's property or removed from the demised premises by Owner, at Tenant's expense.

Repairs: 4. Owner shall maintain and repair the exterior of and the public portions of the building. Tenant shall, throughout the term of this lease, take good care of the demised premises including the bathrooms and lavatory facilities (if the demised premises encompass the entire floor of the building), the windows and window frames, and the fixtures and appurtenances therein, and at Tenant's sole cost and expense promptly make all repairs thereto and to the building, whether structural or non-structural in nature, caused by, or resulting from, the carelessness, omission, neglect or improper conduct of Tenant, Tenant's servants, employees, invitees, or licensees, and whether or not arising from Tenant's conduct or omission, when required by other provisions of this lease, including Article 6. Tenant shall also repair all damage to the building and the demised premises caused by the moving of Tenant's fixtures, furniture or equipment. All the aforesaid repairs shall be of quality or class equal to the original work or construction. If Tenant fails, after ten (10) days notice, to proceed with due diligence to make repairs required to be made by Tenant, the same may be made by Owner at the expense of Tenant, and the expenses thereof incurred by Owner shall be collectible, as additional rent, after rendition of a bill or statement therefor. If the demised premises be or become infested with vermin, Tenant shall, at its expense, cause the same to be exterminated. Tenant shall give Owner prompt notice of any defective condition in any plumbing, heating system or electrical lines located in the demised premises and following such notice, Owner shall remedy the condition with due diligence, but at the expense of Tenant, if repairs are necessitated by damage or injury attributable to Tenant, Tenant's servants, agents, employees, invitees or licensees as aforesaid. Except as specifically provided in Article 9 or elsewhere in this lease, there shall be no allowance to Tenant for a diminution of rental value and no liability on the part of Owner by reason of inconvenience, annoyance or injury to business arising from Owner, Tenant or others making or failing to make any repairs, alterations, additions or improvements in or to any portion of the building or the demised premises, or in and to the fixtures, appurtenances or equipment thereof. It is specifically agreed that Tenant shall not be entitled to any setoff or reduction of rent by reason of any failure of Owner to comply with the covenants of this or any other article of this lease. Tenant agrees that Tenant's sole remedy at law in such instance will be by way of an action for damages for breach of contract. The provisions of this Article 4 with respect to the making of repairs shall not apply in the case of fire or other casualty with regard to which Article 9 hereof shall apply.

Window Cleaning: 5. Tenant will not clean nor require, permit, suffer or allow any window in the demised premises to be cleaned from the outside in violation of Section 202 of the New York State Labor Law or any other applicable law, or of the Rules of the Board of Standards and Appeals, or of any other Board or body having or asserting jurisdiction.

Requirements of Law, Fire Insurance, Floor Loads: 6. Prior to the commencement of the lease term, if Tenant is then in possession, and at all times thereafter, Tenant shall, at Tenant's sole cost and expense, promptly comply with all present and future laws, orders and regulations of all state, federal, municipal and local governments, departments, commissions and boards and any direction of any public officer pursuant to law, and all orders, rules and regulations of the New York Board of Fire Underwriters, Insurance Services Office, or any similar body which shall impose any violation, order or duty upon Owner or Tenant with respect to the demised premises, whether or not arising out of Tenant's use or manner of use thereof, or, with respect to the building if arising out of Tenant's use or manner of use of the demised premises or the building (including the use permitted under the lease). Except as provided in Article 30 hereof, nothing herein shall require Tenant to make structural repairs or alterations unless Tenant has, by its manner of use of the demised premises or method of operation therein, violated any such laws, ordinances, orders, rules, regulations or requirements with respect thereto. Tenant shall not do or permit any act or thing to be done in or to the demised premises which is contrary to law, or which will invalidate or be in conflict with public liability, fire or other policies of insurance at any time carried by or for the benefit of Owner. Tenant shall not keep anything in the demised premises except as now or hereafter permitted by the Fire Department, Board of Fire Underwriters, Fire Insurance Rating Organization and other authority having jurisdiction, and then only in such manner and such quantity so as not to increase the rate for fire insurance applicable to the building, nor use the demised premises in a manner which will increase the insurance rate for the building or any

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property located therein over that in effect prior to the commencement of Tenant's occupancy. If by reason of failure to comply with the foregoing the fire insurance rate shall, at the beginning of this lease or at any time thereafter, be higher than it otherwise would be, then Tenant shall reimburse Owner, as additional rent hereunder, for that portion of all fire insurance premiums thereafter paid by Owner which shall have been charged because of such failure by Tenant. In any action or proceeding wherein Owner and Tenant are parties, a schedule or "make-up" or rate for the building or demised premises issued by a body making fire insurance rates applicable to said premises shall be conclusive evidence of the facts therein stated and of the several items and charges in the fire insurance rates then applicable to said premises. Tenant shall not place a load upon any floor of the demised premises exceeding the floor load per square foot area which it was designed to carry and which is allowed by law. Owner reserves the right to prescribe the weight and position of all safes, business machines and mechanical equipment. Such installations shall be placed and maintained by Tenant, at Tenant's expense, in settings sufficient, in Owner's judgement, to absorb and prevent vibration, noise and annoyance. F

Subordination: 7. This lease is subject and subordinate to all ground or underlying leases and to all mortgages which may now or hereafter affect such leases or the real property of which the demised premises are a part, and to all renewals, modifications, consolidations, replacements and extensions of any such underlying leases and mortgages. This clause shall be self-operative and no further instrument of subordination shall be required by any ground or underlying lessor or by any mortgagee, affecting any lease or the real property of which the demised premises are a part. In confirmation of such subordination, Tenant shall from time to time execute promptly any certificate that Owner may request.

Tenant's Liability Insurance Property Loss, Damage, Indemnity: 8. Owner or its agents shall not be liable for any damage to property of Tenant or of others entrusted to employees of the building, nor for loss of, or damage to, any property of Tenant by theft or otherwise, nor for any injury or damage to persons or property resulting from any cause of whatsoever nature, unless caused by, or due to, the negligence of Owner, its agents, servants or employees; Owner or its agents shall not be liable for any damage caused by other tenants or persons in, upon or about said building or caused by operations in construction of any private, public or quasi public work. If at any time any windows of the demised premises are temporarily closed, darkened or bricked up (or permanently closed, darkened or bricked up, if required by law) for any reason whatsoever including, but not limited to, Owner's own acts, Owner shall not be liable for any damage Tenant may sustain thereby, and Tenant shall not be entitled to any compensation therefor nor abatement or diminution of rent, nor shall the same release Tenant from its obligations hereunder nor constitute an eviction. Tenant shall indemnify and save harmless Owner against and from all liabilities, obligations, damages, penalties, claims, costs and expenses for which Owner shall not be reimbursed by insurance, including reasonable attorney's fees, paid, suffered or incurred as a result of any breach by Tenant, Tenant's agents, contractors, employees, invitees, or licensees, of any covenant or condition of this lease, or the carelessness, negligence or improper conduct of Tenant, Tenant's agents, contractors, employees, invitees or licensees. Tenant's liability under this lease extends to the acts and omissions of any subtenant, and any agent, contractor, employee, invitee or licensee of any subtenant. In case any action or proceeding is brought against Owner by reason of any such claim, Tenant, upon written notice from Owner, will, at Tenant's expense, resist or defend such action or proceeding by counsel approved by Owner in writing, such approval not to be unreasonably withheld. (4) (5)

Destruction, Fire and Other Casualty: 9. (a) If the demised premises or any part thereof shall be damaged by fire or other casualty, Tenant shall give immediate notice thereof to Owner and this lease shall continue in full force and effect except as hereinafter set forth. (b) If the demised premises are partially damaged or rendered partially unusable by fire or other casualty, the damages thereto shall be repaired by, and at the expense of Owner, and the rent and other items of additional rent, until such repair shall be substantially completed, shall be apportioned from the day following the casualty according to the part of the demised premises which is usable. (c) If the demised premises are totally damaged or rendered wholly unusable by fire or other casualty, then the rent and other items of additional rent as hereinafter expressly provided shall be proportionately paid up to the time of the casualty and thenceforth shall cease until the date when the premises shall have been repaired and restored by Owner (or sooner reoccupied in part by Tenant then rent shall be apportioned as provided in subsection (b) above), subject to Owner's right to elect not to restore the same as hereinafter provided. (d) If the demised premises are rendered wholly unusable or (whether or not the demised premises are damaged in whole or in part) if the building shall be so damaged that Owner shall decide to demolish it or to rebuild it, then, in any of such events, Owner may elect to terminate this lease by written notice to Tenant, given within ninety (90) days after such fire or casualty, or thirty (30) days after adjustment of the insurance claim for such fire or casualty, whichever is sooner, specifying a date for the expiration of the lease, which date shall not be more than sixty (60) days after the giving of such notice, and upon the date specified in such notice the term of this lease shall expire as fully and completely as if such date were the date set forth above for the termination of this lease, and Tenant shall forthwith quit, surrender and vacate the demised premises without prejudice however, to Owner's rights and remedies against Tenant under the lease provisions in effect prior to such termination, and any rent owing shall be paid up to such date, and any payments of rent made by Tenant which were on account of any period subsequent to such date shall be returned to Tenant. Unless Owner shall serve a termination notice as provided for herein, Owner shall make the repairs and restorations under the conditions of (b) and (c) hereof, with all reasonable expedition, subject to delays due to adjustment of insurance claims, labor troubles and causes beyond Owner's control. After any such casualty, Tenant shall cooperate with Owner's restoration by removing from the demised premises as promptly as reasonably possible, all of Tenant's salvageable inventory and movable equipment, furniture, and other property. Tenant's liability for rent shall resume five (5) days after written notice from Owner that the demised premises are substantially ready for Tenant's occupancy. (c) Nothing contained hereinabove shall relieve Tenant from liability that may exist as a result of damage from fire or other casualty. Notwithstanding the foregoing, including Owner's obligation to restore under subparagraph (b) above, each party shall look first to any insurance in its favor before making any claim against the other party for recovery for loss or damage resulting from fire or other casualty, and to the extent that such insurance is in force and collectible, and to the extent permitted by law, Owner and Tenant each hereby releases and waives all right of recovery with respect to subparagraphs (b), (d) and (e) above, against the other or any one claiming through or under each of them by way of subrogation or otherwise. The release and waiver herein referred to shall be deemed to include any loss or damage to the demised premises and/or to any personal property, equipment, trade fixtures, goods and merchandise located therein. The foregoing release and waiver shall be in force only if both releasors' insurance policies contain a clause providing that such a release or waiver shall not invalidate the insurance. If, and to the extent, that such waiver can be obtained only by the payment of additional premiums, then the party benefitting from the waiver shall pay such premium within ten (10) days after written demand or shall be deemed to have agreed that the party obtaining insurance coverage shall be free of any further obligation under the provisions hereof with respect to waiver of subrogation. Tenant acknowledges that Owner will not carry insurance on Tenant's furniture and/or furnishings or any fixtures or equipment, improvements, or appurtenances removable by Tenant, and agrees that Owner will not be obligated to repair any damage thereto or replace the same. (f) Tenant hereby waives the provisions of Section 227 of the Real Property Law and agrees that the provisions of this article shall govern and control in lieu thereof.

Eminent Domain: 10. If the whole or any part of the demised premises shall be acquired or condemned by Eminent Domain for any public or quasi public use or purpose, then and in that event, the term of this lease shall cease and terminate from the date of title vesting in such proceeding and Tenant shall have no claim for the value of any unexpired term of said lease. Tenant shall have the right to make an independent claim to the condemning authority for the value of Tenant's moving expenses and personal property, trade fixtures and equipment, provided Tenant is entitled pursuant to the terms of the lease to remove such property, trade fixtures and equipment at the end of the term, and provided further such claim does not reduce Owner's award.

Assignment, Mortgage, Etc.: 11. Tenant, for itself, its heirs, distributees, executors, administrators, legal representatives, successors and assigns, expressly covenants that it shall not assign, mortgage or encumber this agreement, nor underlet, or suffer or permit the demised premises or any part thereof to be used by others, without the prior written consent of Owner in each instance. Transfer of the majority of the stock of a corporate Tenant or the majority partnership interest of a partnership Tenant shall be deemed an assignment. If this lease be assigned, or if the demised premises or any part thereof be underlet or occupied by anybody other than Tenant, Owner may, after default by Tenant, collect rent from the assignee, undertenant or occupant, and apply the net amount collected to the rent herein reserved, but no such assignment, underletting, occupancy or collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, undertenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained. The consent by Owner to an assignment or underletting shall not in any wise be construed to relieve Tenant from obtaining the express consent in writing of Owner to any further assignment or underletting.

Electric Current: 12. Rates and conditions in respect to submetering or rent inclusion, as the case may be, to be added as RIDER attached hereto. Tenant covenants and agrees that at all times its use of electric current shall not exceed the capacity of existing feeders to the building or the risers or wiring installation, and Tenant may not use any electrical equipment which, in Owner's opinion, reasonably exercised, will overload such installations or interfere with the use thereof by other tenants of the building. The change at any time of the character of electric service shall in no wise make Owner liable or responsible to Tenant, for any loss, damages or expenses which Tenant may sustain.

Access to Premises: (7) 13. Owner or Owner's agents shall have the right (but shall not be obligated) to enter the demised premises in any emergency at any time, and, at other reasonable times, to examine the same and to make such repairs, replacements and improvements as Owner may deem necessary and reasonably desirable to any portion of the building, or which Owner may elect to perform in the demised premises after Tenant's failure to make repairs, or perform any work which Tenant is obligated to perform under this lease, or for the purpose of complying with laws, regulations and other directions of governmental authorities. Tenant shall permit Owner to use, maintain and replace pipes and conduits in and through the demised premises, and to erect new pipes and conduits therein provided, wherever possible, they are within walls or otherwise concealed. Owner may, during the progress of any work in the demised premises, take all necessary materials and equipment into said premises without the same constituting an eviction, nor shall Tenant be entitled to any abatement of rent while such work is in progress, nor to any damages by reason of loss or interruption of business or otherwise. Throughout the term hereof Owner shall have the right to enter the demised premises at reasonable hours for the purpose of showing the same to prospective purchasers or mortgagees of the building, and during the last six (6) months of the term for the purpose of showing the same to prospective tenants, and may, during said six (6) months period, place upon the demised premises the usual notices "To Let" and "For Sale" which notices Tenant shall permit to remain thereon without molestation. If Tenant is not present to open and permit an entry into the demised premises Owner or Owner's agents may enter the same whenever such entry may be necessary or permissible by master key or forcibly, and provided reasonable care is exercised to safeguard Tenant's property, such entry shall not render Owner or its agents liable therefor, nor in any event shall the obligations of Tenant hereunder be affected. If during the last month of the term Tenant shall have removed all or substantially all of Tenant's property therefrom, Owner may immediately enter, alter, renovate or redecorate the demised premises without limitation or abatement of rent, or incurring liability to Tenant for any compensation, and such act shall have no effect on this lease or Tenant's obligation hereunder. M

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(1) or such earlier date on which such repairs would have been completed but for delays (including, without limitation, delays in submitting plans) caused by Tenant
(2) public portions of the Building
(3) Owner's restoration work as provided herein is substantially completed
(4) other than the intentionally wrongful acts or gross negligence of Landlord, its agents, servant or employees
(5) or delayed
(6) the date of such casualty
(7) on reasonable notice to Tenant
(8) In the event of an emergency

Vault, Vault Space, Area: 14. No vaults, vault space or area, whether or not enclosed or covered, not within the property line of the building is leased hereunder, anything contained in or indicated on any sketch, blue print or plan, or anything contained elsewhere in this lease to the contrary notwithstanding. Owner makes no representation as to the location of the property line of the building. All vaults and vault space and all such areas not within the property line of the building, which Tenant may be permitted to use and/or occupy, is to be used and/or occupied under a revocable license, and if any such license be revoked, or if the amount of such space or area be diminished or required by any federal, state or municipal authority or public utility, Owner shall not be subject to any liability, nor shall Tenant be entitled to any compensation or diminution or abatement of rent, nor shall such revocation, diminution or requisition be deemed constructive or actual eviction. Any tax, fee or charge of municipal authorities for such vault or area shall be paid by Tenant, if used by Tenant, whether or not specifically leased hereunder.

Occupancy: 15. Tenant will not at any time use or occupy the demised premises in violation of the certificate of occupancy issued for the building of which the demised premises are a part. Tenant has inspected the demised premises and accepts them as is, subject to the riders annexed hereto with respect to Owner's work, if any. In any event, Owner makes no representation as to the condition of the demised premises and Tenant agrees to accept the same subject to violations, whether or not of record. If any governmental license or permit shall be required for the proper and lawful conduct of Tenant's business, Tenant shall be responsible for, and shall procure and maintain, such license or permit.

Bankruptcy: 16. (a) Anything elsewhere in this lease to the contrary notwithstanding, this lease may be cancelled by Owner by sending of a written notice to Tenant within a reasonable time after the happening of any one or more of the following events: (1) the commencement of a case in bankruptcy or under the laws of any state naming Tenant as the debtor; or (2) the making by Tenant of an assignment or any other arrangement for the benefit of creditors under any state statute. Neither Tenant nor any person claiming through or under Tenant, or by reason of any statute or order of court, shall thereafter be entitled to possession of the premises demised, but shall forthwith quit and surrender the demised premises. If this lease shall be assigned in accordance with its terms, the provisions of this Article 16 shall be applicable only to the party then owning Tenant's interest in this lease.

(b) It is stipulated and agreed that in the event of the termination of this lease pursuant to (a) hereof, Owner shall forthwith, notwithstanding any other provisions of this lease to the contrary, be entitled to recover from Tenant, as and for liquidated damages, an amount equal to the difference between the rental reserved hereunder for the unexpired portion of the term demised and the fair and reasonable rental value of the demised premises for the same period. In the computation of such damages the difference between any installment of rent becoming due hereunder after the date of termination and the fair and reasonable rental value of the demised premises for the period for which such installment was payable shall be discounted to the date of termination at the rate of four percent (4%) per annum. If the demised premises or any part thereof be relet by Owner for the unexpired term of said lease, or any part thereof, before presentation of proof of such liquidated damages to any court, commission or tribunal, the amount of rent reserved upon such reletting shall be deemed to be the fair and reasonable rental value for the part or the whole of the demised premises so re-let during the term of the re-letting. Nothing herein contained shall limit or prejudice the right of the Owner to prove for and obtain as liquidated damages by reason of such termination, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, such damages are to be proved, whether or not such amount be greater, equal to, or less than the amount of the difference referred to above.

Default: 17. (1) If Tenant defaults in fulfilling any of the covenants of this lease other than the covenants for the payment of rent or additional rent; ~~or if the demised premises become vacant or deserted~~, or if this lease be rejected under §365 of Title 11 of the U.S. Code (Bankruptcy Code); or if any execution or attachment shall be issued against Tenant or any of Tenant's property whereupon the demised premises shall be taken or occupied by someone other than Tenant; or if Tenant shall be in default with respect to any other lease between Owner and Tenant; or if Tenant shall have failed, ~~after five (5) days written notice~~, to redeposit with Owner any portion of the security deposited hereunder which Owner has applied to the payment of any rent and additional rent due and payable hereunder; or if Tenant fails to move into or take possession of the demised premises within thirty (30) days after the commencement of the term of this lease, ~~of which fact Owner shall be the sole judge~~; then in any one or more of such events, upon Owner serving a written ~~fifteen (15)~~ days notice upon Tenant specifying the nature of said default, and upon the expiration of said ~~fifteen (15)~~ days, if Tenant shall have failed to comply with or remedy such default, or if the said default or omission complained of shall be of a nature that the same cannot be completely cured or remedied within said ~~fifteen (15)~~ day period, and if Tenant shall not have diligently commenced during such default within such ~~fifteen (15)~~ day period, and shall not thereafter with reasonable diligence and in good faith, proceed to remedy or cure such default, then Owner may serve a written five (5) days notice of cancellation of this lease upon Tenant, and upon the expiration of said five (5) days this lease and the term thereunder shall end and expire as fully and completely as if the expiration of such five (5) day period were the day herein definitely fixed for the end and expiration of this lease and the term thereof, and Tenant shall then quit and surrender the demised premises to Owner, but Tenant shall remain liable as hereinafter provided.

(2) If the notice provided for in (1) hereof shall have been given, and the term shall expire as aforesaid; or if Tenant shall be in default in the payment of the rent reserved herein or any item of additional rent herein mentioned, or any part of either, or in making any other payment herein required; then, and in any of such events, Owner may without notice, re-enter the demised premises either by force or otherwise, and dispossess Tenant by summary proceedings or otherwise, and the legal representative of Tenant or other occupant of the demised premises, and remove their effects and hold the demised premises as if this lease had not been made, and Tenant hereby waives the service of notice of intention to re-enter or to institute legal proceedings to that end. If Tenant shall make default hereunder prior to the date fixed as the commencement of any renewal or extension of this lease, Owner may cancel and terminate such renewal or extension agreement by written notice.

Remedies of Owner and Waiver of Redemption: 18. In case of any such default, re-entry, expiration and/or dispossess by summary proceedings or otherwise, (a) the rent, and additional rent, shall become due thereupon and be paid up to the time of such re-entry, dispossess and/or expiration, (b) Owner may re-let the demised premises or any part or parts thereof, either in the name of Owner or otherwise, for a term or terms, which may at Owner's option be less than or exceed the period which would otherwise have constituted the balance of the term of this lease, and may grant concessions or free rent or charge a higher rental than that in this lease, (c) Tenant or the legal representatives of Tenant shall also pay to Owner as liquidated damages for the failure of Tenant to observe and perform said Tenant's covenants herein contained, any deficiency between the rent hereby reserved and or covenanted to be paid and the net amount, if any, of the rents collected on account of the subsequent lease or leases of the demised premises for each month of the period which would otherwise have constituted the balance of the term of this lease. The failure of Owner to re-let the demised premises or any part or parts thereof shall not release or affect Tenant's liability for damages. In computing such liquidated damages there shall be added to the said deficiency such expenses as Owner may incur in connection with re-letting, such as legal expenses, reasonable attorneys' fees, brokerage, advertising, and for keeping the demised premises in good order or for preparing the same for re-letting. Any such liquidated damages shall be paid to monthly installments by Tenant on the rent day specified in this lease, and any suit brought to collect the amount of the deficiency for any month shall not prejudice in any way the rights of Owner to collect the deficiency for any subsequent month by a similar proceeding. Owner, in putting the demised premises in good order or preparing the same for re-rental may, at Owner's option, make such alterations, repairs, replacements, and/or decorations in the demised premises as Owner, in Owner's sole judgment, considers advisable and necessary for the purpose of re-letting the demised premises, and the making of such alterations, repairs, replacements, and/or decorations shall not operate or be construed to release Tenant from liability hereunder as aforesaid. Owner shall in no event be liable in any way whatsoever for failure to re-let the demised premises, or in the event that the demised premises are re-let, for failure to collect the rent thereof under such re-letting, and in no event shall Tenant be entitled to receive any excess, if any, of such net rents collected over the sums payable by Tenant to Owner hereunder. In the event of a breach or threatened breach by Tenant of any of the covenants or provisions hereof, Owner shall have the right of injunction and the right to invoke any remedy allowed at law or in equity as if re-entry, summary proceedings and other remedies were not herein provided for. Mention in this lease of any particular remedy, shall not preclude Owner from any other remedy, in law or in equity. Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws.

Fees and Expenses: 19. If Tenant shall default in the observance or performance of any term or covenant on Tenant's part to be observed or performed under, or by virtue of, any of the terms or provisions in any article of this lease, after notice if required, and upon expiration of the applicable grace period, if any, (except in an emergency), then, unless otherwise provided elsewhere in this lease, Owner may immediately, or at any time thereafter, and without notice, perform the obligations of Tenant thereunder. If Owner, in connection with the foregoing, or in connection with any default by Tenant in the covenant to pay rent hereunder, makes any expenditures or incurs any obligations for the payment of money, including but not limited to reasonable attorneys' fees, in instituting, prosecuting or defending any action or proceeding, and prevails in any such action or proceeding, then Tenant will reimburse Owner for such sums so paid or obligations incurred with interest and costs. The foregoing expenses incurred by reason of Tenant's default shall be deemed to be additional rent hereunder and shall be paid by Tenant to Owner within ten (10) days of rendition of any bill or statement to Tenant therefor. If Tenant's lease term shall have expired at the time of making of such expenditures or incurring of such obligations, such sums shall be recoverable by Owner as damages.

Building Alterations and Management: 20. Owner shall have the right, at any time, without the same constituting an eviction and without incurring liability to Tenant therefor, to change the arrangement and or location of public entrances, passageways, doors, doorways, corridors, elevators, stairs, toilets or other public parts of the building, and to change the name, number or designation by which the building may be known. There shall be no allowance to Tenant for diminution of rental value and no liability on the part of Owner by reason of inconvenience, annoyance or injury to business arising from Owner or other Tenant making any repairs in the building or any such alterations, additions and improvements. Furthermore, Tenant shall not have any claim against Owner by reason of Owner's imposition of any controls of the manner of access to the building by Tenant's social or business visitors, as Owner may deem necessary, for the security of the building and its occupants.

No Representations by Owner: 21. Neither Owner nor Owner's agents have made any representations or promises with respect to the physical condition of the building, the land upon which it is erected, the demised premises, the rents, leases, expenses of operation, or any other matter or thing affecting or related to the demised premises or the building, except as herein expressly set forth, and no rights, easements or licenses are acquired by Tenant by implication or otherwise except as expressly set forth in the provisions of this lease. Tenant has inspected ~~the building and~~ the demised premises and is thoroughly acquainted with their condition and agrees to take the same "as-is" on the date possession is tendered, and acknowledges that the taking of possession of the demised premises by Tenant shall be conclusive evidence that the said premises and the building of which the same form a part, were in good and satisfactory condition at the time such possession was so taken, except as to latent defects. All understandings and agreements heretofore made between the parties hereto are merged in this contract, which alone fully and completely expresses the agreement between Owner and Tenant, and any executory agreement hereafter made shall be ineffective to change, modify, discharge or effect an abandonment of it in whole or in part, unless such executory agreement is in writing and signed by the party against whom enforcement of the change, modification, discharge or abandonment is sought.

End of Term: 22. Upon the expiration or other termination of the term of this lease, Tenant shall quit and surrender to Owner the demised premises, "broom-clean", in good order and condition, ordinary wear and damages which Tenant is not required to repair as provided elsewhere in this lease excepted, and Tenant shall remove all its property from the demised premises. Tenant's obligation to observe or perform this covenant shall survive the expiration or other termination of this lease. If the last day of the term of this Lease, or any renewal thereof, falls on Sunday, this lease shall expire at noon on the preceding Saturday, unless it be a legal holiday, in which case it shall expire at noon on the preceding business day.

Quiet Enjoyment: 23. Owner covenants and agrees with Tenant that upon Tenant paying the rent and additional rent and observing and performing all the terms, covenants and conditions, on Tenant's part to be observed and performed, Tenant may peaceably and quietly enjoy the premises hereby demised, subject, nevertheless, to the terms and conditions of this lease including, but not limited to, Article 34 hereof, and to the ground leases, underlying leases and mortgages hereinbefore mentioned.

Failure to Give Possession: 24. If Owner is unable to give possession of the demised premises on the date of the commencement of the term hereof because of the holding-over or retention of possession of any tenant, undertenant or occupants, or if the demised premises are located in a building being constructed, because such building has not been sufficiently completed to make the premises ready for occupancy or because of the fact that a certificate of occupancy has not been procured, or if Owner has not completed any work required to be performed by Owner, or for any other reason, Owner shall not be subject to any liability for failure to give possession on said date and the validity of the lease shall not be impaired under such circumstances, nor shall the same be construed in any wise to extend the term of this lease, but the rent payable hereunder shall be abated (provided Tenant is not responsible for Owner's inability to obtain possession or complete any work required) until after Owner shall have given Tenant notice that Owner is able to deliver possession in the condition required by this lease. If permission is given to Tenant to enter into possession of the demised premises, or to occupy premises other than the demised premises, prior to the date specified as the commencement of the term of this lease, Tenant covenants and agrees that such possession and/or occupancy shall be deemed to be under all the terms, covenants, conditions and provisions of this lease, except the obligation to pay the fixed annual rent set forth in page one of this lease. The provisions of this article are intended to constitute "an express provision to the contrary" within the meaning of Section 223-a of the New York Real Property Law.

No Waiver: 25. The failure of Owner to seek redress for violation of, or to insist upon the strict performance of, any covenant or condition of this lease, or of any of the Rules or Regulations, set forth or hereafter adopted by Owner, shall not prevent a subsequent act, which would have originally constituted a violation, from having all the force and effect of an original violation. The receipt by Owner of rent with knowledge of the breach of any covenant of this lease shall not be deemed a waiver of such breach, and no provision of this lease shall be deemed to have been waived by Owner unless such waiver be in writing signed by Owner. No payment by Tenant, or receipt by Owner, of a lesser amount than the monthly rent herein stipulated shall be deemed to be other than on account of the earliest stipulated rent, nor shall any endorsement or statement of any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Owner may accept such check or payment without prejudice to Owner's right to recover the balance of such rent or pursue any other remedy in this lease provided. All checks tendered to Owner as and for the rent of the demised premises shall be deemed payments for the account of Tenant. Acceptance by Owner of rent from anyone other than Tenant shall not be deemed to operate as an attornment to Owner by the payor of such rent, or as a consent by Owner to an assignment or subletting by Tenant of the demised premises to such payor, or as a modification of the provisions of this lease. No act or thing done by Owner or Owner's agents during the term hereby demised shall be deemed an acceptance of a surrender of said premises, and no agreement to accept such surrender shall be valid unless in writing signed by Owner. No employee of Owner or Owner's agent shall have any power to accept the keys of said premises prior to the termination of the lease, and the delivery of keys to any such agent or employee shall not operate as a termination of the lease or a surrender of the demised premises.

Waiver of Trial by Jury: 26. It is mutually agreed by and between Owner and Tenant that the respective parties hereto shall, and they hereby do, waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other (except for personal injury or property damage) on any matters whatsoever arising out of or in any way connected with this lease, the relationship of Owner and Tenant, Tenant's use of or occupancy of demised premises, and any emergency statutory or any other statutory remedy. It is further mutually agreed that in the event Owner commences any proceeding or action for possession, including a summary proceeding for possession of the demised premises, Tenant will not interpose any counterclaim, of whatever nature or description, in any such proceeding, including a counterclaim under Article 4, except for statutory mandatory counterclaims.

Inability to Perform: 27. This Lease and the obligation of Tenant to pay rent hereunder and perform all of the other covenants and agreements hereunder on part of Tenant to be performed shall in no wise be affected, impaired or excused because Owner is unable to fulfill any of its obligations under this lease, or to supply, or is delayed in supplying, any service expressly or impliedly to be supplied, or is unable to make, or is delayed in making, any repairs, additions, alterations or decorations, or is unable to supply, or is delayed in supplying, any equipment, fixtures or other materials, if Owner is prevented or delayed from doing so by reason of strike or labor troubles, or any cause whatsoever beyond Owner's sole control including, but not limited to, government preemption or restrictions, or by reason of any rule, order or regulation of any department or subdivision thereof of any government agency, or by reason of the conditions which have been or are affected, either directly or indirectly, by war or other emergency.

Bills and Notices: 28. Except as otherwise in this lease provided, a bill statement, notice or communication which Owner may desire or be required to give to Tenant, shall be deemed sufficiently given or rendered if, in writing, delivered to Tenant personally, or sent by registered or certified mail addressed to Tenant at the building of which the demised premises form a part, or at the last known residence address or business address of Tenant, or left at any of the aforesaid premises addressed to Tenant, and the time of the rendition of such bill or statement and of the giving of such notice or communication shall be deemed to be the time when the same is delivered to Tenant, mailed, or left at the premises as herein provided. Any notice by Tenant to Owner must be served by registered or certified mail addressed to Owner at the address first hereinabove given, or at such other address as Owner shall designate by written notice.

Water Charges: 29. If Tenant requires, uses or consumes water for any purpose in addition to ordinary lavatory purposes (of which fact Owner shall be the sole judge) Owner may install a water meter and thereby measure Tenant's water consumption for all purposes. Tenant shall pay Owner for the cost of the meter and the cost of the installation. Throughout the duration of Tenant's occupancy, Tenant shall keep said meter and installation equipment in good working order and repair at Tenant's own cost and expense. In the event Tenant fails to maintain the meter and installation equipment in good working order and repair (of which fact Owner shall be the sole judge) Owner may cause such meter and equipment to be replaced or repaired, and collect the cost thereof from Tenant as additional rent. Tenant agrees to pay for water consumed, as shown on said meter as and when bills are rendered, and in the event Tenant defaults in the making of such payment, Owner may pay such charges and collect the same from Tenant as additional rent. Tenant covenants and agrees to pay, as additional rent, the sewer rent, charge or any other tax, rent or levy which now or hereafter is assessed, imposed or a lien upon the demised premises, or the realty of which they are a part, pursuant to any law, order or regulation made or issued in connection with the use, consumption, maintenance or supply of water, the water system or sewage or sewage connection or system.

[redacted]

~~Tenant's portion.~~ Independently of, and in addition to, any of the remedies reserved to Owner hereinabove or elsewhere in this lease, Owner may sue for and collect any monies to be paid by Tenant, or paid by Owner, for any of the reasons or purposes hereinabove set forth.

Sprinklers: 30. Anything elsewhere in this lease to the contrary notwithstanding, if the New York Board of Fire Underwriters or the New York Fire Insurance Exchange or any bureau, department or official of the federal, state or city government recommend or require the installation of a sprinkler system, or that any changes, modifications, alterations, or additional sprinkler heads or other equipment be made or supplied in an existing sprinkler system by reason of Tenant's business, the location of partitions, trade fixtures, or other contents of the demised premises, or for any other reason, or if any such sprinkler system installations, modifications, alterations, additional sprinkler heads or other such equipment, become necessary to prevent the imposition of a penalty or charge against the full allowance for a sprinkler system in the fire insurance rate set by said Exchange or any other body making fire insurance rates, or by any fire insurance company, Tenant shall, at Tenant's expense, promptly make such sprinkler system installations, changes, modifications, alterations, and supply additional sprinkler heads or other equipment as required, whether the work involved shall be structural or non-structural in nature.

[redacted]

Elevators, Heat, Cleaning: [redacted] Owner shall: (a) provide necessary passenger elevator facilities on business days from 8 a.m. to 6 p.m. and on Saturdays from 8 a.m. to 1 p.m.; (b) if freight elevator service is provided, same shall be provided only on regular business days, Monday through Friday inclusive, and on those days only between the hours of 9 a.m. and 12 noon and between 1 p.m. and 5 p.m.; (c) furnish heat, water and other services supplied by Owner to the demised premises, when and as required by law, on business days from 8 a.m. to 6 p.m. and on Saturdays from 8 a.m. to 1 p.m.; (d) clean the public halls and public portions of the building which are used in common by all tenants. Tenant shall, at Tenant's expense, keep the demised premises, including the windows, clean and in order, to the reasonable satisfaction of Owner, and for that purpose shall employ person or persons, or corporations approved by Owner. Tenant shall pay to Owner the cost of removal of any of Tenant's refuse and rubbish from the building. Bills for the same shall be rendered by Owner to Tenant at such time as Owner may elect, and shall be due and payable hereunder, and the amount of such bills shall be deemed to be, and be paid as additional rent. Tenant shall, however, have the option of independently contracting for the removal of such rubbish and refuse in the event that Tenant does not wish to have same done by employees of Owner. Under such circumstances, however, the removal of such refuse and rubbish by others shall be subject to such rules and regulations as, in the judgment of Owner, are necessary for the proper operation of the building. Owner reserves the right to stop service of the heating, elevator, plumbing and electric systems, when necessary, by reason of accident or emergency, or for repairs, alterations, replacements or improvements, which in the judgment of Owner are desirable or necessary to be made, until said repairs, alterations, replacements or improvements shall have been completed. If the building of which the demised premises are a part supplies manually operated elevator service, Owner may proceed diligently with alterations necessary to substitute automatic control elevator service without in any way affecting the obligations of Tenant hereunder.

Security: 32. Tenant has deposited with Owner the sum of ~~security~~ for the faithful performance and observance by Tenant of the terms, provisions and conditions of this lease. It is agreed that in the event Tenant defaults in respect of any of the terms, provisions and conditions of this lease, including, but not limited to, the payment of rent and additional rent, Owner may use, apply or retain the whole or any part of the security so deposited to the extent required for the payment of any rent and additional rent, or any other sum as to which Tenant is in default, or for any sum which Owner may expend, or may be required to expend, by reason of Tenant's default in respect of any of the terms, covenants and conditions of this lease, including but not limited to, any damages or deficiency in the re-letting of the demised premises, whether such damages or deficiency accrued before or after summary proceedings or other re-entry by Owner. In the event that Tenant shall fully and faithfully comply with all of the terms, provisions, covenants and conditions of this lease, the security shall be returned to Tenant after the date fixed as the end of the lease, and after delivery of entire possession of the demised premises to Owner. In the event of a sale of the land and building or leasing of the building, of which the demised premises form a part, Owner shall have the right to transfer the security to the vendee or lessee, and Owner shall thereupon be released by Tenant from all liability for the return of such security; and Tenant agrees to look to the new Owner solely for the return of said security, and it is agreed that the provisions hereof shall apply to every transfer or assignment made of the security to a new Owner. Tenant further covenants that it will not assign or encumber, or attempt to assign or encumber, the monies deposited herein as security, and that neither Owner nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance. (1)

Captions: 33. The Captions are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of this lease nor the intent of any provision thereof.

Definitions: 34. The term "Owner" as used in this lease means only the owner of the fee or of the leasehold of the building, or the mortgagee in possession for the time being, of the land and building (or the owner of a lease of the building or of the land and building) of which the demised premises form a part, so that in the event of any sale or sales of said land and building or of said lease, or in the event of a lease of said building, or of the land and building, the said Owner shall be and hereby is entirely freed and relieved of all covenants and obligations of Owner hereunder, and it shall be deemed and construed without further agreement between the parties or their successors in interest, or between the parties and the purchaser, at any such sale, or the said lessee of the building, or of the land and building, that the purchaser or the lessee of the building has assumed and agreed to carry out any and all covenants and obligations of Owner hereunder. The words "re-enter" and "re-entry" as used in this lease are not restricted to their technical legal meaning. The term "rent" includes the annual rental rate whether so expressed or expressed in monthly installments, and "additional rent." "Additional rent" means all sums which shall be due to Owner from Tenant under this lease, in addition to the annual rental rate. The term "business days" as used in this lease, shall exclude Saturdays, Sundays and all days observed by the State or Federal Government as legal holidays, and those designated as holidays by the applicable building service union employees service contract, or by the applicable Operating Engineers contract with respect to HVAC service. Wherever it is expressly provided in this lease that consent shall not be unreasonably withheld, such consent shall not be unreasonably delayed.

Adjacent Excavation-Shoring: 35. If an excavation shall be made upon land adjacent to the demised premises, or shall be authorized to be made, Tenant shall afford to the person causing or authorized to cause such excavation, a license to enter upon the demised premises for the purpose of doing such work as said person shall deem necessary to preserve the wall or the building of which demised premises form a part, from injury or damage and to support the same by proper foundations, without any claim for damages or indemnity against Owner, or diminution or abatement of rent.

Rules and Regulations: 36. Tenant and Tenant's servants, employees, agents, visitors, and licensees shall observe faithfully, and comply strictly with, the Rules and Regulations annexed hereto and such other and further reasonable Rules and Regulations as Owner or Owner's agents may from time to time adopt. Notice of any additional Rules or Regulations shall be given in such manner as Owner may elect. In case Tenant disputes the reasonableness of any additional Rules or Regulations hereafter made or adopted by Owner or Owner's agents, the parties hereto agree to submit the question of the reasonableness of such Rules or Regulations for decision to the New York office of the American Arbitration Association, whose determination shall be final and conclusive upon the parties hereto. The right to dispute the reasonableness of any additional Rules or Regulations upon Tenant's part shall be deemed waived unless the same shall be asserted by service of a notice, in writing, upon Owner, within fifteen (15) days after the giving of notice thereof. Nothing in this lease contained shall be construed to impose upon Owner any duty or obligation to enforce the Rules and Regulations or terms, covenants or conditions in any other lease, as against any other tenant, and Owner shall not be liable to Tenant for violation of the same by any other tenant, its servants, employees, agents, visitors or licensees.

Glass: 37. Owner shall replace, at the expense of Tenant, any and all plate and other glass damaged or broken from any cause whatsoever in and about the demised premises. Owner may insure, and keep insured, at Tenant's expense, all plate and other glass in the demised premises for and in the name of Owner. Bills for the premiums therefor shall be rendered by Owner to Tenant at such times as Owner may elect, and shall be due from, and payable by, Tenant when rendered, and the amount thereof shall be deemed to be, and be paid as, additional rent.

Estoppel Certificate: 38. Tenant, at any time, and from time to time, upon at least ten (10) days prior notice by Owner, shall execute, acknowledge and deliver to Owner, and/or to any other person, firm or corporation specified by Owner, a statement certifying that this lease is unmodified and in full force and effect (or, if there have been modifications, that the same is in full force and effect as modified and stating the modifications), stating the dates to which the rent and additional rent have been paid, and stating whether or not there exists any default by Owner under this lease, and, if so, specifying each such default.

Directory Board Listing: 39. If, at the request of, and as accommodation to, Tenant, Owner shall place upon the directory board in the lobby of the building, one or more names of persons or entities other than Tenant, such directory board listing shall not be construed as the consent by Owner to an assignment or subletting by Tenant to such persons or entities.

Successors and Assigns: 40. The covenants, conditions and agreements contained in this lease shall bind and inure to the benefit of Owner and Tenant and their respective heirs, distributees, executors, administrators, successors, and except as otherwise provided in this lease, their assigns. Tenant shall look only to Owner's estate and interest in the land and building for the satisfaction of Tenant's remedies for the collection of a judgement (or other judicial process) against Owner in the event of any default by Owner hereunder, and no other property or assets of such Owner (or any partner, member, officer or director thereof, disclosed or undisclosed), shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under, or with respect to, this lease, the relationship of Owner and Tenant hereunder, or Tenant's use and occupancy of the demised premises.

SEE RIDER ANNEXED HERETO AND MADE A PART HEREOF

In Witness Whereof, Owner and Tenant have respectively signed and sealed this lease as of the day and year first above written.

LANDLORD

THE ADLER GROUP, INC.,
as Agent for
ADLER HOLDINGS III, LLC

By:_____

TENANT:

IM READY-MADE, LLC

By: _____
Isaac Mizrahi, President

ACKNOWLEDGEMENT

STATE OF NEW YORK,

SS.:

COUNTY OF New York

On the 23rd day of August in the year 2005, before me, the undersigned, a Notary Public in and for said State, personally appeared Isaac Mizrahi, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

_____
NOTARY PUBLIC

1) Tenant represents that its Federal I.D. Number is 14-1842723 and upon request agrees to deliver a Form W-9 or any other required form Landlord may reasonably require with respect to the security deposit.

*$175,000

MICHAEL G. GOLDBERG
Notary Public, State of New York
No. 02GO5023679
Qualified in New York County
Commission Expires Feb 14, 2009

Security: 32. Tenant has deposited with Owner the sum of ~~security~~ security for the faithful performance and observance by Tenant of the terms, provisions and conditions of this lease. It is agreed that in the event Tenant defaults in respect of any of the terms, provisions and conditions of this lease, including, but not limited to, the payment of rent and additional rent, Owner may use, apply or retain the whole or any part of the security so deposited to the extent required for the payment of any rent and additional rent, or any other sum as to which Tenant is in default, or for any sum which Owner may expend, or may be required to expend, by reason of Tenant's default in respect of any of the terms, covenants and conditions of this lease, including but not limited to, any damages or deficiency in the re-letting of the demised premises, whether such damages or deficiency accrued before or after summary proceedings or other re-entry by Owner. In the event that Tenant shall fully and faithfully comply with all of the terms, provisions, covenants and conditions of this lease, the security shall be returned to Tenant after the date fixed as the end of the lease, and after delivery of entire possession of the demised premises to Owner. In the event of a sale of the land and building or leasing of the building, of which the demised premises form a part, Owner shall ~~have the right to~~ transfer the security to the vendee or lessee, and Owner shall thereupon be released by Tenant from all liability for the return of such security; and Tenant agrees to look to the new Owner solely for the return of said security, and it is agreed that the provisions hereof shall apply to every transfer or assignment made of the security to a new Owner. Tenant further covenants that it will not assign or encumber, or attempt to assign or encumber, the monies deposited herein as security, and that neither Owner nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance. (1)

Captions: 33. The Captions are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of this lease nor the intent of any provision thereof.

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Rules and Regulations: 36. Tenant and Tenant's servants, employees, agents, visitors, and licensees shall observe faithfully, and comply strictly with, the Rules and Regulations annexed hereto and such other and further reasonable Rules and Regulations as Owner or Owner's agents may from time to time adopt. Notice of any additional Rules or Regulations shall be given ~~in such manner as Owner may elect~~. In case Tenant disputes the reasonableness of any additional Rules or Regulations hereafter made or adopted by Owner or Owner's agents, the parties hereto agree to submit the question of the reasonableness of such Rules or Regulations for decision to the New York office of the American Arbitration Association, whose determination shall be final and conclusive upon the parties hereto. The right to dispute the reasonableness of any additional Rules or Regulations upon Tenant's part shall be deemed waived unless the same shall be asserted by service of a notice, in writing, upon Owner, within fifteen (15) days after the giving of notice thereof. Nothing in this lease contained shall be construed to impose upon Owner any duty or obligation to enforce the Rules and Regulations or terms, covenants or conditions in any other lease, as against any other tenant, and Owner shall not be liable to Tenant for violation of the same by any other tenant, its servants, employees, agents, visitors or licensees.

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SEE RIDER ANNEXED HERETO AND MADE A PART HEREOF

In Witness Whereof, Owner and Tenant have respectively signed and sealed this lease as of the day and year first above written.

LANDLORD

THE ADLER GROUP, INC.,
as Agent for
ADLER HOLDINGS III, LLC

By: _____

TENANT:

IM READY-MADE, LLC

By: _____
Isaac Mizrahi, President

ACKNOWLEDGEMENT

STATE OF NEW YORK,

SS.:

COUNTY OF

On the _____ day of _____ in the year _____, before me, the undersigned, a Notary Public in and for said State, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

IMPORTANT - PLEASE READ

RULES AND REGULATIONS ATTACHED TO AND MADE A PART OF THIS LEASE IN ACCORDANCE WITH ARTICLE 36. (1)

1. The sidewalks, entrances, driveways, passages, courts, elevators, vestibules, stairways, corridors or halls shall not be obstructed or encumbered by Tenant or used for any purpose other than for ingress or egress from the demised premises and for delivery of merchandise and equipment in a prompt and efficient manner, using elevators and passageways designated for such delivery by Owner. There shall not be used in any space, or in the public halls of the building, either by Tenant or by jobbers or others in the delivery or receipt of merchandise, any hand trucks, except those equipped with rubber tires and sideguards. If said premises are situated on the ground floor of the building, Tenant shall further, at Tenant's expense, keep the sidewalk and curb in front of said premises clean and free from ice, snow, dirt and rubbish.

2. The water and wash closets and plumbing fixtures shall not be used for any purposes other than those for which they were designed or constructed, and no sweepings, rubbish, rags, acids or other substances shall be deposited therein, and the expense of any breakage, stoppage, or damage resulting from the violation of this rule shall be borne by Tenant, whether or not caused by Tenant, its clerks, agents, employees or visitors.

3. No carpet, rug or other article shall be hung or shaken out of any window of the building; and Tenant shall not sweep or throw, or permit to be swept or thrown, from the demised premises, any dirt or other substances into any of the corridors of halls, elevators, or out of the doors or windows or stairways of the building, and Tenant shall not use, keep, or permit to be used or kept, any foul or noxious gas or substance in the demised premises, or permit or suffer the demised premises to be occupied or used in a manner offensive or objectionable to Owner or other occupants of the buildings by reason of noise, odors, and or vibrations, or interfere in any way, with other tenants or those having business therein, nor shall any bicycles, vehicles, animals, fish, or birds be kept in or about the building. Smoking or carrying lighted cigars or cigarettes in the elevators of the building is prohibited.

4. No awnings or other projections shall be attached to the outside walls of the building without the prior written consent of Owner.

5. No sign, advertisement, notice or other lettering shall be exhibited, inscribed, painted or affixed by Tenant on any part of the outside of the demised premises or the building, or on the inside of the demised premises if the same is visible from the outside of the demised premises, without the prior written consent of Owner, except that the name of Tenant may appear on the entrance door of the demised premises. In the event of the violation of the foregoing by Tenant, Owner may remove same without any liability, and may charge the expense incurred by such removal to Tenant. Interior signs on doors and directory tablet shall be inscribed, painted or affixed for Tenant by Owner at the expense of Tenant, and shall be of a size, color and style acceptable to Owner. RR-1

6. Tenant shall not mark, paint, drill into, or in any way deface any part of the demised premises or the building of which they form a part. No boring, cutting or stringing of wires shall be permitted, except with the prior written consent of Owner, and as Owner may direct. Tenant shall not lay linoleum, or other similar floor covering, so that the same shall come in direct contact with the floor of the demised premises, and, if linoleum or other similar floor covering is desired to be used, an interlining of builder's deadening felt shall be first affixed to the floor, by a paste or other material, soluble in water, the use of cement or other similar adhesive material being expressly prohibited.

7. No additional locks or bolts of any kind shall be placed upon any of the doors or windows by Tenant, nor shall any changes be made in existing locks or mechanism thereof. Tenant must, upon the termination of his tenancy, restore to Owner all keys of stores, offices and toilet rooms, either furnished to, or otherwise procured by, Tenant, and in the event of the loss of any keys, so furnished, Tenant shall pay to Owner the cost thereof.

8. Freight, furniture, business equipment, merchandise and bulky matter of any description shall be delivered to and removed from the demised premises only on the freight elevators and through the service entrances and corridors, and only during hours, and in a manner approved by Owner. Owner reserves the right to inspect all freight to be brought into the building, and to exclude from the building all freight which violates any of these Rules and Regulations of the lease, of which these Rules and Regulations are a part. RR-1

9. ~~Tenant shall not obtain for use upon the demised premises ice,~~ drinking water, towel and other similar services, or accept barbering or bootblacking services in the demised premises, except from persons authorized by Owner, and at hours and under regulations fixed by Owner. Canvassing, soliciting and peddling in the building is prohibited and ~~Tenant shall cooperate to prevent the same.~~

10. Owner reserves the right to exclude from the building all persons who do not present a pass to the building signed by Owner. Owner will furnish passes to persons for whom any Tenant requests same in writing. Tenant shall be responsible for all persons for whom it requests such pass, and shall be liable to Owner for all acts of such persons. ~~Notwithstanding the foregoing, Owner shall not be required to allow Tenant or any person to enter or remain in the building except on business days from 8:00 a.m. to 6:00 p.m. and on Saturdays from 8:00 a.m. to 1:00 p.m.~~ Tenant shall not have a claim against Owner by reason of Owner excluding from the building any person who does not present such pass.

11. Owner shall have the right to prohibit any advertising by Tenant which in Owner's opinion, tends to impair the reputation of the building or its desirability as a loft building, and upon written notice from Owner, Tenant shall refrain from or discontinue such advertising. reasonable

12. Tenant shall not bring, or permit to be brought or kept, in or on the demised premises, any inflammable, combustible, explosive, or hazardous fluid, material, chemical or substance, or cause or permit any odors of cooking or other processes, or any unusual or other objectionable odors, to permeate in, or emanate from, the demised premises.

13. Tenant shall not use the demised premises in a manner which disturbs or interferes with other tenants in the beneficial use of their premises.

14. Refuse and Trash. (1) Compliance by Tenant. Tenant covenants and agrees, at its sole cost and expense, to comply with all present and future laws, orders, and regulations, of all state, federal, municipal, and local governments, departments, commissions and boards regarding the collection, sorting, separation and recycling of waste products, garbage, refuse and trash. Tenant shall sort and separate such waste products, garbage, refuse and trash into such categories as provided by law. Each separately sorted category of waste products, garbage, refuse and trash shall be placed in separate receptacles reasonably approved by Owner. Tenant shall remove, or cause to be removed by a contractor acceptable to Owner, at Owner's sole discretion, such items as Owner may expressly designate. (2) Owner's Rights in Event of Noncompliance. Owner has the option to refuse to collect or accept from Tenant waste products, garbage, refuse or trash (a) that is not separated and sorted as required by law or (b) which consists of such items as Owner may expressly designate for Tenant's removal, and to require Tenant to arrange for such collection at Tenant's sole cost and expense, utilizing a contractor satisfactory to Owner. Tenant shall pay all costs, expenses, fines, penalties, or damages that may be imposed on Owner or Tenant by reason of Tenant's failure to comply with the provisions of this Building Rule 14, and, at Tenant's sole cost and expense, shall indemnify, defend and hold Owner harmless (including reasonable legal fees and expenses) from and against any actions, claims and suits arising from such noncompliance, utilizing counsel reasonably satisfactory to Owner. 14

Address 475 Tenth Avenue New York, NY 10018

Premises Entire 4th Floor

STANDARD FORM OF

Loft Lease

(1) Which Rules and Regulations are in addition to the Rules and Regulations annexed hereto as Exhibit B but in the event of any conflict in such Rules and Regulations, the Rules and Regulations annexed hereto as Exhibit B shall control. Landlord agrees to enforce the rules in a non-discriminatory manner.

Insert Provisions to Printed Form of Lease between
Adler Holdings III, LLC and
IM Ready-Made, LLC

A. The provisions of this Article are supplemented and modified by Article 73 hereof. In the event of any inconsistency between the provisions of this Article and the provisions of Article 73, the provisions of Article 73 shall control

B. as may be reasonably required by Owner but not in excess of then customary coverage in Manhattan with regard to such work

C. after Tenant receives notice thereof

C-1 or otherwise

D. As to any alteration allowed to be made by Tenant pursuant to this lease, Tenant shall not be required to remove such alterations at or prior to the expiration of the term of this lease unless at the time of making any alteration for which Landlord's consent is required hereunder, Landlord conditions its consent on the removal of the same; provided, however, that Tenant shall have no obligation whatsoever to remove any alterations that are not Specialty Alterations (as hereinafter defined). As used herein, "Specialty Alterations" shall mean Alterations which are not standard office installations such as kitchens, executive bathrooms, raised computer floors, computer room installations, production rooms, studios, supplemental HVAC equipment (including the Supplemental HVAC System and any louvers or other equipment relating thereto), the Audience Room, any items hung, suspended or supported in any manner in whole or part by or through the ceiling located in the Premises (including, without limitation, any curtains, screens or other dividers used in connection with the Taping Use or otherwise), safe deposit boxes, vaults, libraries or file rooms requiring reinforcement of floors, internal staircases, slab penetrations, conveyors, dumbwaiters, floor or other Alterations constructed or installed in violation of the rules and regulations for the Building and other Alterations of a similar character. Notwithstanding anything to the contrary contained in this Article 3, Tenant may attach and affix trade fixtures to the demised premises, and all of Tenant's trade fixtures, even though so attached and affixed, may be freely removed by Tenant at any time during the term of this lease or the expiration thereof, but all damage to the demised premises caused by such removal shall be repaired by Tenant.

D-1 in accordance with and as supplemented by Section 72O.

E. , in no case, however, shall Tenant be obliged to repair damage resulting from any act, omission or negligence of Owner, Owner's agents or employees.

E-1 substantially the same

F. reasonable

G. particular

H. of

I. , provided Owner similarly terminates leases affecting not less than 65% of the space then leased in the Building

J. sixty (60)

K. that interferes with the prompt performance of Owner's restoration obligations hereunder

L. after the expiration of any applicable notice and/or cure period.

L-1 (to the extent permit by law or other lawful means)

M. Owner shall, except in an emergency and except as provided in the immediately preceding sentence, give Tenant reasonable advance notice of any intended entry into the demised premises in order to enable Tenant to have a representative present on all such occasions, if Tenant so desires. Owner, at its sole expense, shall repair any damage caused to the demised premises to substantially the condition existing prior to the exercise of its rights and obligations under this Article and Owner further agrees to not reduce the usable floor area of the demised premises by more than a *de minimis* extent as a result thereof (other than to the extent required by applicable legal requirements or insurance requirements). Any such entry shall be further subject to the provisions of Section 72O hereof

N. within the time period required under Article 62

O. thirty (30)

P. and such default shall continue for a period of five (5) business days after notice by Landlord to Tenant of such default; provided, however, that Tenant shall be entitled to receive from Landlord no more than three (3) notices in any twelve (12) month period for its failure to pay Fixed Rent, Additional Rent or other sums payable hereunder and, if Tenant is not entitled to any notice as a result of the foregoing, it shall be a default hereunder if any such installment or payment is not paid within five (5) business days of the due date

Q. , upon the expiration of fifteen (15) days' notice to Tenant and Tenant's failure to cure such default or to commence curing such default if such default is of a nature that it cannot be completely cured within such fifteen (15) day period but in no event more than thirty (30) days,

R. provided that with respect thereto, Tenant gives Landlord notice thereof within ninety (90) days after the occurrence of the Commencement Date

R-1 but subject to the provisions of Section 73I

S. or Tenant

T. against whom enforcement is sought

T-1 reasonable

U. provided the successor owner assumes in writing all of Owner's obligations under this lease

V. which rules and regulations shall be consistent with the provisions of this lease and shall be promulgated and enforced on a nondiscriminatory basis as to Tenant."

W. in the manner required for the giving of notices hereunder

RR-1 , other than in connection with the hanging of artwork, pictures and the like or in connection with routine maintenance of any interior doors or fixtures.

RR-2 reasonably

RIDER TO LEASE DATED AS OF THE 30th DAY
OF AUGUST, 2005 BETWEEN THE
ADLER HOLDINGS III, LLC, AS LANDLORD,
AND IM READY-MADE, LLC,
AS TENANT

41. Subordination. A. This Lease is and shall be at all times subject and subordinate to (a) all present or future ground or underlying leases ("**Superior Leases**"), (b) all mortgages which may now or hereafter affect such leases ("**Superior Mortgages**"), (c) the lien of any mortgage now on the real property of which the demised premises form a part, (d) the lien of any mortgage or mortgages which at any time hereafter may be made a lien upon the real property of which the demised premises form a part, (e) all advances made or hereafter to be made upon the security of any of the foregoing, and (f) all renewals, modifications, consolidations, replacements and extensions of any of the foregoing. This Article 41 shall be self-operative and no further instrument of subordination shall be required by any mortgagee or lessee. Tenant shall, however, within twenty (20) days after demand, forthwith execute and deliver any such reasonable instrument or instruments subordinating this Lease to the lien of any such mortgage or mortgages, ground or underlying leases as shall be reasonably desired by any mortgagee, proposed mortgagee, lessee or proposed lessee. If, in connection with the obtaining, continuing or renewing of any mortgage, the holder of such mortgage shall request modifications of this Lease as a condition of such financing, Tenant will not unreasonably withhold or delay its consent thereto; provided such modification does not increase Tenant's obligations or reduce Tenant's rights or the services provided to Tenant under this Lease.

B. If any mortgagee or lessor under a ground or underlying lease ("**Successor Landlord**") shall succeed to the rights of Landlord under this Lease, Tenant agrees, at the election and upon request of any such Successor Landlord, to fully and completely attorn to and recognize any such Successor Landlord, as Tenant's landlord under this Lease upon the then executory terms of this Lease provided such Successor Landlord shall agree in writing to accept Tenant's attornment and provided further in no event shall Successor Landlord be (a) liable for any act or omission of any prior landlord (including Landlord), (b) liable for the return of any security deposit not actually received by Successor Landlord, (c) subject to any counterclaims, offsets or defenses which Tenant might have against any prior landlord (including Landlord), (d) bound by any advance payment of rent or additional rent made by Tenant to Landlord except for rent or additional rent applicable to the then current month and one billing period of additional rent (including estimates on account of increases in Taxes) that is paid in accordance with the terms of the Lease, (e) bound by any material amendment or modification of the Lease made without the written consent of Successor Landlord, (f) bound to effect or pay for any construction for Tenant's occupancy or (g) subject to or bound by any purchase option, right of first refusal or right of first offer contained in the Lease. The foregoing provisions of this Section shall inure to the benefit of any such Successor Landlord, shall be self-operative upon any such demand, and no further instrument shall be required to give effect to said provisions. Nothing contained in this Section shall be construed to impair any right otherwise exercisable by any such lessor or mortgagee.

C. Landlord represents to Tenant that as of the date hereof (a) there is no underlying or ground lease effecting the Premises except that certain net lease, dated as of December 1, 2000 (the "**Net Lease**") between 475 Adler Realty RL, LLC and 530 Adler Realty RL, LLC, as lessor and, Landlord, as lessee and (b) there is no mortgage encumbering the Premises except a certain mortgage currently held by North Fork Bank (the "**Existing Mortgage**"). Landlord agrees to cause the landlord under the Net Lease to provide a Subordination, Non-Disturbance and Attornment Agreement in the form required under such net lease (a copy of which is annexed hereto as Exhibit C-1) simultaneously with Landlord's execution and delivery of this Agreement to Tenant.

D. Landlord agrees to use commercially reasonable efforts to obtain for the benefit of the named Tenant (a) from the Existing Mortgagee in the form annexed hereto as Exhibit C-2 and (b) from any landlord of any future Superior Lease (a "**Superior Lessor**") and/or any future holder of a Superior Mortgage (a "**Superior Mortgagee**") which hereafter affects the land upon which the building is situated, the building or a ground or underlying lease, a recognition agreement or a subordination, non-disturbance agreement, subject to Tenant's

attornment (in either case, hereinafter, together with the form annexed hereto as Exhibit C-2, referred to as a "SNDA"), on such Superior Lessor's or Superior Mortgagee's, as the case may be, standard form of SNDA. Notwithstanding the previous sentence, in no event shall Landlord be required to (i) make any payment to Existing Mortgagee or any such Superior Mortgagee or Superior Lessor in connection with the entering into any SNDA, (ii) alter any of the terms of its financing with the Existing Mortgagee or any such Superior Mortgagee or the terms of any Superior Lease, (iii) commence any action against the Existing Mortgagee or any such Superior Mortgagee or Superior Lessor in order to obtain such SNDA, or (iv) request a SNDA from any Superior Mortgagee or Superior Lessor if Tenant shall then be in default hereunder beyond applicable notice and cure periods. Tenant shall be solely responsible for the payment of any costs imposed by the Existing Mortgagee or any such Superior Mortgagee or Superior Lessor, including, without limitation, reasonable attorneys' fees and disbursements, in connection with the review of this Lease, the preparation and delivery of such party's SNDA and any negotiation thereof. Landlord shall have no liability to Tenant if Tenant does not execute the standard form of SNDA provided by any Superior Mortgagee or Superior Lessor or if any Superior Mortgagee or Superior Lessor refuses to execute and/or deliver a SNDA to Tenant or, if executed and delivered, such Superior Mortgagee or Superior Lessor does not abide by the terms thereof. In connection with any SNDA, Tenant agrees to promptly provide to the Existing Mortgagee, the Superior Lessor or the Superior Mortgagee, as the case may be, all such reasonable information as the Existing Mortgagee, the Superior Lessor or the Superior Mortgagee, as the case may be, may reasonably require regarding the Tenant's financial information and creditworthiness as evidenced by a letter from Tenant's accountant, but at no time shall the Tenant be required to provide its financial statements to any Superior Lessor or the Superior Mortgage, as the case may be, other than as may be reasonably required by the Existing Mortgagee.

E. Intentionally omitted.

42. Electricity. A. Tenant shall purchase its electric energy directly from the public utility serving the building and shall be responsible for the payment of all bills therefor. If Tenant shall fail to pay any such bill, Landlord, at its option, may, if Tenant has failed to pay the same after twenty (20) days' written notice from Landlord, pay the same and bill Tenant for the amount of such payment, with interest thereon from the date Landlord makes such payment until the date Tenant reimburses Landlord at the Default Rate (as hereinafter defined), and such interest shall be deemed additional rent.

B. Landlord agrees that risers, panel boxes, meters, feeders and wiring are installed in the Building sufficient to furnish and Landlord shall deliver electrical service to the Premises of 600 amps, 3 phase demand load (inclusive of the electrical energy and service for the AC System [as hereinafter defined] per useable square foot of the Premises (the "Electrical Capacity"). Tenant agrees that at all times its use of electrical current shall never exceed the Electrical Capacity of the feeders or the risers or the wiring installations in the Building. Tenant shall have no right to use any excess electrical capacity that may be available to the floor of the Premises and Landlord may use such excess electrical capacity as it may elect in its sole discretion. If Landlord reasonably determines that Tenant's electrical requirements necessitate installation of any additional equipment or electrical power, or if Tenant requires (based on a "load letter" prepared by a electrical engineer licensed in the State of New York and otherwise reasonably acceptable to Landlord) that additional equipment or electrical power in excess of the Electrical Capacity be installed in connection with the Taping Use or otherwise, Landlord shall (if it makes the determinations hereinafter set forth), at Tenant's reasonable cost and expense, install such additional equipment and/or arrange for additional electrical power to be supplied to the Premises provided that Landlord, in its reasonable judgment, considering the potential needs of present and future Building tenants and of the Building itself, determines that (a) such installation is practicable, (b) such additional feeders or risers are necessary and permissible under applicable laws and insurance regulations and requirements, and (c) the installation of such feeders of risers will not cause permanent damage or injury to the Building or the Premises, cause or create a dangerous or hazardous condition, entail excessive or unreasonable alterations, interfere with or disturb other tenants or occupants of the Building (by more than a *de* minimis extent) or exceed the limits of the switchgear. Any reasonable out of pocket costs and expenses incurred by Landlord in connection therewith shall be paid by Tenant within twenty (20) days after the rendition of a bill therefor. Tenant shall maintain, repair and replace, at Tenant's cost, any such additional risers, switches and related equipment during the term of this Lease. Tenant acknowledges that Landlord shall have no obligation to provide any additional electrical capacity

to the Premises and, in the event that Landlord determines in its reasonable discretion not to make additional electrical available to the Premises for Tenant's use hereunder, such determination shall not be construed as an actual or constructive eviction of Tenant, nor entitle Tenant to any abatement of Fixed Rent or additional rent, or relieve or release Tenant from any of its obligations under this Lease. Landlord shall not in any way be liable or responsible to Tenant for any loss or damage or expense which Tenant may sustain or incur if either the quantity or character of electric service is changed or is no longer available or suitable for Tenant's requirements unless caused by the intentional wrongful acts or negligence of Landlord or its agents, servants or employees.

43. Real Estate Taxes. A. Tenant covenants and agrees to pay, as additional rent, 7.129% of any increase in the amount of Taxes (as hereinafter defined) assessed, levied or imposed against the land and building of which the demised premises form a part over and above the real estate taxes assessed, levied or imposed and actually paid by Landlord for the tax year 2005/2006, as finally determined (**"Base Tax Year"**), whether the increase in taxation results from a higher tax rate or an increase in the assessed valuation of the land and building of which the demised premises form a part or from any special assessments assessed, levied or imposed (but the same shall be calculated on the basis of the land and building of which the demised premises form a part being the Landlord's sole asset). Such additional rent shall be paid in each and every year during the period of this Lease commencing as of the 1st day of July, 2006, in equal monthly installments (subject to the provisions of Section 46B) and the amount shall be paid within twenty (20) days after the same is demanded by Landlord, which demand shall be accompanied by a copy of the tax bills in question (to the extent same have been delivered to Landlord) and Landlord's calculation of the amounts which Tenant owes as its portion of any increased real estate taxes. Insofar as any period during the term of this Lease represents a period that is not a full tax year, there shall be a proportionate adjustment in the increase provided for herein. If due to a future change in the method of taxation or in the taxing authority, a new or additional real estate tax, or a franchise, income, transit, profit or other tax or governmental imposition, however designated, shall be levied against Owner, and/or the Real Property, in addition to, or in substitution in whole or in part for any tax which would constitute **"Taxes"**, or in lieu of additional taxes, such tax or imposition shall be deemed for the purposes hereof to be included within the term **"Taxes"** provided that same shall be computed as if based only on the value of the Building and/or the Real Property, as though the interest of Owner in the Building and/or the Real Property were the only asset of Owner and the interest in Owner of any corporation which is a partner, member or shareholder of Owner were the only asset of such corporation.

B. If, after Tenant shall have made a payment of additional rent under Paragraph A of this Article 43, Landlord shall receive a refund of any portion of the Taxes payable during any tax year after the base year on which such payment of additional rent shall have been based, as a result of a reduction of such Taxes by final determination of legal proceedings, settlement or otherwise, Landlord, after receiving the refund, shall, at Landlord's option, either pay to Tenant or credit against Fixed Rent thereafter becoming due, 7.129% of the refund *less* 7.129% of the expenses (including reasonable attorneys' and appraisers' fees and disbursements) incurred by Landlord in connection with any such application or proceeding, provided that Tenant has actually paid its portion of the Taxes for the period for which the refund is due. In no event, however, shall Tenant obtain any portion of the refund that may accrue to Landlord from any reduction in Taxes for the Base Tax Year. If, at the end of the term or earlier expiration of this Lease, Tenant is not then in default beyond the expiration of any applicable notice and/or cure period, any credit or refund is then owed to Tenant pursuant to this Paragraph, Landlord shall promptly pay the amount thereof to Tenant, which obligation shall survive the expiration or earlier termination of this Lease.

C. Tenant covenants and agrees to pay as additional rent 7.129% of any and all reasonable or customary out-of-pocket third party expenses (including reasonable attorneys' and appraisers' fees and disbursements) incurred by Landlord to obtain a reduction of Taxes payable during any tax year after the Base Tax Year. Such additional rent shall be paid in each and every year during the period of this Lease commencing as of the 1st day of July, 2006, and the amount shall be paid within twenty (20) days after the same is demanded by Landlord. Upon Tenant's request, Landlord shall provide Tenant with evidence of the payment of any such expenses so incurred by Landlord. Insofar as any period during the term of this Lease represents

a period that is not a full tax year, there shall be a proportionate adjustment in the expenses provided for herein.

D. The additional rent payments to be made by Tenant to Landlord, as in the paragraph provided, may be payable on an estimated monthly basis (with adjustments as set forth in Article 46 hereof). Tenant shall not be relieved of its obligations under this Article 43 even if it is otherwise exempt from the payment of real estate taxes.

E. Anything contained herein to the contrary notwithstanding, for the purpose of calculating the additional rent payable under this Article 43, Taxes shall be deemed not to include (a) any penalties, late charges or fines imposed against Landlord with respect to Taxes unless Tenant is in default in the payment of such additional rent beyond any applicable notice and/or grace period, or (b) except as provided in the last sentence of Paragraph 43A, franchise, mortgage, gross receipts, personal property, income, transfer, gains, inheritance, sales, estate and gift taxes imposed upon Landlord.

F. Only Landlord shall be eligible to institute proceedings to reduce the assessed valuation or tax rate of the Real Property but Landlord shall not be obligated to file any such application or institute any proceeding seeking a reduction in taxes or the assessed valuation.

G. For the purposes of this Lease but subject to the limitations set forth in this Article, "**Taxes**" shall mean (1) the amount finally determined to be legally payable, by legal proceedings or otherwise, of all real estate taxes or other taxes imposed in substitution thereof, assessments (including for any business improvement district), and other governmental impositions and charges of every kind whatsoever, nonrecurring as well as recurring, special or extraordinary as well as ordinary, foreseen and unforeseen, and each and every installment thereof, which shall be levied, assessed or imposed, or become due and payable or become liens upon, or arise in connection with the use, occupancy or possession of, the land and the building or any part thereof or interest therein during the term of this Lease, and (2) all reasonable costs and expenses (including reasonable attorneys' fees and disbursements) incurred by Landlord in contesting the assessment of the Property for real estate tax purposes or in otherwise contesting the amount of any of the real estate taxes or other governmental charges described above.

44. Increases in Operating Expenses. Intentionally omitted.

45. Increases in Building Fuel Cost.

A. For the purpose of this Article only, the following words and terms shall have the following meanings:

(i) "Fuel Cost" shall mean Landlord's actual out-of-pocket cost paid by Landlord (and not by any other tenant or occupant of the Building other than pursuant to a provision similar to this Article 45) for all fuel (including, but not limited to, oil, steam, gas, coal or other energy source (excluding electricity) delivered to the Building.

(ii) "Fuel Cost Base" shall mean the Fuel Costs incurred by Landlord for calendar year 2005.

(iii) "Tenant's Share" shall mean 7.129%.

B. For each calendar year during the term of this Lease commencing January 1, 2006, Tenant shall pay to Landlord as Additional Rent for the Premises an amount equal to Tenant's Share of the amount by which Fuel Costs for such calendar year exceed the Base Fuel Costs (such excess being referred to herein as the "Fuel Cost Excess").

C. On account of its obligations in respect of Fuel Costs, Tenant shall pay to Landlord, monthly, in advance, together with each monthly installment of Fixed Rent, an amount equal to one-twelfth (1/12th) of Tenant's Share of the Fuel Cost Excess for the preceding lease year. Such amount may be adjusted by Landlord at any time during the term hereof (but no more than three (3) times in any calendar year), on notice to Tenant, to an amount equal to one-twelfth (1/12th) of Tenant's Share of the Fuel Cost Excess with respect to the preceding lease year plus one-twelfth (1/12th) of Landlord's good-faith estimate of the amount by which Tenant's

Share of the Fuel Cost Excess will increase during the current lease year. Until Landlord

furnishes Tenant with the applicable prior calendar year's Fuel Cost Statement (as hereinafter defined), Tenant shall continue to pay to Landlord the amount of monthly payment due and payable pursuant to this Paragraph.

D. Within two hundred ten (210) days following the end of each calendar year during the term or within one hundred eighty (180) days following the expiration or earlier termination of this Lease, as the case may be, Landlord shall furnish to Tenant a written statement (a "Fuel Cost Statement") in reasonable detail covering the calendar year just expired showing the Fuel Cost for such calendar year, the amount of Tenant's Share of the Fuel Cost for such year, payments, if any, made by Tenant with respect thereto.

E. In the event that the date of the expiration or other termination of this Lease shall be a day other than the last day of a calendar year, then, in such event, in applying the provisions of this Article for the purpose of calculating Tenant's Share of Fuel Costs, appropriate adjustments shall be made to reflect the occurrence of such event on a basis consistent with the principles underlying the provisions of this Article taking into consideration that the expiration date of this Lease occurred during a partial lease year.

F. If the Fuel Cost Statement shall indicate any overpayment or deficiency, then Landlord or Tenant, as the case may be, shall pay the same to the party entitled to the same within twenty (20) days after delivery of the Fuel Cost Statement or, in the case of sums payable to Tenant, at Landlord's option Tenant shall be granted a credit for the amount of the overpayment made by Tenant, to be applied against the next due payments under this Article. Provided Tenant is not then in default beyond the expiration of any applicable notice and/or cure period, any credit or refund due Tenant at the expiration or sooner termination of the Term of this Lease shall be paid to Tenant within thirty (30) days after the expiration or sooner termination of this Lease.

G. Landlord's failure to render a Fuel Cost Statement with respect to any calendar year shall not prejudice Landlord's right to thereafter render a Fuel Cost Statement with respect thereto or with respect to any subsequent calendar year provided that such Fuel Cost Statement, shall have been given to Tenant within two (2) years after the expiration of the calendar year in question.

H. Each Fuel Cost Statement shall be conclusive and binding upon Tenant absent manifest error. Landlord's and Tenant's obligations under this Article shall survive the expiration or earlier termination of the term of this Lease.

46. Remedies for Non-Payment of Additional Rent; Estimates for Additional Rent.

A. Upon the failure of Tenant to pay any of the items of additional rent payable under the terms of this Lease or failure to pay any other charges required to be paid by Tenant hereunder, Landlord shall have all of the remedies herein reserved and accorded to it by law for the nonpayment of rent and, in addition, independent of any of said remedies, Landlord may sue for and collect any such sums payable by Tenant. Unless a different time period is expressly set forth in this Lease, such additional rent or other charges shall be paid within ten (10) days after Landlord demands the same in writing.

B. Notwithstanding anything to the contrary contained herein, Landlord may calculate the amount of additional rent payable under Article 43 on an estimated basis for any portion of such lease year occurring prior to the time that the actual amount of said taxes or other charges with respect to such lease year become known, and thereafter Landlord shall furnish Tenant with a statement setting forth the amount of Taxes or other charges payable in the base year (if any), the amount thereof payable in the lease year, Tenant's proportionate share of the increase, if any, thereof and the estimated amount, if any, of Tenant's share of such increase which Tenant may have theretofore paid on account to Landlord. Thereafter Tenant, as the case may be, shall either pay to Landlord any shortage within twenty (20) days of demand or receive a credit against its next monthly installment(s) of Fixed Rent in the event of an overpayment of additional rent until the credit is satisfied. Insofar as any period during the term of this Lease represents a period that is not a full lease year, there shall be a proportionate adjustment in the increase provided for herein. If, at the end of the term or earlier expiration of this Lease, Tenant

is not then in default, any credit is then owed to Tenant pursuant to this Paragraph, Landlord shall promptly pay the amount thereof to Tenant, which obligation shall survive the expiration or earlier termination of this Lease.

47. Deliveries; Freight Elevators; Loading Dock. A. All receipts and shipments of goods, merchandise and supplies, as well as any and all machinery and equipment being delivered to Tenant or any person or entity claiming by or through Tenant, and/or any Audience Participation (as hereinafter defined) shall be made solely by and through the two (2) manual freight elevators located in the loading dock of the Building and not the passenger elevators and otherwise in accordance with and subject to the terms of this Lease. All hand-trucks and lift jacks used in receiving or shipping any merchandise, goods, supplies, machinery and equipment must be manually operated and equipped with rubber tires. A battery operated rubber-tired cargo handling forklift, mutually acceptable to Landlord and Tenant, may be used in the demised premises. At any time during the term of this Lease, Landlord shall have the right, upon ten (10) days' written notice to Tenant, to proceed with alterations necessary to substitute, in whole or in part, automatic control freight elevator service in place of the manually operated freight elevator service presently supplied in the Building, without in any way affecting the obligations of Tenant hereunder. In performing any such alterations Landlord agrees to use commercially reasonable efforts to minimize interference with Tenant's use and occupancy of the demised premises and Tenant right to use such freight elevators as provided in this Paragraph and in Article 80 hereof; provided that in no event shall Landlord be required to utilize overtime or premium pay labor or incur any extraordinary costs in connection with such alterations unless Tenant shall request that Landlord perform the same on an overtime or premium pay basis or incur such costs and Tenant shall agree to reimburse Landlord for the same as provided herein. In connection with any such overtime or premium pay service or incurring of extra costs requested by Tenant, Tenant acknowledges that (a) Tenant is aware that Landlord's employees may be able to perform such work or repairs at no additional cost to Landlord during business hours on business days but for Tenant's request, (b) the cost of any overtime or premium pay service shall include any additional costs incurred by Landlord on account of the terms of any applicable union employees contract (by way of example only, if Tenant requests that a particular item of work or repair be performed by Landlord on an overtime or premium pay basis, such work or repair shall require two hours of labor, and such applicable union employees contract requires a minimum overtime shift of four hours, Tenant shall be required to pay for the cost of such employee(s) for the entire four hours, despite the fact that such work or repair shall only require two hours of labor), (c) any such costs shall be additional rent payable within twenty (20) days of demand, and (d) Landlord shall have no obligation to comply with any such request if any default has occurred and is still continuing hereunder. Tenant acknowledges that no freight elevator service is available at the demised premises on Saturday, Sunday, other Building holidays or after the times set forth in Section 31B unless Tenant gives Landlord not less than two (2) business days' prior written notice of Tenant's desire to have such service available on such days or times, as the case may be, in which event, provided Tenant is not then in default hereunder beyond any applicable notice and/or grace period, Landlord shall make such service available to Tenant. Landlord shall endeavor, upon less than such two (2) business days' prior written notice to make such service available but Landlord shall have no liability to Tenant if such overtime freight elevator service is not made available to Tenant. If Landlord makes such service available to Tenant, Tenant shall pay to Landlord all of Landlord's reasonable out of pocket costs and expenses for providing such service, including, but not limited to, overtime pay for the operator of the freight elevator operator in whole hour increments; provided that if such overtime freight service is provided on Saturday, Sunday, Building holidays or at a time not immediately following the normal hours in which Landlord is obligated to provide freight elevator service, a minimum of four (4) hours will be charged. Landlord acknowledges that Tenant shall have the right to use the freight elevators on a non-exclusive basis (which right shall include, subject to the conditions and limitations set forth in Article 80 hereof, the right to use such freight elevator(s) as are designated from time to time by Landlord to transport audience members (the "Audience Freight Elevator Use") to and from the Loading Dock Audience Access Area [as hereinafter defined] to the Premises) on business days during the hours for freight elevator service provided in Section 31B at no charge except as otherwise provided in Article 80.

B. Tenant shall have the right to use the loading dock facilities appurtenant to the Building (*i.e.*, the loading platform and parking area situated on the west end of the first floor of the Building), in common with and on a non-exclusive basis with other tenants and occupants of the Building, provided that the use of such facilities shall be at such

time during each business day, and for such period of time during such day, and upon such reasonable conditions as Landlord may, from time to time, prescribe. Subject to the conditions and limitations set forth in Article 80 hereof, Tenant shall have the right to use the portion of the loading docking facilities outlined on Exhibit X-1 annexed hereto and made a part hereof (the "Loading Dock Audience Access Area") on a non-exclusive basis solely for the purposes of providing access for audience members during such time as the Premises are being used for a Taping Use to and from the portion of the street on 36th Street in which audience members are required to "que-up" (as more particularly shown on Exhibit X-2 annexed hereto and made a part hereof [the "Que-up Area"]) to the manual freight elevators that Landlord has designated from time to time for the Audience Freight Elevator Use as provided in Section 47A. At no time shall Tenant use any of the loading dock facilities for the storage of any goods, wares, merchandise, material or machinery of Tenant or any person or entity claiming by or through Tenant, nor shall Tenant be permitted to park, or authorize others to park, vehicles in the loading bays, except while such vehicles are actively being loaded or unloaded.

48. Estoppel Certificate. Either party, at any time, and from time to time, upon at least twenty (20) days' prior written notice from the other, shall execute, acknowledge and deliver to the requesting party, and/or to any other person, firm or corporation specified by the requesting party, a statement certifying that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the same is in full force and effect as modified and stating the modifications), stating the date to which the rent and additional rent have been paid, stating whether or not, to the knowledge of the party making the statement, there exist any defaults by Landlord or Tenant, under this Lease, and, if so, specifying each such default, stating whether or not any event has occurred which with the giving of notice or passage of time, or both, would constitute such a default, and, if so, specifying each such event, it being intended that any such statement delivered pursuant hereto shall be deemed a representation and warranty to be relied upon by the requesting party and by said other persons, firms or corporations specified by the requesting party to receive such statement, regardless of independent investigation. Tenant shall also include in any such statement such other information concerning this Lease as Landlord may reasonably request.

49. Broker. Landlord and Tenant represent to each other that no broker brought about this Lease transaction other than PBS Realty Advisors, LLC and Susan Penzner Real Estate (collectively, the **"Broker"**). Each party agrees to indemnify and hold the other party harmless of and from any claims, actions, damages, costs and expenses (including reasonable attorneys' fees and disbursements) and any liabilities whatsoever that may arise from any claim for brokerage or commission or finder's fee by any person or entity other than the Broker, which claim is based upon having dealt with such indemnifying party in connection with the Demised Premises, the Building or this Lease. Landlord shall pay and be responsible for payment of any commission or other fee charged by or to be paid to the Broker pursuant to a separate written agreement. The provisions of this Article shall survive the termination or expiration of this Lease.

50. Machinery. Throughout the term of this Lease, Tenant shall so install, operate and maintain its machinery and equipment with cork, rubber blocks or such other devices to reduce and prevent unnecessary vibration and noise, and shall prevent the dripping of oil, chemicals and any waste products upon the floor of the demised premises. Any oil drippings, chemicals and waste products shall be placed in barrels or other appropriate receptacles for disposal as waste matter in accordance with applicable legal requirements and shall not be deposited in the water and wash closets or any of the other plumbing fixtures in the demised premises or in the building.

51. Assignment and Subletting. A. Supplementing Article 11 hereof, in the event that Tenant shall desire to assign this Lease or sublet the whole or, subject to the conditions contained herein, a part, of the demised premises, Tenant shall send to Landlord, in the manner required under Article 79 hereof, a bona-fide letter of intent or term sheet for the proposed assignment or sublease signed by the parties thereto, setting forth the material economic and business terms of such assignment or subletting, stating the name of the proposed assignee or subtenant, the name of and character of its business, current information as to the financial responsibility and standing of the proposed subtenant or assignee and such other information as Landlord may reasonably require. Upon the receipt of such request and receipt of such information from Tenant, Landlord shall have an option, to be exercised in writing within twenty

(20) days after receipt of such request and receipt of such information, to cancel and terminate this Lease with respect to an assignment of this Lease or a sublease of all or substantially all of the Premises (*i.e.* more than seventy five (75%) percent of the rentable area of the Premises) for all or substantially all of the remainder of the term of this Lease (*i.e.* upon the stated expiration date of the proposed sublease two (2) years or less shall be remaining in the term of this Lease) as of the date set forth in Landlord's notice of exercise of such option, which shall be not less than thirty (30) nor more than sixty (60) days following the receipt of such request and receipt of such information.

B. In the event Landlord shall exercise such option, Tenant shall surrender possession of the entire demised premises on the date set forth in Landlord's notice in accordance with the provisions of this Lease relating to surrender of the demised premises at the expiration of the term.

C. In the event that Landlord shall not exercise the option to cancel this Lease as above provided within twenty (20) days after the receipt of both Tenant's written request to so assign or sublet and all other information required to be delivered by Tenant pursuant to Paragraph A of this Article 51, then Landlord's consent to an assignment of this Lease or sublet of the entire Premises or a part thereof as permitted hereunder shall not be unreasonably withheld, conditioned or delayed in accordance with Paragraph D of this Article 51, and Paragraph E of this Article 51 shall apply with respect to possible adjustment of rentals. In no event shall any assignment or subletting (including any assignment or subletting pursuant to the provisions of Paragraph G of this Article 51) release or relieve Tenant from its obligations fully to perform all of the terms, covenants and conditions of this Lease on Tenant's part to be performed.

D. (i) In determining reasonableness, Landlord may take into consideration all relevant factors surrounding the proposed sublease or assignment, including, without limitation, the following:

(a) That the proposed assignee or sublessee has not demonstrated sufficient financial creditworthiness to Landlord. Sufficient financial creditworthiness for purposes herein shall be defined as a determination by Landlord in its reasonable discretion as to the adequate financial responsibility in relation to its obligations under this Lease or proposed sublease;

(b) That, if Landlord has, or reasonably expects to have within four (4) months after receipt of Tenant's notice, comparable space available in the building, neither the proposed assignee or sublessee nor any person or entity which, directly or indirectly, controls, is controlled by, or is under common control with, the proposed assignee or sublessee is then an occupant of the building (other than Tenant); or the proposed assignee or sublessee is not a person or entity (or affiliate of a person or entity) with whom Landlord is then or has been within the prior four (4) months negotiating in connection with the rental of comparable space in the building; As used in this clause (b), the term "negotiating" shall mean that either Landlord or such assignee or subtenant shall have submitted a proposed term sheet or letter of intent to the other for the leasing of space in the Building and, in the good faith determination of Landlord, negotiations with respect to such proposal are continuing;

(c) That in the reasonable opinion of Landlord the nature of the business of the proposed assignee or sublessee would result in an excessive burden upon the loading facilities and/or elevator facilities of said building unless it is similar to the Primary Use (but not the Taping Use or the Audience Participation);

(d) A default beyond the expiration of any applicable notice and cure period exists at the time when Landlord's consent to any such assignment or subletting is requested or a default beyond the expiration of any applicable notice and/or grace period exists upon the commencement of the term of such assignment or sublease; and/or

(e) Tenant shall not advertise (but may list with brokers) the sublet space at a rental rate that is less than the then going market rental rate for comparable space for a comparable term, but the foregoing provision shall not be deemed to prohibit Tenant from negotiating a sublease at a lesser rate of rent and consummating the same insofar as it may be permitted under the provisions of this Article.

(ii) In addition, Landlord's consent shall be further conditioned upon the following:

(a) with respect to any subletting, prior to occupancy and as a condition thereof, Tenant and its subtenant shall execute, acknowledge and deliver to Landlord, on a consent form reasonably acceptable to Landlord, an agreement whereby, among other things, said subtenant agrees to be bound by and to perform all of the terms, covenants and conditions of this Lease as the same relate to the sublet premises demised to such subtenant on Tenant's part to be performed, except the payment of rents, charges and other sums reserved hereunder, which Tenant shall continue to be obligated to pay and shall pay to Landlord; and whereby Tenant and any guarantor of this Lease acknowledges in writing that notwithstanding such sublease and the consent of Landlord thereto, neither Tenant nor any such guarantor of this Lease will be released or discharged from any liability whatsoever under this Lease and both will continue to be liable with the same force and effect as though no sublease had been made;

(b) with respect to any assignment, said assignee shall execute, acknowledge and deliver to Landlord, on form reasonably acceptable to Landlord, an agreement whereby said assignee assumes and agrees to be bound by and to perform all of the terms, covenants and conditions of this Lease on Tenant's part to be performed, and whereby and any guarantor of this Lease acknowledges in writing that notwithstanding such assignment and the consent of Landlord thereto, neither Tenant nor any such guarantor of this Lease will be released or discharged from any liability whatsoever under this Lease and both will continue to be liable with the same force and effect as though no assignment had been made;

(c) that at the time when the proposed assignment or subletting would take effect there is not less than one year remaining of the term of this Lease;

(d) that at the time of such proposed subletting or assignment, Tenant shall not be in default beyond any applicable notice and/or grace period under any of the terms, provisions or conditions of this Lease;

(e) the proposed sublessee or entity is a person or entity fully subject to the jurisdiction of the Courts of the State, City and County of New York, without immunity of any kind;

(f) each subletting shall be for undivided occupancy by the subtenant of that part of the demised premises affected thereby, for the Primary Use (but not the Taping Use or the Audience Participation) permitted in this Lease, and (i) at no time shall there be more than two (2) occupants, including Tenant in the demised premises and (ii) with respect to a subletting in part of the demised premises, Tenant shall make such alterations as may be required or reasonably deemed necessary (x) to physically separate the sublet space from the balance of the demised premises in such commercially reasonable manner that the configuration of the sublet space and the balance of the demised premises would not inhibit, in Landlord's reasonable discretion, Landlord's ability to independently lease the sublet space or the balance of the demised premises to one (1) or more office tenants for general and executive office use and (y) to provide appropriate means of ingress to and egress from the sublet space and the balance of the demised premises to the public portions of the floor in which the demised premises are located, such as toilets, janitor's closets, telephone and electrical closets, fire stairs, elevator lobbies, etc.

(g) In the event that either (i) Tenant fails to consummate a proposed assignment or subletting that was the subject of Landlord's option under Section 51A within 120 days after Landlord's election (or deemed election) not to exercise such option or (ii) if Tenant consummates an assignment or sublease transaction, as the case may be, and any of economic terms or material non-economic terms varies from the corresponding terms set forth in the information sent to Landlord pursuant to Section 51A, then, in the case of either clause (i) or (ii), the provisions of Section 51A shall again apply (and in the case of clause (ii) of this paragraph (g), such provisions shall apply to such assignment or sublease transaction, notwithstanding that Tenant consummated the same) and Tenant shall be required to comply with the provisions of Section 51A and make a new request (together with the information required to be delivered in connection therewith) if Tenant still desires to assign the Lease or sublease the Premises, whether pursuant to such consummated assignment or sublease transaction or otherwise;

(h) Not later than ten (10) days prior to the effective date of any such assignment or subletting, a true, correct and complete copy of the instrument, complying with the requirements hereof, effectuating the same shall be delivered to Landlord; and

(i) Notwithstanding anything to the contrary contained herein, as a condition precedent to any subletting (whether or not Landlord's consent is required therefor pursuant to the terms hereof) each and every subletting of the Premises or any part thereof shall be expressly subject to all of the provisions of this Lease, and the obligations of Tenant hereunder and, without limiting the generality of the foregoing, every sublease shall specifically provide that there shall be no further subletting of the sublet premises, and shall include the following language (and if not contained therein shall be deemed to contain the same):

"Sublessee agrees that (a) this Sublease is subject and subordinate to the Prime Lease (as defined in this Sublease) and all matters to which the Prime Lease is subordinate and (b) if Landlord shall recover or come into possession of the Subleased Premises before the expiration of the Prime Lease, Landlord shall, in its sole and absolute discretion, have the right to take over this Sublease and to have it become a direct lease with Landlord in which case Landlord shall succeed to all the rights of Sublessor hereunder. In the event that Landlord shall so exercise such right, this Sublease shall be subject to the condition that, notwithstanding anything to the contrary in this Sublease, from and after the termination of the Prime Lease, Sublessee shall waive any right to surrender possession or to terminate this Sublease on account of such termination of the Prime Lease and Sublessee shall be bound to Landlord for the balance of the term hereof and shall attorn to and recognize Landlord, as its landlord, under all of the then executory terms of this Sublease, except that in no event shall Landlord or its successors or assigns be:

(i) liable for any previous act, omission, or negligence of Sublessor, as sublandlord, or any prior sublandlord or the failure or default of any prior sublandlord (including, without limitation, Sublessor) to comply with any of its obligations under this Sublease;

(ii) subject to any counterclaims, defenses or offsets which Sublessee may have against Sublessor, as sublandlord, or any prior sublandlord under this Sublease (except to the extent the same are expressly provided for in this Sublease);

(iii) bound by any renewal, extension, amendment, cancellation, assignment, modification or surrender of this Sublease (not previously approved in writing by Landlord (unless no consent was required pursuant to the Prime Lease) or not expressly permitted under the terms of this Sublease without Landlord's consent) or by any previous prepayment of more than (1) month's fixed rent and one billing period of additional rent which shall be payable as provided in this Sublease unless Landlord shall have given its prior written consent thereto;

(iv) bound by any obligation to perform any work or to make improvements to the Subleased Premises;

(v) obligated to perform or pay for any work in the Subleased Premises, or to undertake to complete any construction of any portion of the Subleased Premises or any capital improvements therein;

(vi) liable to Sublessee beyond Landlord's interest in the Building and the rents, income, receipts, revenues, insurance proceeds, issues and profits arising from the Building; and

(vii) liable for any monies owing by or on deposit with Landlord to the credit of Sublessee except to the extent turned over to Landlord.

Sublessee shall execute and deliver to Landlord any instruments Landlord may reasonably request to evidence and confirm such

attornment. Sublessee shall be deemed to have given a waiver of subrogation of the type provided for in the Prime Lease in favor of Landlord and with respect to any waiver of subrogation by Landlord or Tenant in the Prime Lease, all references to Tenant in the Prime Lease shall be deemed to include Sublessee."

E. If under any assignment, sublease or any other occupancy arrangement of the Premises, in whole or in part, the rent, additional rent and/or other consideration (including, any payments made by such assignee, sublessee or other occupant (or by any related entity of such assignee, sublessee or other occupant on behalf of such assignee, sublessee, or other occupant) in connection with the purchase of Tenant's furniture, less the fair market value of such furniture, fixtures or equipment, as reasonably determined by Landlord), payable thereunder exceed the base rent stipulated herein and additional rent arising hereunder, Tenant shall pay 50% of said excess amount to Landlord as additional rent hereunder, as and when the same becomes due under said assignment or sublease, *less* Tenant's reasonable expenses (including reasonable legal fees incurred by Tenant in connection with such assignment or sublease), for construction costs, broker's commissions and any demising wall construction costs or construction allowances in connection with such assignment or sublease.

F. (i) A transfer (however accomplished, whether in a single transaction or in a series of unrelated transactions) of stock (or any other mechanism such as the issuance of additional stock, a stock voting agreement, or changes in class or classes of stock) which results in a change of control of Tenant (or any subtenant), and (ii) a transfer (by one or more transfers) of an interest in the distributions of profits and losses of any partnership, limited liability company, joint venture or other business entity (or any other mechanism such as the creation of additional general partnership, limited partnership or membership interests) which results in a change of control of Tenant (or any subtenant) shall be deemed an assignment of this Lease. For purposes of this Article 51, the term **"control"** shall mean, (1) ownership or voting control, directly or indirectly, of more than fifty (50%) percent of the outstanding voting stock of a corporation or other majority equity interest if Tenant is not a corporation, or (2) an interest which includes the ability to control the management of the applicable entity, including without limitation, a general partner or managing member interest. Notwithstanding the foregoing, if Tenant is a corporation whose stock is publicly traded on a nationally recognized stock exchange, then the issuance of stock or one or more transfers of stock or other beneficial interest in Tenant (whether or not more than 50% of the stock or other beneficial interest in Tenant is so transferred) shall not be deemed an assignment hereunder.

G. Notwithstanding any provision to the contrary contained herein, Tenant may, without obtaining Landlord's consent (but subject to compliance with the requirements of this Paragraph G), (a) assign this Lease to a corporation or other entity into which Tenant shall be merged or consolidated (a **"successor entity"**) or an entity which acquires all or substantially all of the assets, stock, or other equity interest of Tenant (an **"acquiring entity"**), or (b) sublet the entire Premises to an entity which controls, is controlled by, or is under common control with Tenant (a **"related entity"**), provided that in all such cases: (i) Tenant shall not be in default hereunder beyond the expiration of any applicable notice and/or grace period at the time of such sublet or assignment; (ii) the principal purpose of such transfer or acquisition is not the acquisition of Tenant's interest in this Lease and is not made to circumvent the provisions of this Article; (iii) in the case of an assignment to a successor entity or acquiring entity, such successor entity or acquiring entity has a net worth (exclusive of good will and general intangibles) immediately following such merger or acquisition computed in accordance with generally accepted accounting principles at least equal to the greater of (1) the net worth (exclusive of good will and general intangibles) of Tenant immediately prior to such merger, consolidation or acquisition, or (2) the net worth (exclusive of good will and general intangibles) of Tenant herein named on the date of this Lease; (iv) in the case of a subletting to a related entity, if such related entity shall cease to be a related entity of Tenant, then such entity may continue to sublease the portion of the Premises it has subleased as a related entity, provided and upon condition that (A) the principal purpose of the transaction that results in such entity no longer being a related entity shall not be the acquisition of such entity's interest in its sublease, and (B) the sublease agreement shall comply with and be subject to all of the provisions of this Article 51 but if the foregoing condition under clause (A) is not applicable the rights accorded to Tenant and such former related entity by this Paragraph G shall not apply and Tenant shall promptly comply with all of the terms and conditions of this Article 51 with respect to such subletting, (v) there shall have been delivered to Landlord, at least ten (10) days prior to the

effective date of such assignment or subletting, (1) in the case of an assignment to a successor entity or acquiring entity, proof satisfactory to Landlord of the net worth (exclusive of good will and general intangibles) of the assignor and such assignee, and which shall be evidenced by certified financial statements prepared by their respective independent certified public accountants in a form reasonably satisfactory to Landlord, or (2) in the case of a subletting to a related entity, proof satisfactory to Landlord that such sublessee is a related entity; (vi) there shall have been delivered to Landlord, at least ten (10) days prior to the effective date of such assignment or subletting, a duplicate original of the assignment or sublease instrument; (vii) in the event of an assignment, there shall have been delivered to Landlord, at least ten (10) days prior to the effective date of such assignment, an instrument in form and substance reasonably satisfactory to Landlord, duly executed by the assignee, in which such assignee assumes (as of the effective date of such assignment) observance of and performance of, and agrees to be bound by, all of the terms, covenants and conditions of this Lease on Tenant's part to be performed; (viii) in the event of a subletting, Landlord shall have received, at least ten (10) days prior to the effective date of such subletting, an instrument in form and substance reasonably satisfactory to Landlord, duly executed by the sublessee, in which such sublessee agrees that in the event of a termination of this Lease, such sublessee shall, at Landlord's election, attorn to Landlord upon all of the terms and conditions of this Lease or, at Landlord's election, enter into a new lease with Landlord upon all of the then executory terms and conditions of such sublease with respect to the premises so subleased; and (ix) Landlord shall have received, at least ten (10) days prior to the effective date of such assignment or subletting, an instrument in form and substance acceptable to Landlord, duly executed by such assignee or sublessee, in which such assignee or sublessee consents to the exclusive jurisdiction of the courts of New York State and the Federal courts located in the County of New York, State of New York.

H. Tenant shall reimburse Landlord (whether or not the proposed transaction is consummated), within twenty (20) days after demand, for all reasonable costs incurred by Landlord in connection with any assignment or sublease (whether or not Landlord's consent is required therefor), including the costs of making investigations as to the acceptability of the proposed assignee or subtenant (or whether such proposed assignee or subtenant satisfies the conditions set forth in this Article 51) and reasonable attorney's fees and disbursements incurred in connection with the granting or reviewing of any matters reasonably related to any such assignment, subletting or other transfer.

I. Landlord acknowledges that Tenant has requested that a portion of the Premises, not to exceed four thousand (4,000) square feet (the "Licensed Space") be permitted to be occupied by Earthbound, LLC (the "Permitted Licensee"). The Permitted Licensee shall be permitted to occupy the Licensed Space without Landlord's consent but upon prior notice to Landlord and without being subject to the recapture and termination rights of Landlord set forth in Paragraph A above, provided that (i) the Permitted Licensee shall not then be a tenant or occupant of any portion of the Building; (ii) the original Tenant named herein shall be the tenant hereunder and shall be in actual occupancy of the remainder of the Premises (the "Remainder Portion"); (iii) any such licensing agreement (whether or not in writing) shall be subject and subordinate to the terms of this Lease; (iv) such arrangement will terminate automatically upon a default by Tenant occurring and continuing beyond the expiration of any applicable notice and/or cure period under this Lease; (v) the Permitted Licensee shall use the Premises in conformity with all applicable provisions of this Lease; (vi) in no event shall the use of any portion of the Premises by the Permitted Licensee create or be deemed to create any right, title or interest in or to the Premises for the Permitted Licensee; (vii) the Licensed Space and the Remainder Portion shall not be, and shall not be required by law to be, separated by demising walls so as to create separate entrances from the elevator landing or public corridors; (viii) no such licensing shall be deemed to release Tenant from any of its obligations or liabilities hereunder; (ix) the Permitted Licensee shall have no right to transfer any right it has to occupy the Licensed Space to any person or entity; it being agreed that such right is personal to the named Permitted Licensee; (x) if Tenant and the Permitted Licensee no longer have a business affiliation or such relationship otherwise terminates, the Permitted Licensee shall promptly vacate and surrender the Licensed Space; and (xi) Tenant shall receive no rent, payment or other consideration in connection with such occupancy from the Permitted Licensee or any person or entity in excess of the pro rata portion of the rent payable by Tenant hereunder in respect of the Licensed Space.

52. Exculpation; Indemnity A. Neither Landlord nor any members, partners, principals (disclosed or undisclosed), officers, directors, shareholders, agents or

employees of Landlord (collectively, "**Landlord Parties**") shall be liable to Tenant or any other occupant of the demised premises, for any damage to, or loss (by theft or otherwise) of, any property of Tenant or of any other person irrespective of the cause of such injury, damage or loss (including the acts or negligence of any tenant or of any owners or occupants of adjacent or neighboring property or caused by operations in construction of any private, public or quasi-public work) unless due to the negligence or willful misconduct of Landlord or Landlord Parties (it being understood that no property, other than such as might normally be brought upon or kept in the demised premises incidental to the reasonable use of the demised premises for the purposes herein permitted, will be brought upon or be kept in the demised premises). Notwithstanding the foregoing (but except as provided in Article 71 with respect to Tenant) each party waives, to the full extent permitted by law, any claim for consequential damages in connection with the provisions of this Article or any other provisions of this Lease. Any employee of Landlord to whom any property shall be entrusted by or on behalf of Tenant shall be deemed to be acting as Tenant's agent with respect to such property, and neither Landlord nor Landlord's agents or employees shall be liable for any loss of or damage to any such property by theft or otherwise.

B. To the fullest extent permitted by law, Tenant hereby indemnifies and agrees to hold Landlord, and Landlord Parties harmless from and against any and all loss, cost, liability, claim, damage, fine, penalty and expense (individually and collectively, the "**Claim**") including reasonable attorneys' fees and disbursements in connection with or arising from or alleged to arise from (a) any default beyond the expiration of any applicable notice and/or grace period by Tenant in the performance or observance of any of the terms of this Lease, or (b) the use or occupancy of the Premises or any other portion of the Building permitted to be occupied or used by Tenant hereunder or by or any person claiming under Tenant, or (c) any act or omission of Tenant or Tenant's agents, employees, contractors or invitees, or (d) any injury or death to any person or damage to property of any person or entity occurring during the term of this Lease in the demised premises, except to the extent such injury, death or property damage results from the negligence or willful misconduct of Landlord and indemnification is prohibited by law. The aforementioned indemnity and hold harmless shall apply whether the Claim is between Landlord and Tenant or a third party. Tenant shall pay to Landlord as additional rent, within twenty (20) days following rendition by Landlord to Tenant of bills or statements therefor, an amount equal to all Claims required to be paid by Tenant to Landlord under this Article 52.

C. To the fullest extent permitted by law, subject to the limitations contained in this Lease, Landlord hereby indemnifies and agrees to hold Tenant harmless from and against any Claim, including reasonable attorneys' fees and disbursements in connection with or arising from or alleged to arise from (a) any default by Landlord in the performance or observance of its obligations under the terms of this Lease and (b) any direct damage to the Premises and any bodily injury to Tenant's employees, agents or invitees resulting from the acts, omissions or negligence of Landlord or Landlord's Parties. The aforementioned indemnity and hold harmless shall apply whether the Claim is between Landlord and Tenant or a third party. Landlord shall pay to Tenant, within twenty (20) days following rendition by Tenant to Landlord of bills or statements therefor, an amount equal to all Claims required to be paid by Landlord to Tenant under this Article 52.

D. If any claim, action or proceeding is made or brought against either party, which claim, action or proceeding the other party shall be obligated to indemnify such party against pursuant to the terms of this Lease, then, upon demand by the indemnified party, the indemnifying party, at its sole cost and expense, shall resist or defend such claim, action or proceeding in the indemnified party's name, if necessary, by such attorneys as the indemnified party shall approve, which approval shall not be unreasonably withheld. Attorneys for the indemnifying party's insurer are hereby deemed approved. Notwithstanding the foregoing, the indemnified party may retain its own attorneys to defend or assist in defending any claim, action or proceeding involving potential liability of Five Million Dollars ($5,000,000) or more, and the indemnifying party shall pay the reasonable fees and disbursements of such attorneys. The provisions of this Article 52 shall survive the expiration or earlier termination of this Lease.

53. Laws. If, at any time during the term of this Lease or any extension or renewal thereof, Landlord expends any sums for alterations or improvements to said building, which alterations or improvements are made in order to comply with any applicable law,

ordinance or governmental regulation effective after the date hereof, Tenant shall pay to Landlord, as additional rent, the same percentage of such cost as is set forth in the provisions of this Lease which requires Tenant to pay increases in Taxes, within twenty (20) days after demand therefor except to the extent that it is Tenant's obligation to comply with such law or regulation in accordance with Article 6 hereof, in which event and notwithstanding any provisions of this Lease to the contrary, such cost shall be the sole responsibility of Tenant. If, however, the cost of such alteration or improvement may be amortized over a period of time in accordance with generally accepted accounting principles, Tenant shall pay to Landlord, as additional rent, in monthly installments, during each year in which occurs any part of this lease term or any extension or renewal thereof, the above-stated percentage of the annual amortization (reasonably determined by Landlord on a straight-line basis over an appropriate period not less than 10 years, with interest calculated thereon at the rate then most recently announced by JP Morgan Chase, or any successor thereto, as its corporate base lending rate, or the then equivalent thereof (the **"Prime Rate"**) *plus* two (2%) per annum at the time Landlord makes such expenditure) of the cost of such alteration or improvement. For the purposes of this Article, the cost of any such alteration or improvement shall be deemed to include the cost of preparing any necessary plans and the fees for filing such plans.

54. Air-Conditioning; Heat. A. (i) Tenant acknowledges that the demised premises is currently served by an air-cooled air-conditioning system provided by three (3) 15 ton air cooled package units and one (1) 10 ton air cooled package unit (collectively, the **"AC Unit"**) (such system, the AC Unit and any Supplemental HVAC System [as hereinafter defined], together all pipes, valves, controls, ducts, and conduits relating thereto, are collectively to referred to as the **"AC System"**). Tenant agrees to operate the AC System in accordance with its design criteria and agrees, at its sole cost and expense, at all times to keep the AC System in good operating condition and repair and maintain (but not replace) all required permits therefor. Tenant shall have access to the AC System at all times for the operation, maintenance and repair thereof. Tenant's obligation to maintain the AC System shall include, but not be limited to, the periodic cleaning and/or replacement of filters and coils, replacement of fuses and belts, the calibration of thermostats and all startup and shut down maintenance of the AC System. Tenant shall be responsible for any damage or injury that may occur through its use of the AC System and for the repair and maintenance of the AC System. Tenant shall promptly notify Landlord of any damage to, or malfunction of, the AC System. During the Term, Tenant, at its sole cost and expense, shall keep in force a maintenance contract, upon such terms that are reasonably acceptable to Landlord, for the AC System, using a maintenance company approved by Landlord, which approval shall not be unreasonably withheld, delayed or conditioned. Tenant shall provide Landlord with a true and correct copy of such maintenance contract not later than thirty (30) days after Tenant's Initial Work (as hereinafter defined) has been substantially completed and Tenant shall also provide Landlord with true and correct copies of any renewals thereof within thirty (30) days of the expiration of the term of such maintenance contract. In lieu of the foregoing, Landlord, at its option, shall have the right to provide a maintenance contract for the AC System and any other systems serving the Building and, in such event, Tenant shall pay to Landlord, as additional rent, within twenty (20) days of demand, Tenant's allocable share of the costs and expenses under any such maintenance contract provided that the rates charged by the service supplier are commercially competitive for comparable buildings similarly situated with similar systems as the AC System and other systems in the Building. Tenant also agrees to have the AC System serviced within thirty (30) days immediately preceding April 1st of each calendar year, excluding the calendar year in which the Commencement Date occurs.

(ii) Tenant agrees to pay for the use of all electric current consumed in connection with the maintenance and operation of the AC System as provided in Article 42 hereof.

(iii) If any permit or license shall be required for the operation of the AC System in or serving the demised premises, Landlord shall have the option of obtaining the same on Tenant's behalf and at Tenant's expense, or by written notice to Tenant requiring Tenant, at Tenant's expense, to obtain and maintain any such permit or license.

(iv) Subject to the provisions of Articles 3 and 73 hereof, Tenant shall be solely responsible for the costs and expenses for the installation any new ductwork and/or modification of any existing ductwork for the AC System. Landlord shall not be responsible if the operation of the AC System shall fail to provide conditioned air at reasonable temperatures,

pressures or degrees of humidity or in reasonable volumes or velocities in any portion of the Premises. Whenever the AC System is in operation, Tenant agrees to cause all windows in the Premises to be kept closed, and to draw the shades or other window coverings. Tenant shall cooperate fully with Landlord at all times and abide by all regulations and requirements that Landlord may reasonably prescribe for the proper functioning and protection of the AC System. Landlord shall have no liability or responsibility whatsoever for any interruption in service of the AC System for any cause whatsoever, nor shall any such interruption be construed as an actual or constructive eviction of Tenant, nor entitle Tenant to any abatement of Fixed Rent or additional rent, or relieve or release Tenant from any of its obligations under this Lease.

(v) The AC System, and any replacements thereof or additional air conditioning units installed by Tenant during the term of this Lease shall be and remain at all times the property of Landlord, and, except as otherwise provided herein, Tenant shall surrender the AC System and all such repairs and replacements thereof to Landlord in good working order and condition on the expiration or earlier termination of this Lease.

(vi) Landlord agrees that Tenant may install, at Tenant's sole cost and expense as part of Tenant's Initial Work or otherwise in accordance with, and subject to, the applicable provisions of this Lease (including, without limitation, Article 3 and 73 hereof) an additional air-cooled air conditioning system (hereinafter referred to as the "Supplemental HVAC System"). All facilities, equipment, machinery and ducts installed by or on behalf of Tenant in connection with the Supplemental HVAC System shall (i) be subject to Landlord's prior approval of the plans and specifications therefor, which approval shall not be unreasonably withheld or delayed, (ii) comply with Landlord's reasonable requirements as to installation, maintenance and operation, and (iii) comply with all other terms covenants and conditions of this Lease applicable thereto. The Supplemental HVAC System must be located entirely within the Premises in a location selected by Tenant and approved by Landlord, which approval shall not be unreasonably withheld or delayed and Tenant shall not be entitled to any diminution or reduction of rent on account of such system being required to be located entirely within the Premises. The installation of any louver in connection with the Supplemental HVAC System shall be subject to the following additional conditions: (i) the location, color and appearance of such louver shall be subject to the approval of Landlord (in its sole discretion) so that the Building shall maintain a uniform outside appearance, and (ii) any Supplemental HVAC System, together with any louvers installed by Tenant in connection therewith (and any other associated equipment installed in connection therewith) shall be deemed a Specialty Alteration that Tenant is required to remove prior to the expiration or earlier termination of this Lease in accordance with the provisions hereof.

(vii) No representation is made by Landlord with respect to the adequacy or fitness of the AC System to maintain temperatures as may be required for, or because of, the operation or use of the Premises for the Primary Use, the Taping Use, the Audience Participation or any other purpose permitted hereunder, and/or as to where or when air conditioning or ventilation is required for any such purposes and Landlord assumes no responsibility, and shall have no liability, for any loss or damage, however sustained, in connection therewith. Tenant hereby acknowledges that it shall be solely responsible, subject to compliance with the terms hereof, to modify the AC System to the extent desired by Tenant such that the design thereof supplies the necessary air-conditioning ventilation requirements of Tenant and is otherwise in compliance with applicable legal requirements.

B. Heating. Heat shall be furnished to the Premises by a perimeter radiator system within the Premises, subject to the following:

(i) Landlord, at Landlord's expense, shall furnish and distribute to the Premises through the Building heating system, at reasonable temperatures on a seasonal basis, from 8:00 A.M. to 6:00 P.M. on business days and from 8:00 A.M. to 1:00 P.M. on Saturdays. Landlord and Tenant further agree to operate the heating equipment in accordance with their design criteria unless otherwise required by any applicable legal requirements.

(ii) If Tenant shall require Landlord provided heating services other than during 8:00 A.M. to 6:00 P.M. on business days and 8:00 A.M. to 1:00 P.M. on Saturdays ("**after hours heating service**"), Landlord shall furnish after hours heating service upon advance notice from Tenant as provided in Article 55. Tenant shall pay, as Additional Rent,

Landlord's reasonable charges therefor within thirty (30) days after Landlord's rendition of a bill therefor.

(iii) Notwithstanding the foregoing, Landlord shall not be responsible if the normal operation of the Building heating system shall fail to provide heat at reasonable temperatures in any portion of the Premises because of any rearrangement of partitioning or other improvements made or performed by or on behalf of Tenant or any person claiming by, through or under Tenant.

55. Overtime Services. If Tenant shall require services not controlled by Tenant within the demised premises or any other services other than during standard building hours (**"after hours"**), Landlord agrees, subject to the terms of this Lease and provided Tenant is not in default beyond any applicable notice and/or grace period under this Lease, to furnish after hours services upon reasonable advance notice from Tenant, given (a) if such after service is to be provided on a business day, at least one (1) business day prior to the business day in which such after hours services are required and (b) if such service is to be provided on a day that is not a business day, at least two (2) business days prior to the day in which such after hours services are required Notwithstanding the foregoing advance notice requirements, Landlord will endeavor to provide after hours service, subject to the terms hereof, upon lesser advance notice from Tenant but Landlord shall have no liability to Tenant if it is unable to arrange such after hours service upon notice shorter then as is required in the previous sentence. Tenant shall pay Landlord's then established charges therefor within thirty (30) days after Landlord's rendition of a bill therefor. If Landlord requires any personnel to be present for any after hours service, the minimum after hours charges for any reasonably required personnel shall be in whole hour increments except if such after hours service is on a Saturday, Sunday or Building holiday or at a time not immediately following the normal hours, in which event there shall be a four (4) hours minimum.

56. Liability of Landlord. If Landlord or any successor in interest to Landlord is an individual (which term as used herein includes aggregates of individuals, joint ventures, limited liability companies, general or limited partnerships or associations), such individual shall be under no personal liability with respect to any of the provisions of this Lease. Furthermore, irrespective of whether Landlord or any such successor be an individual or a corporate or other business entity, in the event Landlord or any such successor shall be in breach or default with respect to its obligations under this Lease, Tenant shall look solely to the estate of such owner or successor in the land and building of which the demised premises forms a part and such owner's or successor's interest in the rents and profits and the net proceeds from insurance in the event of casualty or condemnation from the Building or the net proceeds of such owner's or successor's interest in and to the building and the land for the satisfaction of Tenant's remedies for the collection of a judgment (or other judicial process), and no other property or assets of such Landlord or successor, or any Landlord Party shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under, with respect to, or arising out of this Lease, the relationship of Landlord and Tenant hereunder, or Tenant's use and occupancy of the Premises.

57. Usage of Terms. **"Landlord"** and **"Owner"** shall be interchangeable terms in this Lease. The terms "law, ordinance or governmental regulation" "applicable legal requirements" or terms of like import, as used in this Lease, shall mean all laws, statutes and ordinances (including building codes and zoning regulations and ordinances) and the orders, rules, regulations, directives and requirements of all federal, state, county, city and borough departments, bureaus, boards, agencies, offices, commissions and other subdivisions thereof, or of any official thereof, or of any other governmental, public or quasi-public authority, whether now or hereafter in force, which may be applicable to said building, or any part thereof, or the sidewalks, curbs or areas adjacent thereto.

58. Insurance. A. Prior to entering the demised premises, Tenant covenants to secure and maintain at its sole cost and expense continuously throughout the term: (a) "special form" property insurance (or the then equivalent thereof) covering Tenant's property and improvements and betterments (including all Alterations) to a limit of not less than the full replacement cost thereof, (b) commercial general liability insurance (or the then equivalent thereof) covering bodily injury, personal injury and property damage liability, and shall include contractual liability that covers the indemnifications and hold harmless contained in this Lease with such limits as may reasonably be requested by Landlord from time to time, but not less than

$1,000,000 per occurrence/$2,000,000 in the aggregate and supplemented by a $5,000,000 umbrella policy on a per location basis, (c) business income or earnings insurance (or the then equivalent thereof), including the perils of sprinkler leakage, water damage, burglary and collapse, to cover the loss of gross profits and continuing expenses during the period of partial or total shutdown of Tenant's business for a period of not less than six (6) months, (d) media liability coverage naming the Landlord, the Landlord Parties and each Superior Mortgagee, as additional insureds, (e) such insurance in type, form and amount as Landlord may reasonably require in connection with or relating to (and as a condition thereof) the Taping Use, the Loading Dock Audience Access Area, the Que-up Area, the Audience Freight Elevator Use, the Audience Participation and/or the Audience Room, provided such insurance is available at commercially reasonable rates, and (f) such other insurance of a type, form and amount as Landlord may reasonably require; provided that such type, form and amount of such other insurance is then customarily required of tenants in buildings comparable to the Building, in the Borough of Manhattan. Other than with respect to the business interruption or earnings insurance, the policy or policies evidencing such insurance shall include Landlord and such parties as Landlord shall reasonably designate in writing as a named additional insured, as their interest may appear. All policies required to be maintained pursuant to the provisions of this Lease shall be issued by an insurance company or companies having a Best's rating (or any successor publication of comparable standing) of at least A-/IX and authorized to do business in the State of New York. Upon the execution of this Lease, Tenant shall deliver to Landlord reasonable evidence that the premiums for the insurance required hereunder has been fully paid for at least one (1) year and certificates of insurance evidencing any such coverage. Such certificates of insurance shall specifically cover the indemnities of Tenant to Landlord and Landlord Parties contained herein. Tenant shall procure, maintain and place such insurance and pay all premiums and charges therefor and, upon Tenant's failure to do so, Landlord may, if Tenant has failed to provide evidence of payment of premiums and the required coverages hereunder at least twenty (20) days' prior to the expiration of any required coverage hereunder, but shall not be obligated to, procure, maintain and place such insurance or make such payments, and, in such event, Tenant agrees to pay to Landlord on demand the amount thereof, plus interest thereon at the Prime Rate *plus* three percent (3%) per annum, which rate may change from time to time, but in no event shall such interest rate exceed the maximum rate permitted by law to be charged to Tenant, and said sum shall be in each instance collectible as additional rent within twenty (20) days after demand, which demand hall be accompanied by evidence of payment by Landlord. During such times as Tenant shall be performing any Alteration, Tenant shall carry or cause to be carried (and shall provide Landlord with evidence thereof) (i) worker's compensation insurance covering all persons employed in connection with the Alteration in statutory limits, (ii) broad form commercial general liability insurance including a completed operations endorsement with limits of liability of not less than $1,000,000 per occurrence/$2,000,000 in the aggregate and supplemented by a $5,000,000 umbrella policy on a per location basis, (iii) builder's risk insurance, completed value non-reporting form, covering all physical loss, in an amount reasonably satisfactory to Landlord, and (iv) such other insurance, and in such amounts as Landlord deems reasonably necessary to protect Landlord's interest in the Premises and the Building from any act or omission of Tenant's contractors and subcontractors but not in excess of such amounts customarily required by prudent owners of comparable buildings located in Manhattan. Without limiting any other provision of this Lease, Tenant's failure to provide and keep in force the aforementioned insurance shall be regarded as a material default hereunder entitling Landlord, at its option, to exercise any or all of the remedies provided in this Lease in the event of Tenant's default.

B. All insurance required to be maintained by Tenant herein may be effected pursuant to blanket policies covering other locations of Tenant, so long as such blanket policies (x) provide that the amount of insurance allocable to the demised premises shall at all times not be less than the amounts set forth above, (y) provide that such amounts will not be reduced by a loss at any other location and (z) shall comply with all provisions of this Article 58.

C. If contractors, contractor's representatives, installers or service representatives are introduced to the Building, access to the Building shall be subject to receipt by Landlord of certificates of insurance evidencing worker's compensation insurance, and commercial general liability insurance in amounts provided in this Article and otherwise reasonably acceptable to Landlord. Such certificates are to contain provisions that obligate the insurer to notify Landlord ten (10) days in advance, in the event of cancellation, or material change of the coverage. The contractor's liability insurance is to contain a general aggregate

limit on a per project basis and shall include Landlord and such other parties as Landlord may reasonably designate in writing as an additional named insured, as their interests may appear.

D. All insurance policies to be procured by Tenant in compliance with the requirements of this Lease shall be issued in the name and for the benefit of Tenant, and shall name Landlord and its designees as additional insureds as provided in Paragraphs A and C above, by one or more responsible insurance companies satisfactory to Landlord and licensed to do business in the State of New York; and, at Tenant's option, such insurance may be carried under a blanket policy covering the demised premises and any other of Tenant's locations as provided in Paragraph B above. Each of such policies shall contain the following endorsements: (1) that such policy may not be canceled or amended in a material respect with respect to Landlord or any of its designees, except upon thirty (30) days' prior written notice to Landlord; (2) that Tenant shall be solely responsible for the payment of all premiums under such policy and that Landlord and its designees shall have no obligation for the payment thereof; (3) an agreed value endorsement for all property insurance required to be maintained by Tenant hereunder (or an express waiver by the insurance company of any co-insurance provision in such policy) and (4) an express waiver of any right of subrogation by the insurance company against Landlord and the Landlord Parties, Tenant hereby expressly waiving any such right of subrogation for any reason or occurrence whatsoever; it being agreed, subject to the provisions of Paragraph E below, that such waiver shall be conditioned upon any insurance maintained by Landlord for the Building containing corresponding waivers. Tenant agrees to deliver to Landlord, certificates or memoranda of insurance of all such policies of insurance to be procured by Tenant within fifteen (15) days of the inception of such policies and, at least fifteen (15) days prior to the expiration of any such policy, Tenant shall deliver to Landlord certificates or memoranda of insurance evidencing the renewal thereof. If Landlord shall be named as one of the insured in accordance with the foregoing provisions, Landlord shall, provided Tenant is not in default beyond any applicable notice and/or grace period under this Lease, promptly endorse to the order of Tenant, without recourse, any check, draft or order for the payment of money representing the proceeds of any such policy or representing any other payment growing out of or connected with said policies, and Landlord does hereby irrevocably waive any and all rights in and to such proceeds and payments; provided, however, that Tenant's right of full recovery under its aforesaid policies is not thereby prejudiced or otherwise adversely affected. Tenant hereby waives any and all right of recovery which it might otherwise have against Landlord and Landlord Parties for loss or damage to Tenant's contents, furniture, furnishings, fixtures and other property removable by Tenant under the provisions of this Lease to the extent that the same is coverable by Tenant's insurance, notwithstanding that such loss or damage may result from the negligence or fault of Landlord or Landlord Parties. Tenant agrees to advise Landlord promptly as to the coverage of the clauses included in its insurance policies pursuant to this Article. Tenant also agrees to notify Landlord promptly of any cancellation or change of the terms of any such policy which would affect such clauses or naming. The limits of coverage for any insurance required to be carried by Tenant under this Article may be increased by Landlord at any time and from time to time after the third (3rd) year of the term in Landlord's reasonable discretion ; provided that such increased limit of coverage is then customarily required by prudent owners of comparable buildings located in Manhattan or as reasonably required by the holder of the Existing Mortgage or any other Superior Mortgage.

E. Landlord and Tenant shall each procure an appropriate clause in or endorsement to any property insurance covering the Premises, the Building and personal property, fixtures and equipment located therein, wherein the insurance companies shall waive subrogation or consent to a waiver of right of recovery, and Landlord and Tenant agree not to make any claim against, or seek to recover from, the other for any loss or damage to its property or the property of others resulting from fire and other hazards to the extent covered by such property insurance; provided, however, that the release, discharge, exoneration and covenant not to sue contained herein shall be limited by and coextensive with the terms and provisions of the waiver of subrogation or waiver of right of recovery. If either party shall be unable to obtain the inclusion of such clause even with the payment of an additional premium, then such party shall attempt to name the other party as a loss payee under the policy. If the payment of an additional premium is required for the inclusion of, or consent to, a waiver of subrogation, each party shall advise the other, in writing, of the amount of any such additional premiums and the other party may pay such additional premium. If such other party shall not elect to pay such additional premium, then the first party shall not be required to obtain such waiver of subrogation or consent to waiver. Tenant acknowledges that Landlord shall not carry insurance on, and shall

not be responsible for, (a) damage to any Alterations or improvements to the Premises, (b) Tenant's personal property, and (c) any loss suffered by Tenant due to interruption of Tenant's business.

F. Landlord shall maintain in full force and effect during the Term (a) commercial general liability insurance of not less than not less than $1,000,000 per occurrence/$2,000,000 in the aggregate and supplemented by a $10,000,000 umbrella policy on a per location basis and with such deductibles reasonably comparable to such insurance as is maintained by similarly situated landlords of similar buildings in the Borough of Manhattan, and (b) insurance against loss or damage by fire with extended coverage, and such other risks and hazards as generally carried by owners of buildings comparable to the Building in the Borough of Manhattan under the then available forms of "all risk" insurance policies, to the Building for the full replacement cost value thereof.

59. Not an Offer or Binding Upon Full Execution and Delivery. Notwithstanding anything herein to the contrary, it is to be strictly understood and agreed that (a) the submission by Landlord to Tenant of any drafts of this Lease or any correspondence with respect thereto shall (i) be deemed submission solely for Tenant's consideration and not for acceptance and execution, (ii) have no binding force or effect, (iii) not constitute an option for the leasing of the Premises or a lease or conveyance of the Premises by Landlord to Tenant and (iv) not confer upon Tenant or any other party any title or estate in the Premises, (b) the terms and conditions of this Lease shall not be binding upon either party hereto in any way unless and until it is unconditionally executed and delivered by both parties in their respective sole and absolute discretion and all conditions precedent to the effectiveness thereof shall have been fulfilled or waived, and (c) if this Lease is not so executed and delivered for any reason whatsoever (including, without limitation, either party's willful or other refusal to do so or bad faith), neither party shall be liable to the other with respect to this Lease on account of any written or parol representations, negotiations, any legal or equitable theory (including, without limitation, part performance, promissory estoppel, or undue enrichment) or otherwise.

60. Inspection and Preparation of the Premises. Tenant acknowledges that it has inspected the demised premises and is familiar with the physical condition thereof and, except as may be otherwise expressly set forth in this Lease, accepts the same in an **"AS IS"** condition except (x) for substantial completion of Landlord's Work (as hereinafter defined) and (y) latent defects, provided that, with respect to any such latent defects, Tenant gives Landlord notice thereof within ninety (90) days of after the occurrence of the Commencement Date and further acknowledges and understands that no work whatsoever is to be performed, materials supplied or expense incurred by Landlord in connection therewith except for Landlord's Work.

61. Late Charges. If any installment of rent or additional rent due under this Lease is not paid within ten (10) days of the date the same is due, Tenant shall pay to Landlord as a **"late charge"** for the cost of administration and damages an amount equal to four percent (4%) of the amount which has not been paid on time.

62. Security Deposit. A. Landlord may use, apply or retain the whole or any part of the security deposited under this Lease, if any, for the payment of any rent and additional rent or any other sum as to which Tenant is in default beyond the expiration of any applicable notice and/or grace period or for any sum which Landlord may expend or may be required to expend by reason of Tenant's default beyond the expiration of any applicable notice and/or grace period in respect of any of the terms, covenants and conditions of this Lease, including but not limited to any damages or deficiency in the reletting of the premises, whether such damages or deficiency accrued before or after summary proceedings or other re-entry by Landlord. In the event the security shall be reduced by the foregoing, Tenant shall restore the same to the amount required within ten (10) days after written demand by Landlord.

B. Notwithstanding anything to the contrary contained herein, upon Tenant's execution and delivery of this Lease, Tenant shall furnish the security deposit in cash (it being agreed that Landlord shall have no obligation to deposit such sums in an interest bearing account nor pay any interest on such cash deposit to Tenant). Within thirty (30) days after the full execution and delivery of this Lease, in lieu of such cash deposit Tenant shall deliver to Landlord and maintain with Landlord as the security deposit referred to in Article 32 of this Lease, an irrevocable standby letter of credit(s) in the aggregate amount of $175,000 (the **"Security Deposit"**) substantially in the form annexed hereto as Exhibit D, and issued by a bank reasonably acceptable to Landlord, payable upon the presentation by Landlord to such bank in New York City of a sight draft (a **"Letter of Credit"**), which Letter of Credit shall provide (a) for the continuance of such credit for the period of at least one (1) year from the date hereof,

(b) for the automatic extension of such Letter of Credit for additional periods of one (1) year from the initial and each future expiration date thereof (the last such extension to provide for the continuance of such Letter of Credit for at least sixty (60) days beyond the Expiration Date) unless such bank gives Landlord notice of its intention not to renew such Letter of Credit, not less than sixty (60) days prior to the initial or any future expiration date of such Letter of Credit and (c) that in the event such notice is given by such bank, Landlord shall have the right to draw on such bank at sight for the balance remaining in such Letter of Credit and hold and apply the proceeds thereof in accordance with the provisions of Article 32. Each Letter of Credit to be deposited and maintained with Landlord (or the proceeds thereof) shall be held by Landlord as security for the faithful performance and observance by Tenant of the terms, provisions and conditions of this Lease, and in the event that (x) any default occurs under this Lease that continues beyond the expiration of any applicable notice and/or grace period, or (y) Landlord transfers its right, title and interest under this Lease to a third party and the bank issuing such Letter of Credit does not consent to the transfer of such Letter of Credit to such third party, or (z) notice is given by the bank issuing such Letter of Credit that it does not intend to renew the same, as above provided, then, in any such event, Tenant hereby authorized Landlord to and Landlord may draw on such Letter of Credit, and the proceeds of such Letter of Credit shall then be held and applied as security (and be replenished, if necessary) as provided in Article 32 and herein. In the event Landlord shall use, apply or retain the whole or any part of the security deposited hereunder in accordance with the terms of this Lease, Tenant shall deliver to Landlord within ten (10) days after written demand by Landlord an amount equal to the sum used, applied or retained by Landlord in accordance therewith so that at all times during the term hereof Landlord shall have as security hereunder an amount equal to $175,000, or such lesser amount as may be permitted under the provisions of Section 62H below (which moneys shall be held by Landlord as a cash deposit pursuant to the terms of this Lease pending the replacement of such Letter of Credit; however, Landlord's holding of such cash security shall not be deemed a waiver of Tenant's default of its obligation to maintain the security in the form of a Letter of Credit). Tenant shall pay as Additional Rent all reasonable out-of-pocket costs and fees incurred by Landlord in connection with such Letter of Credit after the Commencement Date, including, but not limited to: (i) Landlord's reasonable attorneys' fees; and (ii) any fees imposed by the issuer of said Letter of Credit, in connection with the replacement, substitution, amendment or, in the event Landlord transfers its right, title and interest under this Lease to a third party, the transfer of the Letter of Credit described herein.

C. Tenant acknowledges that it is a material inducement to Landlord to enter into this Lease that the security be maintained in the form of a Letter of Credit and that Tenant's failure to provide and maintain any such Letter of Credit throughout the Lease term shall constitute a material default under this Lease, and Tenant further acknowledges that notwithstanding anything in this Lease, Tenant shall not be permitted to provide cash security.

D. Tenant further agrees that Landlord is hereby authorized and shall have the right, to draw on the Letter of Credit, exercisable by sight draft:

(i) if a Bankruptcy Event occurs, to receive monies represented by the Letter of Credit; it being agreed, that for the purposes of this Lease, **"Bankruptcy Event"** shall mean any of the following: If (a) Tenant shall file a voluntary petition in bankruptcy or insolvency, or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy act or any other present or future applicable federal, state or other statute or law (foreign or domestic), or shall make an assignment for the benefit of creditors, or shall seek or consent or acquiesce in the appointment of any trustee, receiver or liquidator of Tenant or of all or any part of Tenant's property; or (b) within ninety (90) days after the commencement of any proceeding against Tenant or Guarantor (as hereinafter defined), whether by the filing of a petition or otherwise, seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future federal bankruptcy law or any other present or future applicable federal, state or other statute or law (foreign or domestic), such proceeding shall not have been dismissed, or if, within ninety (90) days after the appointment of any trustee, receiver or liquidator of Tenant or of all or any part of Tenant's property, without the consent or acquiescence of Tenant, such appointment shall not have been vacated or otherwise discharged, or if any execution or attachment shall be issued against Tenant or any of Tenant's property

pursuant to which the Premises shall be taken or occupied or attempted to be taken or occupied; or (c) the interest or estate created in Tenant hereby shall be taken in execution or by other process of law, or (d) Guarantor or his or its executors, administrators, successors or assigns, if any, shall be adjudicated insolvent or bankrupt or file for bankruptcy protection pursuant to the provisions of the bankruptcy or insolvency laws of any state and/or the Bankruptcy Code or a receiver or trustee of the property of Guarantor shall be appointed by reason of the insolvency or inability of Guarantor to pay its debts, or (e) any assignment shall be made of the property of Tenant or Guarantor for the benefit of creditors.

(ii) if a voluntary termination of this Lease occurs, to receive monies represented by the Letter of Credit in order to satisfy any fees and payments owed by Tenant in connection with such termination, including without limitation, accrued but unpaid rents and/or other charges payable pursuant to this Lease and any termination fees and all other amounts owed by Tenant to Landlord pursuant to any written agreement entered into between them with respect to such termination; and/or

(iii) if Tenant shall have not paid any late charges or fees or interest on late payments to Landlord pursuant to this Lease prior to the expiration of any applicable notice and/or grace period, to receive monies represented by the Letter of Credit in order to satisfy such amounts owed by Tenant.

E. Landlord shall transfer (at no expense to Landlord) the Security Deposit deposited under this Lease to a successor landlord, and upon such transfer: (i) Landlord shall *ipso facto* be released by Tenant from all liability for the return of the Security Deposit provided the successor landlord shall have agreed in writing to assume the obligation of Landlord hereunder, and (ii) Tenant agrees to look solely to the new landlord for the return of the Security Deposit. It is agreed that the provisions hereof shall apply to every transfer or assignment made of the Security Deposit to a new landlord. Tenant shall promptly execute such documents reasonably requested by Landlord as may be necessary to accomplish any such transfer or assignment of the Security Deposit.

F. Tenant covenants that it will not assign or encumber, or attempt to assign or encumber, the Security Deposit deposited under this Lease as security, and that neither Landlord nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment, or attempted encumbrance.

G. . In the event that at any time during the term of this Lease, Landlord, in Landlord's reasonable opinion, believes that circumstances have occurred indicating that the bank issuing the Letter of Credit may be incapable of, unable to, or prohibited from honoring the then existing Letter of Credit (hereinafter referred to as the **"Existing L/C"**) in accordance with the terms thereof, then Landlord may send notice to Tenant (hereinafter referred to as the **"Replacement Notice"**) requiring Tenant, within twenty (20) days, to replace the Existing L/C with a new letter of credit (hereinafter referred to as the **"Replacement L/C"**) from a bank reasonably acceptable to Landlord and otherwise satisfying the qualifications described in Paragraph 62B above. Upon receipt of such Replacement L/C shall forthwith return the Existing L/C to Tenant. In the event that (i) such Replacement L/C is not received by Landlord within the time specified, or (ii) Landlord reasonably believes an emergency exists, then in either event, the Existing L/C may be presented for payment by Landlord and the proceeds thereof shall be held by Landlord in accordance with the provisions hereof.

H. If (i) this Lease is then in full force and effect and Tenant shall not be in breach or default under any of the terms, covenants or conditions in this Lease on Tenant's part to observe or perform beyond the expiration of any applicable notice and/or cure period both on the date of any written request of Tenant for the return of a portion of the Security Deposit as hereinafter provided and on the date that the Return Amount (as hereinafter defined) is to be returned hereunder and (ii) no mechanics' or other liens are then filed against the Premises or the against the land and building of which the Premises forms a part in connection with any work or other Alterations performed by or on behalf of Tenant hereunder which have not been removed of record by bond or otherwise, Tenant may at any time immediately following the thirtieth (30th) month following the Rent Commencement Date give Landlord notice requesting that Landlord return to Tenant an amount from the Security Deposit equal to $75,000 out of the amount of the Security Deposit then held by Landlord or such lesser sum such that the Security

Deposit hereunder is not less than $100,000 for the remainder of the term of this Lease (such amount to be returned under this Paragraph is herein referred to as the **"Return Amount"**).

(ii) In order for the applicable request for the return of any Return Amount to be effective, it must be accompanied by an amendment to the Letter of Credit or a replacement Letter of Credit in the amount of the security required hereunder as of said date less the Return Amount, which replacement Letter of Credit or amendment thereto otherwise satisfies the requirements of this Paragraph 62. If Tenant requests the return of a particular Return Amount in the manner set forth herein and Tenant is entitled to receive such Return Amount, then in the case of a replacement Letter of Credit, subject to mutually acceptable escrow arrangements (the parties agreeing to act reasonably with respect thereto), simultaneously with Landlord's receipt of such replacement of the Letter of Credit satisfying the above requirements, Landlord shall return to Tenant the Letter of Credit to which the Return Amount relates then held by Landlord.

63. Hazardous Materials. A. Tenant covenants and agrees not to suffer, permit, introduce and maintain in, on or about any portion of the demised premises, any asbestos, polychlorinated biphenyls, petroleum products or any other hazardous or toxic materials, wastes and substances which are defined, determined or identified as such in any federal, state or local laws, rules or regulations (whether now existing or hereafter enacted or promulgated) or any judicial or administrative interpretation of any thereof, including any judicial administrative orders or judgments (herein collectively called **"Hazardous Material"**), other than customary office and cleaning supplies used in Tenant's business in compliance with law and the terms of this Lease. Tenant further covenants and agrees to indemnify, protect and save Landlord and Landlord Parties harmless against and from any and all damages, losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, judgments, suits, proceedings, costs, disbursements or expenses of any kind or of any nature whatsoever (including, without limitation, reasonable attorneys' and experts' fees and disbursements) which may at any time be imposed upon, incurred by or asserted or awarded against Landlord and arising from or out of any Hazardous Materials on, in, under or affecting all or any portion of the building or demised premises, introduced by, or on behalf of, Tenant including, without limitation (i) the costs of removal of any and all Hazardous Materials from all or any portion of the building or demised premises, (ii) additional costs required to take necessary precautions to protect against the release of Hazardous Materials on, in, under or affecting the building or demised premises, into the air, any body of water, any other public domain or any surrounding areas and (iii) any costs incurred to comply, in connection with all or any portion of the building or demised premises, with all applicable law, orders, judgments and regulations with respect to Hazardous Materials.

B. Landlord represents that, to its actual knowledge (but without any independent investigation), any handling, transportation, storage, treatment or usage of hazardous substances, if any, that has occurred in the Building was in compliance with all applicable federal, state and local laws, regulations and ordinances. Landlord further represents that, to its actual knowledge (but without any independent investigation), no leak, spill, discharge, emission or disposal of Hazardous Material in violation of applicable legal requirements has occurred in the Building which has not been remediated in accordance with applicable law.

64. Security Costs. Intentionally omitted.

65. Free Rent. Provided Tenant is not in default beyond any applicable notice and/or grace period hereunder, the Fixed Rent shall be abated in full for the period commencing on the Commencement Date until six (6) months after the Commencement Date (the **"Abatement Period"**). The rent so abated under this Article is referred to as the **"Abated Rent"**. If Tenant shall default hereunder beyond any applicable notice and/or grace period and this Lease is terminated as a result thereof or, in the case of a Bankruptcy Event, this Lease shall be rejected, the Abated Rent shall be amortized on a straight-line basis over the Term, and the unamortized portion of such Abated Rent as of the date of termination or rejection, as the case may be, shall immediately be due and payable. If, upon the occurrence of the Expiration Date, Tenant is not in default hereunder beyond any applicable notice and/or grace period, Tenant shall be relieved of its obligation to pay such Abated Rent. The day immediately following the Abatement Period is referred to herein as the "**Rent Commencement Date**".

66. Conflicts. If and to the extent that any of the provisions of any rider to this Lease conflict or are otherwise inconsistent with any of the printed provisions of this Lease, whether or not such inconsistency is expressly noted in the rider, the provisions of the rider shall prevail.

67. Pornographic Uses. Tenant acknowledges agrees that the value of the Premises and the value and reputation of the Building and the reputation of the Landlord will be seriously and irreparably injured if the Premises are used for any obscene, immoral or pornographic purposes or any sort of commercial sex establishment. Tenant agrees that Tenant will nor allow any employee to bring any obscene, pornographic or erotic material into or to be maintained at the Premises, including, without limitation, any obscene, pornographic or erotic printed material, video material, audio material, signs or displays, and shall not conduct or allow any employee to conduct any photography of any obscene acts or nude or semi-nude persons on the premises and will have a company policy prohibiting the use of the internet for such purposes; provided, however, the violation by any employee(s) of Tenant of such policy shall not be a default hereunder provided Tenant takes appropriate disciplinary action (including termination for multiple violations) against any such employee(s). Tenant agrees further that Tenant will not permit any of these uses by any sublessee or assignee of the premises. This Article shall directly bind any successors-in-interest to Tenant. Tenant agrees that if at any time Tenant violates any of the provisions of this Article, such violation shall be deemed a material breach of this Lease, in which event Landlord may exercise any remedies it has under this Lease. Pornographic material is defined for purposes of this Article as defined in Section 235 of the Penal Law of the State of New York (as amended or supplemented from time to time).

68. Base Rental. Tenant shall make annual fixed rent payments ("**Fixed Rent**") at an annual rental rate in accordance with the terms of this Lease as follows:

(i) subject to the provisions of Article 65, $425,500 ($35,458 per month) commencing on the Commencement Date through and including the day immediately preceding the first anniversary (1st) anniversary of the Commencement Date;

(ii) $438,265 ($36,522 per month) commencing on the first (1st) anniversary of the Commencement Date through and including the day immediately preceding the second (2nd) anniversary of the Commencement Date;

(iii) $451,413 ($37,618 per month) commencing on the second (2nd) anniversary of the Commencement Date through and including the day immediately preceding the third (3nd) anniversary of the Commencement Date;

(iv) $464,955 ($38,746 per month) commencing on the third (3rd) anniversary of the Commencement Date through and including the day immediately preceding the fourth (4th) anniversary of the Commencement Date;

(v) $478,904 ($39,909 per month) commencing on the fourth (4th) anniversary of the Commencement Date through and including the day immediately preceding the fifth (5th) anniversary of the Commencement Date;

(vi) $511,771 ($42,648 per month) commencing on the fifth (5th) anniversary of the Commencement Date through and including the day immediately preceding the sixth (6th) anniversary of the Commencement Date;

(vii) $527,124 ($43,927 per month) commencing on the sixth (6th) anniversary of the Commencement Date through and including the day immediately preceding the seventh (7th) anniversary of the Commencement Date;

(viii) $542,938 ($45,245 per month) commencing on the seventh (7th) anniversary of the Commencement Date through and including the day immediately preceding the eighth (8th) anniversary of the Commencement Date;

(ix) $577,726 ($48,144 per month) commencing on the eighth (8th) anniversary of the Commencement Date through and including the day immediately preceding the ninth (9th) anniversary of the Commencement Date;

(x) $595,058 ($49,588 per month) commencing on the ninth (9th) anniversary of the Commencement Date through and including the day immediately preceding the tenth (10th) anniversary of the Commencement Date; and

(xi) $612,910 ($51,076 per month) commencing on the tenth (10th) anniversary of the Commencement Date through and including the Expiration Date,

with all such installments being payable in equal monthly installments in advance, on the first (1st) day of each and every calendar month during the Term, with any partial months being prorated based on the actual number of days in such month.

69. Landlord's Consent. Except as otherwise expressly provided in this Article, in no event shall Tenant be entitled to make, nor shall Tenant make, any claim, and Tenant hereby waives any claim, for money damages (whether actual, consequential, punitive or otherwise), nor shall Tenant claim any money damages by way of set-off, counterclaim or defense based upon any claim or assertion by Tenant that Landlord has unreasonably withheld its consent or approval to any request of Tenant in such instances, if any, where Landlord is expressly required hereunder, or under law, not to unreasonably withhold such consent. Tenant agrees that its sole remedy in such instance shall be an action or proceeding to enforce any such provision or for specific performance, injunction or declaratory judgment. In the event of a court of competent jurisdiction finally determines Landlord was not reasonable, the requested consent shall be deemed to have been granted; however, Landlord shall have no liability to Tenant for its refusal or failure to give such consent unless a final non-appealable judgment from a court of competent jurisdiction is obtained against Landlord holding that Landlord acted maliciously and in bad faith in failing or refusing to grant its consent or approval, and such remedy shall be available only in those cases where Landlord has expressly agreed not to unreasonably withhold its consent or approval. The sole remedy for Landlord unreasonably withholding or delaying of consent shall be as provided in this Article.

70. Repeated Defaults; Conditional Limitation. Notwithstanding any other provision in this Lease, if Tenant shall default (beyond the expiration of any applicable notice and/or cure period) in the payment of any monetary obligations hereunder or in the performance of any material term, covenant, or condition of this Lease more than three (3) times in the aggregate in any period of twelve (12) months, then, notwithstanding that such defaults shall have been cured within any applicable grace period, any further default shall be deemed to be deliberate for which default Landlord may terminate this Lease without service of any default notice or conditional limitation notice and Tenant shall not have the right to cure such late default by application to any court of competent jurisdiction, and upon Landlord serving Tenant a five (5) business day notice of termination of this Lease and upon the expiration of said five (5) business day period, this Lease and term granted hereby shall end and expire as fully and completely as if the expiration of such five (5) business day period were the day herein definitely fixed for the expiration of this Lease and Tenant shall then quit and surrender the Premises to Landlord as required under the terms of this Lease.

71. Holdover. A. In the event Tenant remains in possession of the Premises for a period of more than two (2) days after the expiration or termination of this Lease without the execution of a new lease, Tenant hereby agrees to indemnify and hold Landlord harmless from and against any loss, cost, liability, claim, damage and expense (including reasonable attorneys' fees and disbursements) resulting from such delay by Tenant in surrendering the Premises upon the expiration or earlier termination of this Lease as provided in Article 22, including any claims made by any succeeding tenant or prospective tenant founded upon such delay.

B. In the event Tenant remains in possession of the Premises after the expiration or termination of this Lease without the execution of a new lease, Landlord shall be entitled to immediately re-enter the Premises and dispossess Tenant. In the event of any holding over by Tenant, Tenant shall pay as holdover use and occupancy for each month (or any portion thereof) of the holdover tenancy an amount equal to (i) one hundred fifty percent (150%) of the Fixed Rent and additional rent payable during the last month of the Term for first thirty (30) days of any such holdover and (ii) two hundred percent (200%) of the Fixed Rent and additional rent payable during the last month of the Term for any period after such thirty (30) day period, subject to all of the other terms of this Lease insofar as the same are applicable to such holdover tenancy. The acceptance of any such use and occupancy payment paid by Tenant pursuant to

this Section shall in no event preclude Landlord from commencing and prosecuting a holdover or summary eviction proceeding and the provisions of this Section shall be deemed be an **"agreement expressly providing otherwise"** within the meaning of Section 232-c of the Real Property Law of the State of New York and any successor or similar law of like import. Nothing contained in this Section shall (i) imply any right of Tenant to remain in the Premises after the termination of this lease without the execution of a new lease, (ii) imply any obligation of Landlord to grant a new lease or (iii) be construed to limit any right or remedy that Landlord has against Tenant as a holdover tenant or trespasser.

72. Miscellaneous Provisions.

A. Governing Law. This Lease shall be construed in accordance with the internal laws of the State of New York, without giving effect to the principles of conflicts of law. This Lease shall be deemed to have been negotiated at "arms-length" by both the parties hereto, and any ambiguities or uncertainties herein shall not be construed for or against either of them.

B. Operations. Tenant covenants and agrees not to (i) use, play or operate or permit to be used, played or operated any sound making or sound reproducing device in the Premises, which, in the reasonable judgment of Landlord, might disturb any other tenant, occupant or guest in the Building; (ii) not to allow anyone to sleep or remain in the Premises overnight; and (iii) not to suffer or permit the Premises or any part thereof to be used in any manner, or anything to be done therein, or suffer or permit anything to be brought into or kept therein, which would in any way: (a) violate the certificate of occupancy, if any, covering the building or the permitted use hereunder, or the laws or requirements of any public authority, or the requirements or recommendations of insurance bodies insuring the same; (b) result in the Premises not being operated in a manner consistent with a first-class, high quality loft office building; (c) make void or voidable any fire, liability or other insurance policy then in force with respect to the Premises and/or the Building, (d) make unobtainable from reputable insurance companies authorized to do business in New York State at standard rates any fire insurance (with extended coverage) liability or other insurance, (e) cause or in Landlord's reasonable opinion be likely to cause, physical damage to the building or any part thereof, (f) constitute a public or private nuisance, (g) impair, in the reasonable opinion of Landlord, the appearance, character or reputation of the Premises or the building, (h) impair or interfere with any of the building services or the proper and economic repair, maintenance and operation of the building and its equipment and systems, (i) impair or interfere with the use of any of the other areas of the building by, or occasion discomfort, annoyance or inconvenience to, Landlord or any of the other tenants or occupants of the building, the determination of any such impairment or interference in each instance to be in the reasonable judgment of Landlord. Subject to Tenant's compliance with the provisions of Article 80 hereof, Landlord acknowledges that the Taping Use will not be in violation of this Section 72B.

C. Expenses. Tenant hereby agrees that if Landlord places the enforcement of this Lease or any part thereof in the hands of any attorney in connection with a default (or alleged default asserted in good faith by Landlord) in the payment of rent or any other charges under the Lease, or files suit upon the same, or if Landlord places the collection of any rent due or to become due under the Lease, or recovery of the possession of the Premises in the hands of an attorney, then Landlord shall be entitled to recover and Tenant hereby agrees to reimburse Landlord for and indemnify and hold Landlord harmless from and against Landlord's reasonable attorneys' fees and disbursements, court costs and collection agency charges. In all other instances, the parties agree that in connection with any action or proceeding arising under this Lease (including, without limitation, the enforcement or interpretation of either party's rights or obligations under this Lease, whether in contract, tort, or both, or the declaration of any rights or obligations under this Lease), the prevailing party shall be entitled to recover its reasonable attorneys' fees and disbursements, court costs and collection agency charges. As used herein, the "prevailing party" shall mean the party who substantially prevails in the matter at issue including a party who dismisses an action for recovery hereunder in exchange for payment of the sums allegedly due, performance of covenants allegedly breached or consideration substantially equal to the relief sought in the action. If Tenant shall fail to pay any rental or other charge required to be paid under this Lease and such failure continues for twenty (20) days after the due date thereof, such unpaid amounts shall bear interest from the due date thereof to the date of payment at the rate (the **"Default Rate"**) of four percent (4%) per annum above the Prime Rate but in no event higher than the highest rate legally permitted by law to be charged to Tenant, and

such interest shall be deemed additional rent. The provisions of this Section shall survive the termination or expiration of this Lease.

D. No Recording. Tenant shall not record or attempt to record or in any way permit the recording of this Lease, any memorandum of this Lease, any assignment of this Lease, any sublease of the Premises or any other instrument relative to this Lease, and any attempt to do so shall be null and void and shall constitute a material breach of this Lease.

E. Damage Or Destruction. Notwithstanding anything to the contrary contained in Article 9 or elsewhere in this Lease, (a) Landlord shall not be required to make repairs contemplated by Article 9 if such damage or destruction occurs during the last year of the term of this Lease, and if Landlord so elects to not make such repairs, Tenant may, within thirty (30) days after the date Landlord gives Tenant notice that it does not so intend to make such repairs (which notice Landlord agrees to give within forty five (45) days after the occurrence of any such casualty occurring during the last year of the term) serve notice on Landlord of its intention to terminate this Lease as of a date not less than twenty (20) after the date of such notice and, if Tenant so sends such termination notice, this Lease shall terminate on the expiration of such twenty (20) day period (or such longer period as is set forth in Tenant's notice) as if such termination date were the Expiration Date, and (b) Landlord shall not be liable for any injury to the business of Tenant resulting from any damage to the Premises or the Building by fire or other casualty or the repair thereof. The exercise of Landlord's rights as provided herein shall not create in Tenant any right or obligation to repair or rebuild the Premises.

F. Cleaning. Tenant shall be responsible, at its sole cost and expense, for the cleaning and supplies for the bathrooms in the Premises.

G. Counterparts. This Lease may be executed in one or more counterparts, each of which shall constitute an original and all of which when taken together shall constitute one and the same instrument. A signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signature thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.

H. Acceleration of Damages. In the event this Lease is terminated pursuant to the provisions of Article 17 herein, then in addition to the remedies Landlord may have pursuant to Article 18 herein, Landlord may elect, at its option, to recover from Tenant, all damages it may incur by reason of such breach, including the cost of recovering the Premises and reasonable attorneys' fees and expenses and shall be entitled to recover as and for liquidated damages, and not as a penalty, an amount equal to the difference between (1) the Fixed Rent, additional rent and charges equivalent to rent payable hereunder for the remainder of the stated term and (2) the reasonable rental value of the Premises for the remainder of the stated term, all of which shall be immediately due and payable by Tenant, both discounted to present worth at the lesser of (x) the Prime Rate *plus* 1% per annum and (y) six percent (6%) per annum; *less* any damages theretofore paid by Tenant to Landlord. In determining the rental value of the Premises for such period, the rental realized by any reletting, if such reletting be accomplished by Landlord with an unaffiliated third party on an arms-length basis with a reasonable period of time after the termination of this Lease, shall be deemed prima facie to be the rental value. Landlord shall not be liable in any way whatsoever for its failure or refusal to relet the Premises or any part thereof, or if the Premises are so relet, for its failure to collect the rent under such reletting, and no refusal or failure to relet or failure to collect rent shall affect Tenant's liability for damages or otherwise hereunder. Nothing herein contained shall limit or prejudice the right of Landlord to prove and obtain as liquidated damages by reason of such termination an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, such damages are to be proved, whether or not such amount be greater, equal to, or less than the amounts referred to herein.

I. No Additional Services. Landlord shall not be required to furnish any other services, including but not limited to window or other cleaning services, except as expressly provided in this Lease.

J. Rent Restrictions. In the event the Fixed Rent or any Additional Rent shall become uncollectible by virtue of any Federal, State, County or City law, order or

regulation, or by any direction of a public officer or body pursuant to law, Tenant shall enter into such agreement or agreements and take such other action (without additional expense to Tenant) as Landlord may request, as may be legally permissible, to permit Landlord to collect the maximum Fixed Rent and Additional Rent which may, from time to time during the continuance or such legal rent restriction, be legally permissible, but not in excess of the amounts of Fixed Rent or Additional Rent payable under this Lease. Upon the termination of such legal rent restriction, (a) the Fixed Rent and Additional Rent, after such termination, shall become payable under this Lease in the amount of the Fixed Rent and Additional Rent set forth in this Lease for the period following such termination and (b) Tenant shall pay to Landlord, if legally permissible, an amount equal to (i) the Fixed Rent which would have been paid pursuant to this Lease, but for such rent restriction, less (ii) the Fixed Rent and Additional Rent paid by Tenant to Landlord during the period that such rent restriction was in effect.

K. Severability. If any of the provisions of this Lease, or the application thereof to any person or circumstance, shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision or provisions to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and every provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

L. No Dedication. Landlord shall have the right to erect any gate, chain or other obstruction or to close off any portion of the Real Property to the public at any time to the extent necessary to prevent a dedication thereof for public use.

M. Authorization. The person(s) executing this Lease on behalf of Tenant hereby represent and warrant that they have been duly authorized to execute this Lease for and on behalf of Tenant. The person(s) executing this Lease on behalf of Landlord hereby represent and warrant that they have been duly authorized to execute this Lease for and on behalf of Landlord.

N. Access. Subject to Landlord's rights under this Lease, the Building rules, regulations and security procedures and emergency situations, Tenant shall have access to the premises 24 hours per day, 7 days per week through a card key system in the main exterior entrance to the Building. Landlord shall furnish to Tenant, at no cost to Tenant, twenty five (25) card keys (each, a **"Card Key"**). Tenant shall be permitted to purchase additional Card Keys at Landlord's then established charges for each additional Card Key and Tenant shall pay such charges to Landlord, as additional rent, within twenty (20) days after Landlord's demand therefor; which charges as of the date hereof are $30.00 per card. Tenant shall, upon the termination of its tenancy, turn over to Landlord all Card Keys furnished to Tenant. Tenant shall comply with all reasonable security measures instituted by Landlord and applied on a non-discriminatory basis at any time during the Term with respect to the security system in the Building, but the establishment and enforcement of such measures shall not impose any responsibility or liability upon Landlord to Tenant for any reason except as otherwise expressly set forth in this Lease. During normal business hours on normal business days only persons displaying the Card Key to the lobby attendant shall be granted access to the Building. During normal business hours on normal business days, anyone not displaying the Card to the lobby attendant shall obtain access to the Building only (i) if that person's arrival was pre-arranged with the lobby attendant with a list of anticipated visitors, or (ii) if not on a pre-arranged list, the person's arrival to the Building can be announced via telephone and then approved by Tenant. After normal business hours, access to the Building shall only be obtained by Card Key holders, swiping their Card Key on the Card Key readers outside the Building's main entrance

O. Repairs; Minimize Interference. Supplementing Landlord's obligations under the first sentence of Article 4 hereof, Landlord shall maintain and repair all building systems (it being acknowledged that such obligation shall not apply to the AC System or any other system that exclusively serves or that is located wholly within the Premises), service and common portions of the Building; as well as the common mechanical, electrical, plumbing and life safety systems of the Building and the roof and load bearing and structural elements of the Building, provided the necessity for such repair did not arise by reason of the negligence or any wrongful act or omission of Tenant (or any employee, agent, contractor or representative thereof). In connection with fulfilling any of its repair obligations under this Lease and in connection with any alteration or improvements made by Landlord or access to the Premises permitted under Articles 4, 13, 20 and 31 or otherwise pursuant to the terms of this Lease,

Landlord agrees (a) to the extent practicable under the circumstances (exclusive of any emergencies), to provide Tenant with reasonable prior notice (which may, notwithstanding anything to contrary in this Lease may be by telephone or in person) of any work or access that will affect the Premises and (b) to use commercially reasonable efforts to minimize interference with Tenant's use and occupancy of the demised premises; provided that in no event shall Landlord be required to utilize overtime or premium pay labor or incur any extraordinary costs in connection with such repairs, alterations, improvements or access. Except in the event of any emergency, Landlord shall be accompanied by a representative of Tenant during any such access or entry permitted hereunder, and Tenant agrees to make a representative available for such purpose. Notwithstanding anything herein to the contrary, Tenant shall not be required to make any repairs (whether structural or non-structural) to the extent the same are necessitated by the act, omission or negligence of Landlord or Landlord's Parties nor shall Tenant (unless the same are necessitated by the act, omission or negligence of Tenant, or its contractors, agents or employees, or Tenant's particular manner of use of the Premises, any Specialty Alterations, the Audience Room, the Audience Participation and/or the Taping Use) be required to (i) make any structural repairs or, (ii) make any sprinkler installations, repairs or modifications except as provided in Article 30.

P. Casualty. Supplementing Article 9 hereof, provided this Lease is not terminated by Landlord as provided in Article 9, if Landlord shall not substantially complete the making of the repairs required by it to be made under Article 9 within twelve (12) months (subject to force majeure and Tenant Delay [as hereinafter defined]) after the date of such fire or casualty, Tenant may, within thirty (30) days after the date on which such time period expires, serve written notice on Landlord of its intention to terminate this Lease, and if within such thirty (30) day period, Landlord shall not have so substantially completed the making of such required repairs, this Lease shall terminate on the expiration of such thirty (30) day period as if such termination date were the Expiration Date without prejudice, however, to Landlord's rights and remedies against Tenant under the terms of this Lease. For the purposes of Article 9 hereof and this Section, "substantially completed" shall mean that the restoration work required to be performed by Landlord has been completed (i) to such an extent that Tenant has reasonable access to the demised premises to perform Tenant's restoration work and (ii) except for minor insubstantial details of construction, decoration or mechanical adjustments which remain to be done.

Q. Building Directory. Supplementing Article 39 but subject to the Rules and Regulations annexed hereto as Exhibit B, Landlord will, at the request of Tenant, at Tenant's cost and expense, maintain three (3) listings on the Building directory, of the names of Tenant and any other person, firm, association or corporation in occupancy of the Premises or any part thereof as permitted hereunder, and the names of any departments, officers, partners or employees of any of the foregoing.

R. Compliance with Law. Subject to the terms of this Lease, Landlord shall be responsible at is own cost and expense to comply, to the extent applicable to the Building, with (or cause to be complied with) all legal requirements applicable to the common, non-tenantable areas of the Building (including NYC Local Law 5/16, Local Law 10, the Americans with Disabilities Act (the "**ADA**") and Local Law 58) which are not the obligation of Tenant hereunder; *provided, however*, that Landlord shall not have any liability to Tenant for any failure to comply with the foregoing obligation unless Landlord's failure to comply with a particular legal requirement adversely affects (more than to a *de minimis* extent) Tenant's use and enjoyment of the Premises and access thereto. Tenant acknowledges that as of the date hereof Landlord has no obligation to perform any alterations to the lobby or entrance to the Building or the loading dock servicing the Building in order to comply with ADA or any other applicable legal requirements and that such existing conditions shall be deemed to not adversely affect Tenant's use and enjoyment of the Premises and access thereto. Notwithstanding anything to the contrary contained herein, Tenant shall be solely responsible for, at its sole cost and expense, to comply with all applicable legal requirements, including, but not limited to, compliance with the ADA and applicable ingress and egress requirements, in connection with the construction, operation and maintenance of the Audience Room, the Taping Use, the Audience Participation and any access to the loading dock and/or the freight elevators permitted hereunder in connection with any of the foregoing.

S. Guaranty. As an inducement to Landlord to enter into this Lease and as a condition to the effectiveness hereof, Tenant shall cause to be delivered to Landlord a

certain limited guaranty of payment and performance of Tenant's obligations under the Lease (the "Guaranty"), executed by Isaac Mizrahi (the "**Guarantor**"), in the form annexed hereto as Exhibit E. Tenant acknowledges and agrees that a default by the Guarantor under the Guaranty shall be deemed a default hereunder.

T. Bankruptcy. To the extent permitted by law, in the event of any Bankruptcy Event, notwithstanding any automatic stay applicable in bankruptcy or any other law(s), Landlord may give to Tenant notice of intention to terminate this Lease to end the Term and the estate hereby granted at the expiration of three (3) business days from the date of the giving of such notice, and, in the event such notice is given, this Lease and the Term and estate hereby granted (whether or not the Term shall have commenced) shall terminate upon the expiration of said three (3) business days with the same effect as if that day were the Expiration Date, but Tenant shall remain liable for damages as provided in this Lease and Tenant and Guarantor, if any, shall remain liable as herein provided.

U. Joint and Several. If Tenant consists of more than one person or entity, the obligations and liabilities of Tenant hereunder shall be joint and several.

V. Limited Pet Access. Subject to such reasonable rules and regulations that Landlord may promulgate from time to time, Landlord agrees that for so long as tenant named herein is in actual occupancy of the entire Premises (other than the Licensed Space, if any), Guarantor, for so long as he controls tenant, shall be permitted to bring his pet dog into the Premises solely through the Loading Dock Audience Access Area and the freight elevator of the Building.

73. Alterations. A. (a) Supplementing and modifying the provisions of Article 3, Tenant shall make no improvements, changes or alterations in or to the Premises ("**Alterations**" or "**Alteration**") without Landlord's prior written approval, which approval (x) shall not be unreasonably withheld, conditioned or delayed if the alterations (i) are non-structural and do not affect any Building systems, (ii) affect only the Premises and are not visible from the exterior of the Premises, (iv) do not affect the certificate of occupancy, if any, issued for the Building or the Premises, and (v) do not adversely affect any service required to be furnished by Landlord to Tenant or to any other tenant of the Building, and (y) shall not be required as otherwise provided in Paragraph E below. Before proceeding with any Alteration (other than painting, decorating, wall covering, carpeting or similar non-structural, cosmetic changes, which shall not require Landlord's consent, provided Tenant shall otherwise be in compliance with this Article and Article 3 and provided further that Tenant shall provide Landlord with at least ten (10) days' prior written notice thereof), Tenant shall obtain Landlord's prior approval of the plans and specifications for the work to be done, which shall include a scheduled completion date, and Tenant shall not proceed with such work until it obtains Landlord's written approval of such work, plans and specifications. Landlord's approval of any plans and specifications for any Alteration shall not be deemed a representation that the Alteration is in compliance with applicable legal requirements.

(b) Tenant shall pay to Landlord within twenty (20) days after rendition of a bill therefor, as Additional Rent, the reasonable out-of-pocket third party costs and expenses (including, without limitation, the fees of any third party architect or engineer employed by Landlord or any mortgagee or superior lessor for such purpose) incurred by Landlord for (i) reviewing said plans and specifications and (ii) inspecting the Alterations.

B. (a) Before proceeding with any Alteration estimated to cost in excess of $75,000.00, Tenant shall furnish to Landlord one of the following (as reasonably selected by Landlord): (i) a cash deposit or (ii) intentionally omitted, (iii) an irrevocable, unconditional, negotiable letter of credit, issued by and drawn on a bank or trust company which is a member of the Clearing House in a form reasonably satisfactory to Landlord; in each case in an amount equal to one hundred twenty five (125%) percent of the estimated cost of the Alteration, or (iv) such other security as Landlord may reasonably require.

(b) Upon (i) the completion of the Alteration in accordance with the terms of this Lease and (ii) the submission to Landlord of proof evidencing the payment in full for said Alteration including, but not limited to, delivery of Lien Waivers (as defined below), the security deposited with Landlord (or the balance of the proceeds thereof, if Tenant has furnished cash or a letter of credit and if Landlord has drawn on the same) shall be returned to Tenant.

(c) Upon Tenant's failure to properly perform, complete and fully pay for the said Alteration, as reasonably determined by Landlord, Landlord shall be entitled to draw on the security deposited under this Article and Article 32 hereof to the extent it deems necessary to complete any incomplete or otherwise hazardous Alteration, to effect any necessary restoration and/or protection of the Premises or the Real Property and to apply such funds to the payment or satisfaction of any costs, damages or expenses in connection with the foregoing and/or Tenant's obligations under this Article and this Lease relating to Alterations and repairs, including the satisfaction of any mechanic's lien to the extent not bonded or otherwise discharged by Tenant as required under this Lease.

(d) The parties agree that the provisions of this Paragraph B shall not be applicable to Tenant's Initial Work.

C. If, in connection with any Alterations, Tenant shall hire the services of any contractor or construction manager, Tenant shall enter into an agreement with such party which shall provide that such contractor or construction manager, as well as all subcontractors, materialmen and suppliers hired in connection therewith (all of the foregoing known collectively as the **"Contractors"**), shall, within thirty (30) days after receiving any payment respecting such Alterations deliver to Tenant a duly executed partial waiver of mechanic's lien evidencing payment in full for the cost of work, labor and/or services theretofore furnished and, if the work, labor and/or services have been completed, a duly executed final waiver of mechanic's lien evidencing payment in full, which shall name the Landlord and Tenant as the beneficiaries thereof, and which shall be in a form reasonably acceptable to Landlord (**"Lien Waivers"**). Prior to the commencement of any Alterations, a form of the Lien Waivers to be given by each such Contractor must be approved by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed.

D. All Alterations shall be performed by Tenant in compliance with all applicable laws, rules and regulations and all applicable requirements of insurance bodies and the same shall be diligently performed in a good and workerlike manner.

E. Notwithstanding anything to the contrary contained in this Article or Article 3 hereof, Landlord's consent shall not be required with respect to (a) decorative alterations such as painting, wall coverings, floor coverings and other similar non-structural, cosmetic changes, installation of furniture, furnishings, cabinets, and shelves which are not affixed to the walls, floor or ceiling of the demised premises or (b) non-structural alterations by Tenant which (i) shall be located wholly within the Premises, (ii) shall not affect the structural integrity of the Building or the operation of the HVAC, plumbing, electrical, or water and sewer systems of the Building or the AC System, (iii) do not cost more than $75,000 for any single project (exclusive of any architect's or engineer's fees) and (iv) do not consist, in whole or part, of a Specialty Alteration, provided, in each instance that (a) such alterations shall otherwise be performed in accordance with all of the terms and conditions of this Lease, (b) Tenant gives Owner at least ten (10) days' prior written notice of such work and, for informational purposes, the plans and specifications therefor but only to the extent the same would be customarily prepared, (c) such item(s) shall be performed in a good and workerlike manner consonant with and appropriate to the image and operation of a first class office loft building and compatible with the then exterior appearance of the Building and (d) Tenant is not in default under this Lease beyond the expiration of any applicable notice and/or grace period.

F. Prior to commencing the work relating thereto, Tenant shall submit to Landlord for its review and approval plans and specifications for Tenant's proposed leasehold improvements to the Premises for Tenant's initial occupancy thereof (**"Tenant's Initial Work"**). Tenant's Initial Work shall be performed strictly in accordance with the plans and specifications for such Tenant's Initial Work as approved by Landlord in accordance with the terms of this Lease and all applicable requirements of this Lease and law.

G. Landlord agrees to review Tenant's plans and specifications for all Alterations (including Tenant's Initial Work) to approve the same or make written reasonable exceptions thereto (unless the same relates to a structural Alteration or a Specialty Alteration, in which event such exceptions shall be as Landlord determines in its sole and absolute discretion) within thirty (30) days from the date of the submission thereof to Landlord. Landlord agrees not to unreasonably withhold, condition or delay its approval of Tenant's plans and specifications, and failure by Landlord to provide the written exceptions within such thirty (30) day shall be

deemed approval of Tenant's plans and specification provided, that five (5) days prior to the expiration of the period for such approval, Tenant shall send a second notice to Landlord with the phrase **"FAILURE TO APPROVE OR DISAPPROVE TENANT'S PLANS WITHIN FIVE (5) DAYS AFTER THE RECEIPT HEREOF SHALL RESULT IN THE DEEMED APPROVAL OF TENANT'S PLANS"** in bold lettering at the top of such notice. If Landlord disapproves Tenant's Plans, Tenant shall revise them and re-submit them to Landlord for approval. Any disapproval given by Landlord shall be accompanied by a statement in reasonable detail of the reasons for such disapproval, itemizing those portions of the plans so disapproved. Landlord shall advise Tenant within ten (10) business days following Landlord's receipt of Tenant's revised plans of Landlord's approval or disapproval of the revised plans or portions thereof, and shall set forth its reasons for any such further disapproval in writing and in reasonable detail. If Landlord fails to approve or disapprove such revised plans within such ten (10) business day period, Landlord shall be deemed to have approved such revised plans or such portions thereof; provided, that two (2) business days prior to the expiration of the applicable period for such approval, Tenant shall send a second notice to Landlord with the phrase **"FAILURE TO APPROVE OR DISAPPROVE TENANT'S PLANS, AS REVISED, WITHIN TWO (2) BUSINESS DAYS AFTER THE RECEIPT HEREOF SHALL RESULT IN THE DEEMED APPROVAL OF TENANT'S PLANS, AS REVISED"** in bold lettering at the top of such notice.

H. All installations, facilities, materials and work which may be undertaken by or for the account of Tenant to prepare, equip, decorate and furnish the Premises for Tenant's occupancy, including, without limitation, the costs of preparing and filing Tenant's plans for any Tenant's Initial Work and any other Tenant Alterations, and obtaining any required permits therefor shall be at Tenant's sole cost and expense. The provisions of this Section shall not be applicable to Landlord's Work.

I. Tenant acknowledges that Landlord's Work and punchlist items, if any, relating thereto may be performed in whole or part after the Commencement Date and at times concurrently with Tenant's Initial Work and may be performed during business hours and that the performance by Landlord of Landlord's Work may disturb Tenant's quiet enjoyment of, and access to, the Premises. Tenant hereby accepts such conditions as modifications and limitations on its right to use the Premises and hereby waives any and all claims for damages to its property or its business which may be caused by the effects of any such work except to the extent caused by the negligence or intentional wrongful acts of Landlord or its contractors, agents or employees. Landlord and Tenant shall cooperate with each other (and cause their contractors to cooperate) and shall keep each other apprised of their respective work so as to facilitate the scheduling, coordination and orderly progress of both Landlord's Work and Tenant's Initial Work and in such a manner to assure the prompt performance of all work, provided same does not cause unreasonable delays in the completion of either Landlord's Work or Tenant's Initial Work or cause the cost thereof to increase, other than to a *de minimis* extent. Such cooperation shall include, without limitation, the relocation by Landlord of Tenant's property, furnishings and equipment from time to time from portions of the Premises so that Landlord's Work may be performed in such portions of the Premises.

74. Designated Suppliers. Only persons or firms approved in writing by Landlord, shall be permitted to act as architect, contractor or subcontractor for any work to be performed in accordance with Articles 3 and 73 of this Lease, which approval shall not be unreasonably withheld, conditioned or delayed except that Landlord's designated contractors must be used for any work related to fire safety or sprinkler work. In the event Tenant shall employ any contractor permitted by this Section, such contractor and any subcontractor shall agree to employ only such materials and such labor as will not result in labor disputes, strikes or jurisdictional disputes with other contractors, mechanics, or laborers engaged by Tenant, Landlord or others. Tenant, upon demand of Landlord, shall cause all materials, contractors, mechanics or laborers causing such difficulty, strike or dispute to leave or be removed from the Building immediately in accordance with good construction practice. Tenant will inform Landlord in writing of the names of any contractor or any subcontractor performing any work in excess of $5,000 Tenant proposes to use in the Premises at least ten (10) days prior to the beginning of work by such contractor or subcontractor.

75. Cleaning. A. Tenant shall, at Tenant's expense, keep the demised premises and, during any Audience Participation, the Que-up Area, the Loading Dock Audience Access

Area and the freight elevators being used for the Audience Freight Elevator Use, clean and in order, and no one other than persons approved by Landlord shall be permitted to enter said premises, or areas or the building of which they are a part for such purpose, which approval shall not be unreasonably withheld, conditioned or delayed. The preceding sentence shall not preclude Tenant or its employees from performing any such work. Tenant shall contract directly with the Building's approved garbage carting company for the removal of Tenant's refuse and rubbish from the Building and Tenant shall pay all costs and expenses in connection therewith which charges shall be at commercially reasonable rates. If Tenant elects to hire its own carting company, then it shall give Landlord not less than thirty (30) days prior written notice thereof and any such carting company shall ONLY be permitted to have access to the Building during building standard hours. Tenant agrees to comply with all applicable laws and regulations with respect to the storing, disposal and recycling of its refuse and rubbish and to comply with any recycling program instituted by Landlord, or reasonably requested by Landlord, in connection with the storing, disposal and recycling of refuse and rubbish.

B. Notwithstanding anything contained in this Lease to the contrary, Tenant covenants, at all times during the term hereof, at Tenant's sole cost and expense, to promptly dispose of all garbage, refuse, ashes and waste arising from the conduct of its business in the Premises daily at such times and in such manner as Landlord may from time to time reasonably direct, so as to avoid any noxious, offensive smells or odors therefrom or otherwise interfering with the comfort and quiet enjoyment of the other tenants of the Building. Any and all other safeguards that, in Landlord's reasonable judgment, may be necessary to prevent the accumulation of such garbage or refuse from becoming a nuisance or interfering with the comfort of the other tenants of the Building shall, at Landlord's reasonable discretion, be provided by Tenant at Tenant's sole cost and expense.

C. If Tenant is permitted hereunder to, and does have a separate area for the storage, preparation, service or consumption of food or beverages in the Premises, Tenant, at Tenant's sole cost and expense, shall cause all portions of the Premises so used to be cleaned daily in a manner reasonably satisfactory to Landlord, and to be exterminated against infestation by vermin, roaches or rodents regularly and, in addition, whenever there shall be evidence of any infestation.

76. Landlord's Work. A. Landlord agrees, at Landlord's sole cost and expense, to

(i) Demolish the Premises (the "Demolition Work") in accordance with plans and specifications annexed hereto as Exhibit F; it being agreed, however, that in connection with the Demolition Work, Landlord shall have no obligation to (i) patch any walls resulting from the removal of any sheetrock or other wall coverings as part of the Demolition Work, (ii) perform any leveling or patching of the existing floor or the ceiling of the Premises, or (iii) remove and shall not remove any wiring or cabling relating to the Class E/Fire safety system serving the Premises; and

(ii) Landlord covenants and represents as part of Landlord's Work that as of the Commencement Date:

(a) the Premises will be in broom clean and vacant condition and free of all hazardous and asbestos containing materials;

(b) the base building electrical, mechanical, plumbing, sprinkler, life safety systems and the AC Unit will be in good working order;

(c) all cracked or damaged panes and glazing around windows in the Premises shall have been repaired/replaced consistent with work performed for other tenants in the Building; it being agreed however, that if any such windows are currently sealed shut and/or not able to be opened as of the date hereof, Landlord has no obligation to make such windows operable; and

(d) or within five (5) business days after the Commencement Date, that Landlord will provide Tenant with an ACP-5 Certificate for the Premises.

B. Landlord and Tenant shall each designate, at no cost to the other, a representative who shall serve as its representative during construction at the Premises. Landlord's representative shall provide administration of Landlord's Work, and all instructions to Landlord shall be directed by Tenant's representative to Landlord's representative. Landlord's representative shall have access to the Premises at all reasonable times to confirm that Tenant's Initial Work and any other Alterations being performed by Tenant complies with the terms of this Lease.

C. Landlord shall perform Landlord's Work in accordance with all applicable legal requirements in a good and workerlike manner in compliance with applicable Legal Requirements. Landlord shall endeavor to give Tenant a notice at least five (5) days prior to the date Landlord reasonably estimates that Landlord's Work will be substantially complete. Landlord's Work shall be deemed substantially complete notwithstanding (i) the fact that minor or insubstantial details of construction, mechanical adjustment, or decoration (if any) remain to be performed, the non-completion of which do not materially interfere with Tenant's use of the Premises or ability to continue, subject to the provisions of Section 73I, Tenant's Initial Work and/or (ii) portions thereof which under good construction scheduling practice should be done after still incomplete Tenant's Initial Work has been completed.

D. Landlord shall accompany Tenant and/or Tenant's representatives on walk-throughs of the Premises for purposes of confirming the substantial completion of Landlord's Work and developing a mutually agreeable list(s) of so-called "punch list(s) items" which have not been completed. The parties agree to perform such walk-through(s) upon such mutually agreeable time as is reasonably agreed upon by Landlord and Tenant. Landlord shall complete the items on such punch list(s), if any, within a reasonable period following substantial completion of Landlord's Work and Landlord agrees to minimize any interference with Tenant's use of the Premises as a result thereof (subject to Tenant Delay) without being obligated to employ overtime labor or to incur any extraordinary costs in connection therewith.

E. For the purposes hereof, **"Tenant Delay"** shall mean any actual delay which Landlord may encounter in the performance of Landlord's Work or any other of its obligations hereunder by reason of any act or omission of any nature of Tenant, changes to Landlord's Work requested by Tenant in writing (it being agreed that Landlord's Work shall not include any such changes unless Tenant requests the same in writing and agrees to pay the cost to perform such changes prior to Landlord being obligated to perform work relating thereto), delays by Tenant in the submission of information or giving authorizations or approvals, or delays due to the postponement of any item of Landlord's Work at the request of Tenant; provided that Landlord gives Tenant at least one (1) business day notice of such delay and Tenant fails to remedy the same within one (1) business day of after such notice.

77. Intentionally omitted

78. Possession. The taking of possession of the Premises by Tenant for the performance of Tenant's Initial Work or any other Alterations or for the conduct of business or for any other reason whatsoever shall be conclusively presumed that the Premises were in satisfactory condition as of the date of such taking of possession, subject to completion of Landlord's Work and any punchlist items relating to Landlord's Work and any latent defects, provided that, with respect to any such latent defects, Tenant gives Landlord notice thereof within ninety (90) days of after the occurrence of the Commencement Date.

79. Notices. Every notice (other than rent bills and rents payments which may be sent by regular mail or hand delivery), demand, consent, approval, request or other communication (collectively, **"notices"**) which may be or is required to be given under this Lease, or by law shall be in writing and shall be sent either (a) by United States certified or registered mail, postage prepaid, return receipt requested, or (b) by overnight courier (against confirmation of delivery or rejection of delivery), or (c) by hand delivery and shall be addressed:

A. if to Landlord, to:

Adler Holdings III, LLC
654 Madison Avenue
New York, New York 10021
Attention: Mr. Robert Liberman

B. if to Tenant, at the address set forth above,
Attention: Mr. Isaac Mizrahi

and the same shall be deemed delivered (A) on three (3) business days after deposited in the United States mail, or (B) the first business day following delivery to an overnight courier or (c) on the date delivered if by hand delivery. A copy of any notice (other than rent bills or rent payments) to Landlord shall also be delivered to Landlord's counsel, Patterson Belknap Webb & Tyler, LLP, 1133 Avenue of the Americas, New York, New York 10036, Attention: Hugh J. Freund, Esq. A copy of any default notice or termination notice to Tenant shall be delivered in like manner to Tenant's counsel, Pryor Cashman Sherman & Flynn LLP, 410 Park Avenue, New York, New York 10022, Attention: Craig Kinosian, Esq. A notice given by counsel for Landlord or Tenant shall be deemed a valid notice if addressed and sent in accordance with the provisions of this Paragraph. Either party may designate, by similar written notice to the other party, any other address for such purposes. Each of the parties hereto waives personal or any other service other than as provided for in this Paragraph. Notwithstanding the foregoing, either party hereto may give the other party telephonic notice of the need of emergency repairs.

80. Taping Use and Audience Room. A. Subject to the terms and conditions set forth herein and provided that Tenant is not in default hereunder beyond the expiration of any applicable notice and/or cure period, the tenant named herein shall be permitted to use a portion of the Premises for the Audience Room and the Taping Use in the manner hereinafter provided. Notwithstanding the foregoing or anything to the contrary contained in this Lease, Landlord makes no representation or warranty as to whether the Taping Use and/or Audience Participation in the Audience Room is permitted under applicable law. Tenant acknowledges that (i) if the Taping Use and/or Audience Participation in the Audience Room is not so permitted, Tenant shall not be permitted to use any portion of the Premises for the Taping Use and/or Audience Participation in the Audience Room unless and until all insurance and legal requirements shall have been complied with and (ii) the foregoing shall not be construed as an actual or constructive eviction of Tenant, nor entitle Tenant to any abatement of Fixed Rent or additional rent, or relieve or release Tenant from any of its obligations under this Lease.

B. Any and all costs and expenses relating to the construction, operation and/or maintenance of the Audience Room and the Taping Use shall be at Tenant's sole cost and expense. The portion of the Premises used for the Audience Room shall (i) not exceed _____ [TBD] square feet, (ii) except as hereinafter provided in this Paragraph B, only be permitted to be used not more than four (4) days in any week and no more than thirty-nine (39) weeks in any calendar year and only during the Taping Use and (iii) not be permitted for any more than two shows per day and, except as hereinafter provided in this Paragraph B, during the hours of 9:30AM to 4:30PM on any such permitted days. Tenant shall provide Landlord with a proposed shooting/taping schedule (the "Shooting Schedule") for each six (6) month period with respect to the Taping Use as of a date that is not later than forty five (45) days prior to the commencement of any Taping Use period. The Shooting Schedule shall have included therewith the dates on which Tenant intends to use the Audience Room as permitted hereunder (herein, "Audience Participation"). Tenant shall have the right, subject to the limitations contained in this Article, including, without limitation, those in the second sentence of this Paragraph B, (i) to change the Shooting Schedule upon reasonable prior notice to Landlord, which notice shall not be less than five (5) business days if Audience Participation is planned and/or (ii) to request that Landlord approve extended shooting times and/or shooting days, which approval shall not be unreasonably withheld or delayed, provided, (x) Tenant is not then in default hereunder beyond the expiration of any applicable notice and/or cure period, (y) such request is given not less than five (5) business days prior to the requested extended shooting times and/or shooting days and (z) Tenant pays to Landlord within twenty (20) days of demand, as additional rent, in addition to the charges specified in this Article 80, all reasonable costs and expenses incurred by Landlord in connection with any such extended shooting times or days, including, but not limited to, overtime charges for freight elevator and other overtime services in

accordance with the terms hereof.. The parties agree that if the Audience Room is not being used for Audience Participation, Tenant shall, subject to the provisions of this Lease, be permitted to undertake the Taping Use without being subject to the limitations set forth in the second sentence of this Paragraph B.

C. The content of any productions performed in, whole or in part, at the Premises shall not violate any of the provisions of this Lease nor shall any such content, in the reasonable judgment of Landlord, cause or be likely to cause any unruly or disruptive behavior, picketing or demonstrations in or about the Building or the streets adjoining the Building. In the event of any such unruly or disruptive behavior, picketing or demonstrations, or any breach of Tenant's obligations under this Article, Landlord, in addition to any other rights or remedies Landlord may have hereunder or at law or in equity, shall have the right to suspend Tenant's right to use the Audience Room or any other portion of the Premises for the Taping Use until such time as Tenant can provide Landlord with assurances, reasonably acceptable to Landlord, that any such unruly or disruptive behavior, picketing or demonstrations shall not occur and/or such breach has been cured. Tenant acknowledges and agrees that any such suspension shall not be construed as an actual or constructive eviction of Tenant, nor entitle Tenant to any abatement of Fixed Rent or additional rent, nor relieve or release Tenant from any of its obligations under this Lease.

D. The Audience Room shall be designed and the Taping Use shall be performed in such a manner that the ambient noise level in any area outside of the Premises shall not exceed NC-25; it being agreed that (i) such design and the plans and specifications therefor shall be subject to Landlord's approval in accordance with the provisions of Article 3 and Article 73 hereof, (ii) Tenant shall be responsible, at its sole cost and expense, to comply with all applicable legal requirements, including the ADA, in connection with and relating to the Audience Room, the Taping Use, Audience Freight Elevator Use, the Que-up Area and the Loading Dock Audience Access Area and (iii) Landlord shall have the right, at Tenant's sole cost and expense, to retain a licensed acoustical engineer (the "Acoustical Engineer") to evaluate Tenant's design and plans and specifications to evaluate and confirm that the same comply with the requirements of this Section. If, at any time during the term, Landlord reasonably believes that there is excessive noise or vibration heard or felt outside of the Premises occasioned by the Taping Use, any Audience Participation or the ambient noise level otherwise emanating from the Premises is in excess of NC-25 (each , a "Noise Condition"), Landlord may, in addition to any other rights or remedies that Landlord may have hereunder, give written notice to Tenant requesting the elimination of such Noise Condition. Tenant shall, at its sole cost and expense, cause such additional soundproofing or sound dampening measures ("Additional Soundproofing") to be installed in the Premises as Landlord shall reasonably request in order to remediate the Noise Condition within a reasonable period of time. In no event shall Tenant have the right to temporarily or permanently darken any windows of the Premises; it being agreed, however, that the foregoing shall not prohibit Tenant, subject to compliance with the terms of this Lease, from installing temporary draping or other coverings on such windows and/or in other portions of space within the Premises.

E. Subject to the provisions hereof, during any Taping Use, Tenant shall be permitted to have limited live Audience Participation. Without limiting any other provision of this Article, any such Audience Participation shall be subject to the following provisions of this Paragraph E:

(i) In no event shall the number of audience members, together with all other occupants in the Premises at the time of any Audience Participation, be such that any public assembly or similar type of permit shall be required. Landlord shall have the right, without any liability to Tenant or any other party, to exclude or prohibit all or some of the potential audience members to prevent any violation of the foregoing.

(ii) No audience member shall be permitted to access the Building from the main entrance thereto. All ingress and egress of the audience members to and from the Building is expressly limited to the Loading Dock Audience Access Area. Pending any such ingress, all audience members shall be required to line-up in the Que-up Area. Tenant shall be responsible, at its sole cost and expense, (a) for the hiring of such personnel as Landlord deems reasonably necessary from time to time (which shall in no event be less than one person) to maintain all queuing in an orderly fashion and in such a manner that all crowds conduct themselves in a controlled and non-

disruptive manner, (b) to install such temporary crowd control devices in the Que-up Area as Landlord may reasonably require, (c) implement such security procedures as are reasonably necessary to prevent any dangerous or illegal substance, material or other item from entering the Building, and (d) to follow such other reasonable requirements of Landlord to effectuate the foregoing. Any such control devices must be removed and stored in the Premises by Tenant immediately after all audience members have entered the Audience Room or any other portion of the Premises.

(iii) Tenant agrees to pay Landlord for all reasonable costs and expenses incurred by Landlord in connection with the Audience Participation, the Audience Freight Elevator Use and/or the Taping Use (including, but not limited to, cost of extra personnel to, among other things, operate one or more of the freight elevators during the course of any Audience Freight Elevator Use, additional costs due to increased wear and tear of the freight elevators), as additional rent, within twenty (20) days of Landlord's demand therefor. In connection with the Audience Freight Elevator Use, Tenant shall cause the audience members to comply with the reasonable instructions of Landlord's personnel operating the freight elevator(s) being utilized for the Audience Freight Elevator Use. Landlord and its personnel shall have the right to prohibit access or refuse admission to the Building of any person who is acting in a disruptive or unruly behavior or as otherwise permitted under this Article. Landlord shall, in no way, be liable to Tenant for damages or loss arising from any prohibition or refusal of Landlord or its personnel in prohibiting or excluding any person entry to the Premises and Tenant agrees to indemnify and hold Landlord and Landlord Parties harmless from any Claim made by any such person as a result thereof. Tenant acknowledges that the Audience Freight Elevator Use may be subject to certain delays necessary to prevent unreasonable interference with the rights of other tenants and occupants of the Building and/or as is necessary for Landlord to perform such necessary or desirable repairs to the freight elevators and/or other portions of the Building. Notwithstanding the foregoing, Landlord agrees, provided that Tenant is not in default hereunder beyond the expiration of any applicable notice and/or cure period and Tenant has provided the Shooting Schedule to Landlord as required hereunder, to use commercially reasonable efforts to give priority to Tenant's request for the Audience Freight Elevator Use during any permitted time of Audience Participation.

F. Tenant, as an inducement to Landlord to enter into this Lease, has and does represent, covenant and agree that Tenant will, at its sole cost and expense, take all necessary measures and institute all security and other procedures as may be reasonably necessary to insure that the Audience Participation, the Taping Use or any other use of the Premises does not permit Tenant's clients, invitees (including any audiences at the Audience Room), and personnel to loiter or congregate in the public areas of the Building (including but not limited to the corridors, elevators, lobbies, lavatories, etc.) or otherwise violate the provisions of this Lease and that such clients, invitees and personnel will at all times conduct themselves in a proper businesslike manner.

G. Tenant's agreement to indemnify and hold Landlord and Landlord Parties harmless from and against any Claim as provided under this Lease shall include any breach or purported breach of Tenant of its obligations under this Article or otherwise related to the Taping Use, the Audience Participation and/or the construction, operation, maintenance of the Audience Room, including, but not limited to, Tenant's obligations with respect to compliance with law as provided in Article 6 and Section 72R hereof.

H. Tenant further acknowledges and agrees that any breach by Tenant of its foregoing agreements and representations in this Article 80 will materially injure Landlord who has intentions to rent space in the Building to tenants and who does not wish to have other tenants of the Building disturbed, annoyed or inconvenienced. Accordingly, it is expressly agreed that any violation by Tenant of its agreements, representations and obligations pursuant to this Article shall constitute a material default by Tenant under the terms of this Lease entitling Landlord to exercise any and all rights granted Landlord pursuant to Articles 17 and 18 of this Lease including, without limitation, the right, subject to the delivery of any required notice of termination hereunder, to terminate this Lease and recover possession of the Premises by reason of Tenant's default. Without limiting the foregoing, any violation of this Article shall entitle Landlord, at its option to (i) suspend Tenant's right to use the Audience Room for Audience

Participation or any other portion of the Premises for the Taping Use until such time as Tenant has remedied such default to Landlord's reasonable satisfaction and/or (ii) commence an action for injunctive relief and Landlord shall be entitled to recover all of its legal fees, costs and expenses in connection therewith. Landlord's maintenance of an action for injunctive relief and/or for specific performance shall not deprive Landlord of its right to commence a summary proceeding against Tenant by reason of Tenant's breach of a material obligation of this Lease.

[end of agreement; signatures follow on the next page]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the date first above written.

THE ADLER GROUP, INC.,
as Agent for
ADLER HOLDINGS III, LLC

By: _____
Name:
Title

IM READY-MADE, LLC

By: _____
Name: Isaac Mizrahi
Title: President

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the date first above written.

THE ADLER GROUP, INC.,
as Agent for
ADLER HOLDINGS III, LLC

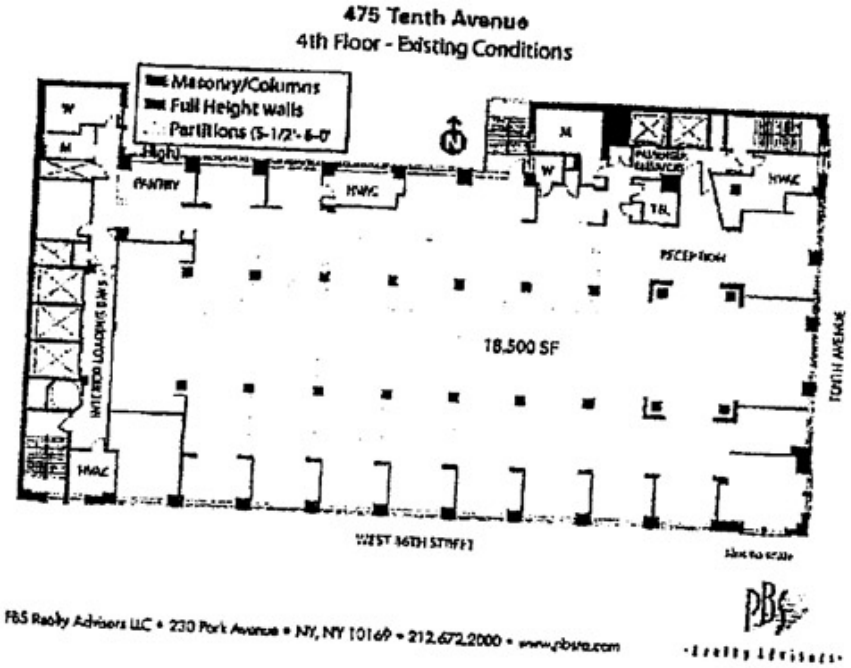
By: _____
Name:
Title

IM READY-MADE, LLC

By: _____
Name: Isaac Mizrahi
Title: President

EXHIBIT A

Floor Plan of Premises



http://www.475tenth.com/Images/475Tenth_FL4New.gif

5/4/2005

All areas conditions, conditions and measurements approximate

EXHIBIT B

Rules and Regulations

(follows this page)

GUARANTY

GUARANTY made as of the 29th day of September, 2011, by IM Brands, LLC, a Delaware limited liability company ("Guarantor"), having its principal offices at 475 Tenth Avenue, New York NY.

W I T N E S S E T H

WHEREAS, Guarantor desires to have Adler Holdings III, LLC ("Landlord") execute that certain Assignment and Assumption with Consent (the “Consent Agreement”) relating to the assignment by IM Ready-Made, LLC (“Assignor”) to Xcel Brands, Inc., a Delaware corporation (“Assignee” and “Tenant” for purposes of this Guaranty) and Assignee’s assumption of that certain lease dated as of August 30, 2005, (the "Lease"), between Owner and Assignor, as tenant, covering certain premises (the "Premises") as described in the Lease and located in the building known as 475 Tenth Avenue, New York NY; and

WHEREAS, Owner is unwilling to execute the Consent Agreement without the guaranty of Guarantor upon the terms and conditions hereof; and

WHEREAS, Guarantor has determined that the assignment and assumption of the Lease is in the best interests of the Guarantor, and is willing to give this Guaranty as an inducement for such approval.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration received and to induce Owner to give such approval, Guarantor does hereby covenant, agree, represent and warrant as follows:

ARTICLE I
REPRESENTATIONS AND WARRANTIES

The Guarantor hereby represents and warrants: (i) that the execution, delivery and performance hereof, the performance of the agreements herein contained, nor the consummation of the transactions herein contemplated, will violate any other agreement to which the Guarantor is subject; (ii) this Guaranty constitutes a valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms, and (iii) all approvals and consents, if any, required to be obtained to authorize the issuance of this Guaranty have been duly and validly issued and obtained.

ARTICLE II
AGREEMENT TO GUARANTEE

Section 2.1. Obligations Guaranteed. Guarantor hereby irrevocably and unconditionally guarantees to Owner the full and prompt payment when due of all rent, additional rent and other charges, costs, expenses and damages arising under the Lease and the prompt performance, compliance and observance of all of the other terms, covenants, conditions and agreements set forth in the Lease on the part of the Assignor (as prior tenant and not released under the Lease by the Consent Agreement) and Assignee, as Tenant thereunder, to be fulfilled, kept, observed and performed, or in any other agreement between Owner and Tenant, or among Owner, Tenant and Assignor; as well as the full and lien-free completion of all of Assignor's and Tenant's alterations and improvements to the Premises; as well as the prompt payment of all reasonable attorneys' fees and court costs suffered or incurred by Owner arising out of default by Tenant under the Lease or in connection with the enforcement of this Guaranty and collection of the amounts due hereunder (all of the foregoing being collectively referred to as the "Liabilities"). Any payments required to be made by Guarantor shall be paid upon demand in the lawful money of the United States of America. Guarantor further agrees that this Guaranty constitutes an absolute, unconditional, present and continuing guarantee of payment and not of collection, and waives any right to require that any resort be had by Owner to:

(i) Owner's rights against any other person including Tenant, or any other guarantor; or

(ii) any other right or remedy available to Owner by contract, applicable law or otherwise

It is the intent of this Guaranty that Owner shall have resort to Guarantor without resorting to any remedy and without demand to it.

Section 2.2. Obligations Unconditional. The obligations of the Guarantor under this Guaranty shall be joint and several, absolute and unconditional, and shall remain in full force and effect so long as Tenant remains liable with respect to all or any portion of the Lease. An assignment of the Lease or any subletting thereunder shall not release or relieve the undersigned from its liability hereunder. Owner, may, from time to time, without notice to the undersigned: (a) retain or obtain the primary or secondary liability of any party or parties now or hereafter liable, in addition to the undersigned, with respect to any of the Liabilities, (b) release, waive or compromise any liability of any other party or parties primarily or secondarily liable on any of the Liabilities, (c) release or impair any security interest or lien, if any, in all or any property securing any of the Liabilities or any obligation hereunder and permit any substitution or exchange for any such property, and (d) resort to the undersigned for payment of any of the Liabilities, whether or not Owner shall have resorted to any property securing any of the Liabilities or any obligation hereunder or shall have proceeded against any of the undersigned or against Tenant or any other party primarily or secondarily liable on any of the Liabilities. No such action or failure to act by Owner shall affect Guarantor's liability hereunder in any manner whatsoever. Any amount received by Owner or Owner from whatsoever source and applied by it toward the payment of the Liabilities shall be applied in such order of application as Owner may from time to time elect.

The undersigned hereby expressly waives: (a) notice of the acceptance of this Guaranty, (b) notice of the existence, creation, amount, modification, amendment, alteration or extension of the Lease or all or any of the Liabilities, whether or not such notice is required to be given to Tenant under the terms of the Lease, (c) presentment, demand, notice of dishonor, protest, and all other notices whatsoever, (d) any benefit of valuation, appraisement, homestead or other exemption law, now or hereafter in effect in any jurisdiction in which enforcement of this Guaranty is sought, and (e) all diligence in collection, perfection or protection of or realization upon the Liabilities or any thereof, any obligation hereunder, or any security for any of the foregoing.

No delay on the part of Owner in the exercise of any right or remedy shall operate as a waiver thereof, and no final or partial exercise by Owner of any right or remedy shall preclude other or further exercises thereof or the exercises of any other right or remedy.

The validity of this Guaranty and the obligations of the undersigned hereunder shall not be terminated, affected or impaired by reason of any action which any party may take or fail to take against Tenant or by reason of any waiver of, or failure to enforce, any of the rights or remedies reserved to Owner in the Lease, or otherwise, or by reason of the bankruptcy or insolvency of Tenant and whether or not the term of said Lease shall terminate by reason of said bankruptcy or insolvency.

Section 2.3 Waiver of Subrogation. If and so long as Tenant may be in default of any of the obligations under the Lease, and until Owner, without payment or contribution, is relieved of all responsibilities with respect to the Lease and the Liabilities guaranteed hereby, any and all rights and claims of the Guarantor against Tenant or any of its property in connection with claims arising out of any payment made by the Guarantor pursuant to this Guaranty, including but not limited to claims pursuant to rights of subrogation, are hereby waived.

Section 2.4 Preferences, etc. If after receipt of any payment of, or proceeds applied to the payment of, all or any part of the Liabilities guaranteed hereby, Owner is for any reason compelled to surrender such payment or proceeds to any person, because such payment or application of proceeds is invalidated, declared fraudulent, set aside, determined to be void or voidable as a preference, impermissible set-off, or a diversion of trust funds, or for any other reason, then the obligations guaranteed hereby or part thereof intended to be satisfied shall be revived and continue and this Guaranty shall continue in full force as if such payment or proceeds had not been received by Owner and the Guarantor shall be liable to pay to Owner, and hereby does indemnify Owner and hold it harmless for, the amount of such payment or proceeds surrendered. The provisions of this paragraph shall survive the termination of this Guaranty.

ARTICLE III
NOTICE OF SERVICE OF PROCESS PLEADINGS AND OTHER PAPERS

Section 3.1. Service of Process and Notice. All notices to be given to Guarantor hereunder, including, but not limited to, process, pleadings or other papers, shall be deemed sufficiently served for all purposes on the third (3) business day after the same are mailed to Guarantor at the address first set forth above. Notices to Owner shall be sent in the same manner to the address for Guarantor set forth above.

Section 3.2. Consent of Jurisdiction. The Guarantor irrevocably and unconditionally:

(a) agrees that any suit, action or other legal proceeding arising out of this Guaranty may be brought by Owner in the Supreme Court of the State of New York or the United States District Court (Southern District of New York), each as exists in the County of New York, and that such courts shall have in personam jurisdiction of the Guarantor in any such suit, action or other legal proceeding;

(b) consents to the jurisdiction of each such court in any such suit, action or other legal proceeding; and

(c) waives any objection which it may have to the laying of venue of any such suit, action or proceeding in any of such courts.

Guarantor further agrees that it shall not bring any suit, action or other legal proceeding against or otherwise involving the Lease and/or this Guaranty in any court or venue other than the aforesaid courts.

ARTICLE IV
MISCELLANEOUS

Section 4.1 Remedies Not Exclusive. No remedy herein conferred upon or reserved to Owner is intended to be exclusive of any other available remedy given under this Guaranty or hereafter existing at law or in equity. No delay or failure to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In the event any provision contained in this Guaranty should be breached by the Guarantor and thereafter duly waived by Owner, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or modification of the Guaranty shall be established by conduct, custom, or course of dealing, but solely by an instrument in writing duly executed by Owner and Guarantor.

Section 4.2 Severability. The invalidity or unenforceability of any one or more phrases, sentences, clauses or sections of this Guaranty shall not affect the validity or enforceability of the remaining portions of this Guaranty, or any part thereof.

Section 4.3 Applicable Law. This Guaranty shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of laws principles.

Section 4.4 Successors and Assigns. This Guaranty shall be binding upon, and be enforceable against the Guarantor and its successor and assigns, and shall inure to the benefit of Owner and its successors and assigns.

Section 4.5 Entire Agreement. This Guaranty sets forth the entire agreement of Guarantor and Owner and supersedes any and all other understandings (whether oral or written) between them.

IN WITNESS WHEREOF, the Guarantor has executed this Guaranty as of the date first above written.

IM Brands, LLC

By: /s/ Robert D'Loren

Print Name: ROBERT D'LOREN

Print Title: Chairman and CEO

ACKNOWLEDGMENT

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On the 27th day of September, 2011, before me, the undersigned, personally appeared ROBERT D'LOREN, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument, and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Lori Ann Shea
Notary Public

AGREEMENT OF MERGER AND

PLAN OF REORGANIZATION

among

NETFABRIC HOLDINGS, INC.,

NETFABRIC ACQUISITION CORP. and

XCEL BRANDS, INC.

September 29, 2011

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AGREEMENT OF MERGER AND PLAN OF REORGANIZATION

THIS AGREEMENT OF MERGER AND PLAN OF REORGANIZATION (the "Agreement") is made and entered into as of September 29, 2011, by and among NETFABRIC HOLDINGS, INC., a Delaware corporation ("Parent"), NETFABRIC ACQUISITION CORP., a Delaware corporation that is a wholly-owned subsidiary of Parent ("Acquisition Corp.") XCEL BRANDS, INC., a Delaware corporation (the "Company") and Parent Stockholders only as to Sections 1.9 and 9.1.

WITNESSETH:

WHEREAS, the Boards of Directors of each of Acquisition Corp., Parent and the Company have determined that it is in the best interests of, their respective corporation and stockholders for Acquisition Corp. to be merged with and into the Company (the "Merger") upon the terms and subject to the conditions set forth herein;

WHEREAS, the Boards of Directors of each of Acquisition Corp., Parent and the Company have approved the Merger in accordance with the Delaware General Corporate Law (the "DGCL") and upon the terms and subject to the conditions set forth herein and in the Articles of Merger (including the Plan of Merger attached thereto as Annex A, the "Articles of Merger") attached as Exhibit A hereto

WHEREAS, the Stockholders (as such term is defined in Section 10 hereof) have approved by written consent pursuant to Section 251(c) of the DGCL this Agreement and the Articles of Merger and the transactions contemplated and described hereby and thereby, including the Merger, and Parent, as the sole stockholder of Acquisition Corp., has approved this Agreement, the Articles of Merger and the transactions contemplated and described hereby and thereby, including the Merger;

WHEREAS, immediately following the execution of this Agreement, each of Acquisition Corp., Parent and the Company shall adopt this Agreement;

WHEREAS, prior to the Effective Time, the Parent will effect a 1 for 520.5479607 reverse stock split (the "Reverse Split") of the Parent Common Stock (as defined below);

WHEREAS, simultaneously with the Closing (as such term is defined herein), (i) the Company is merging with and into Parent, with the Parent surviving (the "Short Form Merger"); and (ii) the Company or the Parent, as the Company's successor in interest, and IM Brands, LLC, a Delaware limited liability company and wholly owned subsidiary of the Company ("IM Brands"), are purchasing certain assets (the "Acquisition") of IM Ready-Made, LLC, a New York limited liability company ("IM Ready") pursuant to an Asset Purchase Agreement, dated as of May 19, 2011, by and among XCel Brand, Inc., IM Brands and IM Ready-Made, LLC, as amended (the "Asset Purchase Agreement"), and the Parent is issuing 2,759,000 shares of Parent Common Stock to IM Ready (the "IM Ready Shares") in satisfaction of the Company's obligations under the Asset Purchase Agreement to issue common shares of Parent;

WHEREAS, certain assets used by IM Ready in the Business (as defined in the Asset Purchase Agreement) are owned by Earthbound, LLC ("Earthbound"), and are being transferred to IM Brands pursuant to the Asset Purchase Agreement in exchange for 944,688 shares of Parent Common Stock being issued to Earthbound (the "Earthbound Shares"); and

WHEREAS, simultaneously with the Closing, Parent (as it will exist as of the closing of the Merger) is selling a minimum of $2,500,000 and up to a maximum of $4,000,000 (which may be increased to $5,000,000 in the sole discretion of the Company) of units, each consisting of one hundred thousand (100,000) shares of Parent Common Stock and a warrant to purchase fifty thousand (50,000) shares of Parent Common Stock at a price of $500,000 per unit in a private placement (the "Private Placement") to accredited investors, pursuant to the terms of a Confidential Private Placement Memorandum, dated September 20, 2011 (as supplemented and amended from time to time, the "Memorandum").

NOW, THEREFORE, in consideration of the mutual agreements and covenants hereinafter set forth, the parties hereto agree as follows:

1. The Merger.

1.1 Merger. Subject to the terms and conditions of this Agreement and the Articles of Merger, Acquisition Corp. shall be merged with and into the Company in accordance with the applicable provisions of the DGCL. At the Effective Time, the separate legal existence of Acquisition Corp. shall cease, and the Company shall be the surviving corporation in the Merger (sometimes hereinafter referred to as the "Surviving Corporation") and shall continue its corporate existence under the laws of the State of Delaware.

1.2 Effective Time. The Merger shall become effective on the date and at the time the Articles of Merger are filed with the Secretary of State of the State of Delaware in accordance with the DGCL. The time at which the Merger shall become effective as aforesaid is referred to herein as the "Effective Time."

1.3 Certificate of Incorporation, By-laws, Directors and Officers.

(a) The Certificate of Incorporation of the Company as in effect immediately prior to the Effective Time shall, by virtue of the Merger, be amended and restated in its entirety to read as the certificate of incorporation of Acquisition Corp. as in effect immediately prior to the Effective Time, attached hereto as Exhibit B, except that all references therein to Acquisition Corp. shall be deemed to be references to the Surviving Corporation, until thereafter amended as provided therein or by applicable Law.

(b) The By-laws of the Company as in effect immediately prior to the Effective Time shall, by virtue of the Merger, be amended and restated in their entirety to read as the By-laws of Acquisition Corp. as in effect immediately prior to the Effective Time, attached hereto as Exhibit C, except that all references therein to Acquisition Corp. shall be deemed to be references to the Surviving Corporation, until thereafter amended as provided therein or by applicable Law.

(c) The directors, officers and key employees listed in Exhibit D hereto shall be the directors, officers and key employees of the Surviving Corporation, and each shall hold his respective office or offices from and after the Effective Time until his successor shall have been elected and shall have qualified in accordance with applicable law, or as otherwise provided in the Certificate of Incorporation or By-laws of the Surviving Corporation.

1.4 Effect of the Merger. At the Effective Time, the effect of the Merger shall be as provided in the applicable provisions of the DGCL.

1.5 Manner and Basis of Converting Shares.

(a) At the Effective Time:

(i) each share of common stock, par value $.01 per share, of Acquisition Corp. outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into the right to receive one (1) share of common stock, par value $.01 per share, of the Surviving Corporation, so that at the Effective Time, Parent shall be the holder of all of the issued and outstanding shares of the Surviving Corporation;

(ii) each share of common stock, no par value, of the Company (the "Company Common Stock") beneficially owned by the Stockholders listed in Schedule 2.4 (which shares of Company Common Stock together constitute all of the issued and outstanding shares of capital stock of the Company) shall, by virtue of the Merger and without any action on the part of the holders thereof, be converted into the right to receive 9,446.88 shares of Parent Common Stock for each share of Company Common Stock, such that the Stockholders will receive in the aggregate a total of 944,688 shares of Parent Common Stock; and

(iii) each share of Company Common Stock held in the treasury of the Company immediately prior to the Effective Time shall be cancelled in the Merger and cease to exist.

(b) After the Effective Time, there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Company Common Stock that were outstanding immediately prior to the Effective Time.

1.6 Surrender and Exchange of Certificates. Promptly after the Effective Time and upon (i) surrender of a certificate or certificates representing shares of Company Common Stock that were outstanding immediately prior to the Effective Time or an affidavit and indemnification in form reasonably acceptable to counsel for Parent stating that such Stockholder has lost its certificate or certificates or that such have been destroyed and (ii) delivery of a Letter of Transmittal (as described in Section 4 hereof), Parent shall cause its transfer agent to issue to each record holder of Company Common Stock surrendering such certificate or certificates and Letter of Transmittal, a certificate or certificates registered in the name of such Stockholder representing the number of shares of Parent Common Stock that such Stockholder shall be entitled to receive as set forth in Section 1.6(a)(ii) hereof. Until the certificate, certificates or affidavit is or are surrendered together with the Letter of Transmittal as contemplated by this Section 1.7 and Section 4 hereof, each certificate or affidavit that immediately prior to the Effective Time represented any outstanding shares of Company Common Stock shall be deemed at and after the Effective Time to represent only the right to receive upon surrender as aforesaid the Parent Common Stock specified in this Section 1.7 for the holder thereof or to perfect any rights of appraisal which such holder may have pursuant to the applicable provisions of the DGCL.

1.7 Parent Common Stock. Parent covenants and agrees that it will cause the Parent Common Stock into which the Company Common Stock is converted at the Effective Time pursuant to Section 1.6(a)(ii) to be available for such purpose. Parent further covenants and agrees that immediately prior to the Effective Time there will be no more than 187,509 shares of Parent Common Stock ("Pre-Effective Shares of Parent Common Stock") on a fully-diluted basis (of which no more than 186,444 shares are issued and outstanding shares of Parent Common Stock). The Pre-Effective Shares of Parent Common do not include the shares of Parent Common Stock to be issued (i) pursuant to this Agreement or (ii) in connection with the Private Placement or as Earthbound Shares or IM Ready Shares. Parent further covenants and agrees that no other common or preferred stock or equity securities or any options, warrants, rights or other agreements or instruments convertible, exchangeable or exercisable into common or preferred stock or other equity securities shall be issued or outstanding prior to the Effective Time, except as described herein and as set forth on Schedule 3.4.

It is intended that the Parent Common Stock to be issued pursuant to this Agreement, as well as the Earthbound Shares and the IM Ready Shares will be issued pursuant to Section 4(2) of the Securities Act and therefore shall not require registration under the Securities Act or any relevant state Law. The certificates evidencing the Parent Common Stock issued pursuant to this Agreement, the Earthbound Shares and the IM Ready Shares shall bear any legend required by the Laws of any jurisdiction in which a holder of such common stock resides, and any legend required by applicable law, including without limitation, any legend that will be useful to aid compliance with regulations adopted by the Commission.

1.8 Additional Consideration. The Company will pay to counsel to Parent as additional consideration the sum of One Hundred Twenty-Five Thousand Dollars ($125,000) which shall be used to extinguish any remaining liabilities of Parent as set forth on Schedule 3.13.

1.9 Escrow. The Parent Shareholders shall deposit Twenty Thousand (20,000) post Reverse Split shares of Parent Common Stock (the "Escrow Shares") in escrow along with an executed and medallion guaranteed stock power with Blank Rome LLP as escrow agent pursuant to that certain Escrow Agreement, dated as of the date hereof, by and among Parent, the Company, Blank Rome LLP and Beaufort Ventures PLC, the form of which is attached hereto as Exhibit E, until such time as final determination is made by the Internal Revenue Service of Parent's outstanding liability in respect of certain tax liabilities.

1.10 Operation of Surviving Corporation. The Company acknowledges that upon the effectiveness of the Merger, and the compliance by the Parent and Acquisition Corp. of their respective duties and obligations hereunder, Parent shall have the absolute and unqualified right to deal with the assets and business of the Surviving Corporation as its own property without limitation on the disposition or use of such assets or the conduct of such business.

2. Representations and Warranties of the Company. The Company hereby represents and warrants to Parent and Acquisition Corp. as follows:

2.1 Organization, Standing, Subsidiaries, Etc.

(a) The Company is a corporation duly organized and existing in good standing under the laws of the State of Delaware, and has all requisite power and authority (corporate and other) to carry on its business, to own or lease its properties and assets, to enter into this Agreement and the Articles of Merger and to carry out the terms hereof and thereof. Copies of the Certificate of Incorporation and By-laws of the Company that have been delivered to Parent and Acquisition Corp. prior to the execution of this Agreement are true and complete and have not since been amended or repealed.

(b) Except as set forth on Schedule 2.1(b), the Company has no subsidiaries or direct or indirect interest (by way of stock ownership or otherwise) in any firm, corporation, limited liability company, partnership, association or business.

2.2 Qualification. The Company and each subsidiary are duly qualified to conduct business as foreign corporations and are in good standing in each jurisdiction wherein the nature of their activities or their properties owned or leased makes such qualification necessary, except where the failure to be so qualified would not have a material adverse effect on the condition (financial or otherwise), properties, assets, liabilities, business operations, results of operations or prospects of the Company or any such subsidiary taken as a whole (the "Condition of the Company").

2.3 Capitalization of the Company. The authorized capital stock of the Company consists of 200 shares of Company Common Stock, no par value, and the Company has no authority to issue any other capital stock. There are one hundred (100) shares of Company Common Stock issued and outstanding, and such issued shares are duly authorized, validly issued, fully paid and nonassessable, and none of such shares have been issued in violation of the preemptive or similar rights of any person. All of the issued and outstanding Company Common Stock shall be exchanged for the Parent Common Stock, so that as of the Effective Time, no shares of the Company shall be issued and outstanding (on a fully diluted basis) which are not owned by Parent. Except as disclosed in Schedule 2.3, the Company has no outstanding options, rights or commitments to issue shares of the Company's Common Stock or any other Equity Security of the Company, and there are no outstanding securities convertible or exercisable into or exchangeable for shares of Company Common Stock or any other Equity Security of Company.

2.4 Company Stockholders. Schedule 2.4 hereto contains a true and complete list of the record and beneficial owners of all of the outstanding shares of Company Common Stock together with the number of securities held. To the knowledge of the Company, except as described in Schedule 2.4, there is no voting trust, agreement or arrangement among any of the beneficial holders of Common Stock affecting the nomination or election of directors or the exercise of the voting rights of Company Stock.

2.5 Corporate Acts and Proceedings. The execution, delivery and performance of this Agreement and the Certificate of Merger (together with any other documents and agreements entered into pursuant to or in connection with this Agreement or necessary to consummate the transactions contemplated herein, the "Merger Documents") have been duly authorized by the Board of Directors of the Company and have been approved by the requisite vote of the Stockholders, and all of the corporate acts and other proceedings required for the due and valid authorization, execution, delivery and performance of the Merger Documents and the consummation of the Merger have been validly and appropriately taken, except for the filing referred to in Section 1.2. No other action or proceeding on the part of the Company is necessary to authorize the execution, delivery, and performance by the Company of this Agreement and the Merger Documents and the consummation by the Company of the transactions contemplated hereby and thereby.

2.6 Binding Obligations. Each of the Merger Documents has been duly executed and delivered by the Company, and the Merger Documents constitute the legal, valid and binding obligations of the Company and are enforceable against the Company in accordance with their respective terms, except as such enforcement is limited by bankruptcy, insolvency and other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

2.7 Form 8-K and Financial Statements. The Current Report on Form 8-K to be filed within four (4) business days of the Closing Date and the financial statements contained therein when filed will be true and accurate in all material respects and when filed will not contain any untrue statements of material fact or omit to state a material fact required to make the statements made, in light of the circumstances under which they were made, not misleading. The financial statements attached as Schedule 2.7 and contained in the Form 8-K will present fairly in all material respects the financial condition of the Company and the results of operations at the dates therein specified; provided, however, that the Company makes no representations as to any information contained therein not derived from the Company or its auditors.

2.8 Private Placement. The Company has conducted the Private Placement in compliance in all material respects with the applicable state and federal securities laws of the United States, subject to the timely filing of (a) a Form D with the Securities and Exchange Commission and (b) any required filings pursuant to any applicable state's securities laws.

3. Representations and Warranties of Parent and Acquisition Corp. Parent and Acquisition Corp. represent and warrant to the Company and to IM Ready, as a third party beneficiary as set forth in Section 12.6 herein, as follows:

3.1 Organization, Standing, Subsidiaries, Etc. Parent is a corporation duly organized and existing in good standing under the laws of the State of Delaware. Acquisition Corp. is a corporation duly organized and existing in good standing under the laws of the State of Delaware. Parent and Acquisition Corp. have heretofore delivered to the Company complete and correct copies of their respective Certificates of Incorporation and By-laws as now in effect. Parent and Acquisition Corp. have full corporate power and authority to carry on their respective businesses as they are now being conducted and as now proposed to be conducted and to own or lease their respective properties and assets. Neither Parent nor Acquisition Corp. has any subsidiaries (except Parent's ownership of Acquisition Corp. and as set forth on Schedule 3.1) or direct or indirect interest (by way of stock ownership or otherwise) in any firm, corporation, limited liability company, partnership, association or business. Parent owns all of the issued and outstanding capital stock of Acquisition Corp. free and clear of all Liens, and Acquisition Corp. has no outstanding options, warrants or rights to purchase capital stock or other equity securities of Acquisition Corp., other than the capital stock owned by Parent. Unless the content otherwise requires, all references in this Section 3 to the "Parent" shall be treated as being a reference to the Parent and Acquisition Corp. taken together as one enterprise.

3.2 Corporate Authority. Each of Parent and/or Acquisition Corp. (as the case may be) has all requisite power and authority (corporate and other) to enter into the Merger Documents and the other agreements to be made pursuant to the Merger Documents and to carry out the transactions contemplated hereby and thereby. All corporate acts and proceedings required for the authorization, execution, delivery and performance of the Merger Documents and such other agreements and documents by Parent and/or Acquisition Corp. (as the case may be) have been duly and validly taken or will have been so taken prior to the Closing. Each of the Merger Documents constitutes a legal, valid and binding obligation of Parent and/or Acquisition Corp. (as the case may be), each enforceable against them in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by general principles of equity.

3.3 Broker's and Finder's Fees. No person, firm, corporation or other entity is entitled by reason of any act or omission of Parent or Acquisition Corp. to any broker's or finder's fees, commission or other similar compensation with respect to the execution and delivery of this Agreement or the Certificate of Merger, or with respect to the consummation of the transactions contemplated hereby or thereby, except as disclosed in Schedule 3.3 hereto. Parent and Acquisition Corp. jointly and severally indemnify and hold Company harmless from and against any and all loss, claim or liability arising out of any such claim from any other Person who claim they introduced Parent or Acquisition Corp. to, or assisted them with the transactions contemplated by or described herein.

3.4 Capitalization of Parent. As of the Closing Date, the authorized capital stock of Parent consists of 200,000,000 shares of common stock, par value $0.001 per share (the "Parent Common Stock"), of which not more than 187,509 shares will be, prior to the Effective Time, issued and outstanding on a fully diluted basis. The Pre-Effective Shares of Parent Common Stock do not take into consideration the issuance of the IM Ready Shares, the Earthbound Shares, 47,132 shares of Parent Common Stock to be issued to Stephen Cole-Hatchard or the Parent Common Stock issued in the Private Placement. Except as disclosed in this Agreement and in Schedule 3.4, Parent has no outstanding options, rights or commitments to issue shares of Parent Common Stock or any other Equity Security of Parent or Acquisition Corp., and there are no outstanding securities convertible or exercisable into or exchangeable for shares of Parent Common Stock or any other Equity Security of Parent or Acquisition Corp. There is no voting trust, agreement or arrangement among any of the beneficial holders of Parent Common Stock affecting the nomination or election of directors or the exercise of the voting rights of Parent Common Stock. All outstanding shares of the capital stock of Parent are validly issued and outstanding, fully paid and nonassessable, and none of such shares have been issued in violation of the preemptive rights or similar rights of any person.

3.5 Acquisition Corp. Acquisition Corp. is a wholly owned subsidiary of Parent that was formed specifically for the purpose of the Merger and that has not conducted any business or acquired any property, and will not conduct any business or acquire any property prior to the Closing Date, except in preparation for and otherwise in connection with the transactions contemplated by this Agreement, the Certificate of Merger and the other agreements to be made pursuant to or in connection with this Agreement and the Certificate of Merger.

3.6 Validity of Shares. The shares of Parent Common Stock to be issued at the Closing pursuant to Section 1.6(a)(ii) hereof, when issued and delivered in accordance with the terms hereof and of the Certificate of Merger, shall be duly and validly issued, fully paid and nonassessable. Based in part on the representations and warranties of the Stockholders as contemplated by Section 4 hereof and assuming the accuracy thereof, the issuance of the Parent Common Stock upon the Merger pursuant to Section 1.6(a)(ii) will be exempt from the registration and prospectus delivery requirements of the Securities Act and from the qualification or registration requirements of any applicable state blue sky or securities laws.

3.7 SEC Reporting and Compliance. (a) In September 2000, Parent filed a Form 10-SB registering its securities under the Securities Act. For the thirty-six (36) months preceding the date hereof, Parent has filed with the Commission all registration statements, proxy statements, information statements and reports required to be filed pursuant to the Exchange Act. Parent has not filed with the Commission a certificate on Form 15 pursuant to Rule 12h-3 of the Exchange Act.

(a) There has been available on EDGAR, for the thirty-six (36) months prior to the date of this Agreement, true and complete copies of the registration statements, information statements and other reports (collectively, the "Parent SEC Documents") filed by the Parent with the Commission. The Parent SEC Documents: (i) were prepared in accordance, and complied in all material respects, with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC thereunder applicable to such Parent SEC Documents, and (ii) did not at the time they were filed (and if amended or superseded by a filing prior to the date of this Agreement then on the date of such filing and as so amended or superseded) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) Parent has not filed, and nothing has occurred with respect to which Parent would be required to file, any report on Form 8-K since the Parent's last quarterly report on Form 10-Q for the period ended June 30, 2011.

(c) Parent is not an investment company within the meaning of Section 3 of the Investment Company Act.

(d) The shares of Parent Common Stock are quoted on the OTCQB marketplace under the symbol "NFBH," and Parent is in compliance in all material respects with all rules and regulations of the OTCQB applicable to it and the Parent Common Stock.

(e) The Parent has otherwise complied with the Securities Act, Exchange Act and all other applicable federal securities laws.

3.8 Financial Statements. The balance sheets, and statements of income, changes in financial position and stockholders' equity (including, in each case, any related notes thereto) contained in the Parent SEC Documents (the "Parent Financial Statements") (i) have been prepared in accordance with U.S. GAAP applied on a basis consistent with prior periods (and, in the case of unaudited financial information, on a basis consistent with year-end audits), (ii) are in accordance with the books and records of the Parent, and (iii) present fairly in all material respects the financial condition of the Parent at the dates therein specified and the results of its operations and changes in financial position for the periods therein specified. The financial statements included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2010, are as audited by, and include the related opinions of, Arik Eshel, CPA & Associates, PC, Parent's independent certified public accountants. The financial information included in the Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011 and June 30, 2011 are unaudited, but reflect all adjustments (including normally recurring accounts) that Parent considers necessary for a fair presentation of such information and have been prepared in accordance with generally accepted accounting principles, consistently applied.

3.9 Governmental Consents. All material consents, approvals, orders or authorizations of, or registrations, qualifications, designations, declarations or filings with, any federal or state Governmental Authority on the part of Parent or Acquisition Corp. required in connection with the consummation of the Merger have been obtained prior to, and shall be effective as of, the Closing.

3.10 Compliance with Laws and Other Instruments. The execution, delivery and performance by Parent and/or Acquisition Corp. of this Agreement, the Certificate of Merger and the other agreements to be made by Parent or Acquisition Corp. pursuant to or in connection with this Agreement or the Certificate of Merger and the consummation by Parent and/or Acquisition Corp. of the transactions contemplated by the Merger Documents will not cause Parent and/or Acquisition Corp. to violate or contravene (i) any provision of law, (ii) any rule or regulation of any agency or government, (iii) any order, judgment or decree of any court, or (v) any provision of their respective certificates of incorporation or by-laws as amended and in effect on and as of the Closing Date, and will not violate or be in conflict with, result in a breach of or constitute (with or without notice or lapse of time, or both) a default under any material indenture, loan or credit agreement, deed of trust, mortgage, security agreement or other agreement or contract to which Parent or Acquisition Corp. is a party or by which Parent and/or Acquisition Corp. or any of their respective properties is bound.

3.11 No General Solicitation. In issuing Parent Common Stock in the Merger hereunder, neither Parent nor anyone acting on its behalf has offered to sell the Parent Common Stock by any form of general solicitation or advertising.

3.12 Binding Obligations. Each of the Merger Documents has been duly executed and delivered by Parent and Acquisition Corp., and the Merger Documents constitute the legal, valid and binding obligations of the Parent and Acquisition Corp., and are enforceable against the Parent and Acquisition Corp. in accordance with their respective terms, except as such enforcement is limited by bankruptcy, insolvency and other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

3.13 Absence of Undisclosed Liabilities. Except as set forth on Schedule 3.13, as of the Effective Date neither Parent nor Acquisition Corp. has any obligation or liability (whether accrued, absolute, contingent, liquidated or otherwise, whether due or to become due).

3.14 Changes. Since the last audited balance sheet of Parent (the "Parent Balance Sheet") as of December 31, 2010 (the "Parent Balance Sheet Date"), except as disclosed in the Parent SEC Documents, in connection with this Agreement and as set forth on Schedule 3.13, the Parent has not (a) incurred any debts, obligations or liabilities, absolute, accrued or, to the Parent's knowledge, contingent, whether due or to become due, except for current liabilities incurred in the usual and ordinary course of business, (b) discharged or satisfied any Liens other than those securing, or paid any obligation or liability other than, current liabilities shown on the Parent Balance Sheet and current liabilities incurred since the Parent Balance Sheet Date, in each case in the usual and ordinary course of business, (c) mortgaged, pledged or subjected to Lien any of its assets, tangible or intangible, other than in the usual and ordinary course of business, (d) sold, transferred or leased any of its assets, except in the usual and ordinary course of business, (e) cancelled or compromised any debt or claim, or waived or released any right of material value, (f) suffered any physical damage, destruction or loss (whether or not covered by insurance) which could reasonably be expected to have a material adverse effect on the condition (financial or otherwise), properties, assets, liabilities, business operations, results of operations or prospects of the Parent or Acquisition Corp., taken as a whole (the "Condition of the Parent"), (g) entered into any transaction other than in the usual and ordinary course of business, (h) encountered any labor union difficulties, (i) made or granted any wage or salary increase or made any increase in the amounts payable under any profit sharing, bonus, deferred compensation, severance pay, insurance, pension, retirement or other employee benefit plan, agreement or arrangement, other than in the ordinary course of business consistent with past practice, or entered into any employment agreement, (j) issued or sold any shares of capital stock, bonds, notes, debentures or other securities or granted any options (including employee stock options), warrants or other rights with respect thereto, (k) declared or paid any dividends on or made any other distributions with respect to, or purchased or redeemed, any of its outstanding capital stock, (l) suffered or experienced any change in, or condition affecting, the financial condition of the Parent other than changes, events or conditions in the usual and ordinary course of its business, none of which (either by itself or in conjunction with all such other changes, events and conditions) could reasonably be expected to have a material adverse effect on the Condition of the Parent, (m) made any change in the accounting principles, methods or practices followed by it or depreciation or amortization policies or rates theretofore adopted, (n) made or permitted any amendment or termination of any material contract, agreement or license to which it is a party, (o) suffered any material loss not reflected in the Parent Balance Sheet or its statement of income for the year ended on the Parent Balance Sheet Date, (p) paid, or made any accrual or arrangement for payment of, bonuses or special compensation of any kind or any severance or termination pay to any present or former officer, director, employee, stockholder or consultant, (q) made or agreed to make any charitable contributions or incurred any non-business expenses in excess of $5,000 in the aggregate, or (r) entered into any agreement, or otherwise obliged itself, to do any of the foregoing.

3.15 Tax Returns and Audits. All required federal, state and local Tax Returns of the Parent have been accurately prepared in all material respects and duly and timely filed, and all federal, state and local Taxes required to be paid with respect to the periods covered by such returns have been paid to the extent that the same are material and have become due, except where the failure so to file or pay could not reasonably be expected to have a material adverse effect upon the Condition of the Parent. Other than as set forth on Schedule 3.13, Parent is not and has not been delinquent in the payment of any Tax and Parent has not had a Tax deficiency assessed against it. None of the Parent's federal income tax returns nor any state or local income or franchise tax returns has been audited by Governmental Authorities, other than as set forth on Schedule 3.13. The reserves for Taxes reflected on the Parent Balance Sheet are sufficient for the payment of all unpaid Taxes payable by the Parent with respect to the period ended on the Parent Balance Sheet Date. Other than as set forth on Schedule 3.13, there are no federal, state, local or foreign audits, actions, suits, proceedings, investigations, claims or administrative proceedings relating to Taxes or any Tax Returns of the Parent now pending, and the Parent has not received any notice of any proposed audits, investigations, claims or administrative proceedings relating to Taxes or any Tax Returns.

3.16 Employee Benefit Plans; ERISA. Parent does not maintain and is not obligated to contribute to any "employee benefit plan," "employee pension benefit plan," or "welfare benefit plan" as such terms are defined in ERISA. Any prior plans are listed in the Parent SEC Documents and are hereinafter referred to as the "Parent Employee Benefit Plans."

(a) There are no pending, or to the knowledge of the Parent, threatened, claims or lawsuits which have been asserted or instituted against any Parent Employee Benefit Plan, the assets of any of the trusts or funds under the Parent Employee Benefit Plans, the plan sponsor or the plan administrator of any of the Parent Employee Benefit Plans or against any fiduciary of a Parent Employee Benefit Plan with respect to the operation of such plan.

(b) There is no pending, or to the knowledge of the Parent, threatened, investigation or pending or possible enforcement action by the Pension Benefit Guaranty Corporation, the Department of Labor, the Internal Revenue Service or any other government agency with respect to any Parent Employee Benefit Plan.

(c) No actual or, to the knowledge of Parent, contingent liability exists with respect to the funding of any Parent Employee Benefit Plan or for any other expense or obligation of any Parent Employee Benefit Plan, except as disclosed on the financial statements of the Parent or the Parent SEC Documents, and to the knowledge of the Parent, no contingent liability exists under ERISA with respect to any "multi-employer plan," as defined in Section 3(37) or Section 4001(a)(3) of ERISA.

3.17 Litigation. Except as disclosed in Schedule 3.17, there is no legal action, suit, arbitration or other legal, administrative or other governmental proceeding pending or, to the knowledge of the Parent, threatened against or affecting the Parent or Acquisition Corp. or their properties, assets or business. To the knowledge of the Parent, neither Parent nor Acquisition Corp. is in default with respect to any order, writ, judgment, injunction, decree, determination or award of any court or any governmental agency or instrumentality or arbitration authority.

3.18 Interested Party Transactions. Except as disclosed in the Parent SEC Documents, no officer, director or stockholder of the Parent or any Affiliate or "associate" (as such term is defined in Rule 405 under the Securities Act) of any such Person or the Parent has or has had, either directly or indirectly, (a) an interest in any Person that (i) furnishes or sells services or products that are furnished or sold or are proposed to be furnished or sold by the Parent or (ii) purchases from or sells or furnishes to the Parent any goods or services, or (b) a beneficial interest in any contract or agreement to which the Parent is a party or by which it may be bound or affected.

3.19 Other Payments. Neither the Parent, Acquisition Corp. nor to the knowledge of the Parent, any director, officer, agent, employee or other Person associated with or acting on behalf of the Parent or Acquisition Corp., has used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; made any direct or indirect unlawful payment to government officials or employees from corporate funds; established or maintained any unlawful or unrecorded fund of corporate monies or other assets; made any false or fictitious entries on the books of record of any such corporations; or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

3.20 Obligations to or by Stockholders. Except as disclosed in the Parent SEC Documents or in this Agreement, the Parent has no liability or obligation or commitment to any stockholder of Parent or any Affiliate or "associate" (as such term is defined in Rule 405 under the Securities Act) of any stockholder of Parent, nor does any stockholder of Parent or any such Affiliate or associate have any liability, obligation or commitment to the Parent.

3.21 Schedule of Assets and Contracts. Except as expressly set forth in this Agreement and on Schedule 3.13, the Parent Balance Sheet or the notes thereto, the Parent is not a party to any written or oral agreement not made in the ordinary course of business that is material to the Parent. Parent does not own any real property. Other than in connection with the transactions contemplated herein and on Schedule 3.21, Parent is not a party to or otherwise barred by any written or oral (a) agreement with any labor union, (b) agreement for the purchase of fixed assets or for the purchase of materials, supplies or equipment in excess of normal operating requirements, (c) agreement for the employment of any officer, individual employee or other Person on a full-time basis or any agreement with any Person for consulting services, (d) bonus, pension, welfare, profit sharing, retirement, stock purchase, stock option, deferred compensation, medical, hospitalization or life insurance or similar plan, contract or understanding with respect to any or all of the employees of Parent or any other Person, (e) indenture, loan or credit agreement, note agreement, deed of trust, mortgage, security agreement, promissory note or other agreement or instrument relating to or evidencing Indebtedness for Borrowed Money or subjecting any asset or property of Parent to any Lien or evidencing any Indebtedness, (f) guaranty of any Indebtedness, (g) lease or agreement under which Parent is lessee of or holds or operates any property, real or personal, owned by any other Person, (h) lease or agreement under which Parent is lessor or permits any Person to hold or operate any property, real or personal, owned or controlled by Parent, (i) agreement granting any preemptive right, right of first refusal or similar right to any Person, (j) agreement or arrangement with any Affiliate or any "associate" (as such term is defined in Rule 405 under the Securities Act) of Parent or any present or former officer, director or stockholder of Parent, (k) agreement obligating Parent to pay any royalty or similar charge for the use or exploitation of any tangible or intangible property, (1) covenant not to compete or other restriction on its ability to conduct a business or engage in any other activity, (m) distributor, dealer, manufacturer's representative, sales agency, franchise or advertising contract or commitment, (n) agreement to register securities under the Securities Act, (o) collective bargaining agreement, or (p) agreement or other commitment or arrangement with any Person continuing for a period of more than three months from the Closing Date that involves an expenditure or receipt by Parent in excess of $1,000. The Parent maintains no insurance policies and insurance coverage of any kind with respect to Parent, its business, premises, properties, assets, employees and agents. Schedule 3.21 contains a true and complete list and description of each bank account, savings account, other deposit relationship and safety deposit box of Parent, including the name of the bank or other depository, the account number and the names of the individuals having signature or other withdrawal authority with respect thereto. Except as disclosed on Schedule 3.21, no consent of any bank or other depository is required to maintain any bank account, other deposit relationship or safety deposit box of Parent in effect following the consummation of the Merger and the transactions contemplated hereby. Parent has furnished to the Company true and complete copies of all agreements and other documents disclosed or referred to in Schedule 3.21, as well as any additional agreements or documents, requested by the Company.

3.22 Employees. Other than pursuant to ordinary arrangements of employment compensation and on Schedule 3.13, Parent is not under any obligation or liability to any officer, director, employee or Affiliate of Parent.

3.23 Disclosure. There is no fact relating to Parent that Parent has not disclosed to the Company in writing that materially and adversely affects, or could reasonably be expected to materially and adversely affect, the condition (financial or otherwise), properties, assets, liabilities, business operations, results of operations or prospects of Parent. No representation or warranty by Parent herein and no information disclosed in the schedules or exhibits hereto by Parent contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein misleading.

3.24 Due Diligence. Parent and Acquisition Corp. agree and acknowledge that they have had the opportunity to conduct independent due diligence on the Company. Parent and Acquisition Corp. represent and warrant that they and their advisors, if any, have been afforded the opportunity to ask questions of the Company as necessary in the due diligence process, and to consult with their own legal, tax, accounting and financial advisors regarding the Agreement.

3.25 Environmental Matters.

(a) Parent has never generated, used, handled, treated, released, stored or disposed of any Hazardous Materials on any real property on which it now has or previously had any leasehold or ownership interest, except in compliance with all applicable Environmental Laws.

(b) The historical and present operations of the business of Parent are in compliance with all applicable Environmental Laws, except where any non-compliance has not had and would not reasonably be expected to have a material adverse effect on the Condition of Parent.

(c) There are no material pending or threatened, demands, claims, information requests or notices of noncompliance or violation against or to Parent relating to any Environmental Law; and there are no conditions or occurrences on any of the real property used by Parent in connection with its business that would reasonably be expected to lead to any such demands, claims or notices against or to Parent, except such as have not had, and would not reasonably be expected to have, a material adverse effect on the Condition of Parent.

(d) (i) Parent has not, sent or disposed of, otherwise had taken or transported, arranged for the taking or disposal of (on behalf of itself, a customer or any other party) or in any other manner participated or been involved in the taking of or disposal or release of a Hazardous Material to or at a site that is contaminated by any Hazardous Material or that, pursuant to any Environmental Law, (A) has been placed on the "National Priorities List", the "CERCLIS" list, or any similar state or federal list, or (B) is subject to or the source of a claim, an administrative order or other request to take "removal", "remedial", "corrective" or any other "response" action, as defined in any Environmental Law, or to pay for the costs of any such action at the site; (ii) Parent is not involved in (and has no basis to reasonably expect to be involved in) any suit or proceeding and has not received (and has no basis to reasonably expect to receive) any notice, request for information or other communication from any Governmental Authority or other third party with respect to a release or threatened release of any Hazardous Material or a violation or alleged violation of any Environmental Law, and has not received (and has no basis to reasonably expect to receive) notice of any claims from any Person relating to property damage, natural resource damage or to personal injuries from exposure to any Hazardous Material; and (iii) Parent has timely filed every report required to be filed, acquired all necessary certificates, approvals and permits, and generated and maintained all required data, documentation and records under all Environmental Laws, in all such instances except where the failure to do so would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Condition of Parent.

4. Additional Representations, Warranties and Covenants of the Stockholders.

4.1 Company Stockholders. Promptly after the Effective Time, Parent shall cause to be mailed to each holder of record of Company Common Stock that was converted pursuant to Section 1.6 hereof into the right to receive Parent Common Stock a letter of transmittal ("Letter of Transmittal") in substantially the form attached hereto as Exhibit F-1 which shall contain additional representations, warranties and covenants of such Stockholder, including without limitation, that (i) such Stockholder has full right, power and authority to deliver such Company Common Stock and Letter of Transmittal, (ii) the delivery of such Company Common Stock will not violate or be in conflict with, result in a breach of or constitute a default under, any indenture, loan or credit agreement, deed of trust, mortgage, security agreement or other agreement or instrument to which such Stockholder is bound or affected, (iii) such Stockholder has good, valid and marketable title to all shares of Company Common Stock indicated in such Letter of Transmittal which are free and clear of any Liens and that such Stockholder is not affected by any voting trust, agreement or arrangement affecting the voting rights of such Company Common Stock, (iv) such Stockholder is an "accredited investor," as such term is defined in Regulation D under the Securities Act and that such Stockholder is acquiring Parent Common Stock for investment purposes, and not with a view to selling or otherwise distributing such Parent Common Stock in violation of the Securities Act or the securities laws of any state and (v) such Stockholder has had an opportunity to ask and receive answers to any questions such Stockholder may have had concerning the terms and conditions of the Merger and the Parent Common Stock and has obtained any additional information that such Stockholder has requested. Delivery shall be effected, and risk of loss and title to the Parent Common Stock shall pass, only upon delivery to the Parent (or an agent of the Parent) of (x) certificates evidencing ownership thereof as contemplated by Section 1.7 hereof (or affidavit of lost certificate), and (y) the Letter of Transmittal containing the representations, warranties and covenants contemplated by this Section 4.1.

4.2 IM Ready Shares and Earthbound Shares. Promptly after the Effective Time, Parent shall cause to be mailed to IM Ready, Earthbound or their respective designees, a letter of transmittal ("Letter of Transmittal") in substantially the form attached hereto as Exhibit F-2 which shall contain additional representations, warranties and covenants of IM Ready and Earthbound, respectively, including without limitation, that (i) such Person has full right, power and authority to deliver such Letter of Transmittal, (ii) such Person is an "accredited investor," as such term is defined in Regulation D under the Securities Act and that such Person is acquiring Parent Common Stock for investment purposes, and not with a view to selling or otherwise distributing such Parent Common Stock in violation of the Securities Act or the securities laws of any state and (iii) such Person has had an opportunity to ask and receive answers to any questions such Person may have had concerning the terms and conditions of the Merger and the Parent Common Stock and has obtained any additional information that such Person has requested. Delivery shall be effected, and risk of loss and title to the Parent Common Stock shall pass, only upon delivery to the Parent (or an agent of the Parent) of the Letter of Transmittal containing the representations, warranties and covenants contemplated by this Section 4.2.

5. Additional Agreements.

5.1 Access and Information. At or prior to the Effective Date, Parent and Acquisition Corp. shall each have afforded to the Company and to the Company's accountants, counsel and other representatives copies of all of its properties, books, contracts, commitments and records (including but not limited to tax returns) and shall have furnished promptly all information concerning its business, properties and personnel as the Company may have reasonably requested. At or prior to the Effective Date, the Company shall have afforded to the Parent and to the Parent's accountants, counsel and other representatives the opportunity to review its properties, books, contracts, commitments and records (including but not limited to tax returns) and shall have furnished promptly all information concerning its business, properties and personnel as the Parent may have reasonably requested. Each party shall hold, and shall cause its employees and agents to hold, in confidence all such information acquired by such party in connection with this transaction (other than such information which (i) is already in such party's possession or (ii) becomes generally available to the public other than as a result of a disclosure by such party or its directors, officers, managers, employees, agents or advisors, or (iii) becomes available to such party on a non-confidential basis from a source other than a party hereto or its advisors, provided that such source is not known by such party to be bound by a confidentiality agreement with or other obligation of secrecy to a party hereto or another party until such time as such information is otherwise publicly available; provided, however, that (A) any such information may be disclosed to such party's directors, officers, employees and representatives of such party's advisors who need to know such information for the purpose of evaluating the transactions contemplated hereby (it being understood that such directors, officers, employees and representatives shall be informed by such party of the confidential nature of such information), (B) any disclosure of such information may be made as to which the party hereto furnishing such information has consented in writing, and (C) any such information may be disclosed pursuant to a judicial, administrative or governmental order or request; provided, however, that the requested party will promptly so notify the other party so that the other party may seek a protective order or appropriate remedy and/or waive compliance with this Agreement and if such protective order or other remedy is not obtained or the other party waives compliance with this provision, the requested party will furnish only that portion of such information which is legally required and will exercise its best efforts to obtain a protective order or other reliable assurance that confidential treatment will be accorded the information furnished).

5.2 Additional Agreements. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purpose of this Agreement and the Articles of Merger or confirm or record or otherwise transfer to the Surviving Corporation title to and possession of all of the properties, rights, privileges, powers, franchises and immunities of the Company (the "Further Actions"), the proper officers and/or directors of Parent, Acquisition Corp. and the Surviving Corporation, or their successors as of such time, shall take all such necessary or desirable action. Parent or its Affiliates shall pay any expenses related to Further Actions that arise prior to the Effective Time, and the Company shall pay any expenses related to Further Actions that arise subsequent to the Effective Time.

5.3 Publicity. No party shall issue any press release or public announcement pertaining to the Merger that has not been agreed upon in advance by Parent and the Company, except as Parent reasonably determines to be necessary in order to comply with the rules of the Commission or of the principal trading exchange or market for Parent Common Stock, provided that in such case Parent will use its best efforts to allow Company to review and reasonably approve any same prior to its release.

5.4 Appointment of Officers and Directors. Immediately upon the Effective Time, Parent shall accept the resignations of the current officers of Parent and shall cause the persons listed as officers in Exhibit D hereto to be elected as the officers of Parent. Parent shall also upon the Effective Time accept the resignation of Cristiano Germinario from the Board of Directors and appoint Robert D'Loren as a member of the Board of Directors of Parent. Upon the effectiveness of an information statement required by Rule 14f-1 promulgated under the Exchange Act, the Parent shall accept the resignation of Stephen J. Cole-Hatchard from the Board of Directors and appoint the persons listed as directors in Exhibit D hereto as a member of the Board of Directors of Parent. In connection with Mr. Cole-Hatchard's extended service as a member of the Board of Directors, Parent will issue to Mr. Cole-Hatchard Forty-Seven Thousand, One Hundred Thirty-Two (47,132) shares of Parent Common Stock on the tenth day following the Closing or at such earlier date as Parent may determine. At the first annual meeting of Parent stockholders and thereafter, the election of members of Parent's Board of Directors shall be accomplished in accordance with the by-laws of Parent.

5.5 Parent Name Change. Immediately following the Effective Time, Parent shall take all required legal actions to change its corporate name to XCel Brands, Inc.

5.6 Issuance of Certain Shares of Parent Common Stock. Upon receipt of the Letter of Transmittal from IM Ready and Earthbound, respectively, Parent shall cause to be issued the IM Ready Shares and the Earthbound Shares, as the case may be.

5.7 Business Records. At Closing, Parent shall cause to be delivered to the Company all records and documents relating to Parent, which Parent possesses, including, without limitation, books, records, government filings, returns, charter documents, corporate records, stock records, consent decrees, orders, and correspondence, director and stockholder minutes and resolutions, stock ownership records, financial information and records, electronic files containing any financial information and records, and other documents used in or associated with Parent.

5.8 Assistance with Post-Closing SEC Reports and Inquiries. Upon the reasonable request of the Company, after the Closing Date, the pre-merger officers and accountants of Parent shall use their reasonable best efforts to provide such information available to them, including information, filings, reports, financial statements or other circumstances of Parent occurring, reported or filed prior to the Closing, as may be necessary or required by Parent for the preparation of the reports that Parent is required to file after Closing with the SEC to remain in compliance and current with its reporting requirements under the Exchange Act, or filings required to address and resolve matters as may relate to the period prior to Closing and any SEC comments relating thereto or any SEC inquiry thereof. Parent or its Affiliates shall pay any expenses related to SEC reporting obligations that arise prior to the Effective Time, and the Company shall pay any expenses related to SEC reporting obligations that arise subsequent to the Effective Time.

6. Conditions of Parties' Obligations.

6.1 Conditions of Parent's and Acquisition Corp.'s Obligations. The obligations of Parent and Acquisition Corp. under this Agreement and the Certificate of Merger are subject to the fulfillment at or prior to the Closing of the following conditions, any of which may be waived in whole or in part by Parent.

(a) Certification of Representations and Warranties. The Company shall have delivered to Parent and Acquisition Corp. a certificate dated the Closing Date, executed on its behalf by the Chief Executive Officer and Chief Financial Officer of the Company, certifying that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date.

(b) Consummation of Private Placement, Short Form Merger and Acquisition. Consummation of the Merger shall occur simultaneously with the closing of the Private Placement, Short Form Merger and the Acquisition.

(c) No Restraining Action. No action or proceeding before any court, governmental body or agency shall have been threatened, asserted or instituted to restrain or prohibit, or to obtain substantial damages in respect of, this Agreement or the Certificate of Merger or the carrying out of the transactions contemplated by the Merger Documents.

(d) Opinion of Company's Counsel. The Parent shall have received from counsel for the Company, a favorable opinion dated the Closing Date to the effect set forth in Exhibit G-1 hereto.

(e) Supporting Documents. Parent and Acquisition Corp. shall have received the following:

(i) Copies of resolutions of the Board of Directors and the stockholders of the Company, certified by the Secretary of the Company, authorizing and approving the execution, delivery and performance of the Merger Documents and all other documents and instruments to be delivered pursuant hereto and thereto.

(ii) A certificate of incumbency executed by the Secretary of the Company certifying the names, titles and signatures of the officers authorized to execute any documents referred to in this Agreement and further certifying that the Certificate of Incorporation and By-laws of the Company delivered to Parent and Acquisition Corp. at the time of the execution of this Agreement have been validly adopted and have not been amended or modified.

(iii) A certificate, dated the Closing Date, executed by the Company's Secretary, certifying that, except for the filing of the Certificate of Merger: (i) all consents, authorizations, orders and approvals of, and filings and registrations with, any court, governmental body or instrumentality that are required for the execution and delivery of this Agreement and the Certificate of Merger and the consummation of the Merger shall have been duly made or obtained, and all material consents by third parties that are required for the Merger have been obtained; and (ii) no action or proceeding before any court, governmental body or agency has been threatened, asserted or instituted to restrain or prohibit, or to obtain substantial damages in respect of, this Agreement or the Certificate of Merger or the carrying out of the transactions contemplated by the Merger Documents.

(iv) Evidence as of a recent date of the good standing and corporate existence of the Company issued by the Secretary of State of the State of Delaware and evidence that the Company is qualified to transact business as a foreign corporation and is in good standing in each state of the United States and in each other jurisdiction where the character of the property owned or leased by it or the nature of its activities makes such qualification necessary.

(v) Copies of the Company's audited financial statements from inception to March 31, 2011 (the "Company Financial Statements"); and copies of the audited financial statements of the assets acquired from IM Ready pursuant to the Asset Purchase Agreement for the years ended December 31, 2010 and 2009, as well as the unaudited interim financial statements for IM Ready for the period ended June 30, 2011; and the appropriate pro forma statements.

(f) Proceedings and Documents. All corporate and other proceedings and actions taken in connection with the transactions contemplated hereby and all certificates, opinions, agreements, instruments and documents mentioned herein or incident to any such transactions shall be reasonably satisfactory in form and substance to Parent and Acquisition Corp. The Company shall furnish to Parent and Acquisition Corp. such supporting documentation and evidence of the satisfaction of any or all of the conditions precedent specified in this Section 6.1 as Parent or its counsel may reasonably request.

6.2 Conditions of the Company's Obligations. The obligations of the Company under this Agreement and the Certificate of Merger are subject to the fulfillment at or prior to the Closing of the following conditions, any of which may be waived in whole or in part by the Company:

(a) Certification of Representations and Warranties. Parent and Acquisition Corp. shall have delivered to the Company a certificate dated the Closing Date, executed on its behalf by the Chief Executive Officer and Chief Financial Officer of the Company, certifying that the representations and warranties of Parent and Acquisition Corp. contained in this Agreement are true and correct as of the Closing Date.

(b) Consummation of Private Placement, Short Form Merger and Acquisition. Consummation of the Merger shall occur simultaneously with the closing of the Private Placement, Short Form Merger and the Acquisition.

(c) Opinion of Parent's Counsel. The Company shall have received from counsel for Parent, a favorable opinion dated the Closing Date to the effect set forth in Exhibit G-2 hereto.

(d) Supporting Documents. The Company shall have received the following:

(i) Copies of resolutions of Parent's and Acquisition Corp.'s respective board of directors and the sole stockholder of Acquisition Corp., certified by their respective Secretaries, authorizing and approving, to the extent applicable, the execution, delivery and performance of this Agreement, the Certificate of Merger and all other documents and instruments to be delivered by them pursuant hereto and thereto.

(ii) A certificate of incumbency executed by the respective Secretaries of Parent and Acquisition Corp. certifying the names, titles and signatures of the officers authorized to execute the documents referred to in paragraph (1) of this Section 6.2(d) above and further certifying that the certificates of incorporation and by-laws of Parent and Acquisition Corp. appended thereto have not been amended or modified.

(iii) A certificate, dated the Closing Date, executed by the Secretary of each of the Parent and Acquisition Corp., certifying that, except for the filing of the Certificate of Merger: (i) all consents, authorizations, orders and approvals of, and filings and registrations with, any court, governmental body or instrumentality that are required for the execution and delivery of this Agreement and the Certificate of Merger and the consummation of the Merger shall have been duly made or obtained, and all material consents by third parties required for the Merger have been obtained; (ii) no action or proceeding before any court, governmental body or agency has been threatened, asserted or instituted to restrain or prohibit, or to obtain substantial damages in respect of, this Agreement or the Certificate of Merger or the carrying out of the transactions contemplated by any of the Merger Documents, and (iii) there are no existing liabilities as of the Closing Date except as set forth on Schedule 3.13 to this Agreement.

(iv) A certificate of Parent's transfer agent and registrar, certifying as of the business day prior to the date any shares of Parent Common Stock are first issued in the Private Placement, a true and complete list of the names and addresses of the record owners of all of the outstanding shares of Parent Common Stock, together with the number of shares of Parent Common Stock held by each record owner.

(v) The letter required by Section 4.01 of Form 8K in connection with Arik Eshel, CPA & Associates, PC's resignation as auditor of Parent and the appointment of Rothstein Kass & Co.

(vi) (i) The executed resignations of all of the directors and officers of Parent, with the officer resignations to take effect at the Effective Time and the director resignations to take effect pursuant to Section 5.4 herein, and (ii) executed releases and indemnification agreements from each of the officers and directors in the form attached hereto as Exhibits H and I.

(vii) Evidence as of a recent date of the good standing and corporate existence of each of the Parent and Acquisition Corp. issued by the Secretary of State of their respective states of incorporation and evidence that the Parent and Acquisition Corp. are qualified to transact business as foreign corporations and are in good standing in each state of the United States and in each other jurisdiction where the character of the property owned or leased by them or the nature of their activities makes such qualification necessary.

(viii) Evidence that Parent has all tax returns required to be filed in the state of Delaware and any other required jurisdiction, and that Parent has no liabilities for taxes or penalties for failure to timely file tax returns other than the amounts referenced in Section 1.9 hereof about which the Internal Revenue Service has yet to make a final determination.

(e) Proceedings and Documents. All corporate and other proceedings and actions taken in connection with the transactions contemplated hereby and all certificates, opinions, agreements, instruments and documents mentioned herein or incident to any such transactions shall be mutually satisfactory in form and substance to the Company, Parent and Acquisition Corp. Parent and Acquisition Corp. shall furnish to the Company such supporting documentation and evidence of satisfaction of any or all of the conditions specified in this Section 6.2 as the Company may reasonably request.

7. Survival of Representations and Warranties. Each of the parties hereto hereby agrees that their respective representations and warranties shall survive for a period of twelve months following the Effective Time. This Section 7 shall not limit any claim for fraud or any covenant or agreement of the parties which by its terms contemplates performance after the Effective Time.

8. Amendment of Agreement. This Agreement and the Certificate of Merger may be amended or modified at any time in all respects by an instrument in writing executed (i) in the case of this Agreement by the parties hereto and (ii) in the case of the Certificate of Merger by the parties thereto.

9. Indemnification.

9.1 Indemnification by the Parent Stockholders. The Parent Stockholders, jointly and severally, hereby indemnify and agree to defend and hold harmless the Company, its officers, directors, affiliates and agents from and against any and all losses, obligations, deficiencies, liabilities, claims, damages, costs and expenses (including, without limitation, the amount of any settlement entered into pursuant hereto, and all reasonable legal and other expenses incurred in connection with the investigation, prosecution or defense of any matter indemnified pursuant hereto) (collectively, the "Losses") which result in a minimum liability of Twenty Thousand Dollars ($20,000) in the aggregate and which any of them may sustain, suffer or incur and which arise out of, are caused by, relate to, or result or occur from or in connection with any misrepresentation of a material fact contained in any representation of Parent or Acquisition Corp. contained in, or the breach by Parent or Acquisition Corp. of any warranty or covenant made by any one or all of them in this Agreement. The foregoing indemnification shall also apply to direct claims by Parent or Acquisition Corp. against the Parent Stockholders. In the event that the Company is determined to be entitled to indemnification pursuant to this Section 9.1, such indemnification obligations shall be satisfied first from any Escrow Shares remaining in escrow, and then, if the Escrow Shares are insufficient to satisfy the amount of Loss, the Company shall be entitled to indemnification from the Parent Stockholders for the remaining indemnification amount owed to the Company.

9.2 Indemnification by the Company. The Company hereby indemnifies and agrees to defend and hold harmless the Parent, its officers, directors, affiliates and agents from and against any and all Losses which result in a minimum liability of Twenty Thousand Dollars ($20,000) in the aggregate and which it may sustain, suffer or incur and which arise out of, are caused by, relate to, or result or occur from or in connection with any misrepresentation of a material fact contained in the representations of the Company contained in Sections 2.1 through Section 2.6 and in Section 2.8 of this Agreement.

10. Definitions. Unless the context otherwise requires, the terms defined in this Section 10 shall have the meanings herein specified for all purposes of this Agreement, applicable to both the singular and plural forms of any of the terms herein defined.

"Acquisition Corp." means NetFabric Acquisition Corp., a Delaware corporation.

"Affiliate" means any Person that directly or indirectly controls, is controlled by, or is under common control with, the indicated Person.

"Agreement" shall have the meaning assigned to it in the preamble.

"Articles of Merger" shall have the meaning assigned to it in the second recital hereof.

"Closing" and "Closing Date" shall have the meanings assigned to such terms in Section 11 hereof.

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"Commission" means the U.S. Securities and Exchange Commission.

"Company" means XCel Brands, Inc., a Delaware corporation.

"Company Common Stock" means the common stock of the Company.

"Condition of the Company" shall have the meaning assigned to it in Section 2.2 hereof.

"Condition of the Parent" shall have the meaning assigned to it in Section 3.14 hereof.

"Effective Time" shall have the meaning assigned to it in Section 1.2 hereof.

"Employee Benefit Plans" shall have the meaning assigned to it in Section 3.16 hereof.

"Environmental Laws" means the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601, et seq.; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. §§ 11001, et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901, et seq.; the Toxic Substances Control Act, 15 U.S.C. §§ 2601 et seq.; the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. §§ 136, et seq. and comparable state statutes dealing with the registration, labeling and use of pesticides and herbicides; the Clean Air Act, 42 U.S.C. §§ 7401 et seq.; the Clean Water Act (Federal Water Pollution Control Act), 33 U.S.C. §§ 1251 et seq.; the Safe Drinking Water Act, 42 U.S.C. §§ 300f, et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. §§ 1801, et seq.; as any of the above statutes have been amended as of the date hereof, all rules, regulations and policies promulgated pursuant to any of the above statutes, and any other foreign, federal, state or local law, statute, ordinance, rule, regulation or policy governing environmental matters, as the same have been amended as of the date hereof.

"Equity Security" means any stock or similar security of an issuer or any security (whether stock or Indebtedness for Borrowed Money) convertible, with or without consideration, into any stock or similar equity security, or any security (whether stock or Indebtedness for Borrowed Money) carrying any warrant or right to subscribe to or purchase any stock or similar security, or any such warrant or right.

"ERISA" means the Employee Retirement Income Securities Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"DGCL" shall have the meaning assigned to it in the second recital hereof.

"GAAP" means generally accepted accounting principles in the United States, as in effect from time to time.

"Governmental Authority" means any supranational, national, federal, state or local government, foreign or domestic, or the government of any political subdivision of any of the foregoing, or any entity, authority, agency, ministry or other similar body exercising executive, legislative, judicial, regulatory or administrative authority or functions of or pertaining to government, including any authority or other quasi-governmental entity established by a Governmental Authority to perform any of such functions.

"Hazardous Material" means any substance or material meeting any one or more of the following criteria: (a) it is or contains a substance designated as or meeting the characteristics of a hazardous waste, hazardous substance, hazardous material, pollutant, contaminant or toxic substance under any Environmental Law; (b) its presence at some quantity requires investigation, notification or remediation under any Environmental Law; or (c) it contains, without limiting the foregoing, asbestos, polychlorinated biphenyls, petroleum hydrocarbons, petroleum derived substances or waste, pesticides, herbicides, crude oil or any fraction thereof, nuclear fuel, natural gas or synthetic gas.

"Indebtedness" means any obligation of a company which under generally accepted accounting principles is required to be shown on the balance sheet of a company as a liability. Any obligation secured by a Lien on, or payable out of the proceeds of production from, property of a company shall be deemed to be Indebtedness even though such obligation is not assumed by the company.

"Indebtedness for Borrowed Money" means (a) all Indebtedness in respect of money borrowed including, without limitation, Indebtedness which represents the unpaid amount of the purchase price of any property and is incurred in lieu of borrowing money or using available funds to pay such amounts and not constituting an account payable or expense accrual incurred or assumed in the ordinary course of business of the company, (b) all Indebtedness evidenced by a promissory note, bond or similar written obligation to pay money, or (c) all such Indebtedness guaranteed by the company or for which the company is otherwise contingently liable.

"Investment Company Act" means the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder.

"knowledge" and "know" means, when referring to any person or entity, the actual knowledge of such person or entity of a particular matter or fact, and what that person or entity would have reasonably known after due inquiry. An entity will be deemed to have "knowledge" of a particular fact or other matter if any individual who is serving, or who has served, as an executive officer of such entity has actual "knowledge" of such fact or other matter, or had actual "knowledge" during the time of such service of such fact or other matter, or would have had "knowledge" of such particular fact or matter after due inquiry.

"Laws" means all federal, state or local or foreign laws, constitutions, statutes, codes, rules, regulations, ordinances, executive orders, decrees or edicts by a Governmental Authority having the force of law.

"Letter of Transmittal" shall have the meaning assigned to it in Section 4 hereof.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind, including, without limitation, any conditional sale or other title retention agreement, any lease in the nature thereof and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction and including any lien or charge arising by statute or other law.

"Memorandum" shall have the meaning assigned to it in the sixth recital hereof.

"Merger" shall have the meaning assigned to it in Section 1.1 hereof.

"Merger Documents" shall have the meaning assigned to it in Section 2.5 hereof.

"Parent" means NetFabric Holdings, Inc., a Delaware corporation.

"Parent Balance Sheet Date" shall have the meaning assigned to it in Section 3.14 hereof.

"Parent Common Stock" means the common stock, par value $.001 per share, of Parent.

"Parent Financial Statements" shall have the meaning assigned to it in Section 3.8 hereof.

"Parent SEC Documents" shall have the meaning assigned to it in Section 3.7 hereof.

"Parent Stockholders" means the following stockholders of Parent: Scarborough Ltd. and Beaufort Ventures PLC.

"Permitted Liens" means (a) Liens for taxes and assessments or governmental charges or levies not at the time due or in respect of which the validity thereof shall currently be contested in good faith by appropriate proceedings; (b) Liens in respect of pledges or deposits under workmen's compensation laws or similar legislation, carriers', warehousemen's, mechanics', laborers' and materialmens' and similar Liens, if the obligations secured by such Liens are not then delinquent or are being contested in good faith by appropriate proceedings; and (c) Liens incidental to the conduct of the business of the Company that were not incurred in connection with the borrowing of money or the obtaining of advances or credits and which do not in the aggregate materially detract from the value of its property or materially impair the use made thereof by the Company in its business.

"Person" shall include all natural persons, corporations, business trusts, associations, limited liability companies, partnerships, joint ventures and other entities and governments and agencies and political subdivisions.

"Private Placement" means the private offering of shares of Parent Stock pursuant to the terms of the Memorandum.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Stockholders" means all of the stockholders of the Company.

"Surviving Corporation" shall have the meaning assigned to it in Section 1.1 hereof.

"Tax" or "Taxes" means (a) any and all taxes, assessments, customs, duties, levies, fees, tariffs, imposts, deficiencies and other governmental charges of any kind whatsoever (including, but not limited to, taxes on or with respect to net or gross income, franchise, profits, gross receipts, capital, sales, use, ad valorem, value added, transfer, real property transfer, transfer gains, transfer taxes, inventory, capital stock, license, payroll, employment, social security, unemployment, severance, occupation, real or personal property, estimated taxes, rent, excise, occupancy, recordation, bulk transfer, intangibles, alternative minimum, doing business, withholding and stamp), together with any interest thereon, penalties, fines, damages costs, fees, additions to tax or additional amounts with respect thereto, imposed by the United States (federal, state or local) or other applicable jurisdiction; (b) any liability for the payment of any amounts described in clause (a) as a result of being a member of an affiliated, consolidated, combined, unitary or similar group or as a result of transferor or successor liability, including, without limitation, by reason of Regulation section 1.1502-6; and (c) any liability for the payments of any amounts as a result of being a party to any Tax Sharing Agreement or as a result of any express or implied obligation to indemnify any other Person with respect to the payment of any amounts of the type described in clause (a) or (b).

"Tax Return" shall include all returns and reports (including elections, declarations, disclosures, schedules, estimates and information returns (including Form 1099 and partnership returns filed on Form 1065) required to be supplied to a Tax authority relating to Taxes.

11. Closing. The closing of the Merger (the "Closing") shall occur concurrently with the Effective Time (the "Closing Date"). The Closing shall occur at the offices of Blank Rome, LLP, The Chrysler Building, 405 Lexington Avenue, New York, New York 10174. On or subsequent to the Closing, Parent shall present for delivery to each Stockholder the certificate representing the Parent Common Stock to be issued pursuant to Section 1.6(a)(ii) hereof to them subject to the requirements of Sections 1.7 and 4 hereof. Such presentment for delivery shall be against delivery to Parent and Acquisition Corp. of the certificates, opinions, agreements and other instruments referred to in Section 6.1 hereof, and the certificates representing all of the Common Stock issued and outstanding immediately prior to the Effective Time. Parent will deliver at such Closing to the Company the officers' certificate and opinion referred to in Section 6.2 hereof. All of the other documents and certificates and agreements referenced in Section 6 will also be executed as described therein. At the Effective Time, all actions to be taken at the Closing shall be deemed to be taken simultaneously.

12. Miscellaneous.

12.1 Notices. All notices, requests, consents, payments, demands, and other communications required or contemplated under this Agreement shall be in writing and (a) personally delivered or sent via telecopy (receipt confirmed and followed promptly by delivery of the original), or (b) sent by Federal Express or other reputable overnight delivery service (for next business day delivery), shipping prepaid, as follows:

If to Parent or Acquisition Corp.:	NetFabric Holdings, Inc. 117 Randolph Avenue Jersey City, New Jersey 07305 Attention:
With a copy to:	David Lubin & Associates, PLLC 10 Union Avenue, Suite 5 Lynbrook, NY 11563 Fax: (516) 887-8250
If to the Company:	Xcel Brands, Inc. 5 Penn Plaza, 23rd Floor New York, NY 10001 Attention: Robert D'Loren, CEO
With a copy to:	Blank Rome, LLP The Chrysler Building 405 Lexington Avenue New York, NY 10174 Fax: (212) 885-5001 Attention: Robert Mittman

or to such other Persons or addresses as any Person may request by notice given as aforesaid. Notices shall be deemed given and received at the time of personal delivery or completed telecopying, or, if sent by Federal Express or such other overnight delivery service one Business Day after such sending.

12.2 Entire Agreement. This Agreement, including the schedules and exhibits attached hereto and other documents referred to herein, contains the entire understanding of the parties hereto with respect to the subject matter hereof. This Agreement supersedes all prior agreements and undertakings between the parties with respect to such subject matter.

12.3 Expenses. Each party shall bear and pay all of the legal, accounting and other expenses incurred by it in connection with the transactions contemplated by this Agreement. Expenses of Parent prior to the Effective Time shall be satisfied by Parent immediately prior to the Effective Time.

12.4 Severability. If any provision of this Agreement is prohibited by law or otherwise determined to be invalid or unenforceable by a court of competent jurisdiction, the provision that would otherwise be prohibited, invalid or unenforceable shall be deemed amended to apply to the broadest extent that it would be valid and enforceable, and the invalidity or unenforceability of such provision shall not affect the validity of the remaining provisions of this Agreement so long as this Agreement as so modified continues to express, without material change, the original intentions of the parties as to the subject matter hereof and the prohibited nature, invalidity or unenforceability of the provision(s) in question does not substantially impair the respective expectations or reciprocal obligations of the parties or the practical realization of the benefits that would otherwise be conferred upon the parties. The parties will endeavor in good faith negotiations to replace the prohibited, invalid or unenforceable provision(s) with a valid provision(s), the effect of which comes as close as possible to that of the prohibited, invalid or unenforceable provision(s).

12.5 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and heirs; provided, however, that neither party shall directly or indirectly transfer or assign any of its rights hereunder in whole or in part without the written consent of the others, which may be withheld in its sole discretion, and any such transfer or assignment without said consent shall be void.

12.6 Third Party Beneficiaries. This Agreement and the documents and instruments and other agreements among the parties hereto as contemplated by or referred to herein, including the Schedules hereto, are not intended to confer upon any other person any rights or remedies hereunder (except as specifically provided in this Agreement). IM Ready is a third-party beneficiary of the representations and warranties of the Parent and Acquisition Corp. and, with respect to such provisions, IM Ready has the right to enforce them as if it were a signatory to this Agreement.

12.7 Counterparts. This Agreement may be executed in one or more counterparts and by electronic copy or facsimile, with the same effect as if all parties had signed the same document. Each such counterpart shall be an original, but all such counterparts together shall constitute a single agreement.

12.8 Recitals, Schedules and Exhibits. The Recitals, Schedules and Exhibits to this Agreement are incorporated herein and, by this reference, made a part hereof as if fully set forth herein.

12.9 Section Headings and Gender. The Section headings used herein are inserted for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. All personal pronouns used in this Agreement shall include the other genders, whether used in the masculine, feminine or neuter gender, and the singular shall include the plural, and vice versa, whenever and as often as may be appropriate.

12.10 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware. This Agreement and the transactions contemplated hereby shall be subject to the exclusive jurisdiction of the courts of New York. The parties to this Agreement agree that any breach of any term or condition of this Agreement or the transactions contemplated hereby shall be deemed to be a breach occurring in the State of New York by virtue of a failure to perform an act required to be performed in the State of New York. The parties to this Agreement irrevocably and expressly agree to submit to the jurisdiction of the courts of the State of New York for the purpose of resolving any disputes among the parties relating to this Agreement or the transactions contemplated hereby. The parties irrevocably waive, to the fullest extent permitted by law, any objection which they may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement and the transactions contemplated hereby, or any judgment entered by any court in prospect hereof brought in New York County, State of New York, and further irrevocably waive any claim that any suit, action or proceeding brought in New York County, State of New York has been brought in an inconvenient forum. With respect to any action before the above courts, the parties hereto agree to service of process by certified or registered United States mail, postage prepaid, addressed to the party in question.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be binding and effective as of the day and year first above written

.

PARENT:

NETFABRIC HOLDINGS, INC.

By: /s/ Cristiano Germinario
Name: Cristiano Germinario
Title: CEO

NETFABRIC ACQUISITION CORP.

By: /s/ Cristiano Germinario
Name: Cristiano Germinario
Title: CEO

THE COMPANY:

XCEL BRANDS, INC.

By: /s/ Robert D'Loren
Name: Robert D'Loren
Title: President

PARENT STOCKHOLDERS (As to Sections 1.9 and 9.1 hereof only):

SCARBOROUGH LTD.

By: /s/ Clive R. Dakin
Name: Clive R. Dakin
Title: Director

BEAUFORT VENTURES PLC

By: /s/ Tarvier Malihr
Name: Tarvier Malihr
Title: President and Director

$13,500,000

CREDIT AGREEMENT

among

IM BRANDS, LLC,
as Borrower,

The Several Lenders
from Time to Time Parties Hereto,

and

MIDMARKET CAPITAL PARTNERS, LLC,
as Administrative Agent

Dated as of September 29, 2011

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SCHEDULES:

EXHIBITS:

CREDIT AGREEMENT, dated as of September 29, 2011, among, IM BRANDS, LLC, a Delaware limited liability company (the "Borrower"), the several banks and other financial institutions or entities from time to time parties to this Agreement (the "Lenders"), and MIDMARKET CAPITAL PARTNERS, LLC, as administrative agent (in such capacity, the "Administrative Agent").

WITNESSETH:

WHEREAS, XCel Brands, Inc. and the Borrower entered into that certain Asset Purchase Agreement, dated as of May 19, 2011, as amended by First Amendment to Asset Purchase Agreement dated July 28, 2011, the Second Amendment to Asset Purchase dated as of September 15, 2011, Third Amendment to Asset Purchase Agreement dated as of September 21, 2011 and Fourth Amendment to Asset Purchase Agreement dated as of September 29, 2011 (the "Acquisition Agreement"), by and among IM Ready-Made, LLC as seller (the "Seller"), Isaac Mizrahi, an individual, Marisa Gardini, and individual, the Parent and the Borrower, pursuant to which the Borrower is acquiring (the "Acquisition") certain assets of the Seller including its trademarks, copyrights, license agreements, and certain other intellectual property and the Parent is acquiring certain fixed assets of, assuming certain liabilities of, and intends to employ certain employees of the Seller as provided for in the Acquisition Agreement ;

WHEREAS, the Borrower has requested that the Lenders make available a senior secured term loan facility in the aggregate amount of $13,500,000 (the "Facility"), the proceeds of which will be used to finance the Acquisition, pay related fees and expenses, and for general working capital purposes; and

WHEREAS, the Lenders are willing to make the Facility available upon and subject to the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the agreements hereinafter set forth, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the terms listed in this Section 1.1 shall have the respective meanings set forth in this Section 1.1.

"Acquisition": as defined in the recitals to this Agreement.

"Acquisition Agreement": as defined in the recitals to this Agreement.

"Acquisition Documentation": collectively, the Acquisition Agreement and all schedules, exhibits, annexes and amendments thereto and all side letters and agreements affecting the terms thereof or entered into in connection therewith, in each case, as amended, supplemented or otherwise modified from time to time.

"Administrative Agent": as defined in the preamble hereto.

"Affiliate": as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Aggregate Exposure": with respect to any Lender at any time, an amount equal to (a) until the Closing Date, the aggregate amount of such Lender's Commitments at such time and (b) thereafter, the aggregate then unpaid principal amount of such Lender's Term Loan.

"Aggregate Exposure Percentage": with respect to any Lender at any time, the ratio (expressed as a percentage) of such Lender's Aggregate Exposure at such time to the sum of the Aggregate Exposures of all Lenders at such time.

"Agreement": this Credit Agreement, as amended, supplemented or otherwise modified from time to time.

"Annex": as defined in Section 3.22.

"Applicable Premium": as defined in Section 2.6.

"Asset Sale": any (a) Disposition of Collateral (or Property required to become Collateral) or series of related Dispositions of Collateral (or Property required to become Collateral) and (b) any issuance or sale of any Capital Stock of any Subsidiary of the Borrower.

"Assignee": as defined in Section 10.6(c).

"Assignor": as defined in Section 10.6(c).

"Benefited Lender": as defined in Section 10.7.

"Board": the Board of Governors of the Federal Reserve System of the United States (or any successor).

"Borrower": as defined in the preamble hereto.

"Borrowing Date": any Business Day specified by the Borrower as a date on which the Borrower requests the relevant Lenders to make Term Loans hereunder.

"Borrowing Notice": with respect to the request for borrowing of the Term Loans, a notice from the Borrower, substantially in the form of, and containing the information prescribed by, Exhibit F, delivered to the Administrative Agent.

"Business Day": for all, a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"Capital Expenditures": for any period, with respect to any Person, the aggregate of all expenditures by such Person for the acquisition or leasing (pursuant to a capital lease) of fixed or capital assets (other than Intellectual Property and Capital Stock) or additions to equipment (including replacements, capitalized repairs and improvements during such period) which are required to be capitalized under GAAP on a balance sheet of such Person.

"Capital Lease Obligations": with respect to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP; and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

"Capital Stock": any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

"Cash Equivalents": (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits, eurodollar time deposits or overnight bank deposits having maturities of six months or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of the United States or any state thereof having combined capital and surplus of not less than $500,000,000 and having a long-term unsecured credit rating of at least "A" by Standard & Poor's Rating Services ("S&P") or A by Moody's Investors Service, Inc. ("Moody's") or another nationally recognized rating agency; (c) commercial paper of an issuer rated at least "A-2" by S&P or "P-2" by Moody's, or carrying an equivalent rating by a nationally recognized rating agency if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within six months from the date of acquisition; (d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least "A" by S&P or "A" by Moody's; (f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition; and (g) shares of money market mutual or similar funds which invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition and having a rating of at least "AA" from S&P or "Aa" from Moody's or another nationally recognized rating agency.

"Casualty Event": Any involuntary loss of title, any involuntary loss of, damage to or any destruction of, or any condemnation or other taking (including by any Governmental Authority) of, any property of Borrower or any of its Subsidiaries. "Casualty Event" shall include but not be limited to any taking of all or any part of any Real Property of any person or any part thereof, in or by condemnation or other eminent domain proceeding pursuant to any Requirement of Law, or by reason of the requisition of the use or occupancy of all or any part of any Real Property of any person or any part thereof for any period in excess of 90 days by any Governmental Authority, civil or military, or any settlement in lieu thereof.

"Change of Control": the occurrence of any of the following events: (a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) other than Mizrahi (so long as the Voting Agreement or a similar agreement reasonably acceptable to the Administrative Agent is and remains in full force and effect) or employees of the Parent who are shareholder of the Parent on the Closing Date or the Borrower shall become, or obtain rights (whether by means or warrants, options or otherwise) to become, the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of more than 50% of the outstanding common stock of, and more than 50% of the aggregate ordinary voting power represented by the issued and outstanding common stock of, the Parent; (b) the board of directors of the Parent shall cease to consist of a majority of Continuing Directors or (c) the Parent shall cease to own, directly or indirectly, 100% of the outstanding common stock of the Borrower or any Subsidiary of the Borrower.

"Closing Date": the date on which the conditions precedent set forth in Section 4 shall have been satisfied or waived by the Administrative Agent in its sole discretion.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Collateral": all Property of the Loan Parties, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Document.

"Commitment": as to the Lender, the obligation of such Lender to make its Aggregate Exposure Percentage of the Term Loans to the Borrower on the Closing Date pursuant to this Agreement. The initial Commitment of each Lender is as set forth on Schedule I hereto.

"Commonly Controlled Entity": an entity, whether or not incorporated, that is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group that includes the Borrower and that is treated as a single employer under Section 414 of the Code.

"Compliance Certificate": a certificate duly executed by a Responsible Officer, substantially in the form of Exhibit B.

"Consolidated Capital Expenditures": for any period, for the Consolidated Group on a consolidated basis, all Capital Expenditures, as determined in accordance with GAAP.

"Consolidated EBITDA": for any period for the Consolidated Group on a consolidated basis (without duplication), an amount equal to (a) Consolidated Net Income for such period, minus, (b) to the extent included in calculating Consolidated Net Income, the sum of, without duplication, (i) interest income (whether cash or non-cash) for such period, (ii) income tax credits for such period, (iii) gain from extraordinary or non-recurring items for such period (including, without limitation, non-cash items related to purchase accounting) and (iv) deferred compensation payments (regardless of when accrued), plus (c) the following to the extent deducted in calculating such Consolidated Net Income, (i) Consolidated Interest Charges for such period, (ii) the provision for federal, state, local and foreign income taxes payable by the Consolidated Group for such period and the amount of Permitted Tax Distributions deducted in calculating Consolidated Net Income, (iii) the amount of depreciation and amortization expense for such period, (iv) the transaction fees, costs and expenses incurred in connection with the Acquisition in such period (including without limitation, fees associated with the negotiation and execution of this Agreement and the other Loan Documents) in an aggregate amount not to exceed $3,000,000, (v) all other extraordinary or non-recurring non-cash charges (including, without limitation, non-cash items related to purchase accounting), (vi) deferred management salaries (accrued but not paid) and (vii) non-cash stock or equity compensation in such period. To the extent that Permitted Expense Distributions for any period are made to the Parent in respect of expenses of the type referred to in clauses (iii), (iv), (v), (vi) or (vii) above, the portion of such Permitted Expense Distribution made in respect of such expenses shall be included for purposes of the determination of Consolidated EBITDA as if such expenses had been incurred by the Consolidated Group.

"Consolidated Fixed Charges" means, for any period for the Consolidated Group on a consolidated basis, an amount equal to the sum of (a) the cash portion of Consolidated Interest Charges for such period plus (b) Consolidated Scheduled Funded Debt Payments for such period plus (c) taxes paid in cash for such period and the maximum amount of Permitted Tax Distributions for such period (whether or not such distributions are made), all as determined in accordance with GAAP.

"Consolidated Fixed Charges Coverage Ratio" means, as of any date of determination, the ratio of (a) Consolidated EBITDA for the four fiscal quarters most recently completed prior to such date less Capital Expenditures in such period paid in cash to (b) Consolidated Fixed Charges for such period.

"Consolidated Funded Debt": at any date, the aggregate principal amount, without duplication, of all Funded Debt of the Consolidated Group at such date determined on a consolidated basis.

"Consolidated Group" means the Borrower and its Subsidiaries.

"Consolidated Interest Charges" means, for any period, the interest expense of the Consolidated Group for such period with respect to all outstanding Indebtedness of the Consolidated Group (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net costs under Hedge Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with GAAP and excluding imputed interest expense in connection with the Borrower's obligations (a) to Earthbound under the Services Agreement (b) under the note made by the Borrower to the order of the Seller and delivered in partial consideration of the purchase price payable by the Borrower in connection with the Acquisition and (c) relating to the QVC Earn-Out Amount (as defined in the Acquisition Agreement)), determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Income" means, for any period for the Consolidated Group on a consolidated basis, the net income of the Consolidated Group for such period as determined in accordance with GAAP minus the maximum amount of Permitted Expense Distributions and the maximum amount of Permitted Tax Distributions, in each case, for such period and whether or not such distributions are made, but excluding for all purposes (a) minority-owned Subsidiaries (except to the extent of net income distributed or representing a management fee or other similar fee), (b) the net income of any Subsidiary to the extent that the declaration of dividends or similar distributions of such income is not permitted by the organizational documents of such Subsidiary or by operation of law, (c) unrealized gains or losses due solely to fluctuations in currency values, (d) earnings (or losses) resulting from my revaluation or write-up or write-down of assets and (d) unrealized gains or losses under Hedge Agreements.

"Consolidated Scheduled Funded Debt Payments" means, for any period for the Consolidated Group on a consolidated basis, the sum of all scheduled payments of principal on Consolidated Funded Debt scheduled to be paid during such period. For purposes of this definition, payments of principal scheduled to be paid (a) shall be determined after giving effect to any reduction of such scheduled payments resulting from the application of any voluntary or mandatory prepayments made during the applicable period and (b) shall not include any mandatory prepayments required pursuant to Section 2.7.

"Consolidated Total Leverage Ratio" means, as of any date of determination, the ratio of (a) Consolidated Funded Debt as of such date to (b) Consolidated EBITDA for the four fiscal quarters most recently completed prior to such date.

"Continuing Directors": the directors of the Parent on the Closing Date, after giving effect to the Acquisition and the other transactions contemplated hereby, and each other director of the Parent, if, in each case, such other director's nomination for election to the board of directors of the Parent is recommended or appointed by at least 66⅔% of the then Continuing Directors.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its Property is bound.

"Control Investment Affiliate": as to any Person, any other Person that (a) directly or indirectly, is in control of, is controlled by, or is under common control with, such Person and (b) is organized by such Person primarily for the purpose of making equity or debt investments in one or more companies. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Conversion Date": the date on which the Borrower has delivered financial statements complying with Section 5.1(a) reflecting either the financial condition of the Borrower (after giving effect to the Acquisition) or the licensing business acquired from the Seller pursuant to the Acquisition Agreement (prior to giving effect to the Acquisition) or any combination thereof for three (3) consecutive, complete fiscal years ending not earlier than December 31, 2008.

"Default": any of the events specified in Section 7, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Directly Owned Foreign Subsidiary": a Foreign Subsidiary that is directly owned by the Borrower.

"Disposition": with respect to any Property, any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition thereof; and the terms "Dispose" and "Disposed of" shall have correlative meanings.

"Dollars" and "$": dollars in lawful currency of the United States.

"Domestic Subsidiary": any Subsidiary of the Borrower organized under the laws of any jurisdiction within the United States.

"Earn-Out Consideration": collectively, the Earn-Out Shares and the QVC Earn-Out Amount, as such terms are defined in the Acquisition Documentation.

"Earthbound": Earthbound, LLC, a Delaware limited liability company.

"Environmental Laws": any and all laws, rules, orders, regulations, statutes, ordinances, guidelines, codes, decrees, or other legally enforceable requirements (including, without limitation, common law) of any international authority, foreign government, the United States, or any state, local, municipal or other governmental authority, regulating, relating to or imposing liability or standards of conduct concerning protection of the environment or of human health, or employee health and safety, as has been, is now, or may at any time hereafter be, in effect.

"Environmental Permits": any and all permits, licenses, approvals, registrations, notifications, exemptions and other authorizations required under any Environmental Law.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Event of Default": any of the events specified in Section 7, provided that any requirement for the giving of notice by the Administrative Agent, the lapse of time, or both, has been satisfied.

"Excess Cash Flow": with respect to the Consolidated Group on a consolidated basis, for any period (without duplication): (a) Consolidated Net Income; (b) plus decreases or minus increases (as the case may be) in Net Working Capital, (c) plus non-cash losses or minus non-cash gains (as the case may be) realized upon any Disposition of assets (other than any Dispositions in the ordinary course of business); (d) plus non-cash depreciation, non-cash amortization and other non-cash charges included in arriving at Consolidated Net Income, and (e) minus, without duplication, the sum of (i) Consolidated Capital Expenditures (to the extent not financed with Funded Indebtedness or reinvestments of Net Cash Proceeds), (ii) to the extent not taken into account in the calculation of Consolidated Net Income, (v) the amount of all non-cash credits (including taxes), (w) the transaction fees, costs and expenses incurred by the any Loan Party and paid in the respective period in connection with the Acquisition (including without limitation, fees associated with the negotiation and execution of this Agreement) in an aggregate amount not to exceed $3,000,000, (x) the principal amortization during such period with respect to Capital Lease Obligations, and (y) all regularly scheduled principal payments and any voluntary or mandatory principal prepayments of the Loans (other than from Excess Cash Flow) and any other Funded Indebtedness, in each case in such period.

"Excess Cash Flow Application Date": as defined in Section 2.7(c).

"Excess Liquidity": the aggregate balance of cash and Cash Equivalents of the Borrower and its Subsidiaries and, for so long as the Parent has no Subsidiaries other than the Borrower and Subsidiaries of the Borrower, the Parent, in each case, not subject to any Lien or encumbrance, other than in favor of the Administrative Agent and non-consensual Permitted Liens.

"Excess Unpaid Interest": as defined in Section 2.8(a).

"Excluded Foreign Subsidiary": any Foreign Subsidiary (other than a Foreign Electing Subsidiary) in respect of which either (a) the pledge of all of the Capital Stock of such Subsidiary as Collateral or (b) the guaranteeing by such Subsidiary of the Obligations, would, in the good faith judgment of the Borrower, result in adverse tax consequences to the Borrower.

"Excluded Taxes": (i) net income taxes and franchise taxes (imposed in lieu of net income taxes) or similar taxes imposed on the Administrative Agent or any Lender as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Administrative Agent's or such Lender's having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document), (ii) any branch profit taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which such Lender is located (other than arising solely from the Administrative Agent's or such Lender's having executed, delivered or performed its obligations or received payments under , or enforced, this Agreement or any other Loan Document), (iii) taxes that are directly attributable to the failure (other than as a result of a change in any Requirement of Law) by the Administrative Agent or any Lender to deliver the documentation required to be delivered pursuant to Section 2.12(d), (iv) taxes that are attributable to taxes imposed under FATCA (or any amended or successor version of FATCA that is substantively comparable and not materially more onerous to comply with) and (v) all interest, fines, additions to tax or penalties applicable to any of the foregoing.

"Facility": as defined in the recitals to this Agreement.

"FATCA": Sections 1471 through 1474 of the Code, as of the date of this Agreement and any current or future regulations or official interpretations thereof.

"Federal Funds Effective Rate": for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

"Fee Letter": that certain Fee Letter, dated September 29, 2011, by and between the Administrative Agent and the Borrower.

"Foreign Electing Subsidiary": any Foreign Subsidiary which is a direct Subsidiary of a Guarantor or another Foreign Electing Subsidiary and which is a disregarded as an entity separate from such person for U.S. federal income tax purposes.

"Foreign Subsidiary": any Subsidiary of the Borrower that is not a Domestic Subsidiary.

"Funded Debt": with respect to any Person, all Indebtedness of such Person other than (A) Indebtedness under Hedge Agreement to the extent permitted by Section 6.1, (B) Indebtedness which is subordinate to the prior payment of the Obligations pursuant to a subordination agreement in form and substance reasonably satisfactory to the Administrative Agent, (C) any liability representing a contractual contingency (which is capitalized in accordance with Statement of Financial Accounting Standards No. 141(R)) incurred in connection with the Acquisition until such time as such liability has been incurred and the amount of such liability can be reasonably estimated (in each case, as determined in accordance with Statement of Financial Accounting Standards No. 5) and (D) Indebtedness to Earthbound under the Services Agreement.

"Funding Office": the office specified from time to time by the Administrative Agent as its funding office by notice to the Borrower and the Lenders.

"GAAP": generally accepted accounting principles in the United States of America as in effect from time to time.

"Governmental Authority": any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization (including the National Association of Insurance Commissioners).

"Guarantee and Collateral Agreement": the Guarantee and Collateral Agreement to be executed and delivered by the Borrower and each Guarantor, substantially in the form of Exhibit A, as the same may be amended, supplemented or otherwise modified from time to time.

"Guarantee Obligation": as to any Person (the "guaranteeing person"), any obligation, including a reimbursement, counterindemnity or similar obligation, of the guaranteeing person that guarantees or in effect guarantees, or which is given to induce the creation of a separate obligation by another Person (including any bank under any letter of credit) that guarantees or in effect guarantees any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase Property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"Guarantor": the Parent and each Subsidiary of the Borrower that is a party to the Guarantee and Collateral Agreement or that becomes a guarantor of the Obligations pursuant to Section 5.9(c).

"Hedge Agreements": all interest rate or currency forwards, options, swaps, caps or collar agreements, foreign exchange agreements, commodity contracts or similar arrangements entered into by the Borrower or its Subsidiaries providing for protection against fluctuations in interest rates, currency exchange rates, commodity prices or the exchange of nominal interest obligations, either generally or under specific contingencies.

"Indebtedness": of any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of Property or services (other than trade payables incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such Property), (e) all Capital Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under acceptance, letter of credit, surety bond or similar facilities, (g) all obligations of such Person, contingent or otherwise, to purchase, redeem, retire or otherwise acquire for value any Capital Stock of such Person, (h) all obligations for any Earn-Out Consideration that the amount of which can be reasonably estimated as determined in accordance with Statement of Financial Accounting Standards No. 5 (other than those obligations that are satisfied solely with Capital Stock of the Parent), (i) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (h) above, (j) all obligations of the kind referred to in clauses (a) through (i) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on Property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation and (k) all obligations of such Person in respect of Hedge Agreements. The Indebtedness of any Person shall include, without duplication, the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness expressly provide that such Person is not liable therefor.

"Indemnified Liabilities": as defined in Section 10.5.

"Indemnitee": as defined in Section 10.5.

"Insolvency": with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"Insolvent": pertaining to a condition of Insolvency.

"Intellectual Property": the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, copyrights, copyright licenses, software, databases, patents, patent licenses, trademarks, trademark licenses, trademark applications, service marks, service mark licenses, service mark applications, trade names, brand names, domain names, mask works, mask work licenses, technology and related improvements, know-how and processes, trade secrets, all registrations and applications related to any of the above, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"Investment": as defined in Section 6.6.

"Lenders": as defined in the preamble hereto.

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing).

"Liz Agreement": the Design Services Agreement dated October 7, 2009 as amended by that certain Amended and Restated Design Services Agreement dated as of September [__], 2011, by and among Liz Claiborne, Inc., Mizrahi and Seller.

"Loan Documents": this Agreement, the Security Documents, the Fee Letter, any Notes, the Warrants and the Rights Agreements and all other documents, agreements, instruments, documents, schedules and certificates executed and delivered by any Loan Party.

"Loan Maturity Date": September 29, 2016.

"Loan Parties": the Borrower and each Guarantor that is a party to a Loan Document.

"Material Adverse Effect": a material adverse effect on (a) the Acquisition (to the extent not previously completed) or the Acquired Assets (taken as a whole), (b) the business, assets, property, operations, or condition (financial or otherwise) of the Borrower and its Subsidiaries taken as a whole or (c) the validity or enforceability of this Agreement or any of the other Loan Documents or the rights or remedies of the Administrative Agent or the Lenders hereunder or thereunder.

"Material Agreement": each of the Liz Agreement and the QVC Agreement.

"Materials of Environmental Concern": any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products, polychlorinated biphenyls, urea-formaldehyde insulation, asbestos, pollutants, contaminants, radioactivity, and any other substances or forces of any kind, whether or not any such substance or force is defined as hazardous or toxic under any Environmental Law, that is regulated pursuant to or could give rise to liability under any Environmental Law.

"MidMarket Entity": any of MidMarket Capital Partners, LLC or any of its Affiliates.

"Minimum Interest Payment": as defined in Section 2.8(a).

"Mizrahi": Isaac Mizrahi, an individual resident of the State of New York as of the Closing Date.

"Mortgages": each of the mortgages and deeds of trust, if any, made by any Loan Party in favor of, or for the benefit of, the Administrative Agent for the benefit of the Secured Parties.

"Multiemployer Plan": a Plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Cash Proceeds": (a) in connection with any Asset Sale, the proceeds thereof in the form of cash and Cash Equivalents (including any such proceeds received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but only as and when received) of such Asset Sale, net of attorneys' fees, accountants' fees, investment banking fees, amounts required to be applied to the repayment of Indebtedness secured by a Lien expressly permitted hereunder on any asset which is the subject of such Asset Sale (other than any Lien pursuant to a Security Document) and other customary fees and expenses actually incurred in connection therewith and net of taxes paid or reasonably estimated to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements with respect to such Asset Sale), (b) in connection with any issuance or sale of Capital Stock, debt securities or instruments or the incurrence of loans, the cash proceeds received from such issuance or incurrence, net of attorneys' fees, investment banking fees, accountants' fees, underwriting discounts and commissions and other customary fees and expenses actually incurred in connection therewith and (c) with respect to any Casualty Event, the cash insurance proceeds, condemnation or other compensation received in respect thereof, net of all reasonable costs and expenses incurred in connection with the collection of such proceeds, awards or other compensation in respect of such Casualty Event.

"Net Working Capital": as of any date of determination, (a) the current assets of the Consolidated Group, minus (b) the current liabilities of the Consolidated Group, in each case, as shown in the financial statements most recently delivered pursuant to Section 5.1; provided, however, that the portion of any current liability of the Parent in respect of which the Borrower would be permitted to make a Permitted Expense Distribution shall constitute current liabilities of the Borrower for purposes of the calculation of Net Working Capital.

"New York Lease": the Agreement of Lease dated August 30, 2005 between Adler Holding III, LLC and Seller, as supplemented by Rider to Lease dated August 30, 2005 between Adler Holding III, LLC and Seller, as assigned to Parent pursuant to that certain Assignment and Assumption, Landlord Consent dated as of September 29, 2011.

"Non-Excluded Taxes": as defined in Section 2.12(a).

"Non-U.S. Lender": as defined in Section 2.12(d).

"Note": as defined in Section 2.4(e).

"Obligations": the unpaid principal of and Applicable Premium, if any, and interest on (including, without limitation, interest accruing after the maturity of the Term Loans and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Term Loans and all other obligations and liabilities of the Borrower to the Administrative Agent or to any Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, any other Loan Document or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all fees, charges and disbursements of counsel to the Administrative Agent or to any Lender that are required to be paid by the Borrower pursuant hereto) or otherwise.

"Organizational Documents": as to any Person, the certificate of incorporation and bylaws, certificate of formation and operating agreement or partnership agreement or other organizational or governing documents of such Person.

"Other Taxes": any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"Parent": XCel Brands, Inc., a Delaware corporation, the surviving entity of (i) the merger of XCel Brands, Inc. with NetFabric Acquisition Corp., a wholly-owned subsidiary of NetFabric Holdings, Inc. and (ii) the subsequent short form merger of XCel Brands, Inc. with and into NetFabric Holdings, Inc. pursuant to which the name of NetFabric Holdings, Inc. shall be changed to XCel Brands, Inc.

"Participant": as defined in Section 10.6(b).

"Patriot Act": as defined in Section 3.22.

"Payment Date": the fifth Business Day of each January, April, July and October to occur while the Term Loans are outstanding, the Loan Maturity Date and the date of any repayment or prepayment made in respect thereof.

"Payment Office": the office specified from time to time by the Administrative Agent as its payment office by notice to the Borrower and the Lenders.

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

"Perfection Certificate": each Article 9 Certificate dated as of the Closing Date executed by the Borrower (reflecting the assets of the Borrower after giving effect to the Acquisition) and each other Loan Party, and each supplement thereto delivered pursuant to Section 5.2(b).

"Permitted Acquisition": any transaction or series of related transactions for the direct or indirect (a) acquisition of all or substantially all of the property of any Person, or of any business or division of any Person by Parent or any of its Subsidiaries (other than Borrower or any of its Subsidiaries); (b) acquisition of all of the Equity Interests of any Person not then owned by the Parent or any of its Subsidiary (other than the Borrower or any of its Subsidiaries), and otherwise causing such Person to become a Subsidiary of the Parent or any of its Subsidiary (other than the Borrower or any of its Subsidiaries); or (c) merger or consolidation or any other combination with any Person with or into the Parent or any of its Subsidiaries (other than Borrower or any of its Subsidiaries), if each of the following conditions is met: (i) no Default then exists or would result therefrom, (ii) after giving effect to such transaction on a pro forma basis, the Borrower shall be in compliance with all covenants set forth in Section 7 (assuming, for purposes of Section 7, that such transaction had occurred on the first day of the applicable period for which each such covenant is calculated), (iii) the Person or business to be acquired shall be, or shall be engaged in, a business of the type that the Borrower and the Subsidiaries are permitted to be engaged in under Section 6.13, (iv) the Board of Directors (or similar governing body) of the seller party to the related acquisition agreement shall not have indicated its opposition to the consummation of such acquisition and (v) Borrower or Parent shall have provided not less than 30 days prior notice of such Permitted Acquisition and shall have provided to the Administrative Agent such documents and agreements (including historic and pro-forma financial statements reflecting the acquisition and the acquisition agreement) as the Administrative Agent shall reasonably request.

"Permitted Expense Distribution" means, for any applicable period, the Restricted Payments permitted to be made pursuant to Section 6.5(b).

"Permitted Subordinated Indebtedness": as defined in Section 6.1(f).

"Permitted Tax Distribution" means, for any applicable period, the Restricted Payments permitted to be made pursuant to Section 6.5(c).

"Person": an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan": at a particular time, any employee benefit plan that is covered by ERISA and in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Private Placement Memorandum": that certain confidential private offering memorandum dated September 20, 2011 with respect to the issuance by the Parent of units consisting of 100,000 Shares of common stock and a Series A Warrant to purchase 50,000 shares of common stock, as amended, supplemented or otherwise modified from time to time.

"Property": any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, including, without limitation, Capital Stock.

"QVC Agreement": that certain Second Amended and Restated Agreement dated as of August 12, 2011 by and between QVC, Inc., a Delaware corporation, the Borrower, Mizrahi and the Seller, as amended, supplemented or otherwise modified from time to time.

"Recovery Event": any settlement of or payment in respect of any property or casualty insurance claim or any condemnation proceeding relating to any Property of the Borrower or any of its Subsidiaries if such Property is Collateral.

"Register": as defined in Section 10.6(d).

"Regulation U": Regulation U of the Board as in effect from time to time.

"Reinvestment Deferred Amount": with respect to any Reinvestment Event, the aggregate Net Cash Proceeds received by the Borrower or any of its Subsidiaries in connection therewith that are not applied to prepay the Term Loans pursuant to Section 2.7(b) as a result of the delivery of a Reinvestment Notice.

"Reinvestment Event": any Asset Sale or Casualty Event in respect of which the Borrower has delivered a Reinvestment Notice.

"Reinvestment Notice": a written notice executed by a Responsible Officer stating that no Default or Event of Default has occurred and is continuing and that the Borrower or a Guarantor intends and expects to use all or a specified portion of the Net Cash Proceeds of an Asset Sale or Casualty Event to acquire assets useful in its business and that the Borrower or such Guarantor reasonably expects to acquire such assets within 180 days from receipt of such Net Cash Proceeds.

"Reinvestment Prepayment Amount": with respect to any Reinvestment Event, the Reinvestment Deferred Amount relating thereto less any amount expended prior to the relevant Reinvestment Prepayment Date to acquire assets useful in the business of the Borrower or of any Subsidiary.

"Reinvestment Prepayment Date": with respect to any Reinvestment Event, the earlier of (a) the date occurring 180 days after such Reinvestment Event and (b) the date on which the Borrower or any Subsidiary shall have determined not to, or shall have otherwise ceased to, acquire assets useful in the business of the Borrower or of any Subsidiary with all or any portion of the relevant Reinvestment Deferred Amount.

"Related Fund": with respect to any Lender, any fund that (x) invests in commercial loans and (y) is managed or advised by the same investment advisor as such Lender, by such Lender or an Affiliate of such Lender.

"Reorganization": with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

"Reportable Event": any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .27, .28, .29, .30, .31, .32, .34 or .35 of PBGC Reg. § 4043.

"Required Lenders": at any time, Lenders holding at such time more than 50% of the Aggregate Exposure Percentage of all Lenders.

"Requirement of Law": as to any Person, any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

"Responsible Officer": the chief executive officer, president, chief financial officer or general counsel of the Borrower, but in any event, with respect to financial matters, the chief financial officer of the Borrower.

"Restricted Payments": as defined in Section 6.5.

"Rights Agreement": the Rights Agreements to be executed and delivered by the Parent to the Administrative Agent or the Lenders (in each case, to the extent such party received a Warrant), substantially in the form of Exhibit H, as the same may be amended, supplemented or otherwise modified from time to time.

"SEC": the Securities and Exchange Commission (or successors thereto or an analogous Governmental Authority).

"Secured Parties": as defined in the Guarantee and Collateral Agreement.

"Security Documents": the collective reference to the Guarantee and Collateral Agreement, the Mortgages (if any) and all other security documents hereafter delivered to the Administrative Agent granting a Lien on any Property of any Person to secure the obligations and liabilities of any Loan Party under any Loan Document.

"Seller": as defined in the recitals to this Agreement.

"Services Agreement": the Release and Transition Services Agreement dated as of August 16, 2011 among Earthbound, the Seller and the loan, as the same may be amended, supplemented or otherwise modified from time to time.

"Single Employer Plan": any Plan that is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"Solvent": with respect to any Person, as of any date of determination, (a) the amount of the "present fair saleable value" of the assets of such Person will, as of such date, exceed the amount of all "liabilities of such Person, contingent or otherwise", as of such date, as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured, (c) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, and (d) such Person will be able to pay its debts as they mature. For purposes of this definition, (i) "debt" means liability on a "claim", and (ii) "claim" means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

"Subsidiary": as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person.

"Term Loans": as defined in Section 2.1.

"Transferee": as defined in Section 10.14.

"United States" and "U.S.": the United States of America.

"Voting Agreement": the Voting Agreement dated as of September 29, 2011 among the Parent and the Seller.

"Warrants": the Warrants to be executed and delivered by the Parent to the Administrative Agent or, at the direction of the Administrative Agent, one or more Lenders, substantially in the form of Exhibit G, as the same may be amended, supplemented or otherwise modified from time to time.

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, accounting terms relating to the Borrower and its Subsidiaries not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

SECTION 2. AMOUNT AND TERMS OF COMMITMENTS

2.1 Commitments. Subject to the terms and conditions hereof, the Lenders severally agree to make loans (each, a "Term Loan") to the Borrower on the Closing Date in an amount for each Lender not to exceed the amount of the Commitment of such Lender.

2.2 Procedure for Borrowing. The Borrower shall deliver to the Administrative Agent a Borrowing Notice (which Borrowing Notice must be received by the Administrative Agent prior to noon., New York City time, one Business Day prior to the anticipated Closing Date) requesting that the Lenders make the Term Loans on the Closing Date. Upon receipt of such Borrowing Notice the Administrative Agent shall promptly notify each Lender thereof. Not later than 11:00 A.M., New York City time, on the Closing Date each Lender shall make available to the Administrative Agent at the Funding Office an amount in immediately available funds equal to the Term Loan to be made by such Lender. Not later than Noon, New York City time, on the Closing Date the Administrative Agent shall make available to the Borrower the aggregate of the amounts made available to the Administrative Agent by the Lenders, in like funds as received by the Administrative Agent.

2.3 Repayment of Loans. The Borrower shall pay to the Administrative Agent for the ratable account of the Lenders on the following Payment Dates the amount equal to the percentage listed opposite such Payment Date of the aggregate outstanding principal amount of the Term Loans on the Closing Date plus any increase in such principal amount resulting from the capitalization of interest pursuant to Section 2.8 on or prior to such Payment Date, and adjusted for any prepayments in the manner specified in Section 2.10(b):

Payment Date	Percentage
January 5, 2013	2.50%
April 5, 2013	2.50%
July 5, 2013	2.50%
October 5, 2013	2.50%
January 5, 2014	3.75%
April 5, 2014	3.75%
July 5, 2014	3.75%
October 5, 2014	3.75%
January 5, 2015	6.25%
April 5, 2015	6.25%
July 5, 2015	6.25%
October 5, 2015	6.25%
January 5, 2016	12.50%
April 5, 2016	12.50%
July 5, 2016	12.50%
Loan Maturity Date	12.50%

; provided, however, that the final principal repayment installment of the Term Loans shall be repaid on the Loan Maturity Date and shall be in an amount equal to the aggregate principal amount of the Term Loans outstanding on such date.

2.4 Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of the appropriate Lender the outstanding principal amount of the Term Loan of such Lender on the Loan Maturity Date (or on such earlier date on which the Term Loans become due and payable pursuant to Section 7). The Borrower hereby further agrees to pay interest on the unpaid principal amount of the Term Loans from time to time outstanding from the Closing Date until payment in full thereof at the rates per annum, and on the dates, set forth in Section 2.8.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from the Term Loan of such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent, on behalf of the Borrower, shall maintain the Register pursuant to Section 10.6(d), and a subaccount therein for each Lender, in which shall be recorded (i) the amount of each Term Loan made hereunder and any Note evidencing such Term Loan, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(d) The entries made in the Register and the accounts of each Lender maintained pursuant to Section 2.4(b) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Term Loan made to the Borrower by such Lender in accordance with the terms of this Agreement.

(e) The Borrower agrees that, upon the request to the Administrative Agent by any Lender, the Borrower will promptly execute and deliver to such Lender a promissory note of the Borrower evidencing the Term Loan of such Lender, substantially in the form of Exhibit E (a "Note"), with appropriate insertions as to date and principal amount.

2.5 Fees, etc. The Borrower agrees to pay to the Administrative Agent the fees in the amounts and on the dates from time to time agreed to in writing by the Borrower and the Administrative Agent, including as set forth in the Fee Letter.

2.6 Optional Prepayments. The Borrower may at any time and from time to time prepay the Term Loans, in whole or in part, upon irrevocable notice delivered to the Administrative Agent no later than 11:00 A.M., New York City time, one Business Day prior thereto, which notice shall specify the date and amount of such prepayment; provided that the Borrower concurrently pays all accrued and unpaid interest on the Term Loans prepaid and an amount equal to a percentage of the principal amount to be prepaid pursuant to this Section 2.6 (the "Applicable Premium"), such percentage to be that set forth in the table below opposite the period in which the date fixed for such prepayment occurs:

Period	Applicable Premium
Closing Date through September 27, 2012	3%
September 29, 2012 through September 28, 2013	2%
September 29, 2013 through September 28, 2014	1%
September 29, 2014 and thereafter	0%

Upon receipt of any such notice the Administrative Agent shall promptly notify each Lender. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest to such date on the amount prepaid. Partial prepayments of the Term Loans shall be in a minimum principal amount of $500,000 and in an integral multiple of $100,000 in excess thereof, or such lesser principal amount thereof as shall then be outstanding. Notwithstanding the foregoing, without limiting Borrower's obligations under Section 2.7(c), (a) the Applicable Premium shall not be payable with respect to any prepayment required to be made pursuant to Section 2.7(c) and (b) on the Excess Cash Flow Application Date, the Borrower may prepay an additional amount of the Term Loan up to a amount equal to the amount required to be prepaid pursuant to Section 2.7(c) without payment of the Applicable Premium on such additional amount prepaid; provided, however that both before and after giving effect to such prepayment and the prepayment required by Section 2.7(c), no Default or Event of Default pursuant to Sections 7.1, 7.2, 7.3, 7.4 or 7.5 has occurred and is continuing.

2.7 Mandatory Prepayments. (a) Unless the Required Lenders shall otherwise agree, if any Indebtedness shall be incurred by the Borrower or any of its Subsidiaries (excluding any Indebtedness permitted to be incurred under Section 6.1), then on the date of such incurrence, the Term Loans shall be prepaid, by an amount equal to the amount of the Net Cash Proceeds of such incurrence. The provisions of this Section 2.7(a) do not constitute a consent to the incurrence of any Indebtedness by the Borrower or any of its Subsidiaries.

(b) Unless the Required Lenders shall otherwise agree, if on any date the Borrower or any of its Subsidiaries shall receive Net Cash Proceeds from any Asset Sale or Casualty Event, then, unless a Reinvestment Notice shall be delivered in respect thereof on or prior to the date of such Asset Sale, on the date of receipt by the Borrower or such Subsidiary of such Net Cash Proceeds, the Term Loans shall be prepaid, by an amount equal to the amount of such Net Cash Proceeds; provided, however, that no such prepayment shall be required under this Section 2.7(b) if (i) such Asset Sale is permitted by Section 6.4(a), (b), (c), (d), (e), (f) or(i), (ii) such Asset Sale (or series of related Asset Sales) (other than any Asset Sale referred to in clause (b) of the definition of Asset Sale) result in no more than $100,000 in Net Cash Proceeds and all Asset Sales during such fiscal year result in no more than $250,000 in Net Cash Proceeds; provided, further that, notwithstanding the foregoing, on each Reinvestment Prepayment Date the Term Loans shall be prepaid, by an amount equal to the Reinvestment Prepayment Amount with respect to the relevant Reinvestment Event. The provisions of this Section do not constitute a consent to the consummation of any Disposition not permitted by Section 6.4.

(c) Unless the Required Lenders shall otherwise agree, if, for any fiscal year of the Borrower commencing with the fiscal year ending on December 31, 2012, there shall be Excess Cash Flow, then, on the relevant Excess Cash Flow Application Date, the Term Loans shall be prepaid by an amount equal to the lesser of (i) 50% of such Excess Cash Flow and (ii) the positive result, if any, of the balance of the Excess Liquidity as of such Excess Cash Flow Application Date minus the greater of (x) the Excess Liquidity required to be maintained by Borrower at such time and (y) $3,000,000 (it being agreed that if such result is less than or equal to zero, the amount determined in this clause (ii) shall be zero). Each such prepayment shall be made on a date (an "Excess Cash Flow Application Date") no later than three (3) Business Days after the date on which the financial statements of the Parent referred to in Section 5.1(a), for the fiscal year with respect to which such prepayment is made are delivered to the Administrative Agent.

(d) Unless the Required Lenders shall otherwise agree, if on any date the Parent or the Borrower or any of its Subsidiaries shall receive Net Cash Proceeds from the issuance of any Capital Stock, then, on the date of receipt by the Borrower or such Subsidiary of such Net Cash Proceeds, the Term Loans shall be prepaid, by an amount equal to the amount of such Net Cash Proceeds; provided, however, that no such prepayment shall be required (i) with respect to Net Cash Proceeds in an aggregate amount not to exceed $1,000,000 for any sale of Capital Stock by Parent as long as such Net Cash Proceeds are contributed to Borrower for general corporate and working capital purposes and (ii) to the extent such Net Cash Proceeds are used to pay all or a portion of the purchase price for a Permitted Acquisition or all or a portion of the transaction fees, costs and expenses incurred in connection with such Permitted Acquisition.

(e) Unless the Required Lenders shall otherwise agree, if on any date there is a payment of the benefits of the life insurance policy described in Section 4.18, then, on the date of receipt of such proceeds, the Borrower shall cause to be paid to the Administrative Agent an amount of such proceeds equal to the lesser of (i) the outstanding principal amount of the Term Loans plus any accrued and unpaid interest thereon that has not been capitalized and all other Obligations payable to the Administrative Agent and the Lenders and (ii) the amount of such proceeds received by the Borrower.

2.8 Interest Rates and Payment Dates. (a) The Term Loans shall bear interest at a rate per annum equal to (i) from the Closing Date until the Conversion Date, 16% per annum; provided, however that the Borrower shall only be required to pay in cash interest at a rate of 12% per annum (the "Minimum Interest Payment"), and any interest that has accrued on the Term Loans in excess of the Minimum Interest Payment that is not paid by the Borrower (the "Excess Unpaid Interest") shall be capitalized and added to the then unpaid principal amount of the Term Loans on each applicable Payment Date, and (ii) from and after the Conversion Date, 8.5% per annum, payable in cash. If the Borrower elects to pay any accrued interest in excess of the Minimum Interest Payment on any Payment Date, the Borrower shall provide notice to the Administrative Agent specifying the additional accrued interest to be paid on such Payment Date not less than thirty (30) days prior to such Payment Date; provided, however, that upon delivery of such notice, the Borrower shall be obligated to pay such accrued interest in cash on such Payment Date.

(b) (i) If all or a portion of the principal amount of the Term Loans, any interest payable thereon (other than any Excess Unpaid Interest) or any fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), the entire outstanding amount of the Term Loans (whether or not overdue) (to the extent legally permitted) shall bear interest at a rate per annum that is equal to the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section plus 2% (the "Default Rate"), in each case, from the date of such non-payment until such amount is paid in full (after as well as before judgment).

(c) Interest accrued for each fiscal quarter shall be payable in arrears on the Payment Date immediately following the end of such fiscal quarter, provided that (i) interest payable on October 5, 2011 shall be the interest that accrued from the Closing Date until September 30, 2011 and (ii) interest accruing pursuant to paragraph (b) of this Section shall be payable from time to time on demand.

(d) Any Obligation which is not paid when due shall accrue interest at the Default Rate from the date due until such amount is paid in full (after as well as before judgment).

2.9 Computation of Interest and Fees. Interest, fees and commissions payable pursuant hereto shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed.

2.10 Pro Rata Treatment and Payments. (a) Each borrowing by the Borrower from the Lenders hereunder shall be made pro rata according to the respective Aggregate Exposure Percentages of the Lenders. Each payment of interest in respect of the Term Loans and each payment in respect of fees payable hereunder shall be applied to the amounts of such obligations owing to the Lenders pro rata according to the respective amounts then due and owing to the Lenders.

(b) Each payment on account of principal of the Term Loans shall be allocated among the Lenders pro rata based on the principal amount of the Term Loans held by the Lenders. Each optional and mandatory prepayment shall be applied to the quarterly installments of the Term Loans set forth in Section 2.3 (as such quarterly installments may be adjusted by the application of optional and mandatory prepayments pursuant to this Section) in inverse order of maturity. Amounts repaid or prepaid on account of the Term Loans may not be reborrowed in whole or in part.

(c) All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without setoff or counterclaim to the Administrative Agent, for the account of the relevant Lenders, at the Payment Office, in Dollars and in immediately available funds prior to noon, New York City time, on the applicable due date.

(d) Unless the Administrative Agent shall have been notified in writing by any Lender prior to a borrowing that such Lender will not make the amount that would constitute its share of such borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender is making such amount available to the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is not made available to the Administrative Agent by the required time on the Borrowing Date therefor, such Lender shall pay to the Administrative Agent, on demand, such amount with interest thereon at a rate equal to the greater of (i) the Federal Funds Effective Rate and (ii) a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, for the period until such Lender makes such amount immediately available to the Administrative Agent. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this paragraph shall be conclusive in the absence of manifest error. If such Lender's share of such borrowing is not made available to the Administrative Agent by such Lender within three Business Days after such Borrowing Date, the Administrative Agent shall also be entitled to recover such amount with interest thereon at the rate per annum applicable to the Term Loans, on demand, from the Borrower.

(e) Unless the Administrative Agent shall have been notified in writing by the Borrower prior to the date of any payment due to be made by the Borrower hereunder that the Borrower will not make such payment to the Administrative Agent, the Administrative Agent may assume that the Borrower is making such payment, and the Administrative Agent may, but shall not be required to, in reliance upon such assumption, make available to the Lenders their respective pro rata shares of a corresponding amount. If such payment is not made to the Administrative Agent by the Borrower within three Business Days after such due date, the Administrative Agent shall be entitled to recover, on demand, from each Lender to which any amount which was made available pursuant to the preceding sentence, such amount with interest thereon at the rate per annum equal to the daily average Federal Funds Effective Rate. Nothing contained in this Section shall be deemed to limit the rights of the Administrative Agent or any Lender against the Borrower.

(f) Upon receipt by the Administrative Agent of payments on behalf of Lenders, the Administrative Agent shall promptly distribute such payments to the Lender or Lenders entitled thereto, in like funds as received by the Administrative Agent.

(g) If any payment hereunder is due on a due date which is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension.

(h) Any proceeds of Collateral received by the Administrative Agent (i) not constituting a specific payment of principal, interest, fees or other sum payable under the Loan Documents (which shall be applied as specified by the Borrower) or (ii) in any event, after an Event of Default has occurred and is continuing shall be applied to the Obligations ratably first, to pay any fees, indemnities, or expense reimbursements including amounts then due to the Administrative Agent from the Borrower, second, to pay any fees or expense reimbursements then due to the Lenders from the Borrower, third, to pay interest then due and payable on the Loans ratably, fourth, to prepay principal on the Loans in inverse order of maturities, and fifth, to the payment of any other Obligation due to the Administrative Agent or any Lender by the Borrower.

2.11 Requirements of Law. (a) If any Lender shall have determined that the adoption of or any change in any Requirement of Law (i) imposes, modifies or deems applicable any reserve, special deposit or similar requirement against assets of such Lender or imposes on such Lender any other cost or expense and the effect of such change is to increase the cost of making or maintaining the Term Loans or (ii) regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the Closing Date (it being agreed that (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder, issued in connection therewith or in implementation thereof, and (ii) all requests, rules, guidelines and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, shall in each case be deemed to have been made subsequent to the Closing Date, regardless of the date enacted, adopted, issued or implemented) shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Administrative Agent) of a written request therefor, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such corporation for such additional cost or such reduction; provided that the Borrower shall not be required to compensate a Lender pursuant to this paragraph for any amounts incurred more than six months prior to the date that such Lender notifies the Borrower of such Lender's intention to claim compensation therefor; and provided further that, if the circumstances giving rise to such claim have a retroactive effect, then such six-month period shall be extended to include the period of such retroactive effect.

(b) A certificate as to any additional amounts payable pursuant to this Section submitted by any Lender to the Borrower (with a copy to the Administrative Agent) shall be conclusive in the absence of manifest error. The obligations of the Borrower pursuant to this Section shall survive the termination of this Agreement and the payment of the Term Loans and all other amounts payable hereunder.

2.12 Taxes. (a) All payments made by the Borrower under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority (including any Other Taxes), excluding Excluded Taxes. If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") or any Other Taxes are required to be withheld from any amounts payable to the Administrative Agent or any Lender hereunder, the amounts so payable to such Agent or such Lender shall be increased to the extent necessary to yield to the Administrative Agent or such Lender (after payment of all Non-Excluded Taxes and Other Taxes including on such additional amounts) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement; provided, however, that the Borrower shall not be required to increase any such amounts payable to any Lender with respect to any Non-Excluded Taxes (i) that are attributable to such Lender's failure to comply with the requirements of paragraph (d), (e) or (f) of this Section or (ii) that are United States withholding taxes imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement, except to the extent that such Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such Non-Excluded Taxes pursuant to this paragraph (a).-

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative Agent for the account of the Administrative Agent or Lender, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof. If the Borrower fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, the Borrower shall indemnify the Administrative Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by any Agent or any Lender as a result of any such failure. The agreements in this Section shall survive the termination of this Agreement and the payment of the Term Loans and all other amounts payable hereunder.

(d) Each Lender (or Transferee) that is not a "U.S. Person" as defined in Section 7701(a)(30) of the Code (each such Lender, a "Non-U.S. Lender") shall deliver to the Borrower and the Administrative Agent (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN or Form W-8ECI, or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest" a Form W-8BEN, or any subsequent versions thereof or successors thereto properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall promptly notify the Borrower at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(e) A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate, provided that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's reasonable judgment such completion, execution or submission would not materially prejudice the legal position of such Lender.

(f) If a payment made to a Lender under this Agreement would be subject to U.S. Federal withholding tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Administrative Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Administrative Agent as may be necessary for the Administrative Agent and Borrower to comply with their obligations under FATCA, to determine that such Lender has or has not complied with its obligations under FATCA and, as necessary, to determine the amount to deduct and withhold from such payment. Solely for purposes of this Section 2.12(f), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(g) If the Administrative Agent or any Lender determines, in its sole discretion exercised in good faith, that it has received a refund of taxes as to which the Borrower has made a gross-up payment pursuant to Section 2.12(a), it shall pay to the Borrower an amount equal to such refund (but only to the extent of gross-up payments made under this Agreement with respect to the taxes giving rise to such refund), net of all out-of-pocket expenses (including any taxes of the Administrative Agent or such Lender, as the case may be) and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). The Borrower, upon the request of the Administrative Agent or a Lender shall repay such amounts to the Administrative Agent or such Lender, as the case may be, in the event the Administrative Agent or such Lender, as the case may be, is required to repay such refund to such Governmental Authority. This Section 2.12(g) shall not be construed to require the Administrative Agent or such Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential).

2.13 Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 2.11 or 2.12(a) with respect to such Lender, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for the Term Loans affected by such event with the object of avoiding the consequences of such event; provided, that such designation is made on terms that, in the sole judgment of such Lender, cause such Lender and its lending office(s) to suffer no economic, legal or regulatory disadvantage, and provided, further, that nothing in this Section shall affect or postpone any of the obligations of any Borrower or the rights of any Lender pursuant to Section 2.11 or 2.12(a).

2.14 Replacement of Lenders under Certain Circumstances. The Borrower at is own cost and expense shall be permitted to replace any Lender that (a) requests reimbursement for amounts owing pursuant to Section 2.11 or 2.12 or (b) defaults in its obligation to make Loans hereunder, with a replacement financial institution; provided that (i) such replacement does not conflict with any Requirement of Law, (ii) no Event of Default shall have occurred and be continuing at the time of such replacement, (iii) prior to any such replacement, such Lender shall have taken no action under Section 2.13 so as to eliminate the continued need for payment of amounts owing pursuant to Section 2.11 or 2.12, (iv) the replacement financial institution shall purchase, at par, the Term Loans and other amounts owing to such replaced Lender on or prior to the date of replacement, (v) the replacement financial institution, if not already a Lender, shall be reasonably satisfactory to the Administrative Agent, (vi) the replaced Lender shall be obligated to make such replacement in accordance with the provisions of Section 10.6 (provided that the replaced Lender shall not be obligated to pay the registration and processing fee referred to therein), (viii) the Borrower shall pay all additional amounts (if any) required pursuant to Section 2.11 or 2.12, as the case may be, in respect of any period prior to the date on which such replacement shall be consummated, and (ix) any such replacement shall not be deemed to be a waiver of any rights that the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender.

SECTION 3. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Term Loans the Borrower hereby represents and warrants to the Administrative Agent and each Lender that on the Closing Date after giving effect to the Acquisition:

3.1 Corporate Existence; Compliance with Law. Each Loan Party (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the corporate power and authority, as applicable, and the legal right, to own and operate its Property, to lease the Property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership, lease or operation of Property or the conduct of its business requires such qualification and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

3.2 Corporate Power; Authorization; Enforceable Obligations. Each Loan Party has the corporate power and authority, as applicable, and the legal right, to make, deliver and perform the Loan Documents and the Acquisition Documents to which it is a party, and in the case of the Borrower, to consummate the Acquisition and to borrow hereunder. Each Loan Party has taken all necessary corporate action, as applicable, to authorize the execution, delivery and performance of the Loan Documents to which it is a party, and in the case of the Borrower, to consummate the Acquisition and to authorize the borrowings on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the consummation of the Acquisition, the borrowings hereunder or the execution, delivery, performance, validity or enforceability of this Agreement or any of the other Loan Documents, except (i) consents, authorizations, filings and notices described in Schedule 3.2, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect and (ii) the filings referred to in Section 3.17(a). Each Loan Document and each Acquisition Document has been duly executed and delivered on behalf of each Loan Party that is a party thereto. This Agreement constitutes, and each other Loan Document and each Acquisition Document upon execution will constitute, a legal, valid and binding obligation of each Loan Party that is a party thereto, enforceable against each such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

3.3 No Legal Bar. The execution, delivery and performance of this Agreement and the other Loan Documents, the consummation of the Acquisition, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law or any Contractual Obligation or the Organizational Documents of any Loan Party and will not result in, or require, the creation or imposition of any Lien on any of its properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation or the Organizational Documents (other than the Liens created by the Security Documents). No Requirement of Law or Contractual Obligation applicable to any Loan Party or the Organizational Documents of such Loan Party could reasonably be expected to have a Material Adverse Effect.

3.4 No Material Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrower, threatened by or against any Loan Party or against any of its properties or revenues (a) with respect to any of the Loan Documents or any of the transactions contemplated hereby or thereby, or (b) that could reasonably be expected to have a Material Adverse Effect.

3.5 No Default. No Loan Party is in default under or with respect to any of its Contractual Obligations in any respect that could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

3.6 Ownership of Property; Liens. Each Loan Party has title in fee simple to, or a valid leasehold interest in, all its real property, and good title to, or a valid leasehold interest in, all its other Property, and none of such Property is subject to any Lien except as permitted by Section 6.2. Each Loan Party owns or has rights to use all of the Collateral and all rights with respect to any of the foregoing used in, necessary for or material to such Loan Party's business as currently conducted subject only to Liens permitted by Section 6.2. The use by each Loan Party of such Collateral and all such rights with respect to the foregoing do not infringe on the rights of any Person other than such infringement which could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. No claim has been made and remains outstanding that any Loan Party's use of any Collateral does or may violate the rights of any third party that could, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

3.7 Intellectual Property. Each Loan Party owns, or is licensed to use, all Intellectual Property necessary for the conduct of its business as currently conducted free and clear of all Liens, except as permitted by Section 6.2. Each Loan Party's Trademarks (as defined in the Guarantee and Collateral Agreement) and all other material Intellectual Property of such Loan Party are valid and enforceable, not abandoned and unexpired. No claim has been threatened in writing or has been asserted and is pending, and no judgment regarding the same has been rendered by a court of competent jurisdiction, by any Person challenging or questioning the use of such Intellectual Property or the validity or effectiveness of such Intellectual Property, nor does any Loan Party know of any valid basis for any such claim. The Borrower represents that the transactions contemplated by this Agreement shall not impair the Intellectual Property rights of any Loan Party. Each Loan Party takes reasonable steps to protect and maintain all material Trademarks and other material Intellectual Property of such Loan Party, including executing all appropriate confidentiality agreements and filing for appropriate patents and registrations. The use of Intellectual Property by a Loan Party does not impair or infringe on the rights of any Person in any material respect.

3.8 Taxes. Each Loan Party has filed or caused to be filed all Federal, state and other material tax returns that are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its Property and all other taxes, fees or other charges imposed on it or any of its Property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of such Loan Party); and no tax Lien has been filed, and, to the knowledge of the Borrower, no claim is being asserted, with respect to any such tax, fee or other charge.

3.9 Federal Regulations. No part of the proceeds of the Term Loans, will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect.

3.10 Labor Matters. There are no strikes or other labor disputes against any Loan Party pending or, to the knowledge of the Borrower, threatened that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect. Hours worked by and payment made to employees of each Loan Party have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect. All payments due from any Loan Party on account of employee health and welfare insurance that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect if not paid have been paid or accrued as a liability on the books of such Loan Party.

3.11 ERISA. Neither a Reportable Event nor an "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien in favor of the PBGC or a Plan has arisen, during such five-year period. The present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits by a material amount. Neither the Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan that has resulted or could reasonably be expected to result in a material liability under ERISA, and neither the Borrower nor any Commonly Controlled Entity would become subject to any material liability under ERISA if the Borrower or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. No such Multiemployer Plan is in Reorganization or Insolvent.

3.12 Investment Company Act; Other Regulations. No Loan Party is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. No Loan Party is subject to regulation under any Requirement of Law (other than Regulation X of the Board) that limits its ability to incur Indebtedness.

3.13 Subsidiaries. (a) The Subsidiaries listed on Schedule 3.13 constitute all the Subsidiaries of the Borrower at the Closing Date. Schedule 3.13 sets forth as of the Closing Date the name and jurisdiction of incorporation of each Loan Party and, as to each Subsidiary, the percentage of each class of Capital Stock owned by each Loan Party.

(b) There are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments of any nature relating to any Capital Stock of the Borrower or any Subsidiary.

3.14 Use of Proceeds. The proceeds of the Term Loans shall be used to finance the Acquisition, to pay related fees and expenses and for general working capital purposes.

3.15 Environmental Matters. Other than exceptions to any of the following that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect:

(a) The Loan Parties: (i) are, and within the period of all applicable statutes of limitation have been, in compliance with all applicable Environmental Laws; (ii) hold all Environmental Permits (each of which is in full force and effect) required for any of their current or intended operations or for any property owned, leased, or otherwise operated by any of them; (iii) are, and within the period of all applicable statutes of limitation have been, in compliance with all of their Environmental Permits; and (iv) reasonably believe that: each of their Environmental Permits will be timely renewed and complied with, without material expense; any additional Environmental Permits that may be required of any of them will be timely obtained and complied with, without material expense; and compliance with any Environmental Law that is or is expected to become applicable to any of them will be timely attained and maintained, without material expense.

(b) Materials of Environmental Concern are not present at, on, under, in, or about any real property now or formerly owned, leased or operated by any Loan Party, or at any other location (including, without limitation, any location to which Materials of Environmental Concern have been sent for re-use or recycling or for treatment, storage, or disposal) which could reasonably be expected to (i) give rise to liability of any Loan Party under any applicable Environmental Law or otherwise result in costs to any Loan Party, or (ii) interfere with any Loan Party's continued operations, or (iii) impair the fair saleable value of any real property owned or leased by any Loan Party.

(c) There is no judicial, administrative, or arbitral proceeding (including any notice of violation or alleged violation) under or relating to any Environmental Law to which any Loan Party is, or to the knowledge of the Borrower will be, named as a party that is pending or, to the knowledge of the Borrower, threatened.

(d) No Loan Party has received any written request for information, or been notified that it is a potentially responsible party under or relating to the federal Comprehensive Environmental Response, Compensation, and Liability Act or any similar Environmental Law, or with respect to any Materials of Environmental Concern.

(e) No Loan Party has entered into or agreed to any consent decree, order, or settlement or other agreement, or is subject to any judgment, decree, or order or other agreement, in any judicial, administrative, arbitral, or other forum for dispute resolution, relating to compliance with or liability under any Environmental Law.

(f) Neither the Borrower nor any of its Subsidiaries has assumed or retained, by contract or operation of law, any liabilities of any kind, fixed or contingent, known or unknown, under any Environmental Law or with respect to any Material of Environmental Concern.

3.16 Accuracy of Information, etc.. (a) No statement or information contained in this Agreement, any other Loan Document or any other document, certificate or statement furnished to the Administrative Agent or the Lenders or any of them, by or on behalf of the Loan Parties in writing for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, including each Perfection Certificate and the Private Placement Memorandum, contained as of the date such statement, information, document or certificate was so furnished, any untrue statement of a material fact or omitted to state a material fact necessary to make the statements contained herein or therein, taken as a whole, not misleading, provided that the foregoing representation is made by Loan Parties to the best of their knowledge as to statements and information contained in the Acquisition Documentation to the extent related to the Seller and any document, certificate or statement furnished by the Seller to any Loan Party. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of the Borrower to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount. As of the date hereof, the representations and warranties contained in the Acquisition Documentation are true and correct in all material respects. There is no fact known to the Loan Parties that could reasonably be expected to have a Material Adverse Effect that has not been expressly disclosed herein, in the other Loan Documents, or in any other documents, certificates and statements furnished to the Administrative Agent and the Lenders for use in connection with the transactions contemplated hereby and by the other Loan Documents.

(b) The Borrower has provided the (i) proforma balance sheets of the Parent (both before and after giving effect to the merger with and into NetFabric Holdings Inc. and the consummation of the Acquisition) as of March 31, 2011, (ii) "Statement of Assets Acquired and Liabilities Assumed and Statement of Revenues and Direct Expenses of IM Licensing Business (a division of IM Ready-Made, LLC)" prepared by Rothstein Kass & Company, P.C., independent public accountants and (iii) the consolidated balance sheets and related statements of income and cash flows NetFabric Holdings, Inc. as of and for the fiscal year ended December 31, 2010, audited by and accompanied by the unqualified opinion of Rothstein Kass & Company, P.C., independent public accountants, and as of and for each fiscal quarter of the current fiscal year ended more than 40 days prior to the Closing Date. The financial statements referred to in clause (iii) above have been prepared in accordance with GAAP (except as noted therein) and the financial statements referred to in clauses (i), (ii) and (iii) above present fairly and accurately in all material respects the financial condition and results of operations and cash flows of the applicable Person or, in the case of clause (ii) the applicable division of such Person, as of the dates and for the periods to which they relate. Except as set forth in such financial statements, there are no liabilities of any Person of any kind, whether accrued, contingent, absolute, determined, determinable or otherwise, which could reasonably be expected to result in a Material Adverse Effect, and there is no existing condition, situation or set of circumstances which could reasonably be expected to result in such a liability, other than liabilities under the Loan Documents. Since December 31, 2010, there has been no event, change, circumstance or occurrence that, individually or in the aggregate, has had or could reasonably be expected to result in a Material Adverse Effect other than any effect resulting from the transactions contemplated hereby or by the Acquisition Documents.

3.17 Security Documents. (a) The Guarantee and Collateral Agreement is effective to create in favor of the Administrative Agent, for the benefit of the Secured Parties, a legal, valid and enforceable security interest in the Collateral described therein and proceeds thereof. In the case of the Pledged Stock described in the Guarantee and Collateral Agreement, when any stock certificates representing such Pledged Stock are delivered to the Administrative Agent, and in the case of the other Collateral described in the Guarantee and Collateral Agreement, when financing statements in appropriate form are filed in the offices specified on Schedule 3.17 (which financing statements have been duly completed and delivered to the Administrative Agent) and such other filings as are specified on Schedule 3 to the Guarantee and Collateral Agreement have been completed, the Administrative Agent's Lien on, and security interest in, all right, title and interest of the Loan Parties in such Collateral and the proceeds thereof, as security for the Obligations (as defined in the Guarantee and Collateral Agreement), will be perfected to the extent a security interest in such Collateral can be perfected by the filing of a financing statement in such offices, in each case prior and superior in right to any other Person (except, in the case of Collateral other than Pledged Stock, Liens permitted by Section 6.3).

(b) As of the Closing Date, no Loan Party owns any real property.

3.18 Solvency. Each Loan Party is, both before and after giving effect to the Acquisition and the incurrence of all Indebtedness and obligations being incurred in connection herewith and therewith, and will continue to be, Solvent.

3.19 Certain Documents. The Borrower has delivered to the Administrative Agent a complete and correct copy of the Acquisition Documentation and each Material Agreement, including any amendments, supplements or modifications with respect to any of the foregoing.

3.20 Insurance. Schedule 3.20 sets forth a true, complete and correct description of all insurance maintained by each Loan Party. All insurance maintained by the Loan Parties is in full force and effect, all premiums have been duly paid, no Loan Party has received notice of violation or cancellation thereof, the premises, and the use, occupancy and operation thereof, comply in all material respects with all insurance requirements, and there exists no default under any insurance requirement. Each Loan Party has insurance in such amounts and covering such risks and liabilities as are customary for companies of a similar size engaged in similar businesses in similar locations.

3.21 Acquisition. The Acquisition Documents set forth the entire agreement and understanding of the Borrower relating to the subject matter thereof, and there are no other agreements, arrangements or understandings, written or oral, relating to the matters covered thereby. All conditions precedent to the Acquisition pursuant to the Acquisition Agreement have been fulfilled in all material respects and, as of the Closing Date, the Acquisition Agreement has not been amended or otherwise modified and there has been no breach by the Borrower or, to Borrower's knowledge, any other party thereto, of any term or condition of the Acquisition Documents. Upon consummation of the transaction contemplated by the Acquisition Documents to be consummated at the closing thereunder, the Borrower shall acquire good and legal title to the assets being transferred pursuant to the Acquisition Agreement.

3.22 Anti-Terrorism. Each Loan Party and each Subsidiary of any Loan Party and, to the knowledge of each Loan Party, each Affiliate of such Loan Party is: (i) not a "blocked" person listed in the Annex to Executive Order Nos. 12947, 13099 and 13224 and all modifications thereto or thereof (the "Annex"); (ii) in compliance in all material respects with the requirements of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56 (the "Patriot Act"); (iii) operated under policies, procedures and practices, if any, that are in compliance in all material respects with the Patriot Act; (iv) not in receipt of any notice from the Secretary of State of the Attorney General of the United States or any other department, agency or office of the United States claiming a violation or possible violation of the Patriot Act; (v) not in receipt of any notice stating that any Loan Party or any Subsidiary or Affiliate of any Loan Party is listed as a Specially Designated Terrorist (as defined in the Patriot Act) or as a "blocked" person on any lists maintained by the Office of Foreign Assets Control, Department of the Treasury (the "OFAC") pursuant to the Patriot Act or any other list of terrorists or terrorist organizations maintained pursuant to any of the rules and regulations of the OFAC issued pursuant to the Patriot Act or on any other list of terrorists or terrorist organizations maintained pursuant to the Patriot Act; and (vi) not in receipt of any notice stating that any Loan Party or any Subsidiary or Affiliate of any Loan Party is a Person who has been determined by competent authority to be subject to any of the prohibitions contained in the Patriot Act.

3.23 Capitalization. Schedule 3.23 sets forth all issued and outstanding Capital Stock of the Parent, the Borrower and its Subsidiaries and the Person owning such Capital Stock and any currently outstanding options, rights or warrants relating to the Capital Stock of such Person and, except as set forth on Schedule 3.23, there are no outstanding options, rights or warrants issues by any such Person for the acquisition of the Capital Stock of such Person, nor any outstanding securities or obligations convertible into Capital Stock of any such Person.

SECTION 4. CONDITIONS PRECEDENT

The agreement of each Lender to make the Term Loans requested to be made by it hereunder on the Closing Date is subject to the satisfaction, prior to or concurrently with the making of such Term Loans on the Closing Date, of all of the following conditions precedent.

4.1 Loan Documents. The Administrative Agent shall have received (i) this Agreement, executed and delivered by the Borrower, (ii) the Guarantee and Collateral Agreement, executed and delivered by the Borrower and each Guarantor and (iii) the Warrants and the Rights Agreements, each executed and delivered by the Parent.

4.2 Acquisition. The Acquisition shall be consummated concurrently with the funding of the Term Loans and shall be completed in accordance with the terms of the Acquisition Agreement, in all material respects without any waiver, modification or amendment thereof that is materially adverse to the Lenders (as determined by the Administrative Agent), unless consented to by the Administrative Agent and the merger of the Parent with and into NetFabric Holdings, Inc. shall have been consummated on terms and conditions reasonably acceptable to the Administrative Agent.

4.3 Excess Liquidity. The Administrative Agent shall have received a certificate, dated as of the Closing Date and signed by the chief financial officer of the Borrower, certifying that, as of the Closing Date and after giving effect to the Acquisition and the making of the Term Loans, the Excess Liquidity equals at least $3,000,000.

4.4 Equity Issuance. Concurrently with the funding of the Term Loan, the Parent shall receive a cash equity investment by one or more third-party investors in an amount not less than $2,500,000.

4.5 Approvals. All governmental and third party approvals necessary in connection with the Acquisition, the assignment of the Material Agreements (other than the QVC Agreement) to the Borrower, the continuing operations of the Borrower and its Subsidiaries and the transactions contemplated hereby shall have been obtained and be in full force and effect as of the Closing Date, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain, prevent or otherwise impose adverse conditions on the Acquisition or the financing contemplated hereby.

4.6 Related Agreements. The Administrative Agent shall have received true and correct copies, certified as to authenticity by the Borrower, of (i) the Acquisition Agreement, (ii) the QVC Agreement, and (iii) such other documents or instruments as may be reasonably requested by the Administrative Agent.

4.7 Fees. The Lenders and the Administrative Agent shall have received all fees required to be paid, and all reasonable expenses for which invoices have been presented reasonably in advance of the Closing Date (including reasonable fees, disbursements and other charges of counsel to the Administrative Agent), on or before the Closing Date. All such amounts will be paid with proceeds of Term Loans made on the Closing Date and will be reflected in the funding instructions given by the Borrower to the Administrative Agent on or before the Closing Date.

4.8 Lien Searches. The Administrative Agent shall have received the results of a recent lien search in the "location" (as defined in the Uniform Commercial Code ("UCC")) of each of the Seller and the Borrower and each such search shall reveal no liens on any of the assets acquired by the Borrower from the Seller or the Borrower's assets, except for (i) Liens permitted by Section 6.2 and (ii) Liens to be discharged substantially concurrently with the initial borrowing by the Borrower under this Agreement pursuant to documentation reasonably satisfactory to the Administrative Agent.

4.9 Closing Certificate. The Administrative Agent shall have received a certificate of each Loan Party, dated the Closing Date substantially in the form of Exhibit C, with appropriate insertions and attachments.

4.10 Legal Opinions. The Administrative Agent shall have received the following executed legal opinions:

(i) the legal opinion of Blank Rome LLP, counsel to the Loan Parties; and

(ii) to the extent consented to by the relevant counsel, each legal opinion, if any, delivered in connection with the Acquisition Agreement.

The legal opinion referred to in clause (i) shall cover such other matters incident to the transactions contemplated by this Agreement as the Administrative Agent may reasonably require and shall be addressed to the Administrative Agent and the Lenders.

4.11 Pledged Stock; Stock Powers. The Administrative Agent shall have received the certificates representing the shares of Capital Stock pledged pursuant to the Guarantee and Collateral Agreement, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof.

4.12 Filings, Registrations and Recordings. Each document (including, without limitation, any UCC financing statement) required by the Security Documents or under law or reasonably requested by the Administrative Agent to be filed, registered or recorded in order to create in favor of the Administrative Agent, for the benefit of the Secured Parties, a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted by Section 6.2), shall have been filed, registered or recorded or shall have been delivered to the Administrative Agent in proper form for filing, registration or recordation and releases and terminations relating to any Lien or the assets acquired from the Seller shall have been received in proper form for filing, registration or recordation.

4.13 Insurance. The Administrative Agent shall have received insurance certificates satisfying the requirements of Section 5.5(a) and (b) of this Agreement.

4.14 PATRIOT Act. The Lenders shall have received, sufficiently in advance of the Closing Date, all documentation and other information required by bank regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including without limitation the United States PATRIOT Act.

4.15 Representations and Warranties. Each of the representations and warranties made by the Loan Parties in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of the Closing Date.

4.16 No Default. No Default or Event of Default shall have occurred and be continuing on the Closing Date or after giving effect to the Term Loans requested to be made on the Closing Date.

4.17 Subordination Agreement. The Administrative Agent shall have received a subordination agreement, in form and substance satisfactory to the Administrative Agent, executed and delivered by the Seller, with respect to (i) the a promissory note made by the Borrower to the order of the Seller in connection with the payment of the purchase price pursuant to the Acquisition Agreement and (ii) any Earn-Out Consideration payable in cash.

4.18 Life Insurance. The Administrative Agent shall have received a collateral assignment (in form and substance satisfactory to the Administrative Agent) of a life insurance policy on the life of Mr. Isaac Mizrahi in the amount of $15,000,000, such policy to (i) be issued by a financial sound and reputable carrier having a financial strength rating of at least A- by A.M. Best Company, and (ii) provide that such policy may not be cancelled, terminated, modified or amended without the prior written consent of the Administrative Agent.

The borrowing by the Borrower hereunder of the Term Loans shall constitute a representation and warranty by the Borrower as of the date of such borrowing that the conditions contained in this 4.18 have been satisfied.

SECTION 5. AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder or any Loan or other Obligation hereunder shall remain unpaid or unsatisfied (other than contingent Obligations which, by their terms, survive termination of this Agreement), the Borrower shall and shall cause each of its Subsidiaries to:

5.1 Financial Statements. Furnish to the Administrative Agent (who will furnish to each Lender):

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of the Parent, (i) a copy of the audited consolidated and, to the extent the Parent has any Subsidiary other than the Borrower, consolidating balance sheet of the Parent as at the end of such fiscal year and the related audited consolidated and, to the extent the Parent has any Subsidiary other than the Borrower, consolidating statements of income and of cash flows for such fiscal year, setting forth in each case in comparative form the figures as of the end of and for the previous fiscal year, prepared by Rothstein Kass and Company, PC or other independent certified public accountants of nationally recognized standing, (ii) a report showing variance, by approximate Dollar amount and percentage, from budgeted amounts for such fiscal period and (iii) a narrative report describing the operations of the Parent and its Subsidiaries in the form prepared for presentation to senior management for such fiscal year; *provided* that, notwithstanding the foregoing, this clause (a) shall not require delivery of information for (or comparison to) any period prior to the Closing Date; and

(b) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of the Parent, (i) the unaudited consolidated and, to the extent the Parent has any Subsidiary other than the Borrower, consolidating balance sheet of the Parent as at the end of such quarter and the related unaudited consolidated and, to the extent the Parent has any Subsidiary other than the Borrower, consolidating statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures as of the end of and for the corresponding period in the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments), (ii) a report showing variance, by approximate Dollar amount and percentage, from budgeted amounts for such fiscal period and then elapsed portion of the fiscal year, and (iii) a narrative report describing the operations of the Parent and its Subsidiaries in the form prepared for presentation to senior management for such fiscal period and, to the extent available, for the period from the beginning of the current fiscal year to the end of such fiscal period; *provided* that, notwithstanding the foregoing, this clause (b) shall not require delivery of information for (or comparison to) any period prior to the Closing Date;

all such financial statements to be complete and correct in all material respects and to be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein).

5.2 Certificates; Other Information. Furnish to the Administrative Agent (who will furnish to each Lender), or, in the case of clause (e), to the relevant Lender:

(a) concurrently with the delivery of any financial statements pursuant to Section 5.1, (i) a Compliance Certificate of a Responsible Officer (x) stating that, to the best of such Responsible Officer's knowledge, each Loan Party during such period has observed or performed all of its covenants and other agreements, and satisfied every condition, contained in this Agreement and the other Loan Documents to which it is a party to be observed, performed or satisfied by it, and that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and (y) containing all information and calculations necessary for determining compliance by the Borrower with the provisions of this Agreement referred to therein as of the last day of the fiscal quarter or fiscal year of the Parent, as the case may be, including the calculation of Permitted Tax Distributions and Permitted Expense Distributions and the nature and type of expenses reflected by such Permitted Expense Distributions; and (ii) a schedule certified by a Responsible Officer setting forth the aggregate amount of all cash and Cash Equivalents of the Borrower and its Subsidiaries on a consolidated basis;

(b) concurrently with the delivery of the financial statements pursuant to Section 5.1(a), the Borrower shall deliver Perfection Certificates for itself and each other Loan Party updated to reflect all changes in the information set forth therein as of the date of such financial statements or, if any such Perfection Certificate has not changed since the most recent Perfection Certificate delivered to the Administrative Agent, a certificate of a Responsible Officer certifying such Perfection Certificate has not changed;

(c) as soon as available, and in any event no later than 75 days after the end of each fiscal year of the Parent, a reasonably detailed consolidated and, to the extent the Parent has any Subsidiary other than the Borrower, consolidating budget for the following fiscal year (including a projected consolidated and, to the extent the Parent has any Subsidiary other than the Borrower, consolidating balance sheet of the Parent as of the end of the following fiscal year, and projected consolidated and, to the extent the Parent has any Subsidiary other than the Borrower, consolidating statement of income and cash flows and a description of the underlying assumptions applicable thereto), and, as soon as available, significant revisions, if any, of such budget and projections with respect to such fiscal year, and the Subsidiaries' Financial Information (collectively, the "Projections"), which Projections shall in each case be accompanied by a certificate of a Responsible Officer stating that such Projections are based on reasonable estimates, information and assumptions and that such Responsible Officer has no reason to believe that such Projections are incorrect or misleading in any material respect;

(d) no later than three Business Days after the effectiveness thereof, copies of any amendment, supplement, waiver or other modification with respect to the Acquisition Agreement, any Material Agreement or the Organizational Documents of any Loan Party;

(e) within five days after the same are sent, copies of all reports filed on Form 8-K that the Parent may make to, or file with, the SEC;

(f) within 120 days after the end of each fiscal year of the Loan Parties, at the request of the Administrative Agent or the Required Lenders, hold a meeting (at a mutually agreeable location, venue and time or, at the option of the Administrative Agent, by conference call, the costs of such venue or call (but not any travel, lodging or meal expenses incurred by the Administrative Agent or any Lender) to be paid by Borrower) with all Lenders who choose to attend such meeting, at which meeting shall be reviewed the financial results of the previous fiscal year and the financial condition of the Loan Parties and the budgets presented for the current fiscal year of the Loan Parties; and

(g) promptly, such additional financial and other information as any Lender may from time to time reasonably request.

5.3 Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the Borrower or its Subsidiaries, as the case may be.

5.4 Conduct of Business and Maintenance of Existence; Compliance. (a)(i) Preserve, renew and keep in full force and effect its organizational existence and (ii) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, as otherwise permitted by Section 6.3 and except, the case of clause (ii) above, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) comply with all Contractual Obligations and Requirements of Law, except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.5 Maintenance of Property; Insurance. (a) Keep all Property and systems useful and necessary in its business in good working order and condition, ordinary wear and tear excepted, (b) maintain with financially sound and reputable insurance companies insurance on all its Property in at least such amounts and against at least such risks (but including in any event public liability, product liability and business interruption) as are usually insured against in the same general area by companies engaged in the same or a similar business and (c) within ten (10) Business Days of the Closing Date cause the Administrative Agent to be named as loss payee under each policy of property insurance and the Administrative Agent and each Lender to be named as an additional insured under each policy of liability insurance and provide evidence of such insurance.

5.6 Inspection of Property; Books and Records; Discussions. (a) Keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities and (b) permit representatives of the Administrative Agent and any Lender to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time upon reasonable prior written notice, and to discuss the business, operations, properties and financial and other condition of the Borrower and its Subsidiaries with officers of the Borrower and its Subsidiaries; provided, that all such visits and inspections by all such representatives, shall not occur more than once in any twelve-month period unless an Event of Default has occurred and is continuing.

5.7 Notices. Promptly (and in any event within three (3) Business Days) after receipt of actual knowledge thereof give notice to the Administrative Agent (who will furnish to each Lender) of:

(a) the occurrence of any Default or Event of Default;

(b) any (i) event of default under any Contractual Obligation of any Loan Party or (ii) litigation, investigation or proceeding which may exist at any time between any Loan Party and any Governmental Authority, that in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect;

(c) any litigation or proceeding affecting any Loan Party (i) in which the amount involved is $750,000 or more and not covered by insurance, (ii) in which injunctive or similar relief is sought or (iii) which relates to the Loan Documents;

(d) the following events, as soon as possible and in any event within 30 days after the Borrower knows or has reason to know thereof: (i) the occurrence of any Reportable Event with respect to any Plan, a failure to make any required contribution to a Plan, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Plan; and

(e) any development or event that has had or could reasonably be expected to have a Material Adverse Effect.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the relevant Loan Party proposes to take with respect thereto.

5.8 Environmental Laws. (a) Comply in all material respects with, and endeavor to ensure compliance in all material respects by all tenants and subtenants, if any, with, all applicable Environmental Laws, and obtain and comply in all material respects with and maintain, and endeavor to ensure that all tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws.

(b) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws.

5.9 Additional Collateral, etc. (a) With respect to any Property acquired after the Closing Date by the Borrower or any of its Subsidiaries (other than (x) any real property or any Property described in paragraph (c) of this Section, (y) any Property subject to a Lien expressly permitted by Section 6.2(g) and (z) Property acquired by an Excluded Foreign Subsidiary) as to which the Administrative Agent, for the benefit of the Secured Parties, does not have a perfected Lien, promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement or such other documents as the Administrative Agent deems necessary to grant to the Administrative Agent, for the benefit of the Secured Parties, a security interest in such Property and (ii) take all actions necessary to grant to the Administrative Agent, for the benefit of the Secured Parties, a perfected first priority security interest in such Property, including without limitation, the filing of UCC financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law.

(b) With respect to any fee interest in any real property having a value (together with improvements thereof) of at least $750,000 acquired after the Closing Date by the Borrower or any of its Subsidiaries (other than any such real property owned by an Excluded Foreign Subsidiary or subject to a Lien expressly permitted by Section 6.2(g)), promptly (i) execute and deliver a first priority Mortgage in favor of the Administrative Agent, for the benefit of the Secured Parties, covering such real property in appropriate form for recording with the applicable office and otherwise in form and substance reasonably acceptable to the Administrative Agent, (ii) if requested by the Administrative Agent, provide the Lenders with (x) title and extended coverage insurance covering such real property in an amount at least equal to the purchase price of such real property (or such other amount as shall be reasonably specified by the Administrative Agent) as well as a current ALTA survey thereof, together with a surveyor’s certificate and (y) any consents or estoppels reasonably deemed necessary by the Administrative Agent in connection with such Mortgage, each of the foregoing in form and substance reasonably satisfactory to the Administrative Agent and (iii) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

(c) With respect to any new Subsidiary (other than an Excluded Foreign Subsidiary) created or acquired after the Closing Date (which, for the purposes of this paragraph, shall include any existing Subsidiary that ceases to be an Excluded Foreign Subsidiary), by the Borrower or any of its Subsidiaries, promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement as the Administrative Agent deems necessary or advisable to grant to the Administrative Agent, for the benefit of the Secured Parties, a perfected first priority security interest in the Capital Stock of such new Subsidiary that is owned by the Borrower or any of its Subsidiaries, (ii) deliver to the Administrative Agent the certificates representing such Capital Stock, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of the Borrower or such Subsidiary, as the case may be, (iii) cause such new Subsidiary (A) to become a party to the Guarantee and Collateral Agreement and (B) to take such actions necessary or advisable to grant to the Administrative Agent for the benefit of the Secured Parties a perfected first priority security interest in the Collateral described in the Guarantee and Collateral Agreement with respect to such new Subsidiary, including, without limitation, the filing of UCC financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be requested by the Administrative Agent, and (iv) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

(d) With respect to any new Excluded Foreign Subsidiary created or acquired after the Closing Date by the Borrower or any of its Subsidiaries (other than any Excluded Foreign Subsidiaries), promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement or such other documents as the Administrative Agent deems necessary or advisable in order to grant to the Administrative Agent, for the benefit of the Secured Parties, a perfected first priority security interest in the Capital Stock of such new Subsidiary that is owned by the Borrower or any of its Subsidiaries (other than any Excluded Foreign Subsidiaries), (provided that in no event shall more than 65% of the total outstanding voting Capital Stock of any such new Excluded Foreign Subsidiary be required to be so pledged), (ii) deliver to the Administrative Agent the certificates representing such Capital Stock, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of the Borrower or such Subsidiary, as the case may be, and take such other action as may be necessary or, in the opinion of the Administrative Agent, desirable to perfect the Lien of the Administrative Agent thereon, and (iii) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

5.10 Further Assurances. From time to time execute and deliver, or cause to be executed and delivered, such additional instruments, certificates or documents, and take such actions, as the Administrative Agent may reasonably request for the purposes of implementing or effectuating the provisions of this Agreement and the other Loan Documents, or of more fully perfecting or renewing the rights of the Administrative Agent and the Lenders with respect to the Collateral (or with respect to any additions thereto or replacements or proceeds thereof or with respect to any other property or assets hereafter acquired by the Borrower or any Subsidiary which may be deemed to be part of the Collateral) pursuant hereto or thereto. Upon the exercise by the Administrative Agent or any Lender of any power, right, privilege or remedy pursuant to this Agreement or the other Loan Documents which requires any consent, approval, recording, qualification or authorization of any Governmental Authority, the Borrower will execute and deliver, or will cause the execution and delivery of, all applications, certifications, instruments and other documents and papers that the Administrative Agent or such Lender may be required to obtain from the Borrower or any of its Subsidiaries for such governmental consent, approval, recording, qualification or authorization.

5.11 Assignment of New York Lease. Within the ten (10) Business Day period immediately following the Closing Date, deliver to the Administrative Agent a copy of that certain Assignment and Assumption, Landlord Consent dated as of September 29, 2011 among Adler Holdings III, LLC, the Seller and Parent, executed by each of the parties thereto.

SECTION 6. NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder or any Loan or other Obligation hereunder shall remain unpaid or unsatisfied (other than contingent Obligations which, by their terms, survive termination of this Agreement the Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

6.1 Limitation on Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness pursuant to the Loan Documents;

(b) Indebtedness to any other Loan Party; provided that any such Indebtedness to the Parent shall be subordinated to the Obligations on terms and conditions reasonably satisfactory to the Administrative Agent;

(c) Indebtedness (including, without limitation, Capital Lease Obligations) secured by Liens permitted by Section 6.2(g) in an aggregate principal amount not to exceed $750,000 at any one time outstanding;

(d) Indebtedness outstanding on the Closing Date and listed on Schedule 6.1(d) and any refinancings, refundings, renewals or extensions thereof (without any increase in the principal amount thereof or any shortening of the maturity of any principal amount thereof);

(e) Guarantee Obligations of any Indebtedness otherwise permitted by this Section 6.1 and Guarantee Obligations of the Borrower with respect to the Obligations of the Parent under the New York Lease; provided, however, that so long as the Borrower or any of its Subsidiaries guarantees such obligations of the Parent, each Subsidiary of the Parent (other than the Borrower and its Subsidiaries) shall execute and deliver a guaranty of such obligations of the Parent in substantially the same form as the guaranty executed by the Borrower;

(f) unsecured, senior subordinated or subordinated Indebtedness (including any unsecured, senior subordinated or subordinated guarantees thereof) (such Indebtedness and/or guarantees incurred under this clause (f) or refinancings thereof being collectively referred to as the "Permitted Subordinated Indebtedness"); provided that (i) no scheduled principal payments, prepayments, redemptions or sinking fund or like payments of any Permitted Subordinated Indebtedness shall be required prior to the date at least 180 days after the Loan Maturity, (ii) the terms of subordination applicable to any Permitted Subordinated Indebtedness shall be reasonably satisfactory to the Administrative Agent and shall, in any event, define "senior indebtedness" or a similar phrase for purposes thereof to include all of the Obligations of the Loan Parties, (iii) no Default or Event of Default shall have occurred and be continuing at the time of incurrence of such Indebtedness or would result therefrom and (iv) after giving effect to the incurrence of such Permitted Subordinated Indebtedness, the Borrower shall be in pro forma compliance with Section 7;

(g) so long as the Subordination Agreement is in full force and effect, obligations for any Earn-Out Consideration;

(h) indebtedness under Hedge Agreements entered into in the ordinary course of business in order to mitigate interest rate, currency or similar risks and not for speculative purposes, in an aggregate notional amount not to exceed $750,000; and

(i) additional Indebtedness of the Borrower or any of its Subsidiaries in an aggregate principal amount (for the Borrower and all Subsidiaries) not to exceed $750,000 at any one time outstanding.

6.2 Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of its Property, whether now owned or hereafter acquired, except for:

(a) Liens for taxes not yet due or that are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Borrower or its Subsidiaries, as the case may be, in conformity with GAAP;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business;

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(d) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(e) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business that do not materially interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(f) Liens in existence on the Closing Date listed on Schedule 6.2(f), securing Indebtedness permitted by Section 6.1(d), provided that no such Lien is spread to cover any additional Property after the Closing Date and that the amount of Indebtedness secured thereby is not increased;

(g) Liens securing Indebtedness of the Borrower or any other Subsidiary incurred pursuant to Section 6.1(c) to finance the acquisition of fixed or capital assets, provided that (i) such Liens shall be created substantially simultaneously with the acquisition of such fixed or capital assets, (ii) such Liens do not at any time encumber any Property other than the Property financed by such Indebtedness and (iii) the amount of Indebtedness secured thereby is not increased;

(h) Liens created pursuant to the Security Documents;

(i) any interest or title of a lessor under any lease entered into by the Borrower or any other Subsidiary in the ordinary course of its business and covering only the assets so leased; and

(j) the interests of licensees under license agreements entered into in the ordinary course of business.

6.3 Limitation on Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of all or substantially all of its Property or business, except that:

(a) any Subsidiary of the Borrower may be merged or consolidated with or into the Borrower or any Guarantor (other than the Parent) (provided that (i) if such Subsidiary is merged or consolidated with or into the Borrower, the Borrower shall be the continuing or surviving entity or (ii) if such Subsidiary is merged or consolidated with or into a Guarantor, simultaneously with such transaction, the continuing or surviving entity shall become a Guarantor and the Borrower shall comply with Section 5.9 in connection therewith); and

(b) any Subsidiary of the Borrower may Dispose of any or all of its assets (upon voluntary liquidation or otherwise) to any Guarantor (other than the Parent).

6.4 Limitation on Disposition of Property. Dispose of any of its Property (including, without limitation, receivables and leasehold interests), whether now owned or hereafter acquired, or, in the case of any Subsidiary, issue or sell any shares of such Subsidiary's Capital Stock to any Person, except:

(a) the Disposition of obsolete or worn out Property in the ordinary course of business;

(b) the sale of inventory in the ordinary course of business;

(c) to the extent permitted by the Subordination Agreement, the Disposition of cash for payment of any Earn-Out Consideration obligations permitted by Section 6.1(g);

(d) Dispositions permitted by Section 6.3(b);

(e) the Disposition of any or all of the assets of the Borrower to any Guarantor (other than the Parent);

(f) the sale or issuance of any Subsidiary's Capital Stock to the Borrower or any Guarantor (other than the Parent);

(g) subject to compliance with Section 2.7(b), the Disposition of other assets having a fair market value not to exceed $750,000 in the aggregate for any of the Borrower's fiscal years;

(h) any Recovery Event; and

(i) licenses of Intellectual Property in the ordinary course of business.

6.5 Limitation on Restricted Payments. Declare or pay any dividend on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any Capital Stock of the Borrower or any Subsidiary, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of the Borrower or any Subsidiary (collectively, "Restricted Payments"), except that:

(a) any Subsidiary of the Borrower may make Restricted Payments to the Borrower; and

(b) the Borrower may make Restricted Payments to the Parent in order to permit the Parent to pay overhead, employment cost and expenses and similar expenses to the extent incurred in connection with the operation of the business of the Borrower and the Borrower's Subsidiaries; provided, however, that (i) such expenses shall not include interest expense of the Parent, scheduled payments of principal on Funded Debt of the Parent or Capital Expenditures of the Parent and (ii) to the extent Parent has any Subsidiary other than Borrower, any such expenses which do not relate exclusively to the business and operations of the Borrower and the Borrower's Subsidiaries or any such other Subsidiary shall be allocated ratably among the Borrower and each such other Subsidiary and the Borrower shall only make Restricted Payments to the Parent in an amount equal to its ratable share of such expenses and any such expenses which relate directly to the operations of such other Subsidiary shall be paid directly or indirectly by such other Subsidiary; and

(c) the Borrower may make Restricted Payments to the Parent in an amount equal to the estimated federal, state and local tax liability of the Parent resulting from any taxable income (net of all losses, including for prior years to the extent permitted to be deducted) of the Borrower, which such distribution may be made on a quarterly basis not more than five (5) Business Days prior to the date on which any quarterly estimated tax payment is payable by the Parent; provided, however, that, upon determination of the actual tax liability of the Parent with respect to the taxable income of the Borrower for any tax year, the next quarterly estimated payment shall be increased or reduced by the difference between the estimated payments made during such tax year and such actual tax liability.

6.6 Limitation on Investments. Make any advance, loan, extension of credit (by way of guaranty or otherwise) or capital contribution to, or purchase any Capital Stock, bonds, notes, debentures or other debt securities of, or any assets constituting an ongoing business from, or make any other investment in, any other Person (all of the foregoing, "Investments"), except:

(a) extensions of trade credit in the ordinary course of business;

(b) Investments in Cash Equivalents;

(c) Investments arising in connection with the incurrence of Indebtedness permitted by Section 6.1(b), (e) and (f);

(d) loans and advances to employees of the Borrower or any Subsidiaries of the Borrower in the ordinary course of business (including, without limitation, for travel, entertainment and relocation expenses) in an aggregate amount for the Borrower and Subsidiaries of the Borrower not to exceed $500,000 at any one time outstanding;

(e) the Acquisition;

(f) Investments in assets useful in the Borrower's or any Subsidiary's business made by the Borrower or such Subsidiary with the proceeds of any Reinvestment Deferred Amount; and

(g) Investments (other than those relating to the incurrence of Indebtedness permitted by Section 6.6(c)) by the Borrower or any of its Subsidiaries in any Person that, prior to such Investment, is a Guarantor (other than Parent).

6.7 Limitation on Optional Payments and Modifications of Debt Instruments, etc. (a) Make or offer to make any optional or voluntary payment, prepayment, repurchase or redemption of, or otherwise voluntarily or optionally defease, any Indebtedness, or segregate funds for any such payment, prepayment, repurchase, redemption or defeasance; provided that, the Borrower may prepay Indebtedness of the Borrower other than Permitted Subordinated Indebtedness in an aggregate amount not to exceed $750,000 so long as both before and after giving effect to such prepayment no Default or Event of Default has occurred and is continuing and the Borrower is in compliance with the covenants set forth in Section 7 on a pro-forma basis, (b) amend, modify or otherwise change, or consent or agree to any amendment, modification, waiver or other change to, any of the terms of any Indebtedness (other than any such amendment, modification, waiver or other change which (i) would extend the maturity or reduce the amount of any payment of principal thereof, reduce the rate or extend the date for payment of interest thereon or relax any covenant or other restriction applicable to the Borrower or any of its Subsidiaries and (ii) does not involve the payment of a consent fee), or (c) designate any Indebtedness of the Borrower or any of its Subsidiaries (other than the Obligations) as "Designated Senior Indebtedness" for the purposes of any Permitted Subordinated Indebtedness.

6.8 Limitation on Transactions with Affiliates. Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of Property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate (other than any Guarantor (other than the Parent)) unless such transaction is (a) otherwise permitted under this Agreement or in connection with the Acquisition, (b) in the ordinary course of business of the Borrower or such Subsidiary, as the case may be, and (c) upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate, provided, however, that the Borrower may enter into and perform its obligations under, the Management Agreement dated as of September 29, 2011 between the Borrower and the Parent.

6.9 Limitation on Sales and Leasebacks. Enter into any arrangement with any Person providing for the leasing by the Borrower or any Subsidiary of real or personal property which has been or is to be sold or transferred by the Borrower or such Subsidiary to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of the Borrower or such Subsidiary.

6.10 Limitation on Changes in Fiscal Periods. Permit the fiscal year of the Borrower to end on a day other than December 31 or change the Borrower's method of determining fiscal quarters.

6.11 Limitation on Negative Pledge Clauses. Enter into or suffer to exist or become effective any agreement that prohibits or limits the ability of the Borrower or any of the Subsidiaries of the Borrower to create, incur, assume or suffer to exist any Lien upon the Collateral, whether now owned or hereafter acquired, to secure the Obligations or, in the case of any Subsidiary of the Borrower, its obligations under the Guarantee and Collateral Agreement, other than (a) this Agreement and the other Loan Documents and (b) any agreements governing any purchase money Liens or Capital Lease Obligations otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective against the assets financed thereby).

6.12 Limitation on Restrictions on Subsidiary Distributions. Enter into or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary to (a) make Restricted Payments in respect of any Capital Stock of such Subsidiary held by, or pay any Indebtedness owed to, the Borrower or any other Subsidiary, (b) make Investments in the Borrower or any other Subsidiary or (c) transfer any of its assets to the Borrower or any other Subsidiary, except for such encumbrances or restrictions existing under or by reason of (i) any restrictions existing under the Loan Documents, (ii) any restrictions with respect to a Subsidiary imposed pursuant to an agreement that has been entered into in connection with the Disposition of all or substantially all of the Capital Stock or assets of such Subsidiary, provided that such Disposition is permitted by this Agreement, and (iii) restrictions with respect to distributions by any Excluded Foreign Subsidiary.

6.13 Limitation on Lines of Business. Enter into any business, either directly or through any Subsidiary, except for those businesses in which the Borrower and its Subsidiaries are engaged on the date of this Agreement (after giving effect to the Acquisition) or that are reasonably related thereto.

6.14 Limitation on Amendments to Acquisition Documentation. (a) Amend, supplement or otherwise modify (pursuant to a waiver or otherwise) the terms and conditions of the indemnities and licenses furnished to the Borrower pursuant to the Acquisition Documentation such that after giving effect thereto such indemnities or licenses shall be materially less favorable to the interests of the Loan Parties or the Lenders with respect thereto, or (b) amend, supplement or otherwise modify the terms and conditions of the Acquisition Documentation except to the extent that any such amendment, supplement or modification could not reasonably be expected to have a Material Adverse Effect or amend or otherwise modify the terms and conditions of any Material Agreement such that after giving effect thereto such Material Agreement shall be materially less favorable to the interests of the Loan Parties or the Lenders with respect thereto.

6.15 Anti-Terrorism Laws. (a) Directly or indirectly, (i) knowingly conduct any business or engage in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in Section 3.22, (ii) knowingly deal in or otherwise engage in any transaction relating to any property or interests in property blocked pursuant to the Annex or the Patriot Act, or (iii) knowingly engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading the Annex or the Patriot Act, or (b) knowingly cause or permit any of the funds of such Loan Party that are used to repay the Terms Loans to be derived from any unlawful activity with the result that the making of the Term Loans would be in violation of any Requirement of Law

SECTION 7. FINANCIAL COVENANTS

So long as any Lender shall have any Commitment hereunder or any Loan or other Obligation hereunder shall remain unpaid or unsatisfied (other than contingent Obligations which, by their terms, survive termination of this Agreement), the Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

7.1 Minimum Liquidity. Permit Excess Liquidity to be less than the amount set forth below opposite during each applicable period set forth below:

Periods		Excess Liquidity
Closing Date Through December 31, 2011	$	1,500,000
January 1, 2012 through March 31, 2012	$	1,750,000
April 1, 2012 through June 30, 2012	$	2,250,000
July 1, 2012 through September 30, 2012	$	2,750,000
October 1, 2012 through June 30, 2013	$	3,000,000
July 1, 2013 through September 30, 2013	$	3,250,000
October 1, 2013 through March 31, 2014	$	3,500,000
April 1, 2014 through June 30, 2014	$	3,750,000
July 1, 2014 and thereafter	$	4,000,000

7.2 Capital Expenditures. Permit the aggregate amount of Capital Expenditures to exceed $400,000 (whether or not financed) for any period of four fiscal quarters of the Borrower.

7.3 Consolidated Fixed Charge Coverage Ratio. Permit the Consolidated Fixed Charge Coverage Ratio as of the end of each of the fiscal quarters ending on the dates (or for the periods) set forth for the period of four fiscal quarters ending on such dates (or for the periods) below to be less than the ratio set forth below opposite such period:

Trailing Four Fiscal Quarters Ending	Minimum Fixed Charge Coverage Ratio
September 30, 2012 and December 31, 2012	1.90 to 1.00
March 31, 2013 and June 30, 2013	1.60 to 1.00
September 30, 2013, December 31, 2013, March 31, 2014, June 30, 2014 and September 30, 2014	1.50 to 1.00
December 31, 2014 and March 31, 2015	1.30 to 1.00
June 30, 2015 and thereafter	1.15 to 1.00

7.4 Consolidated Total Leverage Ratio. Permit the Consolidated Total Leverage Ratio as of the end of each of the fiscal quarters ending on the dates (or for the periods) set forth for the period of four fiscal quarters ending on such dates (or for the periods) below to be greater than the ratio set forth below opposite such period:

Trailing Four Fiscal Quarters Ending	Maximum Consolidated Leverage Ratio
September 30, 2012 and December 31, 2012	3.50 to 1.00
March 31, 2013	3.30 to 1.00
June 30, 2013 and September 30, 2013	3.00 to 1.00
December 31, 2013	2.75 to 1.00
March 31, 2014	2.25 to 1.00
June 30, 2014 and thereafter	2.00 to 1.00

7.5 Minimum Consolidated EBITDA. Permit Consolidated EBITDA as of the end of each of the fiscal quarters ending on the dates set forth for the period of four fiscal quarters ending on such dates below to be less than the amount set forth opposite such quarter in the table below; provided that for the fiscal quarters ended on December 31, 2011, March 31, 2012 and June 30, 2012, such periods shall be one fiscal quarter, two fiscal quarters and three fiscal quarters, respectively:

Fiscal Quarter	Consolidated EBITDA
December 31, 2011	$ 250,000
March 31, 2012	$ 1,250,000
June 30, 2012	$ 2,500,000
September 30, 2012	$ 4,000,000
December 31, 2012 and March 31, 2013	$ 4,250,000
June 30, 2013	$ 4,500,000
September 30, 2013	$ 4,750,000
December 31, 2013 and thereafter	$ 5,000,000

SECTION 8. EVENTS OF DEFAULT

If any of the following events shall occur and be continuing:

(a) the Borrower shall fail to pay any principal of the Term Loans or any Applicable Premium when due in accordance with the terms hereof; or the Borrower shall fail to pay any interest on the Term Loans, or any other amount payable hereunder or under any other Loan Document, within five days after any such interest or other amount becomes due in accordance with the terms hereof or thereof; or

(b) any representation or warranty made or deemed made by the Loan Parties herein or in any other Loan Document or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been inaccurate in any material respect on or as of the date made or deemed made or furnished; or

(c) the Loan Parties shall default in the observance or performance of any agreement contained in (i) contained in Section 7.1 and such default shall continue unremedied for five (5) Business Days or (ii) Section 5.1, clause (i) of Section 5.4(a), Section 5.7(a), Section 6 or Sections 7.2, 7.3, 7.4 or 7.5 of this Agreement; or

(d) the Loan Parties shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) through (c) of this Section), and such default shall continue unremedied for a period of 30 consecutive days; or

(e) any Loan Party shall (i) default in making any payment of any principal of any Indebtedness (including, without limitation, any Guarantee Obligation, but excluding the Term Loans) on the scheduled or original due date with respect thereto; or (ii) default in making any payment of any interest on any such Indebtedness beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created; or (iii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or beneficiary of such Indebtedness (or a trustee or agent on behalf of such holder or beneficiary) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or to become subject to a mandatory offer to purchase by the obligor thereunder or (in the case of any such Indebtedness constituting a Guarantee Obligation) to become payable; provided, that a default, event or condition described in clause (i), (ii) or (iii) of this paragraph (e) shall not at any time constitute an Event of Default unless, at such time, one or more defaults, events or conditions of the type described in clauses (i), (ii) and (iii) of this paragraph (e) shall have occurred and be continuing with respect to Indebtedness the outstanding principal amount of which exceeds in the aggregate $500,000; or

(f) (i) any Loan Party shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or any Loan Party shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any Loan Party any case, proceeding or other action of a nature referred to in clause (i) above that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against any Loan Party any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) any Loan Party shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) any Loan Party shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(g) (i) any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan, or any Lien in favor of the PBGC or a Plan shall arise on the assets of the Borrower or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the Borrower or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Lenders shall be likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could, in the sole judgment of the Required Lenders, reasonably be expected to result in liability in excess of $750,000; or

(h) one or more judgments or decrees shall be entered against any Loan Party involving a whole a liability (not paid or fully covered by insurance as to which the relevant insurance company has acknowledged coverage) of $750,000 or more, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 30 days from the entry thereof; or

(i) any of the Security Documents shall cease, for any reason (other than by reason of the express release thereof pursuant to Section 10.15), to be in full force and effect, or the Loan Parties shall so assert, or any Lien created by any of the Security Documents shall cease to be enforceable and of the same effect and priority purported to be created thereby; or

(j) the guarantee contained in Section 2 of the Guarantee and Collateral Agreement shall cease, for any reason (other than by reason of the express release thereof pursuant to Section 10.15), to be in full force and effect or any Loan Party shall so assert; or

(k) any Change of Control shall occur;

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (f) above, automatically the Commitments shall immediately terminate and the Term Loans (with accrued interest thereon) and all other Obligations owing under this Agreement and the other Loan Documents shall immediately become due and payable, and (B) if such event is any other Event of Default, with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower, terminate the Commitments, declare the Term Loans hereunder (with accrued interest thereon) and all other Obligations owing under this Agreement and the other Loan Documents to be due and payable forthwith, whereupon the same shall immediately become due and payable.

SECTION 9. THE ADMINISTRATIVE AGENT

9.1 Appointment. Each Lender hereby irrevocably designates and appoints the Administrative Agent as the agent of such Lender under this Agreement and the other Loan Documents, and each Lender irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall have no duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent.

9.2 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

9.3 Exculpatory Provisions. Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except to the extent that any of the foregoing are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Loan Parties or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of the Loan Parties to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Loan Parties.

9.4 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any instrument, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Loan Parties), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless such Note shall have been transferred in accordance with Section 10.6 and all actions required by such Section in connection with such transfer shall have been taken. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders (or, if so specified by this Agreement, all Lenders or any other instructing group of Lenders specified by this Agreement) as it deems appropriate and it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders (or, if so specified by this Agreement, all Lenders or any other instructing group of Lenders specified by this Agreement), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Term Loans.

9.5 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent shall have received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent shall receive such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders (or, if so specified by this Agreement, all Lenders or any other instructing group of Lenders specified by this Agreement); provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

9.6 Non-Reliance on Administrative Agent and Other Lenders. Each Lender expressly acknowledges that neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by the Administrative Agent hereafter taken, including any review of the affairs of a Loan Party or any affiliate of a Loan Party, shall be deemed to constitute any representation or warranty by any Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, and then, only to the extent such notices, reports or documents are actually provided by the Loan Parties, the Administrative Agent shall have no duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Loan Parties or any affiliate of a Loan Party that may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

9.7 Indemnification. The Lenders agree to indemnify the Administrative Agent in its capacity as such (to the extent not indemnified or reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective Aggregate Exposure Percentages in effect on the date on which indemnification is sought under this Section (or, if indemnification is sought after the date upon which the Commitments shall have terminated and the Term Loans shall have been paid in full, ratably in accordance with such Aggregate Exposure Percentages immediately prior to such date), for, and to save the Administrative Agent harmless from and against, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (including, without limitation, at any time following the payment of the Term Loans) be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of, the Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Administrative Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the Administrative Agent's gross negligence or willful misconduct. The agreements in this Section shall survive the payment of the Term Loans and all other amounts payable hereunder.

9.8 Agent in Its Individual Capacity. The Administrative Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Loan Parties as though the Administrative Agent were not the Administrative Agent. With respect to its Loans made or renewed by it, the Administrative Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not the Administrative Agent, and the terms "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

9.9 Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders and the Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Documents, then the Required Lenders shall appoint a successor agent for the Lenders, which successor agent shall (unless an Event of Default under Section 8(a) or Section 8(f) shall have occurred and be continuing) be subject to approval by the Borrower (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent. If no successor shall have been appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice, then the retiring Administrative Agent may, on behalf of the Lenders appoint a successor Administrative Agent, which successor agent shall (unless an Event of Default under Section 8(a) or Section 8(f) shall have occurred and be continuing) be subject to approval by the Borrower (which approval shall not be unreasonably withheld or delayed). The term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Term Loans. If no successor agent has accepted appointment as Administrative Agent by the date that is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective, and the Lenders shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Documents.

9.10 Authorization to Release Liens and Guarantees. The Administrative Agent is hereby irrevocably authorized by each of the Lenders to effect any release of Liens or guarantee obligations contemplated by Section 10.15 or as otherwise specified in any Loan Document.

9.11 Separate Action. Except with respect to the exercise of setoff rights of any Lender the proceeds of which are applied in accordance with this Agreement, each Lender agrees that it will not take any action, nor institute any actions or proceedings, against the Borrower or any Loan Party or with respect to any Loan Document, without the prior written consent of the Required Lenders or, as may be provided in this Agreement or the other Loan Documents, with the consent of the Administrative Agent.

9.12 Representative Capacity. In its capacity, the Administrative Agent is a "representative" of the Secured Parties within the meaning of the term "secured party" as defined in the New York Uniform Commercial Code. Each Lender authorizes the Administrative Agent to enter into each of the Security Documents to which it is a party and to take all action contemplated by such documents. In the event that any Collateral is hereafter pledged by any Person as collateral security for the Obligations, the Administrative Agent is hereby authorized, and hereby granted a power of attorney, to execute and deliver on behalf of the Secured Parties any Loan Documents necessary or appropriate to grant and perfect a Lien on such Collateral in favor of the Administrative Agent on behalf of the Secured Parties. Upon any sale or transfer of assets constituting Collateral which is permitted pursuant to the terms of any Loan Document, or consented to in writing by the Required Lenders or all of the Lenders, as applicable, and upon at least five (5) Business Days' prior written request by the Borrower to the Administrative Agent, the Administrative Agent shall (and is hereby irrevocably authorized by the Lenders to) execute such documents as may be necessary to evidence the release of the Liens granted to the Administrative Agent for the benefit of the Secured Parties herein or pursuant hereto upon the Collateral that was sold or transferred; provided, however, that (i) the Administrative Agent shall not be required to execute any such document on terms which, in the Administrative Agent's opinion, would expose the Administrative Agent to liability or create any obligation or entail any consequence other than the release of such Liens without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Obligations or any Liens upon (or obligations of the Loan Parties in respect of) all interests retained by any Loan Party, including (without limitation) the proceeds of the sale, all of which shall continue to constitute part of the Collateral.

SECTION 10. MISCELLANEOUS

10.1 Amendments and Waivers. Neither this Agreement or any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section 10.1. The Required Lenders and each Loan Party party to the relevant Loan Document may, or (with the written consent of the Required Lenders) the Administrative Agent and each Loan Party party to the relevant Loan Document may, from time to time, (a) enter into written amendments, supplements or modifications hereto and to the other Loan Documents (including amendments and restatements hereof or thereof) for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Loan Parties hereunder or thereunder or (b) waive, on such terms and conditions as may be specified in the instrument of waiver, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall:

(i) forgive the principal amount or extend the final scheduled date of maturity of the Term Loans, reduce the stated rate of any interest or fee payable under this Agreement (except in connection with the waiver of applicability of any post-default increase in interest rates (which waiver shall be effective with the consent of the Required Lenders)) or extend the scheduled date of any payment thereof, or increase the amount or extend the expiration date of any Commitment of any Lender, in each case without the consent of each Lender;

(ii) amend, modify or waive any provision of this Section or reduce any percentage specified in the definition of Required Lenders, consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents, release all or substantially all of the Collateral or release all or substantially all of the Guarantors from their guarantee obligations under the Guarantee and Collateral Agreement, in each case without the consent of all the Lenders;

(iii) amend, modify or waive any provision of Section 9, or any other provision affecting the rights, duties or obligations of the Administrative Agent, without the consent of the Administrative Agent;

(iv) amend, modify or waive any provision of Section 2.10 without the consent of each Lender directly affected thereby;

(v) impose restrictions on assignments and participations that are more restrictive than, or additional to, those set forth in Section 10.6; or

(vi) except as otherwise specified in Section 9.12 or in any Security Document, release all or substantially all of the Collateral or release the Borrower or any Guarantor from its Obligations, in each case, without the consent of each Lender.

Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Loan Parties, the Lenders, the Administrative Agent and all future holders of the Term Loans. In the case of any waiver, any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon. Any such waiver, amendment, supplement or modification shall be effected by a written instrument signed by the parties required to sign pursuant to the foregoing provisions of this Section; provided, that delivery of an executed signature page of any such instrument by facsimile transmission shall be effective as delivery of a manually executed counterpart thereof.

It is understood that any amendments, supplements or modifications to this Agreement (including any amendment and restatement thereof), for the purpose of modifying any provisions to this Agreement, shall be considered the same credit facility, as amended, and not a new loan.

10.2 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or three Business Days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed (a) in the case of the Borrower and the Administrative Agent, as follows and (b) in the case of the Lenders, as set forth in an administrative questionnaire delivered to the Administrative Agent or as otherwise specified to the Administrative Agent or, in the case of a Lender which becomes a party to this Agreement pursuant to an Assignment and Assumption, in such Assignment and Assumption or (c) in the case of any party, to such other address as such party may hereafter notify to the other parties hereto:

The Borrower:	IM Brands, LLC 475 Tenth Avenue, 4th Floor New York, New York 10018 Attn: Chief Executive Officer and Chief Financial Officer Telecopy: (347) 727-2479 Telephone: (347) 727-2474
With a copy to:	Xcel Brands, Inc 475 Tenth Avenue, 4th Floor New York, New York 10018 Attn: Chief Executive Officer and Chief Financial Officer Telecopy: (347) 727-2479 Telephone: (347) 727-2474
And a copy to:	Blank Rome LLP The Chrysler Building 405 Lexington Avenue New York, New York 10174 Attn: Robert J. Mittman, Esq. Telecopy: (212) 885-5000 Telephone: (212) 885-5555
The Administrative Agent:	MidMarket Capital Partners, LLC 430 Park Avenue New York, New York 10022 Attn: Gabriel Gengler Telecopy: (866) 376-4175 Telephone: (646) 202-9454

With a copy to: Keating Muething & Klekamp PLL
One East Fourth Street
Suite 1400
Cincinnati, Ohio 45202
Attn: John S. Fronduti
Telecopy: (513) 579-6457
Telephone: (513) 579-6400

Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Section 2 unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

10.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.4 Survival of Representations and Warranties. All representations and warranties made herein, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Term Loans and other extensions of credit hereunder.

10.5 Payment of Expenses. The Borrower agrees (a) to pay or reimburse the Administrative Agent for all its reasonable out-of-pocket costs and expenses incurred in connection with the preparation and execution of, and any amendment, supplement or modification to, this Agreement and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements and other charges of one counsel to the Administrative Agent and, if reasonably necessary, one local counsel in any relevant jurisdiction, (b) to pay or reimburse each Lender and the Administrative Agent for all their costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Loan Documents and any other documents prepared in connection herewith or therewith, including, without limitation, the reasonable fees and disbursements and other charges of one counsel to the Administrative Agent and the other Lenders and, if reasonably necessary, one local counsel in any relevant jurisdiction, (c) to pay, indemnify, or reimburse each Lender and the Administrative Agent for, and hold each Lender and the Administrative Agent harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Loan Documents and any such other documents, and (d) to pay, indemnify or reimburse each Lender, the Administrative Agent, their respective affiliates, and their respective officers, directors, trustees, employees, advisors, agents and controlling persons (each, an "Indemnitee") for, and hold each Indemnitee harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever incurred by an Indemnitee or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto or thereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby and the enforcement by any Indemnitee of any right or remedy hereunder or thereunder, (ii) the Term Loans or the use or proposed use of the proceeds thereof, (iii) any actual or alleged presence or release of Materials of Environmental Concern on or from any property owned, occupied or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries or any of their respective properties, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, and regardless of whether any Indemnitee is a party thereto (all the foregoing in this clause (d), collectively, the "Indemnified Liabilities"), provided, that the Borrower shall have no obligation hereunder to any Indemnitee with respect to Indemnified Liabilities to the extent such Indemnified Liabilities are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnitee. Without limiting the foregoing, and to the extent permitted by applicable law, the Borrower agrees not to assert and to cause its Subsidiaries not to assert, and hereby waives and agrees to cause its Subsidiaries so to waive, all rights for contribution or any other rights of recovery with respect to all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature, under or related to Environmental Laws, that any of them might have by statute or otherwise against any Indemnitee. All amounts due under this Section shall be payable not later than 30 days after written demand therefor. Statements payable by the Borrower pursuant to this Section shall be submitted at the address of the Borrower set forth in Section 10.2, or to such other Person or address as may be hereafter designated by the Borrower in a notice to the Administrative Agent. The agreements in this Section shall survive repayment of the Term Loans and all other amounts payable hereunder.

10.6 Successors and Assigns; Participations and Assignments. (a) This Agreement shall be binding upon and inure to the benefit of the Borrower, the Lenders, the Administrative Agent, all future holders of the Term Loans and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent and each Lender.

(b) Any Lender may, without the consent of the Borrower, in accordance with applicable law, at any time sell to one or more banks, financial institutions or other entities (each, a "Participant") participating interests in the Term Loans owing to such Lender, any Commitment of such Lender or any other interest of such Lender hereunder and under the other Loan Documents. In the event of any such sale by a Lender of a participating interest to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Loan for all purposes under this Agreement and the other Loan Documents, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents. In no event shall any Participant under any such participation have any right to approve any amendment or waiver of any provision of the Loan Documents, or any consent to any departure by the Loan Parties therefrom, except to the extent that such amendment, waiver or consent would require the consent of all Lenders pursuant to Section 10.1. The Borrower agrees that if amounts outstanding under this Agreement and the Term Loans are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall, to the maximum extent permitted by applicable law, be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement, provided that, in purchasing such participating interest, such Participant shall be deemed to have agreed to share with the Lenders the proceeds thereof as provided in Section 10.7 as fully as if such Participant were a Lender hereunder. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 2.11 and 2.12 with respect to its participation in the Commitments and the Term Loans outstanding from time to time as if such Participant were a Lender; provided that, in the case of Section 2.12, such Participant shall have complied with the requirements of said Section, and provided, further, that no Participant shall be entitled to receive any greater amount pursuant to any such Sections 2.11 or 2.12 than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(c) Any Lender (an "Assignor") may, in accordance with applicable law and upon written notice to the Administrative Agent, at any time and from time to time assign to any Lender or any affiliate, Related Fund or Control Investment Affiliate thereof or, with the consent of the Administrative Agent (which, in each case, shall not be unreasonably withheld or delayed) assign to any other Person; provided that no such assignment shall be made to the Borrower, any Subsidiary, the Parent or any of their respective Affiliates; provided that no such consent need be obtained by any MidMarket Entity, to an additional bank, financial institution or other entity (an "Assignee") all or any part of its rights and obligations under this Agreement pursuant to an Assignment and Assumption, substantially in the form of Exhibit D, executed by such Assignee and such Assignor (and, where the consent of the Administrative Agent is required pursuant to the foregoing provisions, by the Administrative Agent) and delivered to the Administrative Agent for its acceptance and recording in the Register; provided that no such assignment to an Assignee (other than any Lender or any affiliate thereof) shall be in an aggregate principal amount of less than $1,000,000 (other than in the case of an assignment of all of a Lender's interests under this Agreement), unless otherwise agreed by the Borrower and the Administrative Agent. Upon such execution, delivery, acceptance and recording, from and after the effective date determined pursuant to such Assignment and Assumption, (x) the Assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Assumption, have the rights and obligations of a Lender hereunder with Commitments and/or Loans as set forth therein, and (y) the Assignor thereunder shall, to the extent provided in such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of an Assignor's rights and obligations under this Agreement, such Assignor shall cease to be a party hereto, except as to Section 2.11, 2.12 and 10.5 in respect of the period prior to such effective date). For purposes of the minimum assignment amounts set forth in this paragraph, multiple assignments by two or more Related Funds shall be aggregated.

(d) The Administrative Agent shall, on behalf of the Borrower, maintain at its address referred to in Section 10.2 a copy of each Assignment and Assumption delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Term Loans owing to, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register as the owner of the Term Loans and any Notes evidencing such Loans recorded therein for all purposes of this Agreement. Any assignment of the Term Loans, whether or not evidenced by a Note, shall be effective only upon appropriate entries with respect thereto being made in the Register (and each Note shall expressly so provide). Any assignment or transfer of all or part of a Loan evidenced by a Note shall be registered on the Register only upon surrender for registration of assignment or transfer of the Note evidencing such Loan, accompanied by a duly executed Assignment and Assumption; thereupon one or more new Notes in the same aggregate principal amount shall be issued to the designated Assignee, and the old Notes shall be returned by the Administrative Agent to the Borrower marked "canceled". The Register shall be available for inspection by the Borrower or any Lender (with respect to any entry relating to such Lender's Loans) at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of an Assignment and Assumption executed by an Assignor and an Assignee (and, in any case where the consent of any other Person is required by Section 10.6(c), by each such other Person) together with payment to the Administrative Agent of a registration and processing fee of $3,500 (treating multiple, simultaneous assignments by or to two or more Related Funds as a single assignment) (except that no such registration and processing fee shall be payable (y) in connection with an assignment by or to a MidMarket Entity or (z) in the case of an Assignee which is an affiliate or Related Fund of a Lender or a Person under common management with a Lender), the Administrative Agent shall (i) promptly accept such Assignment and Assumption and (ii) on the effective date determined pursuant thereto record the information contained therein in the Register and give notice of such acceptance and recordation to the Borrower. On or prior to such effective date, the Borrower, at its own expense, upon request, shall execute and deliver to the Administrative Agent (in exchange for the Notes of the assigning Lender) a new Note to the order of such Assignee in an amount equal to the Term Loans assumed or acquired by it pursuant to such Assignment and Assumption and, if the Assignor has retained Loans, upon request, a new Note to the order of the Assignor in an amount equal to the Term Loans retained by it hereunder. Such new Note or Notes shall be dated the Closing Date and shall otherwise be in the form of the Note or Notes replaced thereby.

(f) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this Section concerning assignments of Loans and Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests in Loans and Notes, including, without limitation, any pledge or assignment by a Lender of the Term Loans or Note to any Federal Reserve Bank in accordance with applicable law.

(g) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of the Term Loans that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make the Term Loans and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Lender). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any state thereof. In addition, notwithstanding anything to the contrary in this Section 10.6(g), any SPC may (A) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in the Term Loans to the Granting Lender, or with the prior written consent of the Borrower and the Administrative Agent (which consent shall not be unreasonably withheld) to any financial institutions providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans, and (B) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC; provided that non-public information with respect to the Borrower may be disclosed only with the Borrower's consent which will not be unreasonably withheld. This paragraph (g) may not be amended without the written consent of any SPC with Loans outstanding at the time of such proposed amendment.

10.7 Adjustments; Set-off. (a) Except to the extent that this Agreement provides for payments to be allocated to a particular Lender, if any Lender (a "Benefited Lender") shall at any time receive any payment of all or part of the Obligations owing to it, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 8(f), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's Obligations, such Benefited Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Obligations, or shall provide such other Lenders with the benefits of any such collateral, as shall be necessary to cause such Benefited Lender to share the excess payment or benefits of such collateral ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise), to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such setoff and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such setoff and application.

10.8 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

10.9 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.10 Integration. This Agreement and the other Loan Documents represent the entire agreement of the Borrower, the Administrative Agent and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

10.11 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

10.12 Submission To Jurisdiction; Waivers. Each of the parties hereto hereby irrevocably and unconditionally:

(a) submits for itself and its Property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party at its address set forth in Section 10.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

10.13 Acknowledgments. The Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Administrative Agent and the Lenders, on one hand, and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Administrative Agent and the Lenders or among the Borrower and the Lenders.

10.14 Confidentiality. The Administrative Agent and each of the Lenders agrees to keep confidential all non-public information provided to it by the Loan Parties pursuant to this Agreement that is designated by such Loan Party as confidential; provided that nothing herein shall prevent the Administrative Agent or any Lender from disclosing any such information (a) to the Administrative Agent, any other Lender or any Affiliate of any thereof, on a need-to-know basis, (b) to any Participant or Assignee (each, a "Transferee") or prospective Transferee that agrees to comply with the provisions of this Section or substantially equivalent provisions, (c) to any of its employees, directors, agents, attorneys, accountants and other professional advisors, on a need-to-know basis, (d) to any financial institution that is a direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisor (so long as such contractual counterparty or professional advisor to such contractual counterparty agrees to be bound by the provisions of this Section), (e) upon the request or demand of any Governmental Authority having jurisdiction over it; provided that notice of such disclosure shall be provided to the Loan Parties upon such request or demand, (f) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law; provided that other than in connection with an audit or examination by any federal or state regulatory agency asserting jurisdiction over the Administrative Agent or any Lender, notice of such disclosure shall be provided to the Loan Parties upon such order, or prior to such disclosure if such disclosure is required pursuant to any Requirement of Law, (g) in connection with any litigation or similar proceeding, provided that notice of such disclosure shall be provided to the Loan Parties prior to such disclosure, (h) that has been publicly disclosed other than in breach of this Section, or, to the Administrative Agent's or such Lender's knowledge, other than in breach of any other confidentiality agreement, (i) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender or (j) in connection with the exercise of any remedy hereunder or under any other Loan Document, to the extent necessary to enable the Administrative Agent or such Lender to exercise any such remedy.

10.15 Release of Collateral and Guarantee Obligations. (a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, upon request of the Borrower in connection with any Disposition of Property permitted by the Loan Documents, the Administrative Agent shall (without notice to, or vote or consent of, any Lender) take such actions as shall be required to release its security interest in any Collateral being Disposed of in such Disposition, and to release any guarantee obligations under the Loan Documents of any Person being Disposed of in such Disposition, to the extent necessary to permit consummation of such Disposition in accordance with the Loan Documents.

(b) Notwithstanding anything to the contrary contained herein or any other Loan Document, when all Obligations have been paid in full and all Commitments have terminated or expired, upon request of the Borrower, the Administrative Agent shall (without notice to, or vote or consent of, any Lender) take such actions as shall be required to release its security interest in all Collateral, and to release all guarantee obligations under the Loan Documents. Any such release of guarantee obligations shall be deemed subject to the provision that such guarantee obligations shall be reinstated if after such release any portion of any payment in respect of the Obligations guaranteed thereby shall be rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payment had not been made.

10.16 Accounting Changes. In the event that any "Accounting Change" (as defined below) shall occur and such change results in a change in the method of calculation of financial covenants, standards or terms in this Agreement, then the Borrower and the Administrative Agent agree to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Change with the desired result that the criteria for evaluating the Borrower's financial condition shall be the same after such Accounting Change as if such Accounting Change had not been made. Until such time as such an amendment shall have been executed and delivered by the Borrower, the Administrative Agent and the Required Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Change had not occurred. "Accounting Change" refers to any change in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or, if applicable, the SEC.

10.17 WAIVERS OF JURY TRIAL. THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

IM BRANDS, LLC

By: /s/ Robert D'Loren
Name:
Title:

MIDMARKET CAPITAL PARTNERS, LLC,
as Administrative Agent

By: /s/ David Meyer
Name: David Meyer
Title: Managing Director

GREAT AMERICAN LIFE INSURANCE
COMPANY, as a Lender

By: /s/ Mark F. Muething
Name: Mark F. Muething
Title: Executive Vice President & Secretary

GREAT AMERICAN INSURANCE COMPANY,
as a Lender

By: /s/ Stephen C. Beraha
Name: Stephen C. Beraha
Title: Assistant Vice President, Assistant General Counsel & Assistant Secretary

[Signature Page to the Credit Agreement]

COMMITMENTS

Lender	Commitment
Great American Life Insurance Company	$ 9,405,000
Great American Insurance Company	$ 4,050,000

GUARANTEE AND COLLATERAL AGREEMENT

made by

IM BRANDS, LLC

And

XCEL BRANDS, INC.

in favor of

MIDMARKET CAPITAL PARTNERS, LLC
as Administrative Agent

Dated as of September 29, 2011

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Schedules

Annexes

GUARANTEE AND COLLATERAL AGREEMENT, dated as of September 29, 2011, made by each of the signatories hereto (together with any other entity that may become a party hereto as provided herein, the "Grantors"), in favor of MIDMARKET CAPITAL PARTNERS, LLC, as Administrative Agent (in such capacity, the "Administrative Agent") for the several banks and other financial institutions (the "Lenders") from time to time parties to the Credit Agreement, dated as of September 29, 2011 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among IM BRANDS, LLC, a Delaware limited liability company (the "Borrower"), the Lenders and the Administrative Agent.

WITNESSETH:

WHEREAS, pursuant to the Credit Agreement, the Lenders have severally agreed to make extensions of credit to the Borrower upon the terms and subject to the conditions set forth therein;

WHEREAS, the Borrower is the wholly owned subsidiary of XCel Brands, Inc., a Delaware corporation (the "Parent");

WHEREAS, the Borrower and the Parent entered into that certain Asset Purchase Agreement, dated as of May 19, 2011, as amended by that certain First Amendment to Asset Purchase Agreement dated July 28, 2011, the Second Amendment to Asset Purchase dated as of September 15, 2011, Third Amendment to Asset Purchase Agreement dated as of September 21, 2011 and Fourth Amendment to Asset Purchase Agreement dated as of September 29, 2011 (the "Acquisition Agreement"), by and among IM Ready-Made, LLC as seller (the "Seller"), the Parent, Isaac Mizrahi, Marisa Gardini and the Borrower, pursuant to which the Borrower is acquiring (the "Acquisition") certain assets of the Seller including its trademarks, copyrights, license agreements, and certain other intellectual property and the Parent is acquiring certain fixed assets of, assuming certain liabilities of, and intends to employ certain employees of the Seller as provided for in the Acquisition Agreement;

WHEREAS, the Borrower will use the proceeds of the extensions of credit under the Credit Agreement to finance the Acquisition, to pay related fees and expenses and for general working capital purposes;

WHEREAS, the Parent will derive substantial direct and indirect benefit from the extensions of credit under the Credit Agreement; and

WHEREAS, it is a condition precedent to the obligation of the Lenders to make their respective extensions of credit to the Borrower under the Credit Agreement that the Grantors shall have executed and delivered this Agreement (as defined below) to the Administrative Agent;

NOW, THEREFORE, in consideration of the premises and to induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective extensions of credit to the Borrower thereunder, each Grantor hereby agrees with the Administrative Agent, for the benefit of the Secured Parties (as defined below), as follows:

SECTION 1. DEFINED TERMS

1.1 Definitions. Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement and the following terms are used herein as defined in the New York UCC: Accounts, Certificated Security, Chattel Paper, Commercial Tort Claims, Deposit Account, Documents, Equipment, Farm Products, General Intangibles, Goods, Instruments, Inventory, Letter-of-Credit Rights, Securities Account and Supporting Obligations.

The following terms shall have the following meanings:

"Acquisition Document Rights": with respect to each Grantor, such Grantor's rights, title and interest in, to and under the Acquisition Agreement, including (i) all rights and remedies relating to monetary damages, including indemnification rights and remedies, and claims for monetary damages or other relief under or in respect of the agreements, documents and instruments referred to in the Acquisition Agreement or related thereto or pursuant to or in respect of the Acquisition Agreement, and (ii) all proceeds, collections, recoveries and rights of subrogation with respect to the foregoing.

"Agreement": this Guarantee and Collateral Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Borrower Obligations": (i) the collective reference to the unpaid principal of and Applicable Premium, if any, and interest on (including, without limitation, interest accruing after the maturity of the Term Loans and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Term Loans and all other obligations and liabilities of the Borrower to any Secured Party, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, any other Loan Document or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all fees, charges and disbursements of counsel to the Administrative Agent or to any Lender that are required to be paid by the Borrower pursuant hereto) or otherwise, and (ii) all other obligations and liabilities of the Borrower, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, in each case, whether on account of reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Administrative Agent or to the Secured Parties that are required to be paid by the Borrower pursuant to the terms of this Agreement).

"Collateral": as defined in Section 3.2.

"Collateral Account": any collateral account established by the Administrative Agent as provided in Section 6.1 or 6.4.

"Contracts": the contracts and agreements listed in Schedule 6, as the same may be amended, supplemented or otherwise modified from time to time.

"Copyrights": (i) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, in any media, whether registered or unregistered and whether published or unpublished (including, without limitation, those listed on Schedule 5), all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications in the United States Copyright Office, and (ii) the right to obtain all renewals thereof.

"Copyright Licenses": any written or oral agreement naming any Grantor as licensor or licensee (including, without limitation, those listed on Schedule 5), granting any right under any Copyright, including, without limitation, the grant of rights to manufacture, distribute, exploit and sell materials derived from any Copyright.

"Deposit Account Control Agreement": an agreement substantially in the form of Annex III or such other form reasonably satisfactory to the Administrative Agent.

"Excluded Assets": the collective reference to (i) any contract, General Intangible, Copyright License, Patent License or Trademark License ("Intangible Assets"), in each case to the extent the grant by the relevant Grantor of a security interest pursuant to this Agreement in such Grantor's right, title and interest in such Intangible Asset (A) is prohibited by legally enforceable provisions of any contract, agreement, instrument or indenture governing such Intangible Asset, (B) would give any other party to such contract, agreement, instrument or indenture a legally enforceable right to terminate its obligations thereunder or (C) is permitted only with the consent of another party, if the requirement to obtain such consent is legally enforceable and such consent has not been obtained; provided, that in any event any Receivable or any money or other amounts due or to become due under any such contract, agreement, instrument or indenture shall not be Excluded Assets to the extent that any of the foregoing is (or if it contained a provision limiting the transferability or pledge thereof would be) subject to Section 9-406 of the New York UCC, and (ii) any Foreign Subsidiary Voting Stock excluded from the definition of "Pledged Stock" set forth in this Section 1.1.

"Foreign Subsidiary Voting Stock": the voting Capital Stock of any Foreign Subsidiary (other than a Foreign Electing Subsidiary).

"Grantor Collateral": as defined in Section 3.1.

"Guarantor Obligations": with respect to any Guarantor, the collective reference to all obligations and liabilities of such Guarantor, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with this Agreement (including, without limitation, Section 2) or any other Loan Document to which such Guarantor is a party, in each case whether on account of guarantee obligations, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Administrative Agent or to any Secured Party that are required to be paid by such Guarantor pursuant to the terms of this Agreement or any other Loan Document).

"Intellectual Property": the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, copyrights, copyright licenses, software, databases, patents, patent licenses, trademarks, trademark licenses, trademark applications, service marks, service mark licenses, service mark applications, trade names, brand names, domain names, mask works, mask work licenses, technology and related improvements, know-how and processes, trade secrets, all registrations and applications related to any of the above, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"Intellectual Property Security Agreement": an agreement substantially in the form of Annex IV hereto or such other form reasonably satisfactory to the Administrative Agent.

"Intercompany Note": any promissory note evidencing loans made by any Grantor to the Borrower or any of its Subsidiaries.

"Investment Property": the collective reference to (i) all "investment property" as such term is defined in Section 9-102(a)(49) of the New York UCC (other than any Foreign Subsidiary Voting Stock excluded from the definition of "Pledged Stock" in this Section 1.1) and (ii) whether or not constituting "investment property" as so defined, all Pledged Notes and all Pledged Stock.

"Issuers": the collective reference to each issuer of any Investment Property.

"New York UCC": the Uniform Commercial Code as from time to time in effect in the State of New York.

"Obligations": (i) in the case of the Borrower, the Borrower Obligations, and (ii) in the case of each Guarantor, its Guarantor Obligations.

"Parent Collateral": as defined in Section 3.2.

"Patents": all (i) letters patent of the United States, any other country or any political subdivision thereof, (ii) applications for letters patent of the United States or any other country, and (iii) reissues, divisions, continuations and continuations-in-part, or extensions thereof, including, without limitation, any of the foregoing listed on Schedule 5 and (iv) all rights to obtain any reissues or extensions of the foregoing.

"Patent License": all agreements, whether written or oral, providing for the grant by or to any Grantor of any right to make, have made, use, sell (directly or indirectly), offer to sell, import or dispose of any invention or practice any method or process covered in whole or in part by a Patent, including, without limitation, any of the foregoing listed on Schedule 5.

"Pledged Notes": all promissory notes listed on Schedule 2, all Intercompany Notes at any time issued to the Borrower or any Guarantor and all other promissory notes issued to or held by the Borrower or any Guarantor.

"Pledged Securities": the collective reference to the Pledged Notes and the Pledged Stock.

"Pledged Stock": (i) with respect to any Grantor (other than the Parent), the shares of Capital Stock listed on Schedule 2, together with any other shares, certificates, options or rights of any nature whatsoever in respect of the Capital Stock of any Person that may be issued or granted to, or held by, any Grantor while this Agreement is in effect and (ii) with respect to the Parent, the shares of Capital Stock of the Borrower owned by the Parent, together with any other shares, certificates, options or rights of any nature whatsoever in respect of the Capital Stock of the Borrower that may be issued or granted to, or held by, the Parent while this Agreement is in effect ; provided that in no event shall more than 65% of the total outstanding Foreign Subsidiary Voting Stock be required to be pledged hereunder.

"Proceeds": all "proceeds" as such term is defined in Section 9-102(a)(64) of the New York UCC and, in any event, including, without limitation, all dividends or other income from the Investment Property that is Collateral, collections thereon or distributions or payments with respect thereto.

"Receivable": any right of the Borrower to payment for goods sold, leased, licensed, assigned or otherwise disposed of, or for services rendered, whether or not such right is evidenced by an Instrument or Chattel Paper and whether or not it has been earned by performance (including, without limitation, any Account).

"Secured Parties": the collective reference to the Administrative Agent and the Lenders.

"Securities Account Control Agreement": an agreement substantially in the form of Annex V or such other form reasonably satisfactory to the Administrative Agent.

"Securities Act": the Securities Act of 1933, as amended.

"Trademarks": (i) all trademarks, trade names, brand names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, domain names, service marks, logos and other source or business identifiers, and all goodwill associated therewith or symbolized thereby, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, and all common-law rights related thereto, including, without limitation, any of the foregoing listed on Schedule 5, and (ii) the right to obtain all renewals thereof.

"Trademark License": any agreement, whether written or oral, providing for the grant by or to any Grantor of any right to use any Trademark, including, without limitation, any of the foregoing listed on Schedule 5.

"Vehicles": all cars, trucks, trailers, construction and earth moving equipment and other vehicles covered by a certificate of title law of any state and all tires and other appurtenances to any of the foregoing.

1.2 Other Definitional Provisions.

(a) The words "hereof," "herein", "hereto" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and Schedule references are to this Agreement unless otherwise specified.

(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(c) Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor's Collateral or the relevant part thereof.

SECTION 2. GUARANTEE

2.1 Guarantee.

(a) The Guarantors hereby, jointly and severally, unconditionally and irrevocably, guarantee to the Administrative Agent, for the ratable benefit of the Secured Parties and their respective successors, indorsees, transferees and assigns, the prompt and complete payment and performance by the Borrower when due (whether at stated maturity, by acceleration or otherwise) of the Borrower Obligations to the extent not paid by the Borrower.

(b) Anything herein or in any other Loan Document to the contrary notwithstanding, the maximum liability of each Guarantor hereunder and under the other Loan Documents shall in no event exceed the amount which can be guaranteed by such Guarantor under applicable federal and state laws relating to fraudulent conveyances or transfers or the insolvency of debtors (after giving effect to the right of contribution established in Section 2.2). If, and only to the extent that, any such Guarantor Obligations are or would be void, voidable or otherwise unenforceable, the obligations of such Grantor hereunder shall be limited to the maximum amount that would not make such obligation void, voidable or otherwise unenforceable.

(c) Each Guarantor agrees that the Borrower Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without impairing the guarantee of such Guarantor contained in this Section 2 or affecting the rights and remedies of the Administrative Agent or any Secured Party hereunder.

(d) Subject to Section 8.15 hereof, the guarantee contained in this Section 2 shall remain in full force and effect until all the Borrower Obligations and the obligations of each Guarantor under the guarantee contained in this Section 2 shall have been satisfied by full and final payment in cash.

(e) No payment made by the Borrower, any of the Guarantors, any other guarantor or any other Person or received or collected by the Administrative Agent or any Secured Party from the Borrower, any of the Guarantors, any other guarantor or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Borrower Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of the Borrower or any Guarantor under this Section 2 which shall, notwithstanding any such payment (other than any payment made by the Borrower or such Guarantor in respect of the Borrower Obligations or any payment received or collected from the Borrower or such Guarantor in respect of the Borrower Obligations), remain liable for the Borrower Obligations up to the maximum liability of the Borrower or such Guarantor hereunder until the Borrower Obligations are fully and finally paid in cash.

2.2 Right of Contribution.

(a) Each Guarantor hereby agrees that to the extent that a Guarantor shall have paid more than its proportionate share of any payment made hereunder, such Guarantor shall be entitled to seek and receive contribution from and against any other Guarantor hereunder which has not paid its proportionate share of such payment.

(b) Each Guarantor's right of contribution under this Section 2.2 shall be subject to the terms and conditions of Section 2.3. The provisions of this Section 2.2 shall in no respect limit the obligations and liabilities of any Guarantor to the Administrative Agent and the Secured Parties, and each Guarantor shall remain liable to the Administrative Agent and the Secured Parties for the full amount guaranteed by such Guarantor hereunder.

2.3 Subrogation. Notwithstanding any payment made by any Guarantor hereunder or any set-off or application of funds of any Guarantor by the Administrative Agent or any Secured Party, no Guarantor shall be entitled to be subrogated to any of the rights of the Administrative Agent or any Secured Party against the Borrower or any other Guarantor or any collateral security or guarantee or right of offset held by the Administrative Agent or any Secured Party for the payment of the Borrower Obligations, nor shall any Guarantor seek or be entitled to seek any contribution or reimbursement from the Borrower or any other Guarantor in respect of payments made by such Guarantor hereunder, until all amounts owing to the Administrative Agent and the Secured Parties by the Borrower on account of the Borrower Obligations are fully and finally paid in cash. If any amount shall be paid to any Guarantor on account of such subrogation rights at any time when all of the Borrower Obligations shall not have been fully and finally paid in cash, such amount shall be held by such Guarantor in trust for the Administrative Agent and the Secured Parties, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the Administrative Agent in the exact form received by such Guarantor (duly indorsed by such Guarantor to the Administrative Agent, if required), to be applied against the Borrower Obligations, whether matured or unmatured, in such order as the Administrative Agent may determine.

2.4 Amendments, etc. with respect to the Borrower Obligations. Each Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against any Guarantor and without notice to or further assent by any Guarantor, any demand for payment of any of the Borrower Obligations made by the Administrative Agent or any Secured Party may be rescinded by the Administrative Agent or such Secured Party and any of the Borrower Obligations continued, and the Borrower Obligations, or the liability of any other Person upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Administrative Agent or any Secured Party (with the consent of the Borrower as shall be required thereunder), and the Credit Agreement and the other Loan Documents and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Administrative Agent (or the Required Lenders or all Lenders, as the case may be) may (with the consent of the Borrower as shall be required thereunder) deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by the Administrative Agent or any Secured Party for the payment of the Borrower Obligations may (with the consent of the Borrower as shall be required thereunder) be sold, exchanged, waived, surrendered or released. Neither the Administrative Agent nor any Secured Party shall, except to the extent set forth in and as required by any Requirement of Law (other than Organizational Documents), and for the benefit of the parties to, the agreements and instruments governing such Lien or guarantee, have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Borrower Obligations or for the guarantees contained in this Section 2 or any property subject thereto.

2.5 Guarantee Absolute and Unconditional. Each Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Borrower Obligations and notice of or proof of reliance by the Administrative Agent or any Secured Party upon the guarantee contained in this Section 2 or acceptance of the guarantee contained in this Section 2; the Borrower Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon the guarantee contained in this Section 2; and all dealings between the Borrower and any of the Guarantors, on the one hand, and the Administrative Agent and the Secured Parties, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon the guarantee contained in this Section 2. Each Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Borrower or any of the Guarantors with respect to the Borrower Obligations. Each Guarantor understands and agrees that the guarantee of such Guarantor contained in this Section 2 shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (a) the validity or enforceability of the Credit Agreement or any other Loan Document, any of the Borrower Obligations or any collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the Administrative Agent or any Secured Party, (b) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by the Borrower or any other Person against the Administrative Agent or any Secured Party, or (c) any other circumstance whatsoever (with or without notice to or knowledge of the Borrower or such Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Borrower for the Borrower Obligations, or of such Guarantor under the guarantee of such Guarantor contained in this Section 2, in bankruptcy or in any other instance. When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against any Guarantor, the Administrative Agent or any Secured Party may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as it may have against the Borrower, any other Guarantor or any other Person or against any collateral security or guarantee for the Borrower Obligations or any right of offset with respect thereto, and any failure by the Administrative Agent or any Secured Party to make any such demand, to pursue such other rights or remedies or to collect any payments from the Borrower, any other Guarantor or any other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Borrower, any other Guarantor or any other Person or any such collateral security, guarantee or right of offset, shall not relieve any Guarantor of any obligation or liability under this Section 2, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Administrative Agent or any Secured Party against any Guarantor. For the purposes hereof “demand” shall include the commencement and continuance of any legal proceedings.

2.6 Reinstatement. The guarantee contained in this Section 2 shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Borrower Obligations is rescinded or must otherwise be restored or returned by the Administrative Agent or any Secured Party upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payments had not been made.

2.7 Payments. Each Guarantor hereby guarantees that payments by it hereunder will be paid to the Administrative Agent without reduction or deduction of any kind including for set-off or counterclaim or any Non-Excluded Tax in the case of obligations in respect of Borrower Obligations arising under the Credit Agreement or any other Loan Document in Dollars at the Payment Office specified in the Credit Agreement.

SECTION 3. GRANT OF SECURITY INTEREST

3.1 Grant of Security Interest by each Grantor. Each Grantor (other than the Parent) hereby assigns and transfers to the Administrative Agent, and hereby grants to the Administrative Agent, for the ratable benefit of the Secured Parties, a security interest in, all of the following property now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Grantor Collateral"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Borrower's Obligations or such Grantor's Guarantor Obligations, as applicable:

(a) all Accounts;

(b) all Chattel Paper;

(c) all Contracts and all other contracts, agreements and licenses, including, without limitation, (i) all rights of any Grantor to receive moneys due and to become due to it thereunder or in connection therewith, (ii) all rights of any Grantor to damages arising thereunder and (iii) all rights of any Grantor to perform and to exercise all remedies thereunder;

(d) all Deposit Accounts;

(e) all Documents (other than title documents with respect to Vehicles);

(f) all Acquisition Document Rights;

(g) all Commercial Tort Claims;

(h) all Equipment;

(i) all General Intangibles;

(j) all Instruments;

(k) all Intellectual Property;

(l) all Inventory;

(m) all Investment Property;

(n) all Letter-of-Credit Rights;

(o) all Goods and other property not otherwise described above;

(p) all books and records pertaining to the Collateral; and

(q) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing, all Supporting Obligations in respect of any of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing;

provided, that the Grantor Collateral shall not include any Excluded Assets.

3.2 Grant of Security Interest by the Parent. The Parent hereby assigns and transfers to the Administrative Agent, and hereby grants to the Administrative Agent, for the ratable benefit of the Secured Parties, a security interest in all of the following property now owned or at any time hereafter acquired by the Parent or in which the Parent now has or at any time in the future may acquire any right, title or interest (collectively, the "Parent Collateral", and together with the Grantor Collateral, the "Collateral"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of its Obligations:

(a) all Capital Stock of the Borrower;

(b) any other shares, certificates, options or rights of any nature in respect of such Capital Stock that may be issued or granted to, or held by, the Parent while this Agreement is in effect;

(c) to the extent not otherwise included, all Supporting Obligations in respect of any of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing;

(d) all payments of principal or interest, dividends, cash, instruments and other property from time to time received or otherwise distributed, in respect of, in exchange for or upon the conversion of the Capital Stock referred to in clause (a) or (b) above;

(e) all rights and privileges of the Parent with respect to the Capital Stock referred to in clause (a) or (b) above (including any rights under the operating agreement and other Organizational Documents of the Borrower); and

(f) all Proceeds of any of the foregoing.

SECTION 4. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective extensions of credit to the Borrower thereunder, each Grantor hereby represents and warrants to the Administrative Agent and each Lender that (after giving effect to the Acquisition):

4.1 Representations in Credit Agreement. In the case of each Guarantor, the representations and warranties set forth in Section 3 of the Credit Agreement as they relate to such Guarantor or to the Loan Documents to which such Guarantor is a party, each of which is hereby incorporated herein by reference, are true and correct, and the Administrative Agent and each Lender shall be entitled to rely on each of them as if they were fully set forth herein, provided that each reference in each such representation and warranty to the Borrower's knowledge shall, for the purposes of this Section 4.1, be deemed to be a reference to such Guarantor's knowledge.

4.2 Title; No Other Liens. Except for the security interest granted to the Administrative Agent for the ratable benefit of the Secured Parties pursuant to this Agreement and the other Liens permitted to exist on the Collateral by the Credit Agreement, such Grantor owns each item of the Collateral free and clear of any and all Liens or claims of others. No financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as have been filed in favor of the Administrative Agent, for the ratable benefit of the Secured Parties, pursuant to this Agreement or as are permitted by the Credit Agreement. For the avoidance of doubt, it is understood and agreed that any Grantor may, as part of its business, grant licenses in the ordinary course of business to third parties to use Intellectual Property owned by, licensed to or developed by a Grantor. For purposes of this Agreement and the other Loan Documents, such licensing activity shall not constitute a "Lien" on such Intellectual Property. Each of the Administrative Agent and each Secured Party understands that any such licenses may be exclusive to the applicable licensees, and such exclusivity provisions may limit the ability of the Administrative Agent to utilize, sell, lease or transfer the related Intellectual Property or otherwise realize value from such Intellectual Property pursuant hereto.

4.3 Perfected First Priority Liens. The security interests granted pursuant to this Agreement (a) upon completion of the filings and other actions specified on Schedule 3 (which, in the case of all filings and other documents referred to on said Schedule, have been delivered to the Administrative Agent in completed and duly executed form) will constitute valid perfected security interests in all of the Collateral (other than Intellectual Property Collateral located or registered outside the United States) in favor of the Administrative Agent, for the ratable benefit of the Secured Parties, as collateral security for such Grantor's Obligations, enforceable in accordance with the terms hereof against all creditors of such Grantor and any Persons purporting to purchase any Collateral from such Grantor and (b) are prior to all other Liens on the Collateral (other than Intellectual Property Collateral located or registered outside the United States) in existence on the date hereof except for unrecorded Liens permitted by the Credit Agreement which have priority over the Liens on the Collateral by operation of law.

4.4 Jurisdiction of Organization; Chief Executive Office. On the date hereof, such Grantor's jurisdiction of organization, identification number from the jurisdiction of organization (if any), and the location of such Grantor's chief executive office or sole place of business or principal residence, as the case may be, are specified on Schedule 4. Such Grantor has furnished to the Administrative Agent a certified charter, certificate of incorporation or other organization document and long-form good standing certificate as of a date which is recent to the date hereof. Such Grantor has not, within the five-year period preceding the date hereof, conducted business under any other name, changed its jurisdiction of formation, or merged with or into or consolidated with any other Person. The name in which such Grantor has executed this Agreement is the exact name as it appears in such Grantor's Organizational Documents, as filed with such Grantor's jurisdiction of organization.

4.5 Investment Property.

(a) The Pledged Stock pledged by such Grantor (other than the Parent) hereunder constitute all the issued and outstanding shares or interests of all classes of the Capital Stock of each Issuer owned by such Grantor or, in the case of Foreign Subsidiary Voting Stock, if less, 65% (or such lesser amount as such Grantor owns) of the outstanding Foreign Subsidiary Voting Stock of each relevant Issuer.

(b) If applicable, all the shares of the Pledged Stock have been duly and validly issued and are fully paid and nonassessable.

(c) The Pledged Stock of the Borrower pledged by the Parent hereunder constitute all the issued and outstanding shares or interests of all classes of the Capital Stock of the Borrower.

(d) Schedule 7 lists all Securities Accounts, Instruments, Securities and other Investment Property owned or maintained by each Grantor (other than the Parent). Each Grantor is the direct and beneficial owner of such Securities Account, Instrument, Security and other Investment Property as being owned by it, free and clear of any Liens, except for the security interest granted to the Administrative Agent for the benefit of the Secured parties hereunder.

(e) To the best of such Grantor's knowledge, each of the Pledged Notes constitutes the legal, valid and binding obligation of the obligor with respect thereto, enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(f) Such Grantor is the record and beneficial owner of, and has good and marketable title to, the Investment Property pledged by it hereunder, free of any and all Liens or options in favor of, or claims of, any other Person, except the security interest created by this Agreement and except for unrecorded Liens permitted by the Credit Agreement which have priority over the Liens on the Collateral by operation of law.

4.6 Contracts.

(a) No consent of any party (other than such Grantor) to any Contract is required, or purports to be required, in connection with the execution, delivery and performance of this Agreement.

(b) To the best of such Grantor's knowledge, each Contract is in full force and effect and constitutes a valid and legally enforceable obligation of the parties thereto, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(c) No consent or authorization of, filing with or other act by or in respect of any Governmental Authority is required in connection with the execution, delivery, performance, validity or enforceability of any of the Contracts by any Grantor thereto other than those which have been duly obtained, made or performed, are in full force and effect and do not subject the scope of any such Contract to any material adverse limitation, either specific or general in nature.

(d) Neither such Grantor nor (to the best of such Grantor's knowledge) any of the other parties to the Contracts is in default in the performance or observance of any of the terms thereof in any manner that, in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(e) The right, title and interest of such Grantor in, to and under the Contracts are not subject to any defenses, offsets, counterclaims or claims that, in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(f) Such Grantor has delivered to the Administrative Agent a complete and correct copy of each Contract in effect on the date hereof.

(g) No amount payable to such Grantor under or in connection with any Contract is evidenced by any Instrument or Chattel Paper which has not been delivered to the Administrative Agent.

(h) None of the parties to any Contract is a Governmental Authority.

4.7 Intellectual Property.

(a) Schedule 5 lists all registrations and applications included in Intellectual Property owned by the Borrower in its own name on the date hereof. Schedule 5 also indicates which licenses with respect to such Intellectual Property are exclusive licenses.

(b) The Borrower owns or has the right to use all Intellectual Property that is material to its business as currently conducted or as proposed to be conducted free and clear of all Liens.

(c) On the date hereof, all material Intellectual Property of the Borrower described on Schedule 5 is valid, subsisting, unexpired and enforceable, has not been abandoned and to the Borrower's knowledge, does not infringe, impair, misappropriate, dilute or otherwise violate ("Infringe") the intellectual property rights of any other Person, or is being Infringed by any other Person.

(d) Except as set forth on Schedule 5, on the date hereof, none of the Intellectual Property of the Borrower is the subject of any licensing or franchise agreement pursuant to which the Borrower is the licensor or franchisor.

(e) No holding, decision or judgment has been rendered by any Governmental Authority which would limit, cancel or challenge the validity, enforceability, ownership or use of, or the Borrower's rights in, any Intellectual Property in any respect, and the Borrower knows of no valid basis for same, that could reasonably be expected to have a Material Adverse Effect.

(f) No action or proceeding is pending, or, to the knowledge of the Borrower, threatened, on the date hereof (i) seeking to limit, cancel or challenge the validity, enforceability, ownership or use of any material Intellectual Property of the Borrower or the Borrower's ownership interest therein, or (ii) which, if adversely determined, would have a material adverse effect on the value of any Intellectual Property to the Borrower.

4.8 Deposit Accounts. Schedule 8 lists all Deposit Accounts owned or maintained by each Grantor (other than the Parent).

4.9 Commercial Tort Claims. Schedule 9 lists all Commercial Tort Claims as of the date hereof, including a brief description of the facts and the underlying claims with respect thereto.

SECTION 5. COVENANTS

Each Grantor covenants and agrees with the Administrative Agent and the Secured Parties that, from and after the date of this Agreement until the Obligations shall have been paid in full:

5.1 Covenants in Credit Agreement. In the case of each Guarantor, such Guarantor shall take, or shall refrain from taking, as the case may be, each action that is necessary to be taken or not taken, as the case may be, so that no Default or Event of Default is caused by the failure to take such action or to refrain from taking such action by such Guarantor.

5.2 Delivery of Instruments and Chattel Paper. If any Collateral or any amount payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument, Certificated Security or Chattel Paper, such Instrument, Certificated Security or Chattel Paper shall be immediately delivered to the Administrative Agent, duly indorsed or with a validly executed transfer power in a manner satisfactory to the Administrative Agent, to be held as Collateral pursuant to this Agreement; provided, that the Grantors shall not be obligated to deliver to the Administrative Agent any Instruments or Chattel Paper held by any Grantor at any time to the extent that the aggregate face amount of all such Instruments and Chattel Paper held by all Grantors at such time does not exceed $250,000.

5.3 Payment of Obligations. Such Grantor will pay and discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to the Collateral, except that no such charge need be paid if the amount or validity thereof is currently being contested in good faith by appropriate proceedings, reserves in conformity with GAAP with respect thereto have been provided on the books of such Grantor and such proceedings could not reasonably be expected to result in the sale, forfeiture or loss of any material portion of the Collateral or any interest therein.

5.4 Maintenance of Perfected Security Interest; Further Documentation.

(a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 4.3 and shall defend such security interest against the claims and demands of all Persons whomsoever other than such claims or demands permitted by the Credit Agreement.

(b) Such Grantor will furnish to the Administrative Agent and the Lenders from time to time statements and schedules further identifying and describing the assets and property of such Grantor and such other reports in connection with the Collateral as the Administrative Agent may reasonably request, all in reasonable detail.

(c) At any time and from time to time, upon the written request of the Administrative Agent, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as the Administrative Agent may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, (i) the filing of any financing or continuation statements under the Uniform Commercial Code (or other similar laws) in effect in any jurisdiction with respect to the security interests created hereby, (ii) in the case of Intellectual Property, an Intellectual Property Security Agreement with the United States Trademark and Patent Office and the United States Copyright Office (and any successor office in the United States) and (iii) in the case of Investment Property, Deposit Accounts and Letter-of-Credit Rights that is or is required to be Collateral, taking any actions necessary to enable the Administrative Agent to obtain "control" (within the meaning of the applicable Uniform Commercial Code) with respect thereto, including but not limited to, execution of a Deposit Account Control Agreement with respect to any Deposit Accounts of any Grantor (other than the Parent).

5.5 Changes in Locations, Name, etc. Such Grantor will not, except upon 30 days' prior written notice to the Administrative Agent, clearly describing any of the following proposed changes, and delivery to the Administrative Agent of all additional executed financing statements and other documents reasonably requested by the Administrative Agent to maintain the validity, perfection and priority of the security interests provided for herein:

(i) change its jurisdiction of organization or the location of its chief executive office or sole place of business or any office in which it maintains books or records relating to the Collateral from that referred to in Section 4.4;

(ii) change its identity or organizational structure;

(iii) change its legal name; or

(iv) change its Federal Taxpayer Identification Number or organizational identification number, if any.

5.6 Notices. Within ten (10) Business Days of such occurrence, each applicable Grantor, upon learning of such occurrence, will advise the Administrative Agent and the Lenders promptly, in reasonable detail, of:

(a) any Lien (other than security interests created hereby or Liens permitted under the Credit Agreement) on any of the Collateral which would adversely affect the ability of the Administrative Agent to exercise any of its remedies hereunder; and

(b) the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the security interests created hereby.

5.7 Investment Property.

(a) Each Grantor hereby agrees that if any Pledged Stock is at any time not evidenced by a certificate of ownership, such Grantor will cause the Issuer thereof either (a) to register the Administrative Agent as the registered owner of such Pledged Stock or (b) to agree in an authenticated record with such Grantor and the Administrative Agent that such Issuer will comply with instructions with respect to such Pledged Stock originated by the Administrative Agent without further consent of such Grantor.

(b) If such Grantor shall become entitled to receive or shall receive any certificate (including, without limitation, any certificate representing a dividend or a distribution in connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), option or rights in respect of the Capital Stock of any Issuer of any Pledged Stock (provided that in no event shall more than 65% of the total outstanding Foreign Subsidiary Voting Stock of any Foreign Subsidiary (other than a Foreign Electing Subsidiary) be required to be pledged hereunder; provided further that in no event shall Parent be required to pledge any Capital Stock of any Issuer other than Borrower held by Parent), whether in addition to, in substitution of, as a conversion of, or in exchange for, any shares of the Pledged Stock, or otherwise in respect thereof, such Grantor shall accept the same as the agent of the Administrative Agent and the Secured Parties, hold the same in trust for the Administrative Agent and the Secured Parties and deliver the same forthwith to the Administrative Agent in the exact form received, duly indorsed by such Grantor to the Administrative Agent, if required, together with an undated stock power or other instrument of transfer, as applicable, covering such certificate duly executed in blank by such Grantor and with, if the Administrative Agent so requests, signature guaranteed, to be held by the Administrative Agent, subject to the terms hereof, as additional collateral security for the Obligations. Any sums paid upon or in respect of the Investment Property that is or is required to be Collateral upon the liquidation or dissolution of any Issuer thereof shall be paid over to the Administrative Agent to be held by it hereunder as additional collateral security for the Obligations, and in case any distribution of capital shall be made on or in respect of such Investment Property, or any property shall be distributed upon or with respect to such Investment Property pursuant to the recapitalization or reclassification of the capital of any Issuer thereof or pursuant to the reorganization thereof, the property so distributed shall, unless otherwise subject to a perfected security interest in favor of the Administrative Agent, be delivered to the Administrative Agent to be held by it hereunder as additional collateral security for the Obligations. If any sums of money or property so paid or distributed in respect of the Investment Property that is or is required to be Collateral shall be received by such Grantor, such Grantor shall, until such money or property is paid or delivered to the Administrative Agent, hold such money or property in trust for the Secured Parties, segregated from other funds of such Grantor as additional collateral security for the Obligations. Notwithstanding the foregoing, the Grantors shall not be required to pay over to the Administrative Agent or deliver to the Administrative Agent as Collateral any proceeds of any liquidation or dissolution of any Issuer of any Pledged Stock, or any distribution of capital or property in respect of any Investment Property that is or is required to be Collateral, to the extent that (i) such liquidation, dissolution or distribution, if treated as a Disposition of the relevant Issuer, would be permitted by the Credit Agreement and (ii) the proceeds thereof are applied toward prepayment of Loans and reduction of Commitments to the extent required by the Credit Agreement.

(c) Without the prior written consent of the Administrative Agent, such Grantor will not (i) vote to enable, or take any other action to permit, any Issuer of any Pledged Stock to issue any stock or other equity securities of any nature or to issue any other securities convertible into or granting the right to purchase or exchange for any stock or other equity securities of any nature of such Issuer, unless such securities are delivered to the Administrative Agent, concurrently with the issuance thereof, to be held by the Administrative Agent as Collateral (provided that in no event shall more than 65% of the total outstanding Foreign Subsidiary Voting Stock of any Foreign Subsidiary (other than a Foreign Electing Subsidiary) be required to be pledged hereunder), (ii) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Investment Property that is or is required to be Collateral or Proceeds thereof (except pursuant to a transaction expressly permitted by the Credit Agreement), (iii) create, incur or permit to exist any Lien or option in favor of, or any claim of any Person with respect to, any of the Investment Property that is or is required to be Collateral or Proceeds thereof, or any interest therein, except for the security interests created by this Agreement or (iv) enter into any agreement or undertaking restricting the right or ability of such Grantor or the Administrative Agent to sell, assign or transfer any of the Pledged Securities or Proceeds thereof.

(d) In the case of each Grantor which is an Issuer, such Issuer agrees that (i) it will be bound by the terms of this Agreement relating to the Pledged Securities issued by it and will comply with such terms insofar as such terms are applicable to it, (ii) it will notify the Administrative Agent promptly in writing of the occurrence of any of the events described in Section 5.8(a) with respect to the Pledged Securities issued by it and (iii) the terms of Sections 6.3(c) and 6.7 shall apply to it, mutatis mutandis, with respect to all actions that may be required of it pursuant to Section 6.3(c) or 6.7 with respect to the Pledged Securities issued by it.

5.8 Contracts.

(a) In the case of each Grantor, such Grantor will perform and comply in all material respects with all its obligations under the Contracts to which it is a party.

(b) In the case of each Grantor, such Grantor will not amend, modify, terminate or waive any provision of any Contract to which it is a party in any manner which could reasonably be expected to materially adversely affect the value of such Contract as Collateral.

(c) In the case of each Grantor, such Grantor will exercise promptly and diligently each and every material right which it may have under each Contract to which it is a party (other than any right of termination).

(d) In the case of each Grantor, such Grantor will deliver to the Administrative Agent a copy of each material demand, notice or document received by it relating in any way to any Contract to which it is a party that questions the validity or enforceability of such Contract.

(e) Such Grantor will, within ten (10) days after the execution of any contract, agreement or license entered into after the date hereof by such Grantor (other than the Parent) from time to time which is either (a) reasonably expected to result in royalty payments to such Grantor of $500,000 per year or more or (b) otherwise material to the business of such Grantor, deliver to the Administrative Agent a copy of such contract, agreement or license.

5.9 Intellectual Property.

(a) The Borrower (either itself or through licensees) will (i) continue to use each material Trademark on each and every trademark class of goods or services applicable to its current business, including, without limitation, as reflected in its current service offerings, catalogs, brochures and price lists in order to maintain such Trademark in full force free from any claim of abandonment for non-use, (ii) maintain as in the past the quality of all products and services offered under such Trademark, (iii) use such Trademark with all appropriate notices of registration and other legends required by applicable Requirements of Law, (iv) not adopt or use any new mark, or any mark which is confusingly similar or a colorable imitation of such Trademark unless the Administrative Agent, for the ratable benefit of the Secured Parties, shall obtain a perfected security interest in such mark pursuant to this Agreement, and (v) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby such Trademark may become invalidated or impaired in any way.

(b) The Borrower (either itself or through licensees) will not do any act, or omit to do any act, whereby any material Patent may become forfeited, abandoned or dedicated to the public.

(c) The Borrower (either itself or through licensees) will not (and will not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any material portion of the Copyrights may become invalidated or otherwise impaired. The Borrower will not (either itself or through licensees) do any act whereby any material portion of a Copyrights may fall into the public domain.

(d) The Borrower (either itself or through licensees) will not do any act that knowingly uses any material Intellectual Property to Infringe the intellectual property rights of any other Person.

(e) The Borrower will notify the Administrative Agent and the Lenders immediately if it knows, or has reason to know, that any application or registration relating to any material Intellectual Property may become forfeited, abandoned or dedicated to the public, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court or tribunal in any country) regarding the Borrower's rights in, or the validity, enforceability, ownership or use of, any material Intellectual Property, including, without limitation, the Borrower's right to register or to maintain the same.

(f) Whenever the Borrower, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Intellectual Property (other than Copyrights) with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, the Borrower shall report such filing to the Administrative Agent within five (5) Business Days after the last day of the fiscal quarter in which such filing occurs. Whenever the Borrower, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Copyright with the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, the Borrower shall report such filing to the Administrative Agent within twenty (20) Business Days. Upon request of the Administrative Agent, the Borrower shall execute and deliver, and have recorded, any and all agreements, instruments, documents, and papers as the Administrative Agent may request to evidence the Administrative Agent's and the Secured Parties' security interest in any Copyright, Patent or Trademark located or registered in the United States.

(g) The Borrower will take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application relating to any material Intellectual Property (and to obtain the relevant registration) and to maintain each registration of the material Intellectual Property, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

(h) In the event that any material Intellectual Property is Infringed by a third party, the Borrower shall (i) take such actions as the Borrower shall reasonably deem appropriate under the circumstances to protect such Intellectual Property and (ii) if such Intellectual Property is of material economic value, promptly notify the Administrative Agent after it learns thereof and sue for Infringement, to seek injunctive relief where appropriate and to recover any and all damages for such Infringement.

5.10 Parent. The Parent shall not (a) create, incur, assume or suffer to exist any Indebtedness other than (i) Indebtedness pursuant to the Loan Documents and (ii) Guarantee Obligations relating to any Indebtedness of any Subsidiary of Parent or (b) create, incur, assume or suffer to exist any Lien upon any of its Property, whether now owned or hereafter acquired, except for Liens (i) for taxes not yet due or that are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Parent in conformity with GAAP and (ii) on the Capital Stock of Borrower incurred to secure the Obligations or on the Capital Stock of any other Subsidiary of Parent incurred to secured Indebtedness permitted by this Section 5.10.

5.11 Deposit Account Control Agreements. No Grantor (other than the Parent) shall hereafter establish and maintain any Deposit Account unless such depository bank and such Grantor shall have duly executed and delivered to the Administrative Agent a Deposit Account Control Agreement necessary to enable the Administrative Agent to obtain "control" (within the meaning of the applicable Uniform Commercial Code) with respect to such Deposit Account. In the event that Borrower establishes a replacement Deposit Account and such depository bank and Grantor have duly executed and delivered to the Administrative Agent a Deposit Account Control Agreement necessary to enable the Administrative Agent to obtain "control" (within the meaning of the applicable Uniform Commercial Code) with respect to such replacement Deposit Account, Administrative Agent agrees, prior to the occurrence of an Event of Default, to direct any proceeds from the original Deposit Account to such replacement Deposit Account.

5.12 Securities Account Control Agreements. No Grantor (other than the Parent) shall hereafter establish and maintain any Securities Account unless such bank and such Grantor shall have duly executed and delivered to the Administrative Agent a Securities Account Control Agreement necessary to enable the Administrative Agent to obtain "control" (within the meaning of the applicable Uniform Commercial Code) with respect to such Securities Account.

5.13 Commercial Tort Claims. If the Borrower shall at any time commence a suit, action or proceeding with respect to any Commercial Tort Claim held by it with a value which the Borrower reasonably believes to be of $250,000 or more, the Borrower shall promptly notify the Administrative Agent thereof in a writing signed by the Borrower and describing the details thereof and shall grant to the Administrative Agent for the benefit of the Secured Parties in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to the Administrative Agent.

SECTION 6. REMEDIAL PROVISIONS

6.1 Certain Matters Relating to Receivables.

(a) The Administrative Agent shall have the right, prior to the occurrence of an Event of Default at reasonable times and upon 10 days notice not to exceed one time in any calendar year, and, in any event, at any time after the occurrence and during the continuance of an Event of Default, to make test verifications of the Receivables in any manner and through any medium that it reasonably considers advisable, and each Grantor shall furnish all such assistance and information as the Administrative Agent may require in connection with such test verifications. At any time and from time to time after the occurrence and during the continuance of an Event of Default, upon the Administrative Agent's request and at the expense of the relevant Grantor, such Grantor shall cause independent public accountants or others satisfactory to the Administrative Agent to furnish to the Administrative Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Receivables.

(b) The Administrative Agent hereby authorizes the Borrower to collect the Borrower's Receivables, subject to the Administrative Agent's direction and control after the occurrence and during the continuance of an Event of Default, and the Administrative Agent may curtail or terminate said authority at any time after the occurrence and during the continuance of an Event of Default. If required by the Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, any payments of Receivables, when collected by any Grantor, (i) shall be forthwith (and, in any event, within two (2) Business Days) deposited by the Borrower in the exact form received, duly indorsed by the Borrower to the Administrative Agent if required, in a Collateral Account maintained under the sole dominion and control of the Administrative Agent, subject to withdrawal by the Administrative Agent for the account of the Secured Parties only as provided in Section 6.5, and (ii) until so turned over, shall be held by the Borrower in trust for the Administrative Agent and the Secured Parties, segregated from other funds of the Borrower. Each such deposit of Proceeds of Receivables shall be accompanied by a report identifying in reasonable detail the nature and source of the payments included in the deposit. Without limiting the foregoing, at any time after the occurrence and during the continuance of an Event of Default, the Secured Party may notify any account debtor or other Person obligated with respect to any Account that the Account has been assigned to the Secured Party and may collect such Account directly and all resulting collection cost and expense shall constitute part of the Obligations and shall be due and payable on demand. No Grantor shall agree to any discounts, credits or allowances relating to any Accounts other than in accordance with its usual and customary practice as exists on the date hereof and, at any time after the occurrence and during the continuance of an Event of Default, no such discount, credit or allowance shall be granted without the prior consent of the Administrative Agent.

(c) At the Administrative Agent's request, the Borrower shall deliver to the Administrative Agent all original and other documents evidencing, and relating to, the agreements and transactions which gave rise to the Receivables, including, without limitation, all original orders, invoices and shipping receipts.

(d) At any time after the occurrence and during the continuance of an Event of Default, the Borrower will cooperate with the Administrative Agent to establish a system of lockbox accounts, under the sole dominion and control of the Administrative Agent, into which all Receivables shall be paid and from which all collected funds will be transferred to a Collateral Account.

6.2 Communications with Obligors; Borrower Remains Liable.

(a) The Administrative Agent in its own name or in the name of others may at any time after the occurrence and during the continuance of an Event of Default communicate with obligors under the Receivables and parties to the Contracts to verify with them to the Administrative Agent's satisfaction the existence, amount and terms of any Receivables or Contracts.

(b) Upon the request of the Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, the Borrower shall notify obligors on the Receivables and parties to the Contracts that the Receivables and the Contracts have been assigned to the Administrative Agent for the ratable benefit of the Secured Parties and that payments in respect thereof shall be made directly to the Administrative Agent.

(c) Anything herein to the contrary notwithstanding, the Borrower shall remain liable under each of the Receivables (or any agreement giving rise thereto) and Contracts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. Neither the Administrative Agent nor any Secured Party shall have any obligation or liability under any Receivable (or any agreement giving rise thereto) or Contract by reason of or arising out of this Agreement or the receipt by the Administrative Agent or any Secured Party of any payment relating thereto, nor shall the Administrative Agent or any Secured Party be obligated in any manner to perform any of the obligations of the Borrower under or pursuant to any Receivable (or any agreement giving rise thereto) or Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

6.3 Pledged Stock.

(a) Unless an Event of Default shall have occurred and be continuing and the Administrative Agent shall have given notice to the relevant Grantor of the Administrative Agent's intent to exercise its corresponding rights pursuant to Section 6.3(b), each Grantor shall be permitted to receive all cash dividends paid in respect of the Pledged Stock and all payments made in respect of the Pledged Notes, in each case paid in the normal course of business of the relevant Issuer and consistent with past practice, to the extent permitted in the Credit Agreement, and to exercise all voting and corporate rights with respect to the Pledged Securities; provided, however, that no vote shall be cast or corporate right exercised or other action taken which, in the Administrative Agent's reasonable judgment, would impair the Collateral or which would be inconsistent with or result in any violation of any provision of the Credit Agreement, this Agreement or any other Loan Document.

(b) If an Event of Default shall occur and be continuing and the Administrative Agent shall give notice of its intent to exercise such rights to the relevant Grantor or Grantors, as the Administrative Agent shall have the right to receive any and all cash dividends, payments or other Proceeds paid in respect of the Pledged Securities and make application thereof to the Obligations in the order set forth in Section 6.5 and upon request of the Administrative Agent any or all of the Pledged Securities shall be registered in the name of the Administrative Agent or its nominee, and whether or not registered in its name or the name of its nominee, the Administrative Agent or its nominee may thereafter exercise (x) all voting, corporate and other rights pertaining to such Pledged Securities at any meeting of shareholders of the relevant Issuer or Issuers or otherwise and (y) any and all rights of conversion, exchange and subscription and any other rights, privileges or options pertaining to such Pledged Securities as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of the Pledged Securities upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate structure of any Issuer, or upon the exercise by any Grantor or the Administrative Agent of any right, privilege or option pertaining to such Pledged Securities, and in connection therewith, the right to deposit and deliver any and all of the Pledged Securities with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as the Administrative Agent may determine), all without liability except to account for property actually received by it, but the Administrative Agent shall have no duty to any Grantor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(c) Each Grantor hereby authorizes and instructs each Issuer of any Pledged Securities pledged by such Grantor hereunder to (i) comply with any instruction received by it from the Administrative Agent in writing that (x) states that an Event of Default has occurred and is continuing and (y) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from such Grantor, and such Grantor agrees that each Issuer shall be fully protected in so complying, and (ii) unless otherwise expressly permitted hereby, pay any dividends or other payments with respect to the Pledged Securities directly to the Administrative Agent.

6.4 Proceeds to be Turned Over To Administrative Agent. In addition to the rights of the Administrative Agent and the Secured Parties specified in Section 6.1 with respect to payments of Receivables, if an Event of Default shall occur and be continuing, all Proceeds received by any Grantor consisting of cash, checks and Instruments shall be held by such Grantor in trust for the Administrative Agent and the Secured Parties, segregated from other funds of such Grantor, and shall, forthwith upon receipt by such Grantor, be turned over to the Administrative Agent in the exact form received by such Grantor (duly indorsed by such Grantor to the Administrative Agent, if required). All Proceeds received by the Administrative Agent hereunder shall be held by the Administrative Agent in a Collateral Account maintained under its sole dominion and control. All Proceeds while held by the Administrative Agent in a Collateral Account (or by such Grantor in trust for the Administrative Agent and the Secured Parties) shall continue to be held as collateral security for all the Obligations and shall not constitute payment thereof until applied as provided in Section 6.5.

6.5 License. The Administrative Agent is hereby granted a license or other right to use, following the occurrence and during the continuance of an Event of Default, without charge, each Grantor's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks, customer lists and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in advertising for sale, and selling any Collateral, and, following the occurrence and during the continuance of an Event of Default, such Grantor's rights under all licenses and all franchise agreements shall inure to the Administrative Agent's benefit.

6.6 Application of Proceeds. If an Event of Default shall have occurred and be continuing, at any time at the Administrative Agent's election, the Administrative Agent may apply all or any part of Proceeds constituting Collateral, whether or not held in any Collateral Account, and any proceeds of the guarantee set forth in Section 2, in payment of the Obligations in the following order:

First, to pay incurred and unpaid fees and expenses of the Administrative Agent under the Loan Documents;

Second, to the Administrative Agent, for application by it towards payment of amounts then due and owing and remaining unpaid in respect of the Obligations, pro rata among the Secured Parties according to the amounts of the Obligations then due and owing and remaining unpaid to the Secured Parties;

Third, to the Administrative Agent, for application by it towards prepayment of the Obligations, pro rata among the Secured Parties according to the amounts of the Obligations then held by the Secured Parties; and

Fourth, any balance of such Proceeds remaining after the Obligations shall have been paid in full shall be paid over to the Borrower or to whomsoever may be lawfully entitled to receive the same.

6.7 Code and Other Remedies. If an Event of Default shall occur and be continuing, the Administrative Agent, on behalf of the Secured Parties, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the New York UCC or any other applicable law. Without limiting the generality of the foregoing, the Administrative Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Administrative Agent or any Secured Party or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Administrative Agent or any Secured Party shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the Administrative Agent's request, to assemble the Collateral and make it available to the Administrative Agent at places which the Administrative Agent shall reasonably select, whether at such Grantor's premises or elsewhere. The Administrative Agent shall apply the net proceeds of any action taken by it pursuant to this Section 6.6 with respect to any Grantor's Collateral, after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral of such Grantor or in any way relating to the Collateral of such Grantor or the rights of the Administrative Agent and the Secured Parties hereunder with respect thereto, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Obligations of such Grantor, in the order specified in Section 6.5, and only after such application and after the payment by the Administrative Agent of any other amount required by any provision of law, including, without limitation, Section 9-615(a)(3) of the New York UCC, need the Administrative Agent account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against the Administrative Agent or any Secured Party arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

6.8 Sale of Pledged Stock.

(a) Each Grantor recognizes that the Administrative Agent may be unable to effect a public sale of any or all the Pledged Stock, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, consents to such private sale. The Administrative Agent shall be under no obligation to delay a sale of any of the Pledged Stock for the period of time necessary to permit the Issuer thereof to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if such Issuer would agree to do so.

(b) Each Grantor agrees to use its best efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Pledged Stock pursuant to this Section 6.7 valid and binding and in compliance with any and all other applicable Requirements of Law. Each Grantor further agrees that a breach of any of the covenants contained in this Section 6.7 will cause irreparable injury to the Administrative Agent and the Secured Parties, that the Administrative Agent and the Secured Parties have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 6.7 shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred under the Credit Agreement.

6.9 Deficiency. Subject to Section 2.1(b) hereof, each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Obligations and the fees and disbursements of any attorneys employed by the Administrative Agent or any Secured Party to collect such deficiency.

SECTION 7. THE ADMINISTRATIVE AGENT

7.1 Administrative Agent's Appointment as Attorney-in-Fact, etc.

(a) Each Grantor hereby irrevocably constitutes and appoints the Administrative Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Administrative Agent the power and right, on behalf of such Grantor without notice to or assent by such Grantor, to do any or all of the following:

(i) in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Receivable or contract or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Administrative Agent for the purpose of collecting any and all such moneys due under any Receivable or contract or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property that is or is required to be Collateral, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Administrative Agent may request to evidence the Administrative Agent's and the Secured Parties' security interest in such Intellectual Property, including the filing with the United States Patent and Trademark Office and the United States Copyright Office (and any successor office) this Agreement or the Intellectual Property Security Agreement, and naming the Borrower as debtor, and the Administrative Agent as secured party, other than Trademarks, Copyrights or Patents located or registered outside the United States;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iv) execute, in connection with any sale provided for in Section 6.6 or 6.7, any indorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral;

(v) (1) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Administrative Agent or as the Administrative Agent shall direct; (2) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (3) sign and indorse any assignments, verifications, notices and other documents in connection with any of the Collateral; (4) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (5) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (6) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Administrative Agent may deem appropriate; (7) assign any Copyright, Patent or Trademark, throughout the world for such term or terms, on such conditions, and in such manner, as the Administrative Agent shall in its sole discretion determine; and (8) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Administrative Agent were the absolute owner thereof for all purposes, and do, at the Administrative Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Administrative Agent deems necessary to protect, preserve or realize upon the Collateral and the Administrative Agent's and the Secured Parties' security interests therein and to effect the intent of this Agreement, all as fully and effectively as Parent or such Grantor might do; and

(vi) license or sublicense whether on an exclusive or non-exclusive basis, any Intellectual Property for such term and on such conditions and in such manner as the Administrative Agent shall in its sole judgment determine and, in connection therewith, such Grantor hereby grants to the Administrative Agent for the benefit of the Secured Parties a royalty-free, world-wide irrevocable license of its Intellectual Property.

Anything in this Section 7.1(a) to the contrary notwithstanding, the Administrative Agent agrees that it will not exercise any rights under the power of attorney provided for in this Section 7.1(a) unless an Event of Default shall have occurred and be continuing.

(b) If any Grantor fails to perform or comply with any of its agreements contained herein, the Administrative Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The expenses of the Administrative Agent incurred in connection with actions undertaken as provided in this Section 7.1, together with interest thereon at a rate per annum equal to the Default Rate, from the date of payment by the Administrative Agent to the date reimbursed by the relevant Grantor shall be payable by such Grantor to the Administrative Agent on demand.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

7.2 Duty of Administrative Agent. The Administrative Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the New York UCC or otherwise, shall be to deal with it in the same manner as the Administrative Agent deals with similar property for its own account. Neither the Administrative Agent, any Secured Party nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Administrative Agent and the Secured Parties hereunder are solely to protect the Administrative Agent's and the Secured Parties' interests in the Collateral and shall not impose any duty upon the Administrative Agent or any Secured Party to exercise any such powers. The Administrative Agent and the Secured Parties shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

7.3 Execution of Financing Statements. Pursuant to any applicable law, each Grantor authorizes the Administrative Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral (but with respect to any Copyright, Patent or Trademark, only those located or registered in the United States) without the signature of such Grantor in such form and in such offices as the Administrative Agent determines appropriate to perfect the security interests of the Administrative Agent under this Agreement. Each Grantor authorizes the Administrative Agent to use the collateral description "all personal property" or "all assets" in any such financing statements. Each Grantor hereby ratifies and authorizes the filing by the Administrative Agent of any financing statement with respect to the Collateral made prior to the date hereof.

7.4 Authority of Administrative Agent. Each Grantor acknowledges that the rights and responsibilities of the Administrative Agent under this Agreement with respect to any action taken by the Administrative Agent or the exercise or non-exercise by the Administrative Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Administrative Agent and the Secured Parties, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Administrative Agent and the Grantors, the Administrative Agent shall be conclusively presumed to be acting as agent for the Secured Parties with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

SECTION 8. MISCELLANEOUS

8.1 Amendments in Writing. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with Section 10.1 of the Credit Agreement.

8.2 Notices. All notices, requests and demands to or upon the Administrative Agent or any Grantor hereunder shall be effected in the manner provided for in Section 10.2 of the Credit Agreement; provided that any such notice, request or demand to or upon any Guarantor shall be addressed to such Guarantor at its notice address set forth on Schedule 1.

8.3 No Waiver by Course of Conduct; Cumulative Remedies. Neither the Administrative Agent nor any Secured Party shall by any act (except by a written instrument pursuant to Section 8.1), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Administrative Agent or any Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Administrative Agent or any Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Administrative Agent or such Secured Party would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

8.4 Enforcement Expenses; Indemnification.

(a) Each Guarantor agrees to pay, or reimburse each Secured Party and the Administrative Agent for, all its costs and expenses incurred in collecting against such Guarantor under the guarantee contained in Section 2 or otherwise enforcing or preserving any rights under this Agreement and the other Loan Documents to which such Guarantor is a party, including, without limitation, the reasonable fees and disbursements and other charges of counsel to the Administrative Agent and the other Secured Parties and, if reasonably necessary, local counsel in any relevant jurisdiction.

(b) Each Guarantor agrees to pay, and to save the Administrative Agent and the Secured Parties harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) Each Guarantor agrees to pay, and to save the Administrative Agent and the Secured Parties harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent the Borrower would be required to do so pursuant to Section 10.5 of the Credit Agreement.

(d) The agreements in this Section shall survive repayment of the Obligations and all other amounts payable under the Credit Agreement and the other Loan Documents.

8.5 Successors and Assigns. This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Administrative Agent and the Secured Parties and their successors and assigns permitted pursuant to Section 10.6 of the Credit Agreement; provided that no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent.

8.6 Set-Off. Each Grantor hereby irrevocably authorizes the Administrative Agent and each Secured Party at any time and from time to time following an Event of Default, without notice to such Grantor or any other Grantor, any such notice being expressly waived by each Grantor, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Administrative Agent or such Secured Party to or for the credit or the account of such Grantor or any part thereof in such amounts as the Administrative Agent or such Secured Party may elect, against and on account of the obligations and liabilities of such Grantor to the Administrative Agent or such Secured Party hereunder and claims of every nature and description of the Administrative Agent or such Secured Party against such Grantor in any currency, whether arising hereunder, under the Credit Agreement or, any other Loan Document, as the Administrative Agent or such Secured Party may elect, whether or not the Administrative Agent or any Secured Party has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The Administrative Agent and each Secured Party shall notify such Grantor promptly of any such set-off and the application made by the Administrative Agent or such Secured Party of the proceeds thereof, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Administrative Agent and each Secured Party under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Administrative Agent or such Secured Party may have.

8.7 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

8.8 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.9 Section Headings. The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

8.10 Integration. This Agreement and the other Loan Documents represent the agreement of the Grantors, the Administrative Agent and the Secured Parties with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Secured Party relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the other Loan Documents.

8.11 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

8.12 Submission To Jurisdiction; Waivers. Each Grantor, and by acceptance of the benefits hereof, the Administrative Agent and each Secured Party, hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Grantor at its address referred to in Section 8.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

8.13 Acknowledgements. Each Grantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents to which it is a party;

(b) neither the Administrative Agent nor any Secured Party has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Grantors, on the one hand, and the Administrative Agent and Secured Parties, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Secured Parties or among the Grantors and the Secured Parties.

8.14 Additional Grantors. Within ten (10) Business Days after the date on which the Borrower acquires or creates a Subsidiary that is required to become a party to this Agreement pursuant to Section 5.9(c) of the Credit Agreement, such Subsidiary shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of an Assumption Agreement in the form of Annex 1 hereto, which such execution and delivery shall occur within ten (10) Business Days after the date on which such Subsidiary was acquired or created.

8.15 Releases.

(a) At such time as the Loans and the other Obligations shall have been indefeasibly paid in full, the Collateral shall be released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and each Grantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors. At the request and sole expense of any Grantor following any such termination, the Administrative Agent shall deliver to such Grantor any Collateral held by the Administrative Agent hereunder, and execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

(b) If any of the Collateral shall be sold, transferred or otherwise disposed of by any Grantor in a transaction permitted by the Credit Agreement, then the Administrative Agent, at the request and sole expense of such Grantor, shall execute and deliver to such Grantor all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Collateral. At the request and sole expense of the Borrower, a Guarantor shall be released from its obligations hereunder in the event that all the Capital Stock of such Guarantor shall be sold, transferred or otherwise disposed of in a transaction permitted by the Credit Agreement; provided that the Borrower shall have delivered to the Administrative Agent, at least ten (10) Business Days prior to the date of the proposed release, a written request for release identifying the relevant Guarantor and the terms of the sale or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a certification by the Borrower stating that such transaction is in compliance with the Credit Agreement and the other Loan Documents.

8.16 WAIVER OF JURY TRIAL. EACH GRANTOR AND, BY ACCEPTANCE OF THE BENEFITS HEREOF, THE ADMINISTRATIVE AGENT AND EACH SECURED PARTY, HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

IN WITNESS WHEREOF, each of the undersigned has caused this Guarantee and Collateral Agreement to be duly executed and delivered as of the date first above written.

IM BRANDS, LLC

By: XCel Brands, Inc., its sole member and manager

By: /s/ Robert W. D'Loren
Name: Robert W. D'Loren
Title: Chief Executive Officer

XCEL BRANDS, INC.

By: /s/ Robert W. D'Loren
Name: Robert W. D'Loren
Title: Chief Executive Officer

[Signature Page to the Guarantee and Collateral Agreement]

Annex I
to
Guarantee and Collateral Agreement

ASSUMPTION AGREEMENT, dated as of _____, 20__, made by _____, a _____ [corporation/limited liability company/partnership] (the "Additional Grantor"), in favor of MIDMARKET CAPITAL PARTNERS, LLC, as administrative agent (in such capacity, the "Administrative Agent") for the several banks and other financial institutions (the "Lenders") from time to time parties to the Credit Agreement referred to below. All capitalized terms not defined herein shall have the meaning ascribed to them in such Credit Agreement.

WITNESSETH:

WHEREAS, IM Brands, LLC (the "Borrower"), the Lenders and the Administrative Agent have entered into a Credit Agreement, dated as of September __, 2011 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, in connection with the Credit Agreement, the Borrower and certain of its Affiliates (other than the Additional Grantor) have entered into the Guarantee and Collateral Agreement, dated as of September __, 2011 (as amended, supplemented or otherwise modified from time to time, the "Guarantee and Collateral Agreement"), in favor of the Administrative Agent for the benefit of the Lenders;

WHEREAS, the Credit Agreement requires the Additional Grantor to become a party to the Guarantee and Collateral Agreement; and

WHEREAS, the Additional Grantor has agreed to execute and deliver this Assumption Agreement in order to become a party to the Guarantee and Collateral Agreement;

NOW, THEREFORE, IT IS AGREED:

1. Guarantee and Collateral Agreement. By executing and delivering this Assumption Agreement, the Additional Grantor, as provided in Section 8.14 of the Guarantee and Collateral Agreement, hereby becomes a party to the Guarantee and Collateral Agreement as a Grantor thereunder with the same force and effect as if originally named therein as a Grantor and, without limiting the generality of the foregoing, hereby expressly assumes all obligations and liabilities of a Grantor thereunder. The information set forth in Annex 1-A hereto is hereby added to the information set forth on Schedules _____* to the Guarantee and Collateral Agreement. The Additional Grantor hereby represents and warrants that each of the representations and warranties contained in Section 4 of the Guarantee and Collateral Agreement is true and correct on and as the date hereof (after giving effect to this Assumption Agreement) as if made on and as of such date.

* Refer to each Schedule which needs to be supplemented.

2. Grant of Security Interest. The Additional Grantor hereby assigns and transfers to the Administrative Agent, and hereby grants to the Administrative Agent, for the ratable benefit of the Secured Parties, a security interest in, all of the following property now owned or at any time hereafter acquired by the Additional Grantor or in which the Additional Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Additional Grantor Collateral"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Additional Grantor's Obligations:

(a) all Accounts;

(b) all Chattel Paper;

(c) all Contracts, including, without limitation, (i) all rights of any Grantor to receive moneys due and to become due to it thereunder or in connection therewith, (ii) all rights of any Grantor to damages arising thereunder and (iii) all rights of any Grantor to perform and to exercise all remedies thereunder;

(d) all Deposit Accounts;

(e) all Documents (other than title documents with respect to Vehicles);

(f) all Acquisition Document Rights;

(g) all Commercial Tort Claims;

(h) all Equipment;

(i) all General Intangibles;

(j) all Instruments;

(k) all Intellectual Property;

(l) all Inventory;

(m) all Investment Property;

(n) all Letter-of-Credit Rights;

(o) all Goods and other property not otherwise described above;

(p) all books and records pertaining to the Collateral; and

(q) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing, all Supporting Obligations in respect of any of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing;

provided, that the Additional Grantor Collateral shall not include any Excluded Assets.

3. GOVERNING LAW. THIS ASSUMPTION AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the undersigned has caused this Assumption Agreement to be duly executed and delivered as of the date first above written.

[ADDITIONAL GRANTOR]

By: _____
Name:
Title:

Annex II
to
Guarantee and Collateral Agreement

ACKNOWLEDGEMENT AND CONSENT

The undersigned hereby acknowledges receipt of a copy of the Guarantee and Collateral Agreement dated as of September___, 2011 (the "Agreement"), made by the Grantors parties thereto for the benefit of MidMarket Capital Partners, LLC, as Administrative Agent. The undersigned agrees for the benefit of the Administrative Agent and the Lenders as follows:

1. The undersigned will be bound by the terms of the Agreement and will comply with such terms insofar as such terms are applicable to the undersigned.

2. The undersigned will notify the Administrative Agent promptly in writing of the occurrence of any of the events described in Section 5.8(a) of the Agreement.

3. The terms of Sections 5.8, 6.3(a) and 6.7 of the Agreement shall apply to it, mutatis mutandis, with respect to all actions that may be required of it, or prohibited, pursuant to Section 5.8, 6.3(a) or 6.7 of the Agreement.

[NAME OF ISSUER]

By: _____
Name:
Title:

Address for Notices:

_____

_____

_____

Fax: _____

Annex III
to
Guarantee and Collateral Agreement

DEPOSIT ACCOUNT CONTROL AGREEMENT

This DEPOSIT ACCOUNT CONTROL AGREEMENT (this "Agreement"), dated as of _ __, 2011, by and among IM Brands, LLC, a Delaware limited liability company (the "Grantor"), MidMarket Capital Partners, LLC, a Delaware limited liability company (the "Agent") and [NAME OF DEPOSITORY BANK] (the "Depository Bank"), is delivered pursuant to Section 5.4 of that certain Guarantee and Collateral Agreement (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Security Agreement"), dated as of September __, 2011 made by Grantor, XCel Brands, Inc., a Delaware corporation, and the Agent. This Agreement is entered into by the parties hereto for the purpose of perfecting the security interests of the Agent granted by the Grantor in the Deposit Accounts described below. All references herein to the "UCC" shall mean the Uniform Commercial Code as in effect from time to time in the State of New York. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Security Agreement.

1. Representations; Covenants. The Depository Bank hereby confirms and agrees that:

(a) The Depository Bank is engaged in the business of banking and is a "Bank" as such term is defined in the UCC §9-102(a)(8).

(b) The Depository Bank has established for the Grantor and maintains the deposit account(s) listed in Schedule 1 annexed hereto (such account(s), together with each such other deposit account maintained by the Grantor with the Depository Bank collectively, the "Deposit Accounts" and each a "Deposit Account"). The Grantor is the Depository Bank's customer with respect to the Deposit Accounts.

(c) Each Deposit Account is a "Deposit Account" as such term is defined in the UCC §9-102(a)(29).

(d) Each Deposit Account will be maintained in the manner set forth herein until termination of this Agreement.

(e) This Agreement is the valid and legally binding obligation of the Depository Bank.

(f) The Depository Bank has not entered into any currently effective agreement with any person relating to any Deposit Account or any of the funds credited thereto under which the Depository Bank may be obligated to comply with instructions originated by a person other than the Grantor or the Agent. Until the termination of this Agreement, the Depository Bank will not enter into any agreement with any person relating to any Deposit Account or any of the funds credited thereto under which the Depository Bank may be obligated to comply with instructions originated by a person other than the Grantor or the Agent.

2. Control.

(a) At all times from and after receipt by Depository Bank of a Notice of Sole Control (as defined below) delivered by the Agent pursuant to Section 11(a) hereof, Depository Bank shall comply solely with instructions originated by the Agent without further consent of the Grantor or any person acting or purporting to act for the Grantor being required, including, without limitation, directing disposition of the funds in each Deposit Account, thereby granting the Agent "control" over the Deposit Accounts under UCC §9-104(a)(2).

(b) At all times prior to receipt by Depository Bank of a Notice of Sole Control delivered by Agent pursuant to Section 11(a) hereof, Depository Bank shall comply with instructions directing the disposition of funds in each Deposit Account originated by the Grantor or its authorized representatives. The Depository Bank shall comply with, and is fully entitled to rely upon, any instruction from the Agent, even if such instruction is contrary to any instruction that the Grantor may give or may have given to the Depository Bank.

3. Subordination of Lien; Waiver of Set-Off.

(a) The Depository Bank hereby agrees that any security interest in, lien on, encumbrance, claim or (except as provided in the next sentence) right of set-off against, any Deposit Account or any funds therein it now has or subsequently obtains shall be subordinate to the security interest of the Agent in the Deposit Accounts and the funds therein or credited thereto.

(b) The Depository Bank agrees not to exercise any present or future right of recoupment or set-off against any of the Deposit Accounts or to assert against any of the Deposit Accounts any present or future security interest, banker's lien or any other lien or claim (including claim for penalties) that the Depository Bank may at any time have against or in any of the Deposit Accounts or any funds therein; provided, however, that the Depository Bank may set off (i) all amounts due to the Depository Bank in respect of its customary fees and expenses for the routine maintenance and operation of the Deposit Accounts, including overdraft fees, and (ii) the face amount of any checks or other items which have been credited to any Deposit Account but are subsequently returned unpaid because of uncollected or insufficient funds).

4. Depository Bank's Responsibility.

(a) The Depository Bank will not be liable to the Agent for complying with instructions concerning the Deposit Accounts from the Grantor that are received by the Depository Bank before the Depository Bank receives, and has a reasonable opportunity to act on, a Notice of Sole Control.

(b) The Depository Bank will not be liable to the Grantor or the Agent for complying with a Notice of Sole Control or with instructions concerning the Deposit Accounts originated by the Agent, even if the Grantor notifies the Depository Bank that the Agent is not legally entitled to issue the Notice of Sole Control or instructions unless the Depository Bank takes the actions after it is served with an injunction, restraining order, or other legal process enjoining it from doing so, issued by a court of competent jurisdiction, and had a reasonable opportunity to act on the injunction, restraining order or other legal process.

(c) This Agreement does not create any obligation of the Depository Bank except for those expressly set forth in this Agreement and Article 4 of the UCC. In particular, the Depository Bank need not investigate whether the Agent is entitled under the Agent's agreements with the Grantor to give instructions concerning any Deposit Account or a Notice of Sole Control. The Depository Bank may rely on notices and communications it believes to be given by the appropriate party.

5. Indemnification and Reimbursement. The Grantor agrees to indemnify the Depository Bank, its officers, directors, employees and agents against all claims incurred, sustained or payable by the Depository Bank, or such other indemnitee, arising out of this Agreement except to the extent caused by the Depository Bank's, or such other indemnitee's bad faith, gross negligence or wilful misconduct.

6. Choice of Law; Waiver of Jury Trial.

(a) Both this Agreement and the Deposit Accounts shall be governed by the laws of the State of New York. Regardless of any provision in any other agreement, for purposes of the UCC, New York shall be deemed to be the Depository Bank's jurisdiction and the Deposit Account(s) shall be governed by the laws of the State of New York. The Depository Bank and the Grantor may not change the law governing any Deposit Account without the Agent's prior written consent.

(b) EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN

7. Submission To Jurisdiction; Waivers. Each party hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party in accordance with Section 14 hereof;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this section any special, exemplary, punitive or consequential damages.

8. Conflict with Other Agreements. As of the date hereof, there are no other agreements entered into between the Depository Bank and the Grantor with respect to any Deposit Account or any funds credited thereto (other than standard and customary documentation with respect to the establishment and maintenance of such Deposit Accounts). The Depository Bank and the Grantor will not enter into any other agreement with respect to any Deposit Account unless the Agent shall have received prior written notice thereof. The Depository Bank and the Grantor have not and will not enter into any other agreement with respect to control of the Deposit Accounts or purporting to limit or condition the obligation of the Depository Bank to comply with any orders or instructions with respect to any Deposit Account as set forth in Section 2 hereof without the prior written consent of the Agent acting in its sole discretion. In the event of any conflict with respect to control over any Deposit Account between this Agreement (or any portion hereof) and any other agreement now existing or hereafter entered into, the terms of this Agreement shall prevail.

9. Certain Agreements. As of the date hereof, the Depository Bank has furnished to the Agent the most recent account statement issued by the Depository Bank with respect to each of the Deposit Accounts and the cash balances held therein. Each such statement accurately reflects the assets held in such Deposit Account as of the date thereof.

10. Notice of Adverse Claims. Except for the claims and interests of the Agent and of the Grantor in the Deposit Accounts, the Depository Bank on the date hereof does not know of any claim to, security interest in, lien on, or encumbrance against, any Deposit Account or in any funds credited thereto and does not know of any claim that any person or entity other than the Agent has been given control (within the meaning of UCC §9-104) of any Deposit Account or any such funds. If the Depository Bank becomes aware that any person or entity is asserting any lien, encumbrance, security interest or adverse claim (including any writ, garnishment, judgment, warrant of attachment, execution or similar process or any claim of control) against any funds in any Deposit Account, the Depository Bank shall promptly notify the Agent and the Grantor thereof.

11. Maintenance of Deposit Accounts. In addition to the obligations of the Depository Bank in Section 2 hereof, the Depository Bank agrees to maintain the Deposit Accounts as follows:

(a) **Notice of Sole Control.** If at any time the Agent delivers to the Depository Bank a notice instructing the Depository Bank to terminate Grantor's access to any Deposit Account in substantially the form attached hereto as Exhibit A (a "Notice of Sole Control"), the Depository Bank agrees that, after receipt of such notice, it will take all instructions with respect to such Deposit Account solely from the Agent, terminate all instructions and orders originated by the Grantor with respect to the Deposit Accounts or any funds therein, and cease taking instructions from the Grantor, including, without limitation, instructions for distribution or transfer of any funds in any Deposit Account.

(b) **Deposit Account Information.** If the Agent requests, the Depository Bank will provide to the Agent, whether by internet access or otherwise, a copy of each periodic account statement relating to the Deposit Account ordinarily furnished by the Depository Bank to the Grantor. The Grantor authorizes the Depository Bank to provide the Agent, whether by internet access or otherwise, any other information concerning the Deposit Account that the Depository Bank may agree to provide to the Agent at the Agent's request.

12. Binding Effect. The terms of this Agreement shall become effective when it has been executed by the Grantor, the Agent and the Depository Bank, and thereafter shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and permitted transferees.

13. Notices. All notices, requests and demands to or upon the Agent or any Grantor hereunder shall be effected in the manner provided for in Section 10.2 of the Credit Agreement; provided that any such notice, request or demand to or upon Depository Bank shall be addressed to its notice address set forth on Schedule 2 attached hereto.

14. Termination; Survival.

(a) Except as otherwise provided in this Section 14, this Agreement and the obligations of the Depository Bank hereunder shall continue in effect until the security interests of the Agent in the Deposit Accounts and any and all funds therein have been terminated pursuant to the terms of the Security Agreement and the Agent has notified the Depository Bank of such termination in writing**.** This Agreement may be terminated by:

(i) the Agent at any time by written notice to the other parties;

(ii) the Depository Bank, at any time by written notice delivered to the Agent and the Grantor not less than 30 days prior to the effective termination date.

(b) Prior to any termination of this Agreement pursuant to this Section 14, the Depository Bank hereby agrees that it shall promptly take, at Grantor's sole cost and expense, all actions necessary to transfer any funds in the Deposit Accounts to the institution designated in writing by the Agent.

(c) Sections 4 and 5 of this Agreement will survive termination of this Agreement.

15. Fees and Expenses. The Depository Bank agrees to look solely to the Grantor for payment of any and all fees, costs, charges and expenses incurred or otherwise relating to the Deposit Accounts and services provided by the Depository Bank hereunder (collectively, the "Account Expenses"), and the Grantor agrees to pay such Account Expenses to the Depository Bank on demand therefor**.** The Grantor acknowledges and agrees that it shall be, and at all times remains, solely liable to the Depository Bank for all Account Expenses.

16. Severability. If any term or provision set forth in this Agreement shall be invalid or unenforceable, the remainder of this Agreement, other than those provisions held invalid or unenforceable, shall be construed in all respects as if such invalid or unenforceable term or provision were omitted.

17. Amendment. No amendment to this Agreement will be binding on any party unless it is in writing and signed by all of the parties**.** Any provision of this Agreement benefiting a party may be waived only by a writing signed by that party.

18. Counterparts. This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same agreement and any party hereto may execute this Agreement by signing and delivering one or more counterparts**.** Delivery of an executed counterpart of this Agreement electronically or by facsimile shall be effective as delivery of an original executed counterpart of the agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

IM BRANDS, LLC

By: XCel Brands, Inc., its sole member and manager

By: /s/ Robert W. D'Loren
Name: Robert W. D'Loren
Title: Chairman of the Board and Chief Executive Officer

[NAME OF DEPOSITORY BANK]

By: _____

Name:
Title:

MIDMARKET CAPITAL PARTNERS, LLC

By: /s/ David Meyer

Name: David Meyer
Title: Managing Director

Schedule 1
Deposit Accounts

Schedule 2
Notice Address

Exhibit A
[to be placed on Secured Party's letterhead]

NOTICE OF SOLE CONTROL

_____, 20_____

VIA _____
[DEPOSITORY BANK]
[_____]
[_____]
Attn: _____

Re: Deposit Account Control Agreement dated as of September ___, 2011 (the "Agreement") by and among IM Brands, LLC ("Grantor"), MidMarket Capital Partners, LLC ("Agent"), and [DEPOSITORY BANK]

Ladies and Gentlemen:

The undersigned Agent hereby assumes exclusive and sole control of the Deposit Accounts, as defined in the Agreement. This constitutes a Notice of Sole Control as referred to in Section 11(a) of the Agreement, a copy of which is attached hereto.

Agent hereby orders Depository Bank to transfer funds via Fed wire daily from the Deposit Account(s) to the following account held by Agent:

_____
_____
_____

Please contact us immediately at _____ (phone number) with any questions.

MIDMARKET CAPITAL PARTNERS, LLC

By: _____

_____
Printed Name

Title: _____

Annex IV
to
Guarantee and Collateral Agreement

INTELLECTUAL PROPERTY SECURITY AGREEMENT

This INTELLECTUAL PROPERTY SECURITY AGREEMENT ("IP Security Agreement"), dated as of September __, 2011, is made by the parties listed on the signature page hereof (each a "Grantor") in favor of MIDMARKET CAPITAL PARTNERS, LLC, a Delaware limited liability company (the "Agent"), as administrative agent for the Lenders under that certain Credit Agreement dated as of September __, 2011 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among IM BRANDS, LLC, a Delaware limited liability company, the Lenders and the Agent.

WHEREAS, as a condition precedent to the making of loans by the Lenders under the Credit Agreement, each Grantor has executed and delivered to the Agent that certain Guarantee and Collateral Agreement dated as of September __, 2011, made by and among each of the signatories thereto, in favor of Agent for the benefit of the Lenders (the "Security Agreement"; capitalized terms used but not defined herein shall have the meanings given to them in the Security Agreement); and

WHEREAS, pursuant to the terms of the Security Agreement, each Grantor authorized Agent to file this short form agreement with national, federal and state government authorities, including, but not limited to, the United States Patent and Trademark Office and the United States Copyright Office.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Grantor agrees with the Agent as follows:

1. Grant of Security. Each Grantor hereby pledges and grants to the Agent for the ratable benefit of the Lenders a security interest in and to all of the right, title and interest of such Grantor in, to and under the following, wherever located, and whether now existing or hereafter arising or acquired from time to time (the "IP Collateral"):

(a) all (i) letters patent of the United States or any political subdivision thereof, (ii) applications for letters patent of the United States, and (iii) reissues, divisions, continuations and continuations-in-part, or extensions thereof, including, without limitation, any of the foregoing listed on Schedule 1 hereof and (iv) all rights to obtain any reissues or extensions of the foregoing (the "Patents");

(b) (i) all trademarks, trade names, brand names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, domain names, service marks, logos and other source or business identifiers, and all goodwill associated therewith or symbolized thereby, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any political subdivision thereof, or otherwise, and all common-law rights related thereto, including, without limitation, any of the foregoing listed on Schedule 2 hereof, and (ii) the right to obtain all renewals thereof (the "Trademarks");

(c) (i) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, in any media, whether registered or unregistered and whether published or unpublished (including, without limitation, those listed on Schedule 3 hereof), all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications in the United States Copyright Office, and (ii) the right to obtain all renewals thereof (the "Copyrights");

(d) all rights of any kind whatsoever of such Grantor accruing under any of the foregoing provided by applicable law of the United States or any political subdivision thereof;

(e) any and all royalties, fees, income, payments and other proceeds now or hereafter due or payable with respect to any and all of the foregoing; and

(f) any and all claims and causes of action, with respect to any of the foregoing, whether occurring before, on or after the date hereof, including all rights to and claims for damages, restitution and injunctive and other legal and equitable relief for past, present and future infringement, dilution, misappropriation, violation, misuse, breach or default, with the right but no obligation to sue for such legal and equitable relief and to collect, or otherwise recover, any such damages.

2. Recordation. Each Grantor authorizes the Commissioner for Patents, the Commissioner for Trademarks and the Register of Copyrights and any other government officials to record and register this IP Security Agreement upon request by the Agent.

3. Loan Documents. This IP Security Agreement has been entered into pursuant to and in conjunction with the Security Agreement, which is hereby incorporated by reference. The provisions of the Security Agreement shall supersede and control over any conflicting or inconsistent provision herein. The rights and remedies of the Agent with respect to the IP Collateral are as provided by the Credit Agreement, the Security Agreement and the other Loan Documents, and nothing in this IP Security Agreement shall be deemed to limit such rights and remedies.

4. Execution in Counterparts. This IP Security Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

5. Successors and Assigns. This IP Security Agreement will be binding on and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

6. Governing Law. This IP Security Agreement and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this IP Security Agreement and the transactions contemplated hereby and thereby shall be governed by, and construed in accordance with, the laws of the United States and the State of New York, without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction).

IN WITNESS WHEREOF, each Grantor has caused this IP Security Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

IM BRANDS, LLC

By: XCel Brands, Inc., its sole member and manager

By: /s/ Robert W. D'Loren
Name: Robert W. D'Loren
Title: Chief Executive Officer

AGREED TO AND ACCEPTED:

MIDMARKET CAPITAL PARTNERS, LLC, as Administrative Agent

By: /s/ David Meyer
Name: David Meyer
Title: Managing Director

EXHIBIT A

SCHEDULES

Schedule 1 – Issued Patents and Patent Applications
Schedule 2 – Trademark Registrations and Applications
Schedule 3 – Copyright Registrations and Applications

Annex V
to
Guarantee and Collateral Agreement

SECURITIES ACCOUNT CONTROL AGREEMENT

This SECURITIES ACCOUNT CONTROL AGREEMENT (this "Agreement") is entered into as of __, 2011 by and among IM BRANDS, LLC, a Delaware limited liability company (the "Grantor"), MIDMARKET CAPITAL PARTNERS, LLC, a Delaware limited liability company, as administrative agent under the Guarantee and Collateral Agreement (the "Secured Party") and [_____] (the "Intermediary").

PREAMBLE:

This Agreement is entered into by the parties hereto for the purpose of perfecting the security interests of the Secured Party granted by the Grantor in the Securities Accounts described below and is delivered pursuant to Section 5.11 of that certain Guarantee and Collateral Agreement (the "Guarantee and Collateral Agreement"), dated as of September [__], 2011 made by Grantor in favor of Secured Party as Administrative Agent for the Lenders from time to time parties to the Credit Agreement (as defined in the Guarantee and Collateral Agreement).

All references herein to the "UCC" shall mean the Uniform Commercial Code as in effect from time to time in the State of New York. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Guarantee and Collateral Agreement.

TERMS:

ARTICLE 1.
REPRESENTATIONS; COVENANTS

The Intermediary hereby confirms and agrees that:

1.1 The Intermediary has established and maintained, for the Grantor, the securities accounts listed in Schedule 1 annexed hereto (such accounts, together with each such other securities account maintained by the Grantor with the Intermediary (collectively, the "Securities Accounts" and each a "Securities Account"). The Grantor is the Intermediary's customer with respect to the Securities Accounts.

1.2 The Intermediary is in the business of maintaining securities accounts. It shall maintain the Securities Accounts in the same manner until the termination of this Agreement and therefore qualifies as a "Intermediary" as such term is defined under UCC §8-102(a)(14).

1.3 Each Securities Account is a "securities account" as such term is defined in the *UCC §8-501*.

1.4 The Secured Party is the "entitlement holder" as such term is defined in the UCC §8-102(a)(7).

ARTICLE 2.
"FINANCIAL ASSETS" ELECTION

All parties hereto agree that each item of Investment Property and all other property held in or credited to any Securities Account (the "Account Property") shall be treated as a "financial asset" within the meaning of UCC §8-102(a)(9).

ARTICLE 3.
ENTITLEMENT ORDER

If at any time the Intermediary shall receive an "entitlement order" (within the meaning of UCC §8-102(a)(8)) issued by the Secured Party and relating to any financial asset maintained in one or more of the Securities Accounts, the Intermediary shall comply with such entitlement order without further consent by the Grantor or any other person. At all times prior to receipt by Intermediary of a Notice of Sole Control delivered by Agent pursuant to Article 10(a) hereof, the Intermediary shall comply with instructions directing the Intermediary with respect to the sale, exchange or transfer of financial assets held in each Securities Account originated by the Grantor, or any representative of, or investment manager appointed by, a Grantor. The Intermediary shall comply with, and is fully entitled to rely upon, any entitlement order from the Secured Party, even if such entitlement order is contrary to any entitlement order that the Grantor may give or may have given to the Intermediary.

ARTICLE 4.
SUBORDINATION OF LIEN; WAIVER OF SET-OFF

4.1 The Intermediary hereby agrees that any security interest in, lien on, encumbrance, claim or (except as provided in the next sentence) right of set-off against, any Securities Account or any Account Property it now has or subsequently obtains shall be subordinate to the security interest of the Secured Party in the Securities Accounts and the Account Property therein or credited thereto.

4.2 The Intermediary hereby agrees not to exercise any present or future right of recoupment or set-off against any of the Securities Accounts or to assert against any of the Securities Accounts any present or future security interest, banker's lien or any other lien or claim (including claim for penalties) that the Intermediary may at any time have against or in any of the Securities Accounts or any Account Property therein or credited thereto; *provided*, *however*, that the Intermediary may set off amounts due to the Intermediary in respect of its customary fees and expenses for the routine maintenance and operation of the Securities Accounts and to secure or satisfy payment for Account Property.

ARTICLE 5.
INTERMEDIARY'S RESPONSIBILITY

5.1 The Intermediary will not be liable to the Secured Party for complying with instructions concerning the Securities Accounts from the Grantor that are received by the Intermediary before the Intermediary receives and has a reasonable opportunity to act on a Notice of Sole Control.

5.2 The Intermediary will not be liable to the Grantor or the Secured Party for complying with a Notice of Sole Control or with instructions concerning the Securities Accounts originated by the Secured Party, even if the Grantor notifies the Intermediary that the Secured Party is not legally entitled to issue the Notice of Sole Control or instructions unless the Intermediary takes the action after it is served with an injunction, restraining order, or other legal process enjoining it from doing so, issued by a court of competent jurisdiction, and had a reasonable opportunity to act on the injunction, restraining order or other legal process.

5.3 This Agreement does not create any obligation of the Intermediary except for those expressly set forth in this Agreement and Part 5 of Article 8 of the UCC. In particular, the Intermediary need not investigate whether the Secured Party is entitled under the Secured Party's agreements with the Grantor to give instructions concerning any Securities Account or a Notice of Sole Control. The Intermediary may rely on notices and communications it believes to be given by the appropriate party.

ARTICLE 6.
INDEMNIFICATION

The Grantor and Secured Party agree to indemnify Intermediary, its officers, directors, employees, and agents against claims, liabilities and expenses arising out of this Agreement (including reasonable attorneys' fees and disbursements), except to the extent the claims, liabilities, or expenses are caused by Intermediary's gross negligence or willful misconduct. Grantor's and Secured Party's liability under this Section is joint and several.

ARTICLE 7.
CONFLICT WITH OTHER AGREEMENTS

As of the date hereof, there are no other agreements entered into between the Intermediary and the Grantor with respect to any Securities Account or any security entitlements or other financial assets credited thereto (other than standard and customary documentation with respect to the establishment and maintenance of such Securities Accounts). The Intermediary and the Grantor will not enter into any other agreement with respect to any Securities Account unless the Secured Party shall have received prior written notice thereof. The Intermediary and the Grantor have not and will not enter into any other agreement with respect to (i) the creation or perfection of any security interest in or (ii) control of security entitlements maintained in any of the Securities Accounts or purporting to limit or condition the obligation of the Intermediary to comply with entitlement orders with respect to any Account Property held in or credited to any Securities Account as set forth in Section 2 hereof without the prior written consent of the Secured Party acting in its sole discretion. In the event of any conflict with respect to control over any Securities Account between this Agreement (or any portion hereof) and any other agreement now existing or hereafter entered into, the terms of this Agreement shall prevail.

ARTICLE 8.
CERTAIN AGREEMENTS

8.1 As of the date hereof, the Intermediary has furnished to the Secured Party the most recent accounts statement issued by the Intermediary with respect to each of the Securities Accounts and the financial assets and cash balances held therein, identifying the financial assets held therein in a manner reasonably acceptable to the Intermediary. Each such statement accurately reflects the assets held in such Securities Account as of the date hereof.

8.2 The Intermediary will, upon its receipt of each supplement to the Guarantee and Collateral Agreement by the Grantor and identifying one or more financial assets as "Pledged Collateral" enter into its records, including computer records, with respect to each Securities Account a notation with respect to any financial asset so that such records and reports generated with respect thereto identify such financial assets as "Pledged".

ARTICLE 9.
NOTICE OF ADVERSE CLAIMS

Except for the claims and interest of the Secured Party and of the Grantor in the Account Property held in or credited to the Securities Accounts, the Intermediary on the date hereof does not know of any claim to, security interest in, lien on, or encumbrance against, any Securities Account or Account Property held in or credited thereto and does not know of any claim that any person or entity other than the Secured Party has been given control (within the meaning of UCC §8-106) of any Securities Account or any such Account Property. If the Intermediary becomes aware that any person or entity is asserting any lien, encumbrance, security interest or adverse claim (including any writ, garnishment, judgment, warrant of attachment, execution or similar process or any claim of control) against any Account Property held in or credited to any Securities Account, the Intermediary shall promptly notify the Secured Party and the Grantor thereof.

ARTICLE 10.
MAINTENANCE OF SECURITIES ACCOUNTS

In addition to the obligations of the Intermediary in Section 3 hereof, the Intermediary agrees to maintain the Securities Accounts as follows:

(a) Notice of Sole Control. If at any time the Secured Party delivers to the Intermediary a notice instructing the Intermediary to terminate Grantor's access to any Securities Account in substantially the form attached hereto as Exhibit A (the "Notice of Sole Control"), the Intermediary agrees that, after receipt of such notice, it will take all instructions with respect to such Security Account solely from the Secured Party, terminate all instructions and orders originated by the Grantor with respect to the Securities Accounts or any funds therein, and cease taking instructions from the Grantor, including, without limitation, instructions for distribution or transfer of any funds in any Securities Account.

(b) Voting Rights. Until such time as the Intermediary receives a Notice of Sole Control, the Grantor, or an investment manager on behalf of the Grantor, shall direct the Intermediary with respect to the voting of any financial assets credited to any Securities Account.

(c) Securities Account Information. If the Secured Party requests, the Intermediary will provide to the Secured Party, whether by internet access or otherwise, a copy of each periodic account statement relating to the Securities Account ordinarily furnished by the Intermediary to the Grantor. The Intermediary's liability for failing to provide the account statement will not exceed the Intermediary's cost of providing the statement. The Grantor authorizes the Intermediary to provide the Secured Party, whether by internet access or otherwise, any other information concerning the Securities Account that Secured Party may request.

(d) Perfection in Certificated Securities. The Intermediary acknowledges that, in the event that it should come into possession of any certificate representing any security or other Account Property held in or credited to any of the Securities Accounts, the Intermediary shall retain possession of the same on behalf and for the benefit of the Secured Party and such act shall cause the Intermediary to be deemed holding such certificate for the Secured Party, if necessary to perfect the Secured Party's security interest in such securities or assets. The Intermediary hereby acknowledges its receipt of a copy of the Guarantee and Collateral Agreement, which shall also serve as notice to the Intermediary of a security interest in collateral held on behalf and for the benefit of the Secured Party. The Intermediary shall provide Secured Party prompt notice of possession of any such certificate and upon request of Secured Party, deliver the original of each such certificate to Secured Party.

ARTICLE 11.
BINDING AFFECT; ASSIGNMENT

The terms of this Agreement shall become effective when it has been executed by the Grantor, the Secured Party and the Intermediary, and thereafter shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and permitted transferees.

ARTICLE 12.
NOTICES

A notice or other communication to a party under this Agreement will be in writing (except that entitlement orders may be given orally), will be sent to the party's address set forth below or to such other address as the party may notify the other parties and will be effective on receipt.

ARTICLE 13.
TERMINATION; SURVIVAL

Secured Party may terminate this Agreement by notice to Intermediary and Grantor. Intermediary may terminate this Agreement on sixty (60) days' notice to Secured Party and Grantor. Upon receipt of such notice of termination from the Intermediary, Secured Party may direct Intermediary to sell and/or transfer all Account Property and Intermediary shall comply with such direction prior to the effective date of any termination. If Secured Party notifies Intermediary that Secured Party's security interest in the Account has terminated, this Agreement will immediately terminate.

Sections 5 and 6 will survive termination of this Agreement.

ARTICLE 14.
FEES AND EXPENSES

The Intermediary agrees to look solely to the Grantor for payment of any and all fees, costs, charges and expenses incurred or otherwise relating to the Securities Accounts and services provided by the Intermediary hereunder (collectively, the "Account Expenses"), and the Grantor agrees to pay such Account Expenses to the Intermediary on demand therefor. The Grantor acknowledges and agrees that it shall be, and at all times remains, solely liable to the Intermediary for all Account Expenses.

ARTICLE 15.
SEVERABILITY

To the extent a provision of this Agreement is unenforceable, this Agreement will be construed as if the unenforceable provision were omitted.

ARTICLE 16.
CHOICE OF LAW

Both this Agreement and the Securities Accounts shall be governed by the laws of the State of New York. Regardless of any provision in any other agreement, for purposes of the UCC, New York shall be deemed to be the Intermediary's jurisdiction and the Securities Accounts (as well as the securities entitlements related thereto) shall be governed by the laws of the State of New York.

ARTICLE 17.
JURY WAIVER

TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, ANY RIGHTS, REMEDIES, OBLIGATIONS, OR DUTIES HEREUNDER, OR THE PERFORMANCE OR ENFORCEMENT HEREOF OR THEREOF.

ARTICLE 18.
AMENDMENTS

No amendment to this Agreement will be binding on any party unless it is in writing and signed by all of the parties. Any provision of this Agreement benefiting a party may be waived only by a writing signed by that party.

ARTICLE 19.
COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing and delivering one or more counterparts.

[Signature page follows. Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

GRANTOR:

IM BRANDS, LLC

By: /s/ Robert W. D'Loren
Name: Rober W. D'Loren
Its: Chairman of the Board and Chief Executive Officer

ADDRESS:

IM Brands, LLC
475 Tenth Avenue, 4th Floor
New York, New York 10018
Attn: Chief Executive Officer and Chief Financial Officer

SECURED PARTY

MIDMARKET CAPITAL PARTNERS, LLC

By: _____
Name: _____
Its: _____

ADDRESS:

MidMarket Capital Partners, LLC
430 Park Avenue
New York, New York 10022
Attn: [_____]

INTERMEDIARY:

[_____]

By: _____
Name: _____
Its: _____

ADDRESS:

SCHEDULE 1

SECURITIES ACCOUNTS

Exhibit A
[to be placed on Secured Party's letterhead]

NOTICE OF SOLE CONTROL

_____, 20_____

VIA _____
[INTERMEDIARY]
[_____]
[_____]
Attn: _____

Re: Securities Account Control Agreement dated as of September ___, 2011 (the "Agreement") by and among IM Brands, LLC ("Grantor"), MidMarket Capital Partners, LLC ("Agent"), and [INTERMEDIARY]

Ladies and Gentlemen:

The undersigned Agent hereby assumes exclusive and sole control of the Securities Accounts and Account Property, each as defined in the Agreement. This constitutes a Notice of Sole Control as referred to in Section 10(a) of the Agreement, a copy of which is attached hereto.

Please contact us immediately at _____ (phone number) with any questions.

MIDMARKET CAPITAL PARTNERS, LLC

By: _____

_____
Printed Name

Title: _____

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT is dated as of September 29, 2011 (this "Agreement"), among MIDMARKET CAPITAL PARTNERS, LLC, a Delaware limited liability company, as administrative agent under the Credit Agreement (as defined below) (the "Agent"), IM READY-MADE, LLC, a New York limited liability company (the "Holder"), XCEL BRANDS, INC., a Delaware corporation ("XCel") and IM BRANDS, LLC, a Delaware limited liability company ("IMB" and collectively with XCel, the "Buyers").

WITNESSETH:

WHEREAS, pursuant to that certain Credit Agreement, dated as of September 28, 2011 (the "Credit Agreement"), by and among IMB, the Lenders parties thereto and the Agent, the Lenders have committed to make certain loans to IMB;

WHEREAS, the Buyers have acquired or will acquire certain assets and assume certain liabilities from the Holder pursuant to that certain Asset Purchase Agreement dated as of May 19, 2011 among the Buyers, the Holder, Isaac Mizrahi, and Marisa Gardini as amended by First Amendment to Asset Purchase Agreement dated July 28, 2011, Second Amendment to Asset Purchase Agreement dated as of September 15, 2011 Third Amendment to Asset Purchase Agreement dated as of September 21, 2011 and Fourth Amendment to Asset Purchase Agreement dated as of September 29, 2011 (as further amended, supplemented or modified from time to time, the "Asset Purchase Agreement");

WHEREAS, in connection with the Asset Purchase Agreement, the Holder has agreed to accept that certain Promissory Note, in the original principal amount of Seven Million Three Hundred Seventy-Seven Thousand Four Hundred Thirty-Two Dollars ($7,377,432) issued by the Buyers (the "Subordinated Note") as partial payment of the purchase price under the Asset Purchase Agreement;

WHEREAS, pursuant to the terms of the Subordinated Note, on the date the Subordinated Note is issued, the Buyers shall prepay interest in the amount of $122,568.00 being all of the interest which will accrue on the principal balance thereof in the absence of an Event of Default (as defined in the Subordinated Note) under the terms of the Subordinated Note (the "Pre-Paid Interest");

WHEREAS, in connection with the Asset Purchase Agreement, the Holder has a contingent right to receive the following earn-out payments (collectively, the "Earn-Out Payments"): (i) additional XCel Shares (as defined in the Asset Purchase Agreement) with a value based upon the Business (as defined in the Asset Purchase Agreement) achieving certain Net Royalty Income (as defined in the Asset Purchase Agreement) targets, such earn-out values as enumerated in the Asset Purchase Agreement, and (ii) the QVC Earn-Out (as defined in the Asset Purchase Agreement) payable in either cash or additional XCel Shares based upon revenues received from QVC (as defined in the Asset Purchase Agreement), as enumerated in the Asset Purchase Agreement; and

WHEREAS, the Holder is willing to subordinate the Subordinated Obligations (as defined below) on the terms set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1.
DEFINITIONS

(a) As used in this Agreement, the following terms shall have the following meanings:

"Collection Action" means to initiate or participate with others in any suit, action or proceeding against any Buyer to (i) enforce payment of or to collect the whole or any part of the Subordinated Obligations or (ii) commence judicial enforcement of any of the rights and remedies under applicable law, the Subordinated Note, or any other documents evidencing, securing or otherwise related to the Subordinated Obligations.

"Default Interest Payments" means any payments with respect to interest accrued under the Subordinated Note due to the occurrence of an Event of Default (as defined in the Subordinated Note).

"Indebtedness" of any Person at any date, means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of Property or services (other than trade payables incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such Property), (e) all obligations relating to Lease required to be capitalized in accordance with generally accepted accounting principles, (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under acceptance, letter of credit, surety bond or similar facilities, (g) all obligations of such Person, contingent or otherwise, to purchase, redeem, retire or otherwise acquire for value any equity security of such Person, (h) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (g) above, (i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any lien on property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation and (j) all obligations of such Person in respect of interest rate or currency forwards, options, swaps, caps or collar agreements, foreign exchange agreements, commodity contracts or similar arrangements. The Indebtedness of any Person shall include, without duplication, the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness expressly provide that such Person is not liable therefor

"Lender Obligations" means all Liabilities of the Buyers (whether as borrower or guarantor) owing to, or in favor or for the benefit of, or purporting to be owing to, or in favor or for the benefit of the Agent, any Lenders or any other Secured Party, including (a) those under the Credit Agreement, the Notes executed in connection therewith or any other Loan Documents and (b) those under any amendment (including an increase in the principal amount or interest rate) of such Liabilities under any Loan Document or any renewal, extension or refinancing of such Liabilities under any Loan Document; in each case (x) WHETHER NOW EXISTING OR HEREAFTER ARISING OR ACQUIRED, AND (y) WHETHER OR NOT AN ALLOWABLE CLAIM AGAINST ANY BUYER UNDER THE BANKRUPTCY CODE OR OTHERWISE ENFORCEABLE AGAINST ANY BUYER, AND INCLUDING, IN ANY EVENT, INTEREST AND OTHER LIABILITIES ACCRUING OR ARISING AFTER THE FILING BY OR AGAINST ANY BUYER OF A PETITION UNDER THE UNITED STATES BANKRUPTCY CODE OR THAT WOULD HAVE SO ACCRUED OR ARISEN BUT FOR THE FILING OF SUCH A PETITION; provided, that (i) Lender Obligations shall continue to constitute Lender Obligations for all purposes of this Agreement, and this Agreement shall continue to apply to such Lender Obligations, whether or not such Lender Obligations or any party thereof has been voided, disallowed or subordinated pursuant to Section 548 of the United States Bankruptcy Code or any applicable state fraudulent conveyance laws, whether asserted directly or under Section 544 of the United States Bankruptcy Code and (ii) if any payment on account of Lender Obligations shall be required to be returned as a preference or otherwise such Lender Obligations shall for all purposes of this definition be deemed not to have been repaid in the amount so required to be returned and to have at all times remained outstanding.

"Liability" of any Person means (in each case, whether with full or limited recourse) any indebtedness, liability, obligation, covenant or duty of or binding upon, or any term or condition to be observed by or binding upon, such Person or any of its assets, of any kind, nature or description, direct or indirect, absolute or contingent, due or not due, contractual or tortuous, liquidated or unliquidated, whether arising under contract, applicable law, or otherwise, whether now existing or hereafter arising, and whether for the payment of money or the performance or non-performance of any act.

"Note Scheduled Payments" means the payment of the Pre-Paid Interest in cash and the capitalization of accrued interest on the Subordinated Note at a rate not to exceed 15.0% per annum not more frequently than on a quarterly basis.

"Subordinated Obligations" shall mean all Liabilities of any Buyer to the Holder, WHETHER NOW EXISTING OR HEREAFTER ARISING, under the Subordinated Note; provided, that such Liabilities shall not include any payments to be made under the Subordinated Note by the issuance of XCel Shares.

Capitalized terms used, and not otherwise defined, herein shall have the meanings ascribed thereto in the Credit Agreement.

SECTION 2.
SUBORDINATION

2.1 Subordination of Payment.

(a) The Subordinated Obligations shall be subordinate and subject in right of payment to the prior payment in full of the Lender Obligations and, except as hereinafter provided, the Holder will not take or receive from the Buyers, by set-off or in any other manner, payment of the whole or any part of the Subordinated Obligations or any Earn-Out Payment, or any security therefor, unless and until all of the Lender Obligations shall have been paid in full. The Holder will not take any action to prevent the Buyers from making such prior payment to the Agent or any other Secured Party in respect of the Lender Obligations.

(b) Except as permitted herein, the Buyers will not, and will not permit any of their Affiliates, to purchase or otherwise acquire or secure or make any payments in respect of the Subordinated Obligations or any Earn-Out Payment unless and until all of the Lender Obligations shall have been fully paid.

(c) In the event that a Royalty Shortfall Payment (as defined in the Asset Purchase Agreement) shall be due to the Buyers pursuant to the Asset Purchase Agreement, any such payment shall be made in immediately available funds to the Buyers and no Buyer shall satisfy any Royalty Shortfall Payment by decreasing the principal balance of the Subordinated Note or offsetting such amount against any other obligation of such Buyer to the Holder (including in respect of the Earn-Out Payments).

(d) Unless all of the Lender Obligations shall have been paid in full, the Holder agrees that any Earn-Out Payments due to the Holder shall be paid solely in XCel Shares.

2.2 Payment on Subordinated Note. Except as permitted in this Section 2.2, anything in this Agreement to the contrary notwithstanding, the Buyers shall not pay to the Holder any payment on the Subordinated Note, or any other amounts due in respect of the Subordinated Obligations; provided, however, that, the Buyers may make the Note Scheduled Payment in respect of the Subordinated Note. Notwithstanding anything to the contrary herein, the Buyers may (i) pay the Pre-Paid Interest concurrent with the execution of this Agreement and (ii) subject to Section 2.1(d), make the Earn-Out Payments to the Holder when and to the extent due.

2.3 Implementation. In furtherance of, and to make effective, the subordination effected by Section 2.1:

(a) In the event of any distribution, division or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the assets of any Buyer, or the proceeds thereof, to creditors of any Buyer, or upon any indebtedness of any Buyer, by reason of the liquidation, dissolution or other winding up of any Buyer or any Buyer's business, or any sale, receivership, insolvency or bankruptcy proceeding, or assignment for the benefit of creditors, or any proceeding by or against any Buyer for any relief under any bankruptcy or insolvency law or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, compositions or extensions (collectively, "Proceedings"), then and in any such event any payment or distribution of any kind or character, either in cash, securities or other property, which but for Article 2 of this Agreement would be payable or deliverable upon or with respect to any or all of the Subordinated Obligations shall instead be paid or delivered directly to the Agent for application on the Lender Obligations, whether then due or not due, until the Lender Obligations shall have first been fully paid and satisfied.

(b) In connection with any Proceeding, the Holder hereby irrevocably authorizes and empowers the Agent to demand, sue for, collect and receive every such payment or distribution and give acquittance therefor, and to file claims and take such other proceedings, in the Agent's own names or in the name of the Holder, or otherwise, as the Agent may deem reasonably necessary or advisable for the enforcement of the provisions of this Agreement. The Holder agrees duly and promptly to take such action as may be reasonably requested by the Agent to collect the Subordinated Obligations held by it for the account of the Agent and/or to file appropriate proofs of claim in respect to the Subordinated Obligations, and to execute and deliver to the Agent on demand such powers of attorney, proofs of claim, assignments of claim or proofs of claim, votes in favor of plans of reorganization and other instruments as may be requested by the Agent in order to enable the Agent to enforce any and all claims upon or with respect to the Subordinated Obligations, and to collect and receive any and all such payments or distributions which may be payable or deliverable at any time upon or with respect to the Subordinated Obligations held by it. Notwithstanding the foregoing, (i) if the Agent fails to file any proof of claim prior to ten (10) days before due, the Holder shall be entitled to file proof(s) of claims in any proceeding provided such proof of claim is not inconsistent with the terms of this Agreement, and (ii) the Holder may file any necessary responsive pleadings in opposition to any motion, adversary proceeding or other pleading made by any Person objecting to or seeking disallowance of its claims and (iii) the Holder may vote in favor of any plan of reorganization which is not inconsistent with the terms of this Agreement.

(c) Should any payment or distribution or security or proceeds of any security be received by the Holder upon or with respect to the Subordinated Obligations or the Earn-Out Payment that is not permitted to be paid hereunder, the Holder will forthwith deliver the same to the Agent in precisely the form received (except for the endorsement or assignment of the Holder where necessary) for application on the Lender Obligations, and, until so delivered, the same shall be held in trust by the Holder as property of the Agent. In the event of the failure of the Holder to make any such endorsement or assignment, the Agent, or any of its officers or employees, is hereby irrevocably authorized to make the same.

(d) **If requested by the Agent, the Holder will mark and maintain in its books of accounts notations and shall cause its financial statements to reflect the rights and priorities of the Agent hereunder. The Holder will at all times cause the following legend to be conspicuously marked on each document or instrument evidencing the Subordinated Obligations: "THE RIGHTS OF THE HOLDER HEREUNDER ARE SUBJECT TO THE TERMS AND CONDITIONS OF THE SUBORDINATION AGREEMENT DATED AS OF SEPTEMBER 26, 2011 AMONG MIDMARKET CAPITAL PARTNERS, LLC, THE HOLDER PARTY THEREIN, XCEL BRANDS, INC. AND IM BRANDS, LLC (AS AMENDED, SUPPLEMENTED OR MODIFIED FROM TIME TO TIME, THE "SUBORDINATION AGREEMENT") AND PAYMENT OF ANY AMOUNT TO THE HOLDER HEREUNDER IS EXPRESSLY SUBORDINATE TO THE PRIOR PAYMENT OF THE LENDER OBLIGATIONS (AS DEFINED IN THE SUBORDINATION AGREEMENT)."**

(e) The Holder shall not permit the Subordinated Obligations to be subordinated to any other Liability pursuant to any subordination or similar agreement.

(f) The Holder shall not accelerate any Subordinated Obligations or enforce any mandatory prepayment or repurchase thereof and the Holder shall not commence any action or proceeding against the Buyers or take any other action to recover all or any part of the Subordinated Obligations, including any Collection Action. Without limiting the foregoing, the Holder shall not join with any creditor, unless requested by the Agent, in bringing any proceedings against the Buyers under any bankruptcy, reorganization, readjustment of debt, arrangement of debt, receivership, liquidation or insolvency law or statute of the Federal or any state government unless and until the Lender Obligations shall be paid in full.

(g) Notwithstanding the terms and conditions of the Asset Purchase Agreement or the Subordinated Note or any UCC financing statement, the Holder acknowledges and agrees that it does not have and shall not acquire any right, title or interest in or to any of the Collateral, whether now owned or hereafter acquired as security for any of the Subordinated Obligations.

2.4 Subrogation. The Holder hereby agrees not to assert any rights of subrogation in respect of payments or distributions of assets of any Buyer made to, retained by or remitted to the Agent until such time as the Lender Obligations have been paid in full. The Holder shall execute and deliver such further documents or instruments as the Agent may reasonably request in order to give effect to the provisions of this Agreement.

2.5 Subordination Not Affected. The Agent may, at any time and from time to time, without the consent of, or notice to, the Holder, without incurring liability to the Holder, and without impairing or releasing the obligations of the Holder under this Agreement, change the manner, place or terms of payment or change the time of payment of, or extend, increase, renew, alter, waive, release or compromise the Lender Obligations or any security therefor, or amend or modify in any manner any agreement, note, guaranty or other instrument evidencing or securing or otherwise relating to any Lender Obligations. All rights and interests of the Agent hereunder, and all agreements and obligations of the Holder and the Buyers under this Agreement shall remain in full force and effect irrespective of (i) any lack of validity or enforceability of any Lender Obligations or the Credit Agreement, the Note or any other Loan Document, (ii) any change, restructuring or termination of the corporate structure or existence of any Buyer, (iii) any amendment or modification of or supplement to the Credit Agreement, the Note or any Loan Document, (iv) the release, exchange, sale or surrender, in whole or in part, of any collateral security hereafter existing for any Lender Obligations, (v) any exercise or non-exercise of any right, power or remedy under or in respect of the Lender Obligations, (vi) any waiver, consent, release, indulgence or other action with respect to Lender Obligations, or (vii) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Buyers or the Holder. This Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Lender Obligations is rescinded or must otherwise be returned by the Agent upon the insolvency, bankruptcy or reorganization of any Buyer or otherwise, all as though such payment had not been made.

SECTION 3.
REPRESENTATIONS AND WARRANTIES; COVENANTS

3.1 Representations and Warranties. The Holder represents and warrants that:

(a) it has full legal capacity and authorization to execute and deliver and has duly executed and delivered this Agreement;

(b) this Agreement constitutes a legal, valid and binding obligation of the Holder enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law);

(c) the execution, delivery and performance by the Holder of this Agreement does not and will not violate any applicable provision of law or regulation or of any judgment, order or decree of any court, arbitrator or governmental authority, or of any agreement of any nature whatsoever, binding upon such Holder or its assets;

(d) all consents, approvals and exemptions required on the part of the Holder in connection with the execution, delivery, performance, validity or enforceability of this Agreement have been obtained and are in full force and effect; and

(e) other than as contemplated by the Subordinated Note and the Asset Purchase Agreement and any Related Agreements (as defined in the Asset Purchase Agreement) and the QVC Agreement (as defined in the Asset Purchase Agreement), neither Buyer has any Indebtedness or other Liabilities outstanding in favor of the Holder.

3.2 Additional Covenants of the Holder.

(a) Without the prior written consent of the Agent, the Holder shall not amend, modify or supplement any of the terms or conditions of any Subordinated Obligations, including but not limited to, the terms of the Subordinated Note and Sections 3.3(iii), 3.4 and 3.6 of the Asset Purchase Agreement.

(b) The Holder shall not sell, assign or otherwise transfer, in whole or in part, any Subordinated Obligations or any interest therein, or any right to receive any Earn-Out Payment unless the transferee or assignee thereof shall execute such documents as the Agent may reasonably request to evidence their assumption of all obligations arising under this Agreement, including a joinder substantially in the form of Exhibit A.

SECTION 4.
MISCELLANEOUS

4.1 Waivers by the Holder. All Lender Obligations shall be deemed to have been made or incurred in reliance upon this Agreement. The Holder expressly waives all notice of the acceptance by the Agent of the subordination and other provisions of this Agreement, and expressly waives proof of reliance by the Agent upon the subordination and other agreements herein set forth. The Agent shall have no liability to the Holder for the failure to deliver any notice or other communication to the Holder, or for any and all actions which the Agent, in good faith and without willful misconduct, take or omit to take with respect to the agreements or instruments creating, evidencing or securing Lender Obligations or the collection of the Lender Obligations.

4.2 Continuing Agreement; Assignments Under the Credit Agreement. This Agreement is a continuing agreement and shall (i) remain in full force and effect until the payment in full of the Lender Obligations, (ii) be binding upon the Holder, the Buyers and their respective successors and assigns, and (iii) inure to the benefit of and be enforceable by, the Agent and its respective successors, transferees and assigns.

4.3 Notices**.** All notices, demands, requests, consents, approvals and other communications required or permitted hereunder will be in writing and will be conclusively deemed to have been received by a party hereto and to be effective if delivered personally to such party, or sent by telecopy or by overnight courier service, or by certified or registered mail, return receipt requested, postage prepaid, addressed to such party at the address set forth below or to such other address as any party may give to the other in writing for such purpose:

To Agent:	MidMarket Capital Partners, LLC 430 Park Avenue New York, New York 10022 Attn: Gabriel Gengler Telecopy: (866) 376-4175 Telephone: (646) 202-9454
With a copy to:	Keating Muething & Klekamp PLL One East Fourth Street Suite 1400 Cincinnati, Ohio 45202 Attn: John S. Fronduti Telecopy: (513) 579-6457 Telephone: (513) 579-6400
To Holder:	IM Ready-Made, LLC 475 Tenth Avenue, 4th Floor New York, New York 10018 Attn: President Telecopy: (347) 727-2479 Telephone: (347) 727-2474
With a copy to:	Robinson & Cole, LLP 1055 Washington Blvd. Stanford, Connecticut 06901 Attn.: Eric J. Dale, Esq. Telecopy: (203) 462-7599 Telephone: (203) 462-7568

To Buyers:	IM Brands, LLC 475 Tenth Avenue, 4th Floor New York, New York 10018 Attn: Chief Executive Officer and Chief Financial Officer Telecopy: (347) 727-2479 Telephone: (347) 727-2474
	XCel Brands, Inc 475 Tenth Avenue, 4th Floor New York, New York 10018 Attn: Chief Executive Officer and Chief Financial Officer Telecopy: (347) 727-2479 Telephone: (347) 727-2474
With a copy to:	Blank Rome LLP The Chrysler Building 405 Lexington Avenue New York, New York 10174 Attn: Robert J. Mittman, Esq. Telecopy: (212) 885-5000 Telephone: (212) 885-5555

All such communications, if personally delivered, will be conclusively deemed to have been received by a party hereto and to be effective when so delivered, or if sent by telecopy on the day on which transmitted, or if sent by overnight courier service, on the day after deposit thereof with such service, or if sent by certified or registered mail, on the third business day after the day on which deposited in the mail.

4.4 Buyers Consent. Each Buyer acknowledges and consents to the terms and conditions of this Agreement and agrees to comply with the terms and conditions hereof. In furtherance of the foregoing, the Buyers will not make any payments in respect of the Subordinated Obligations other than in compliance with the terms and conditions hereof.

4.5 Governing Law. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

4.6 Jurisdiction. EACH OF THE PARTIES HERETO IRREVOCABLY AGREES AND SUBMITS TO THE NON-EXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK, THE COURTS OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS FROM ANY THEREOF AND WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS AND ANY OBJECTION TO VENUE OF ANY SUCH ACTION OR PROCEEDING.

4.7 Waiver of Jury Trial. THE PARTIES HERETO EACH WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, THE SUBORDINATED OBLIGATIONS, THE LENDER OBLIGATIONS OR ANY ACTUAL OR PROPOSED TRANSACTION OR OTHER MATTER CONTEMPLATED IN OR RELATING TO ANY OF THE FOREGOING.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto as of the day and year first above written.

AGENT:

MIDMARKET CAPITAL PARTNERS, LLC,
as Administrative Agent

By: /s/ David Meyer
Name: David Meyer
Title: Managing Director

HOLDER:

IM READY-MADE, LLC

By: /s/ Marisa Gardini
Name: Marisa Gardini
Title: President and Chief Executive Officer

BUYERS:

XCEL BRANDS, INC.

By: /s/ Robert W. D'Loren
Name: Robert W. D'Loren
Title: Chairman of the Board and Chief Executive Officer

IM BRANDS, LLC

By: /s/ Robert W. D'Loren
Name: Robert W. D'Loren
Title: Chairman of the Board and Chief Executive Officer

Exhibit A

Joinder to Subordination Agreement

Reference is hereby made to the Subordination Agreement (as amended, restated, supplemented or otherwise modified from time to time, the "Agreement"), dated as of September 26, 2011, among MidMarket Capital Partners, LLC, a Delaware limited liability company, IM Ready-Made, LLC, a New York limited liability company, XCel Brands, Inc., a Delaware corporation and IM Brands, LLC, a Delaware limited liability company. Capitalized terms used herein and not defined herein shall have the meanings given to them in the Agreement. The undersigned, [NAME OF NEW HOLDER], a [_____] [corporation/limited liability company/limited partnership/ individual] (the "New Holder") has acquired an interest in all or a portion of [the Subordinated Obligations] [the Earn-Out Payments]. By its execution below, the New Holder agrees to become, and does hereby become, a Holder under the Agreement and agrees to be bound by the Agreement and to comply with all obligations thereunder as if originally a party thereto. By its execution below, the New Holder represents and warrants that (a) it has received a copy of the Agreement and made such review of the Agreement as it has determined is necessary and (b) as to itself, all of the representations and warranties of the Holder contained in the Agreement are true and correct in all respects as of the date hereof.

IN WITNESS WHEREOF, the New Holder has executed and delivered this Joinder to the Subordination Agreement as of this _____ day of _____, 20___.

[NAME OF NEW HOLDER]

By: _____

Name: _____

Title: _____

August 12, 2011

Mr. Todd Slater
1 Blackstone Place
Bronx NY 10471

Dear Todd:

This letter sets forth the terms and condition of the agreement (the “Agreement”) between Xcel Brands, Inc. ("Xcel”) and Todd Slater ("TS" and collectively with Xcel, the “Parties”) regarding TS contacting potential third party licensees or distributors (each, a “Potential Licensee” and collectively, the “Potential Licensees”) and introducing them to Xcel for purposes of Xcel entering into a License Agreement (as defined below) with a Potential Licensee:

1. Contacting Potential Licensees. During the Term (as defined below) TS may contact Potential Licensees and introduce them to Xcel, provided that TS has requested and obtained Xcel’s approval to do same, as follows:

   (a.) Request Notice. Once TS has identified a Potential Licensee, TS shall send a written notice to Xcel (in the form attached hereto as Exhibit A) (the “Request Notice”) setting forth the name and address of the Potential Licensee and a description of the product categories sought to be sold by the Potential Licensee. If, after receiving such Request Notice, Xcel desires TS to formally pursue discussions with the Potential Licensee for the purpose of having Xcel enter into a License Agreement or Distribution Agreement with the Potential Licensee, then Xcel shall countersign and return the Request Notice to TS within five (5) days of Xcel’s receipt of the Request Notice. If such Request Notice is not countersigned and returned to TS within such five (5) day period, then TS shall not have the right to engage in discussions with the Potential Licensee on behalf of Xcel. If such Request Notice is countersigned and returned to TS within such five (5) day period, then TS shall have the right to engage in such discussions for a period not to exceed three (3) months from the date of the Request Notice.

   (b.) Initial Meeting. If, after receiving a countersigned Request Notice from Xcel, TS arranges a meeting (the “Initial Meeting”) (which Initial Meeting shall be subject to Xcel’s advance written consent, which consent Xcel may withhold in its sole discretion) between representative(s) of Potential Licensee and Xcel, then such Potential Licensee shall be deemed a “TS Contact” hereunder. The Initial Meeting may take place in person or via telephone conference call.

2. Commissions. Following the Initial Meeting, if any, Xcel may, in its sole discretion, enter into a License Agreement or Distribution Agreement with the TS Contact. If, during the Term (or after the Term as provided below), Xcel enters into a License Agreement or Distribution Agreement with the TS Contact then, and only in such event, shall Xcel pay a commission to TS (the "Commission"), as follows:

   (a.) License Agreement. For a License Agreement, TS shall be entitled to receive a Commission equal to fifteen (15%) percent of all Net Royalties (as defined below) actually received by Xcel during the first term of such License Agreement. For purposes hereof, "License Agreement" means a contract between Xcel and a TS Contact which grants to the TS Contact a license to use Xcel's trademarks, tradedress, logos, or other brand identifying information associated with the name "ISAAC MIZRAHI" (collectively, the "Trademarks") in connection with the marketing, distribution and sale of merchandise (i) manufactured by the TS Contact (or its approved subcontractors) and (ii) displaying (or otherwise incorporating) the Trademark(s), all in exchange for agreed upon compensation, typically a royalty based on sales of such merchandise. For the purposes hereof, "Net Royalties" means the royalty payments actually received by Xcel from the TS Contact under the License Agreement (excluding any advertising royalties and any taxes, foreign or domestic, withheld from or added to any royalties paid to Xcel) less any fees, costs and/or expenses (including attorneys' fees) incurred by Xcel in connection with the enforcement by Xcel of its rights to receive royalties under the License Agreement.

   (b.) Payment. Commissions shall be payable within thirty (30) days of Xcel's receipt of Net Royalties or Net Sales, as the case may be, from a TS Contact. Xcel shall provide TS with a copy of any License Agreement or Distribution Agreement entered into by Xcel hereunder. Xcel shall not be obligated to reimburse TS for any of TS's out-of-pocket costs or expenses hereunder without Xcel's prior written consent, which consent Xcel may grant or withhold in its sole discretion. Other than Commissions, if any, TS shall not be entitled to receive any other compensation from Xcel for its services hereunder.

3. Term. This term of this Agreement shall commence as of the date hereof and continue in effect for a period of one (1) year, unless terminated earlier as provided below (the "Term"). Either Xcel or TS may terminate this Agreement for any reason effective immediately upon written notice thereof to the other (a "Termination").

4. Post-Term Commissions. If, within a period of one (1) year from the expiration date or Termination of this Agreement, Xcel shall enter into a License Agreement or Distribution Agreement with a TS Contact (who was introduced to Xcel by TS during the Term in accordance with this Agreement), then Xcel shall pay a Commission to TS for the first term of such agreement in the same manner as any License Agreement or Distribution Agreement, as the case may be, entered into by Xcel during the Term hereof.

5. Confidentiality. In connection with a License Agreement or Distribution Agreement, or otherwise, TS acknowledges that it may be exposed to or receive Confidential Information of Xcel. All such Confidential Information shall remain strictly confidential, and shall not (whether during or after the Term) be used by TS or disclosed by TS to any third party without Xcel's prior written consent, which consent shall not be unreasonably withheld by Xcel if such use or disclosure is necessary for TS to render its services hereunder. For purposes hereof, "Confidential Information" means any information, trade secrets, materials, documents (including the terms of this Agreement), communications and data, whether oral or written, relating to or arising from the business activities, plans and/or affairs of Xcel, including, but not limited to, information relating to Xcel's existing and contemplated: products or services; customer lists and other customer data; supplier lists and other supplier data; sales, costs and other financial data; marketing concepts and plans; pricing and billing information; and any other information regarding Xcel that is or should be reasonably understood to be confidential or proprietary. However, Confidential Information shall not include information that is or has become publicly known through no fault or wrongdoing by TS.

   TS acknowledges that any breach by TS of the above confidentiality provisions will cause irreparable injury to Xcel, and, therefore, in addition to any other remedies available to Xcel, Xcel shall have the right to obtain injunctive relief against the continuation by TS of any breach of such provisions, and a decree for specific performance of the terms of this Agreement. Xcel shall not be required to show actual damage or post any bond or undertaking as a precondition to such relief.

6. Authority. Nothing herein shall be deemed to create any partnership, joint venture, employer-employee relationship, or principal-agent relationship between the parties. TS is an independent contractor and shall be solely responsible for all taxes, withholdings, and other similar statutory obligations. TS shall have no authority hereunder or otherwise to enter into any agreement or commitment on behalf of Xcel, including, but not limited to, any License Agreement or Distribution Agreement. TS acknowledges that it does not have any proprietary rights in and to the Trademarks and it will not hold itself out as having any such rights or any other rights or powers inconsistent with the provisions of this Agreement.

7. Assignment. Neither this Agreement nor the rights granted to TS hereunder may be assigned, sub-licensed, or transferred in whole or in part by TS. Assignments in violation of the foregoing shall be null and void.

8. Entire Agreement. This Agreement constitutes the entire understanding and agreement of the parties, and terminates and supersedes any and all prior agreements, arrangements and understandings (both oral and written) between the parties concerning the subject matter hereof.

9. Governing Law. This Agreement shall be governed by the laws of the State of New York, without regard to principles of conflicts of law. Any claim or controversy arising out of or related to this Agreement shall be submitted to the Federal, State or Civil courts sitting in New York County, New York, which courts shall have exclusive jurisdiction and venue. Each party hereby consents to the personal jurisdiction of those courts in any such action or proceeding.

If the foregoing accurately reflects our understanding and agreement, please sign where indicated below and return one copy of this letter to me for our records.

Very truly yours,

/s/ Robert W. D'Loren
Robert W. D'Loren
Chairman, CEO

AGREED TO AND ACCEPTED:

By:/s/ Todd Slater
Todd Slater

EXHIBIT A (Request Notice)

Mr. Robert D'Loren
XCEL BRANDS, INC.
5 Penn Plaza
Suite 2335
New York, NY 10001

Re: Notification of Potential Licensee

Dear Bob:

We refer to our letter agreement, dated as of August 12, 2011 (the "Agreement"). We are notifying you that we would like to introduce you to:

_____ (fill in name and address)

for purposes of discussing a potential [license agreement] [distribution agreement] for the following product(s): _____

Please acknowledge that you wish for me to pursue this contact by signing where indicated below and returning one copy of this letter to me for our records.

Sincerely yours,

Date

By: _____
Todd Slater

Acknowledged and Agreed to
This _____ day of _____, 2011

XCEL BRANDS, INC.

By: _____
Name:
Title:

FIRST AMENDMENT TO LICENSING AGENT AGREEMENT

THIS FIRST AMENDMENT TO LICENSING AGENT AGREEMENT ("Amendment"), dated and effective as of October 04, 2011, is by and among XCel Brands, Inc., a Delaware corporation and its affiliated entities, including, without limitation, IM Brands, LLC (the "Company") and Todd Slater ("TS"), and amends the Agreement dated August 12, 2011 by and between the Company and TS, which together with this Amendment shall hereinafter be collectively referred to as the "Agreement". Any capitalized terms which are not defined herein shall have the definition set forth in the Agreement.

WHEREAS, the parties hereto desire to amend certain provisions of the Agreement as set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. The Agreement is hereby amended as follows:

Section 2 of the Agreement shall be deleted in its entirety and replaced with the following:

"2. Fees and Commissions. XCel will pay to TS an advisory fee of $52,500.00 (the "Advisory Fee") within 30 days following its acquisition of the Isaac Mizrahi brand and trademarks as compensation for strategic advisory services performed by TS for XCel related to XCel's licensing program prior to its acquisition of the Isaac Mizrahi brand and trademarks.

Additionally, following the Initial Meeting, if any, Xcel may, in its sole discretion, enter into a License Agreement or Distribution Agreement with the TS Contact. If, during the Term (or after the Term as provided below), Xcel enters into a License Agreement or Distribution Agreement with the TS Contact then, and only in such event, shall Xcel pay a commission to TS (the "Commission"), as follows:

(a.) License Agreement. For a License Agreement, TS shall be entitled to receive a Commission equal to fifteen (15%) percent of all Net Royalties (as defined below) actually received by Xcel during the first term of such License Agreement. For purposes hereof, "License Agreement" means a contract between Xcel and a TS Contact which grants to the TS Contact a license to use Xcel's trademarks, tradedress, logos, or other brand identifying information associated with the name "ISAAC MIZRAHI" (collectively, the "Trademarks") in connection with the marketing, distribution and sale of merchandise (i) manufactured by the TS Contact (or its approved subcontractors) and (ii) displaying (or otherwise incorporating) the Trademark(s), all in exchange for agreed upon compensation, typically a royalty based on sales of such merchandise. For the purposes hereof, "Net Royalties" means the royalty payments actually received by Xcel from the TS Contact under the License Agreement (excluding any advertising royalties and any taxes, foreign or domestic, withheld from or added to any royalties paid to Xcel) less any fees, costs and/or expenses (including attorneys' fees) incurred by Xcel in connection with the enforcement by Xcel of its rights to receive royalties under the License Agreement.

(b.) Payment. Commissions shall be payable within thirty (30) days of Xcel's receipt of Net Royalties or Net Sales, as the case may be, from a TS Contact. Xcel shall provide TS with a copy of any License Agreement or Distribution Agreement entered into by Xcel hereunder. Xcel shall not be obligated to reimburse TS for any of TS's out-of-pocket costs or expenses hereunder without Xcel's prior written consent, which consent Xcel may grant or withhold in its sole discretion. Other than the Advisory Fee and the Commissions, if any, TS shall not be entitled to receive any other compensation from Xcel for its services hereunder.

2. This Amendment shall not constitute an amendment of any other provision of the Agreement not expressly referred to herein. Except as expressly amended, the provisions of the Agreement are and shall remain in full force and effect, and this Amendment shall be effective and binding upon the parties upon execution and delivery.

3. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original. Delivery of executed signature pages hereof by facsimile transmission shall constitute effective and binding execution and delivery hereof.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

XCEL BRANDS, INC.

By: /s/ Robert W. D'Loren
Name: Robert W. D'Loren
Title: Chairman and CEO

TODD SLATER

By: /s/ Todd Slater
Name: Todd Slater
Title: *Its.*

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "*Agreement*") is made as of the 22nd day of September, 2011, by and between XCel Brands, Inc., a Delaware corporation (the "*Company*") and Robert W. D'Loren (the "*Executive*") each a "*Party*" and collectively the "*Parties*." Unless otherwise indicated, capitalized terms used herein are defined in Section 2.1.

WHEREAS, the Company has determined that it is in the best interests of the Company and its shareholders to enter into an employment agreement with the Executive and the Executive is willing to serve as an employee of the Company.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, it is agreed by and between the Executive and the Company as follows:

ARTICLE I
EMPLOYMENT TERMS

1.1 Employment. The Company will employ the Executive, and the Executive accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning on the Effective Date and ending as provided in Section 1.4(a) hereof (the "*Employment Period*").

1.2 Position and Duties.

(a) Generally. The Executive shall serve as the Chief Executive Officer of the Company and, in such capacity shall be responsible for the general management of the business, affairs and operations of the Company, shall perform such duties as are customarily performed by a Chief Executive Officer of a company of a similar size and shall have such power and authority as shall reasonably be required to enable him to perform his duties hereunder; provided, however, that in exercising such power and authority and performing such duties, he shall at all times be subject to the authority, control and direction of the Board of Directors of the Company (the "*Board*"). The Company agrees that it will use its reasonable best efforts to cause the Executive to be nominated to and continue to be named Chairman of the Board of Directors during the Term, it being acknowledged and agreed that the Nominating Committee (or any successor committee of the Board, or, in the absence of any such committee, the Board) shall retain the ability to apply reasonable and uniform standards consistent with past practices and corporate governance principles to consider the Executive for nomination to the Board and appointment as Chairman of the Board during the Term. Without limitation on any of the foregoing, the Executive shall have senior management authority and responsibility with respect to the management and operations of the Company and its business, including implementation of the business strategy of the Company consistent with strategy and policies approved by the Board.

(b) Duties and Responsibilities. The Executive shall report to the Board and shall devote a substantial portion of his time to the business and affairs of the Company and its Subsidiaries. The Executive shall perform his duties and responsibilities in a diligent, trustworthy, businesslike and efficient manner and shall use his best efforts during the Employment Period to protect, encourage and promote the best interests of the Company and its stockholders. The Executive shall not engage in any other business activities that could reasonably be expected to conflict with the Executive's duties, responsibilities and obligations hereunder. During the Employment Period, the Executive shall promptly bring to the Company or its Subsidiaries, as applicable, all investment or business opportunities relating to the Business of which the Executive becomes aware.

(c) Principal Office. The principal place of performance by the Executive of his duties hereunder shall be the Company's principal executive offices in the New York Metropolitan area, although the Executive may be required to travel outside of the area where the Company's principal executive offices are located in connection with the business of the Company.

1.3 Compensation.

(a) Base Salary. The Executive's base salary shall be (i) $240,000.00 per year (the "*First Year Base Salary*") for the one year period commencing on the Effective Date and ending on the first anniversary of the Effective Date; (ii) $530,000 per year (the "*Second Year Base Salary*") for the one year period commencing on the first anniversary of the Effective Date and ending on the second anniversary of the Effective Date; and (iii) $580,000 per year (the "*Third Year Base Salary*") for the one year period commencing on the second anniversary of the Effective Date and ending on the third anniversary of the Effective Date. "*Base Salary*" means the First Year Base Salary, the Second Year Base Salary or the Third Year Base Salary, whichever is in effect at the time of the determination. The Base Salary will be payable to the Executive by the Company in regular installments in accordance with the Company's general payroll practices. The Executive shall receive such increases (but not decreases) in his Base Salary as the Board, or the compensation committee of the Board, may approve in its sole discretion from time to time. Following the initial three years, the Base Salary shall be reviewed at least annually.

(b) Cash Bonuses. Executive shall be eligible for annual cash bonuses ("*Cash Bonus*") of up to $450,000 for each completed calendar year (subject to Section 1.4 hereof) of the Company during the Term in accordance with this Section 1.3(b).

The Cash Bonus shall be the percentage of five percent (5%) of the licensing income in excess of $8,000,000 earned and received by the Company in a calendar year as set forth in the chart below. The Cash Bonus shall be determined as earned based on the level of the Company's consolidated earnings before interest, taxes, depreciation and amortization of fixed assets and intangible assets ("*EBITDA*") achieved for such year against the target level of EBITDA ("*Target EBITDA*") established for such year by the Compensation Committee of the Board (the "*Compensation Committee*"), in its sole discretion, but with prior consultation with the Executive, as follows:

Annual Level of Target EBITDA Achieved for each fiscal year ending December 31, 2011 and thereafter	Percentage of 5% of the licensing income earned by the Company in excess of $8 million
0%-49%	0%
50%-69%%	60%
70%-89%%	80%
90%-100%%	100%

There shall be no interpolation between each target level. The Cash Bonus shall be awarded to the Executive on the date that is the earlier of (i) the 90th day following the end of the fiscal year to which the Cash Bonus relates and (ii) the first business day following the date the Company's annual report on Form 10-K for the fiscal year to which the Cash Bonus relates is filed with the Securities and Exchange Commission. Notwithstanding the foregoing, all payments of Cash Bonuses shall be made on a date that allows such payments to comply with the requirements of Section 409A of the Code. Executive shall be eligible to receive a pro rata portion of the Cash Bonus if Executive's employment is less than a full year or ceases prior to the end of the calendar year for which a Cash Bonus has not yet been paid.

(c) Withholding. All payments made under this Agreement (including Base Salary, Cash Bonuses, and other amounts) shall be subject to withholding for income taxes, payroll taxes and other legally required deductions.

(d) Automobile Allowance. The Company will furnish the Executive with an automobile appropriate for his level of position and shall pay (in addition to monthly lease or other payments) all of the related expenses for gasoline, insurance, maintenance, repairs or any other costs up to $2,000 per month associated with Executive's automobile.

(e) Expenses. The Company will reimburse the Executive for all reasonable expenses incurred by him in the course of performing his duties under this Agreement that are consistent with the Company's policies in effect at that time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses. Also, the Company shall reimburse Executive for up to $50,000 annually for any undocumented expenses; with such reimbursements made in the calendar year in which the expense is incurred.

(f) Vacation; Holiday Pay and Sick Leave. The Executive shall be entitled to five (5) weeks' paid vacation in each calendar year, which if not taken during any year may be carried forward to any subsequent year. Executive shall receive holiday pay and paid sick leave as provided to other executive employees of the Company. Upon cessation of Executive's employment for any reason, Executive shall receive pay for all accrued and unused vacation, calculated at his base salary rate in effect at the time of the cessation of his employment, provided that the amount of vacation that Executive shall be entitled to accrue during the Term shall be in accordance with Company policy.

(g) Additional Benefits. During the Employment Period, the Executive shall be entitled to participate (for himself and, as applicable, his dependents) in the group medical, life, 401(k) and other insurance programs, employee benefit plans and perquisites which may be adopted by the Board, or the compensation committee of the Board, from time to time, for participation by the Company's senior management or executives, as well as dental, life and disability insurance coverage, with payment of, or reimbursement for, such insurance premiums by the Company, subject to, in all cases, the terms and conditions established by the Board with respect to such plans (collectively, the "Benefits"); provided, however, that the Board, in its reasonable discretion, may revise the terms of any Benefits so long as such revision does not have a disproportionately negative impact on the Executive vis-à-vis other Company employees, to the extent applicable.

(h) Life and Disability Insurance. The Company shall, in accordance with the Company's policies, reimburse or pay on behalf of the Executive for up to $15,000 and $10,000 per year for Life and Disability Insurance premiums; respectively; with such reimbursements made in the calendar year in which the expense is incurred.

(i) Indemnification. The Executive shall be entitled to indemnification by the Company in the same circumstances and to the same extent as the other executive officers and directors of the Company, which indemnification shall in no event be less favorable to the Executive than the fullest scope of indemnification permitted by applicable Delaware law (or any such greater scope of indemnification provided by agreement or by the terms of the Company's Certificate of Incorporation or By-Laws to any executive officer or director of the Company). The Executive shall also be named as an additional insured under the directors' and officers' liability insurance policy maintained by the Company and shall be entitled to the same level of coverage provided thereby to the other executive officers and directors of the Company.

(j) Stock Options. In the event that the Company elects from time to time during the Employment Period to award to its senior management or executives, generally, options to purchase shares of the Company's stock pursuant to any stock option plan or similar program, the Executive shall be entitled to participate in any such stock option plan or similar program on a basis consistent with the participation of other senior management or executives of the Company.

(k) Warrant. On the Closing Date, the Executive shall receive a warrant (the "*Warrant Grant*") a warrant to purchase 239,250 shares of Company's common stock (the "*Warrant*"), each with an exercise price per share equal to the price per share of common stock (without allocating any value to any warrants, if any, sold with the common stock) sold in the private placement anticipated to close on or about the same day as the Closing Date. The warrant vests and becomes exercisable on the Closing Date and has a ten-year term. The shares of the Company's Common Stock underlying the Warrant shall have customary piggy back registration and cashless exercise rights.

1.4 Term and Termination.

(a) Duration. The Employment Period shall commence on the Effective Date and the initial term shall terminate three (3) years from the Effective Date (the "*Term*"), unless earlier terminated by the Company or the Executive as set forth in this Section 1.4. The Term shall renew automatically for one-year periods, unless either party gives the other party written notice of its intention not to renew the Agreement no later than 90 days prior to the expiration of the then current Term. The Employment Period shall be terminated prior to the then-applicable expiration of the Term upon the first to occur of (i) termination of the Executive's employment by the Company for Cause, (ii) termination of the Executive's employment by the Company without Cause, (iii) the Executive's resignation with Good Reason, (iv) the Executive's resignation other than for Good Reason, or (v) the Executive's death or Disability. The Executive shall not terminate the Employment Period, with or without Good Reason, unless he gives the Company written notice that he intends to terminate the Employment Period at least 90 days prior to the Executive's proposed Termination Date. As a condition to Executive receiving any payments or benefits under Section 1.4(b) or Section 1.4(c), the Executive shall execute and deliver to the Company the General Release in the form attached hereto as Exhibit A.

(b) Severance Upon Termination Without Cause, Upon Resignation by the Executive For Good Reason or Failure to Renew Term. If the Employment Period is terminated by the Company without Cause or if the Executive resigns for Good Reason, or if the Company fails to renew the Term (in which case termination of the Executive's employment shall be effective at the expiration of the then-current Term), then the Executive will be entitled to receive (1) any unpaid Base Salary through and including the Termination Date and any other amounts, including any unpaid Cash Bonuses or other entitlements then due and owing to the Executive as of the Termination Date; (2) an amount equal to the Executive's Base Salary (at the rate in effect on the date the Executive's employment is terminated) for the greater of the remainder of the Term or a two-year period following the Executive's termination of employment as described in this Section 1.4(b) plus two times the average annual Cash Bonuses paid in the immediate preceding 12 months, payable in a lump sum on the date that is six months following the Executive's "separation from service" (within the meaning of Section 409A of the Code) occurring in connection with such termination and (3) continue to participate in the Company's group medical plan on the same basis as he previously participated or receive payment of, or reimbursement for, COBRA premiums (or, if COBRA coverage is not available, reimbursement of premiums paid for other medical insurance in an amount not to exceed the COBRA premium) for an eighteen month period following the Executive's termination of employment; *provided* that if the Executive is provided with health insurance coverage by a successor employer, any such coverage by the Company shall cease (each of (1), (2) and (3) referred to as the "*Severance Payment*"). The Executive also shall be entitled to receive payment for all reimbursable expenses or other entitlements then due and owing to the Executive as of the Termination Date including payments in full for any amounts due and owing under Section 1.3(d). If the Executive breaches his obligations under Section 1.6, 1.7, 1.8 or 1.9 of this Agreement, the Company's obligation to make any Severance Payments and provide any Benefits shall cease as of the date of such breach; provided, that if the Executive cures such breach within 10 days of receiving written notice from the Company of such breach (which notice the Company shall provide promptly to the Executive after learning of such breach), the Company shall promptly pay all Severance Payments not made during such period of dispute and resume making Severance Payments and providing Benefits promptly following such cure.

(c) Severance upon a Change of Control. Anything contained herein to the contrary notwithstanding, in the event the Executive's employment hereunder is terminated within twelve (12) months following a Change of Control by the Company without Cause or by the Executive with Good Reason, the Executive shall be entitled to receive the Severance Payment as described in sub-section (b)(2) above multiplied by two (2) minus $100; provided, however, that if such lump sum Severance Payment, either alone or together with other payments or benefits, either cash or non-cash, that the Executive has the right to receive from the Company, including, but not limited to, accelerated vesting or payment of any deferred compensation, options, stock appreciation rights or any benefits payable to the Executive under any plan for the benefit of employees, would constitute an "excess parachute payment" (as defined in Section 280G of the Code), then such lump sum severance payment or other benefit shall be reduced to the largest amount that will not result in receipt by the Executive of an "excess parachute payment." The determination of the amount of the payment described in this subsection shall be made by the Company's independent auditors at the sole expense of the Company. For purposes of clarification the value of any options described above will be determined by the Company's independent auditors using a Black-Scholes valuation methodology. If within twelve (12) months after the occurrence of a Change of Control, the Company shall terminate the Executive's employment without Cause or the Executive terminates his employment with Good Reason, then notwithstanding the vesting and exercisability schedule in any stock option or other grant agreement between the Company and the Executive, all unvested stock options, shares of restricted stock and other equity awards granted by the Company to the Executive pursuant to any such agreement shall immediately vest, and all such stock options shall become exercisable and shall remain exercisable for the lesser of 180 days after the effective Termination Date of the Executive's employment or the remaining term of the applicable option.

(d) Death and Disability. In the event of the death or Disability of the Executive, the Company shall pay the Executive his Base Salary through the Termination Date, at the rate then in effect, and all expenses or accrued Benefits arising prior to such termination which are payable to the Executive pursuant to this Agreement through the Termination Date. Any other rights and benefits the Executive may have under employee benefit plans and programs of the Company generally in the event of the Executive's Disability shall be determined in accordance with the terms of such plans and programs. In the event of Executive's death, any rights and benefits that the Executive's estate or any other person may have under employee benefit plans and programs of the Company generally in the event of the Executive's death shall be determined in accordance with the terms of such plans and programs.

(e) Salary and Other Payments Through Termination. If the Executive's employment with the Company is terminated during the Term (i) by the Company for Cause or (ii) by the Executive other than for Good Reason, the Executive will be entitled to receive his Base Salary at the rate then in effect through the Termination Date, but will not be entitled to receive any Severance Payments or Benefits after the Termination Date. The Executive shall be entitled to receive payment for all reimbursable expenses or other entitlements then due and owing to the Executive as of the Termination Date.

(f) Other Rights. Except as set forth in this Section 1.4 and Section 1.3, all of the Executive's rights to receive Base Salary at the rate then in effect, Benefits and the Cash Bonuses hereunder (if any) which accrue or become payable after the termination of the Employment Period shall cease upon such termination.

(g) Continuing Benefits. Notwithstanding Section 1.4(f), termination pursuant to this Section 1.4 shall not modify or affect in any way whatsoever any vested right of the Executive to benefits payable under any retirement or pension plan or under any other employee benefit plan of the Company, and all such benefits shall continue, in accordance with, and subject to, the terms and conditions of such plans, to be payable in full to, or on account of, the Executive after such termination.

(h) No Duty of Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Article I by seeking other employment or otherwise.

1.5 Intentionally Omitted.

1.6 Confidential Information.

(a) The Executive shall not disclose or, directly or indirectly, use at any time, during the Employment Period or thereafter, any Confidential Information (as defined below) of which the Executive is or becomes aware, whether or not such information is developed by him, alone or with others, except to the extent that (i) such disclosure or use is required by the Executive's performance of the duties assigned to the Executive by the Board, (ii) the Executive is required by subpoena or similar process to disclose or discuss any Confidential Information, provided, that in such case, the Executive shall promptly inform the Company in writing of such event, shall cooperate with the Company in attempting to obtain a protective order or to otherwise limit or restrict such disclosure to the greatest extent possible, and shall disclose only that portion of the Confidential Information as is strictly required, or (iii) such Confidential Information is or becomes generally known to and available for use by the public, other than as a result of any action or inaction directly or indirectly by the Executive. At the Company's expense, the Executive shall take all appropriate steps to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. The Executive acknowledges that the Confidential Information obtained by him during the course of his employment with the Company is the sole and exclusive property of the Company and its Subsidiaries, as applicable.

(b) The Executive understands that the Company and its Subsidiaries will receive from third parties confidential or proprietary information ("*Third Party Information*") subject to a duty on the part of the Company and its Subsidiaries to maintain the confidentiality of such information and to use it only for certain limited purposes. During the Employment Period and in the period specified in such confidentiality agreements, and without in any way limiting the provisions of Section 1.6(a) above, the Executive will hold Third Party Information in confidence, consistent with the obligations applicable to Confidential Information of the Company generally, and will not disclose to anyone (other than personnel and agents of the Company or its Subsidiaries who need to know such information in connection with their work for the Company or its Subsidiaries) or use, except in connection with his work for the Company or its Subsidiaries, Third Party Information unless expressly authorized by the Board in writing.

(c) As used in this Agreement, the term "*Confidential Information*" means information that is not generally known to the public and that is related in any way to the actual or anticipated business of the Company, its Subsidiaries, its Affiliates or any of their respective predecessors in interest, including but not limited to (i) business development, growth and other strategic business plans, (ii) properties available for acquisition, financing development or sale, (iii) accounting and business methods, (iv) services or products and the marketing of such services and products, (v) fees, costs and pricing structures, (vi) designs, (vii) analysis, (viii) drawings, photographs and reports, (ix) computer software, including operating systems, applications and program listings, (x) flow charts, manuals and documentation, (xi) data bases, (xii) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xiii) copyrightable works, (xiv) all technology and trade secrets, (xv) confidential terms of material agreements and customer relationships, and (xvi) all similar and related information in whatever form or medium. Confidential Information also expressly excludes Executive's general know-how and business contacts to the extent that the use of such information does not violate or breach the terms of Section 1.9.

1.7 Inventions and Patents. Executive acknowledges that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, products, methods, processes, techniques, programs, designs, analyses, drawings, reports, patents, copyrightable works and mask works (whether or not including any Confidential Information) and all issuances, registrations or applications related thereto, all other proprietary information or intellectual property and all similar or related information (whether or not patentable) conceived, developed, contributed to, made, or reduced to practice by Executive (either alone or with others) while employed by Company or any of its Subsidiaries or Affiliates or any of their respective predecessors in interest (including prior to the date of this Agreement) or using the materials, facilities or resources of the Company or any of its Subsidiaries or Affiliates or any of their respective predecessors in interest (collectively, "*Company Works*") is the sole and exclusive property of the Company and its Subsidiaries. Executive hereby assigns all right, title and interest in and to all Company Works to the Company and its Subsidiaries and waives any moral rights he may have therein, without further obligation or consideration. Any copyrightable work prepared in whole or in part by the Executive will be deemed "a work made for hire" under Section 201(b) of the 1976 Copyright Act, and the Company and its Subsidiaries shall own all of the rights comprised in the copyright therein. The Executive shall promptly and fully disclose in writing all Company Works to the Company and shall cooperate with the Company and its Subsidiaries to protect, maintain and enforce the Company's and its Subsidiaries' interests in and rights to such Company Works (including, without limitation, providing reasonable assistance in securing patent protection and copyright registrations and executing all affidavits, assignments, powers-of-attorney and other documents as reasonably requested by the Company, whether such requests occur prior to or after termination of the Executive's employment with the Company).

1.8 Delivery of Materials Upon Termination of Employment. As requested by the Company from time to time and in any event upon the termination of the Executive's employment with the Company , the Executive shall promptly deliver to the Company, or at the Company's election destroy, all copies and embodiments, in whatever form or medium, of all Confidential Information, Company Works and other property and assets of the Company and its Subsidiaries in the Executive's possession or within his control (including, but not limited to, office keys, access cards, written records, notes, photographs, manuals, notebooks, documentation, program listings, flow charts, magnetic media, disks, diskettes, tapes computers and handheld devices (including all software, files and documents thereon) and any other materials containing any Confidential Information or Company Works) irrespective of the location or form of such material and, if requested by the Company, shall provide the Company with written confirmation that all such materials have been delivered to the Company or destroyed, as applicable.

1.9 Non-Compete and Non-Solicitation Covenants.

(a) The Executive acknowledges and agrees that the Executive's services to the Company and its Subsidiaries are unique in nature and that the Company and its Subsidiaries would be irreparably damaged if the Executive were to provide similar services to any Person competing with the Company and its Subsidiaries or engaged in the Business. The Executive further acknowledges that, in the course of his employment with the Company, he will become familiar with the Company's and its' Subsidiaries' trade secrets and with other Confidential Information. During the Noncompete Period, he shall not, directly or indirectly, whether for himself or for any other Person, permit his name to be used by or participate in any business or enterprise (including, without limitation, any division, group or franchise of a larger organization) that engages or proposes to engage in the Business in the Restricted Territories, other than the Company and its Subsidiaries or except as otherwise directed or authorized by the Board. For purposes of this Agreement, the term "participate in" shall include, without limitation, having any direct or indirect interest in any Person, whether as a sole proprietor, owner, stockholder, partner, member, joint venturer, creditor or otherwise, or rendering any direct or indirect service or assistance to any Person (whether as a director, officer, supervisor, employee, agent, consultant or otherwise). Nothing herein will prohibit the Executive from mere passive ownership of not more than five percent (5%) of the outstanding stock of any class of a publicly held corporation whose stock is traded on a national securities exchange or in the over-the-counter market. As used herein, the phrase "mere passive ownership" shall include voting or otherwise granting any consents or approvals required to be obtained from such Person as an owner of stock or other ownership interests in any entity pursuant to the charter or other organizational documents of such entity, but shall not include, without limitation, any involvement in the day-to-day operations of such entity.

(b) During the Nonsolicitation Period, the Executive will not directly, or indirectly through another Person, solicit, induce or attempt to induce any customer, supplier, licensee, or other business relation of the Company or any of its Subsidiaries, or solicit, induce or attempt to induce any person who is, or was during the then-most recent 12-month period, a corporate officer, general manager or other employee of the Company or any of its Subsidiaries to terminate such employee's employment with the Company or any of its Subsidiaries, or hire any such person unless such person's employment was terminated by the Company or any of its Subsidiaries, or in any way interfere with the relationship between any such customer, supplier, licensee, employee or business relation and the Company or any of its Subsidiaries. The Executive acknowledges and agrees that the Company and its Subsidiaries would be irreparably damaged if the Executive were to breach any of the provisions contained in this Section 1.9(b).

(c) Executive acknowledges that this Agreement, and specifically, this Section 1.9, does not preclude Executive from earning a livelihood, nor does it unreasonably impose limitations on Executive's ability to earn a living. In addition, Executive agrees and acknowledges that the potential harm to the Company of its non-enforcement outweighs any harm to Executive of its enforcement by injunction or otherwise.

1.10 Enforcement. If, at the time of enforcement of Section 1.6, 1.7, 1.8, 1.9 or 1.10, a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the Parties agree that, to the extent permitted by applicable law, the maximum period, scope or geographical area reasonable under such circumstances will be substituted for the Noncompete Period, scope or area. Because the Executive's services are unique and because the Executive has access to Confidential Information and Company Works, the Parties agree that money damages would be an inadequate remedy for any breach of Section 1.6, 1.7, 1.8, 1.9 or 1.10. Therefore, in the event of a breach or threatened breach of Section 1.6, 1.7, 1.8, 1.9 or 1.10, the Company or any of its Subsidiaries or any of their respective successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security). The Parties hereby acknowledge and agree that (a) performance of the services of the Executive hereunder may occur in jurisdictions other than the jurisdiction whose law the Parties have agreed shall govern the construction, validity and interpretation of this Agreement, (b) the law of the State of New York shall govern construction, validity and interpretation of this Agreement to the fullest extent possible, and (c) Section 1.6, 1.7, 1.8, 1.9 or 1.10 shall restrict the Executive only to the extent permitted by applicable law.

1.11 Survival. Sections 1.6, 1.7, 1.8 and 1.9 and 1.10 will survive and continue in full force in accordance with their terms notwithstanding any termination of the Employment Period.

ARTICLE II
DEFINED TERMS

2.1 Definitions. For purposes of this Agreement, the following terms will have the following meanings:

"*Business*" means the business of acquiring and licensing consumer brands worldwide.

"*Cause*" means with respect to the Executive, the occurrence of one or more of the following: (i) conviction of a felony involving moral turpitude, misappropriation of Company property, embezzlement of Company funds, violation of the securities laws or dishonesty, (ii) persistent and repeated refusal to comply with no less than three written directives of the Board with respect to an item that the Board deems material to the business prospects and/or operations of the Company, (iii) reporting to work under the influence of alcohol or illegal drugs, or the use of illegal drugs (whether or not at the workplace), or (iv) any willful breach of Section 1.6, 1.7, 1.8 or 1.9 of this Agreement. Notwithstanding the foregoing, termination by the Company for Cause (other than pursuant to clause (i) above) shall not be effective until and unless (i) Executive fails to cure such alleged act or circumstance within 30 days of receipt of notice thereof, to the satisfaction of the Board in the exercise of its reasonable judgment (or, if within such 30-day period the Executive commences and proceeds to take all reasonable actions to effect such cure, within such reasonable additional time period (no longer than 60 days) as may be necessary), and (ii) notice of intention to terminate for Cause has been given by the Company within sixty (60) days after the Board learns of the act, failure or event constituting "Cause," and (iii) the Board has voted (at a meeting of the Board duly called and held as to which termination of Executive is an agenda item) by a vote of at least two-thirds of the members of the Board (other than Executive if Executive is a Board member) to terminate Executive for Cause after Executive has been given notice of the particular acts or circumstances which are the basis for the termination for Cause and has been afforded an opportunity to appear with counsel and present his positions at such meeting and to present his case thereat, and (iv) the Board has given notice of termination to Executive within five days after such meeting voting in favor of termination.

"*Change of Control*" means the occurrence of any of the following (i) a merger or consolidation to which the Company is a party (other than one in which the stockholders of the Company prior to the event own a majority of the voting power of the surviving or resulting corporation) (ii) a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company, or (iii) a sale or transfer by the Company's stockholders of voting control, in a single transaction or a series of transactions.

"*Closing Date*" means September 29, 2011.

"*Code*" means the Internal Revenue Code of 1986 and the Treasury regulations thereunder, each as amended from time to time.

"*Disability*" shall have the meaning set forth in a policy or policies of long-term disability insurance, if any, the Company obtains for the benefit of itself and/or its employees. If there is no definition of "disability" applicable under any such policy or policies, if any, then the Executive shall be considered disabled due to mental or physical impairment or disability, despite reasonable accommodations by the Company and its Subsidiaries, to perform his customary or other comparable duties with the Company or its Subsidiaries immediately prior to such disability for a period of at least 120 consecutive days or for at least 180 non-consecutive days in any 12-month period.

"*Effective Date*" means September 16, 2011.

"*Fiscal Year*" means the fiscal year of the Company and its Subsidiaries.

"*Good Reason*" means the occurrence, without the Executive's written consent, of one or more of the following events: (i) the Company reduces the amount of Executive's Base Salary or Cash Bonuses, (ii) the Company requires that the Executive relocate his principal place of employment to a site that is more than 50 miles from the Company's offices in the New York area or if the Company changes the location of its headquarters without the consent of Executive to a location that is more than 50 miles from such location, (iii) the Company materially reduces the Executive's responsibilities or removes the Executive from the position of Chief Executive Officer other than pursuant to a termination of his employment for Cause, or upon the Executive's death or Disability or (iv) the Company otherwise materially breaches the terms of this Agreement; provided that no such event shall constitute Good Reason hereunder unless (a) the Executive shall have given written notice to the Company of the Executive's intent to resign for Good Reason within 30 days after the Executive becomes aware of the occurrence of any such event, which notice shall describe in reasonable detail the event or events constitute the basis for the Executive's intention to resign for Good Reason and (b) such event or occurrence, if a breach susceptible to cure, shall not have been cured or otherwise shall not have been resolved to the Executive's reasonable satisfaction, in each case within 30 days of the Company's receipt of such notice. In such case the Executive's resignation shall become effective on the 61st day after the Company's receipt of the aforementioned notice.

"*Merger Agreement*" means the Merger Agreement entered into by and among NetFabric Holdings, Inc., the Company and a subsidiary of NetFabric Holdings, Inc. formed for the purpose of acquiring the Company.

"*Noncompete Period*" means the Employment Period and one year thereafter; provided that, in the event, but only in the event, the Executive's employment hereunder is terminated by the Company without Cause or by the Executive with Good Reason, "Noncompete Period" shall mean the Employment Period and 6 months thereafter.

"*Nonsolicitation Period*" means the Employment Period and one year thereafter.

"*Person*" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or the United States of America any other nation, any state or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"*Restricted Territories*" means (i) the United States and its territories and possessions and (ii) any foreign country in which the Company engages in business as of the Termination Date.

"*Subsidiary*" means, with respect to any Person, any corporation, limited liability company, partnership, association, or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association, or other business entity gains or losses or shall be or control any managing director or general partner or manager or managing member of such limited liability company, partnership, association, or other business entity. For purposes hereof, references to a "Subsidiary" of any Person shall be given effect only at such times that such Person has one or more Subsidiaries, and, unless otherwise indicated, the term "Subsidiary" refers to a Subsidiary of the Company.

"*Termination Date*" means the effective date of the Executive's termination of employment with the Company.

2.2 Other Definitional Provisions.

(a) Section references contained in this Agreement are references to sections in this Agreement, unless otherwise specified. Each defined term used in this Agreement has a comparable meaning when used in its plural or singular form. Each gender-specific term used in this Agreement has a comparable meaning whether used in a masculine, feminine or gender-neutral form.

(b) Whenever the term "including" (whether or not that term is followed by the phrase "but not limited to" or "without limitation" or words of similar effect) is used in this Agreement in connection with a listing of items within a particular classification, that listing will be interpreted to be illustrative only and will not be interpreted as a limitation on, or an exclusive listing of, the items within that classification.

ARTICLE III
MISCELLANEOUS TERMS

3.1 Defense of Claims. The Executive agrees that, during the Employment Period, and for a period of six months after termination of the Executive's employment, upon request by the Company, the Executive shall reasonably cooperate with the Company in connection with any matters the Executive worked on during his employment with the Company and any related transitional matters. In addition, during the Employment Period and thereafter, the Executive agrees to reasonably cooperate with the Company in the defense of any claims or actions that may be made by or against the Company that affect the Executive's prior areas of responsibility or involve matters about which the Executive has knowledge, except if the Executive's reasonable interests are adverse to the Company in such claim or action and provided that after the Employment Period such level of cooperation shall be reasonable and shall take due account of the Executive's work and personal commitments. The Company agrees to promptly reimburse the Executive for all of the Executive's reasonable travel and other direct expenses incurred, or to be reasonably incurred, to comply with the Executive's obligations under this Section 3.1.

3.2 Nondisparagement. The Executive agrees to refrain from (i) making, directly or indirectly, any derogatory comments concerning the Company or its Subsidiaries or any current or former officers, directors, employees or shareholders thereof or (ii) taking any other action with respect to the Company or its Subsidiaries which is reasonably expected to result, or does result in, damage to the business or reputation of the Company, its Subsidiaries or any of its current or former officers, directors, employees or shareholders. The Company agrees to refrain from (i) making, directly or indirectly, any derogatory comments concerning the Executive or (ii) taking any other action with respect to the Executive which is reasonably expected to result, or does result in, damage to the reputation of the Executive. Notwithstanding anything to the contrary contained herein, nothing in this Agreement shall prohibit or restrict either party from, truthfully and in good faith: (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by, any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company's or the Executive's designated legal, compliance or human resources officers; or (iii) filing, testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal, state or municipal law relating to fraud, or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

3.3 Source of Payments. All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise and except as otherwise provided herein, shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets shall be made, to assure payment. The Executive shall have no right, title or interest whatsoever in or to any investments which the Company or its Subsidiaries may make to aid the Company in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

3.4 Notices. Any notice provided for in this Agreement must be in writing and must be either personally delivered, mailed by first class mail (postage prepaid and return receipt requested), sent by reputable overnight courier service (charges prepaid) or sent by facsimile (with receipt confirmed) to the recipient at the address or facsimile number indicated below:

To the Company:

XCel Brands, Inc
5 Penn Plaza
Suite 2335
New York, New York 10001
(646) 330-5161

With copies to:

Blank Rome LLP
The Chrysler Building
405 Lexington Avenue
New York, NY 10174-0208
(212) 885-5001
Attn: Robert Mittman, Esq.

To the Executive:

Robert W. D'Loren

Telephone:
Telecopy:

With copies to:

James F. O'Brien, Esq.
500 North Broadway, Suite 105
Jericho, NY 11753
Telephone: (516) 822-9000
Telecopy: (516) 822-1050
Attention: James F. O'Brien, Esq.

or such other address or to the attention of such other Person as the recipient Party will have specified by prior written notice to the sending Party. Any notice under this Agreement will be deemed to have been given when so delivered or sent.

3.5 Severability. Subject to the express provisions of Section 1.10 relating to certain specified changes, whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

3.6 Complete Agreement. This Agreement embodies the complete agreement and understanding among the Parties with regard to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the Parties, written or oral, which may have related to the subject matter hereof in any way. To the extent that this Agreement provides greater benefits to the Executive or fewer obligations of the Executive than available or set forth under the Company's employee handbook or other corporate policies, then this Agreement shall prevail.

3.7 Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

3.8 Assignment. Without the Executive's consent, the Company may not assign its rights and obligations under this Agreement except (i) to a "Successor" (as defined below) or (ii) to an entity that is formed and controlled by the Company or any of its Subsidiaries. This Agreement is personal to the Executive, and the Executive shall not have the right to assign the Executive's interest in this Agreement, any rights under this Agreement or any duties imposed under this Agreement, nor shall the Executive have the right to pledge, hypothecate, transfer, assign or otherwise encumber the Executive's right to receive any form of compensation hereunder without the prior written consent of the Board. As used in Sections 3.8 and 3.9, "*Successor*" shall include any Person that at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets of, or ownership interests in, the Company and its Subsidiaries.

3.9 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by the Company, the Executive, and their respective heirs, successors and permitted assigns.

3.10 Choice of Law. This Agreement and the performance of the parties hereunder shall be governed by the internal laws (and not the law of conflicts) of the State of New York. Any claim or controversy arising out of or in connection with this Agreement, or the breach thereof, shall be adjudicated exclusively by the Supreme Court, New York County, State of New York, or by a federal court sitting in Manhattan in New York City, State of New York. The parties hereto agree to the personal jurisdiction of such courts and agree to accept process by regular mail in connection with any such dispute.

3.11 Waiver of Jury Trial. AS A SPECIFICALLY BARGAINED FOR INDUCEMENT FOR EACH OF THE PARTIES HERETO TO ENTER INTO THIS AGREEMENT (AFTER HAVING THE OPPORTUNITY TO CONSULT WITH COUNSEL), EACH PARTY HERETO EXPRESSLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY LAWSUIT OR PROCEEDING RELATING TO OR ARISING IN ANY WAY FROM THIS AGREEMENT OR THE MATTERS CONTEMPLATED HEREBY.

3.12 Legal Fees and Court Costs. In the event that any action, suit or other proceeding in law or in equity is brought to enforce the provisions of this Agreement, and such action results in the award of a judgment for money damages or in the granting of any injunction in favor of the Company, all expenses (including reasonable attorneys' fees) of the Company in such action, suit or other proceeding shall be paid by the Executive. In the event that any action, suit or other proceeding in law or in equity is brought to enforce the provisions of this Agreement, and such action results in the award of a judgment for money damages or in the granting of any injunction in favor of the Executive, all expenses (including reasonable attorneys' fees and travel expenses) of the Executive in such action, suit or other proceeding shall be paid by the Company.

3.13 Remedies. Each Party will be entitled to enforce its rights under this Agreement specifically, to recover damages and costs caused by any breach of any provision of this Agreement and to exercise all other rights existing in its favor. Subject to Section 3.12, nothing herein shall prohibit any arbitrator or judicial authority from awarding attorneys' fees or costs to a prevailing Party in any arbitration or other proceeding to the extent that such arbitrator or authority may lawfully do so.

3.14 Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company and the Executive, and no course of conduct or failure or delay in enforcing the provisions of this Agreement will affect the validity, binding effect or enforceability of this Agreement.

3.15 Third Party Beneficiaries. This Agreement will not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns and other than, in the event of the Executive's death, his estate, to which all of Executive's rights and remedies set forth herein shall accrue.

3.16 The Executive's Representations. The Executive hereby represents and warrants to the Company that (a) the execution, delivery and performance of this Agreement by the Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Executive is a party or by which he is bound, (b) the Executive is not a party to or bound by any employment agreement, noncompete agreement or confidentiality agreement with any other Person (or other agreement with any other person containing a restriction on the Executive's right to do business or obligating him to do business with any other Person on a priority or preferential basis), (c) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of the Executive, enforceable in accordance with its terms and (d) upon the execution and delivery of this Agreement by the Company, Executive shall not be in violation of clause (i) set forth in the definition of Cause and shall not be disabled.

3.17 Amendment to Comply with Section 409A of the Code. To the extent that this Agreement or any part thereof is deemed to be a nonqualified deferred compensation plan subject to Section 409A of the Code and the Treasury Regulations (including proposed regulations) and guidance promulgated thereunder, (a) the provisions of this Agreement shall be interpreted in a manner to the maximum extent possible to comply in good faith with Code Section 409A and (b) the parties hereto agree to amend this Agreement for purposes of complying with Code Section 409A promptly upon issuance of any Treasury regulations or guidance thereunder, *provided*, that any such amendment shall not materially change the present value of the benefits payable to the Executive hereunder or otherwise materially adversely affect the Executive, the Company, or any affiliate of the Company, without the consent of such party. With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Code Section 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, and (iii) such payments shall be made on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred.

[END OF PAGE]
[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Employment Agreement as of the date first written above.

XCel Brands, Inc.

By: /s/ James F. Haran
Name: James F. Haran
Title: CFO

/s/ Robert W. D'Loren
By: Name: Robert W. D'Loren
Title: Chairman & Chief Executive Officer

EXHIBIT A

FORM OF RELEASE

I, Robert W. D'Loren, on behalf of myself and my heirs, successors and assigns, in consideration of and subject to the performance by XCel Brands, Inc. a Delaware Corporation (together with its Subsidiaries, the "Company"), of its material obligations under the Employment Agreement (the "*Employment Agreement*") dated as of the Effective Date (as defined in the Employment Agreement) and Sections 3, 4, 7, 8, 10 and 12 below, do hereby release and forever discharge as of the date hereof the Company and its Subsidiaries, all present and former directors, officers, agents, representatives, employees, successors and assigns of the Company and its Subsidiaries, and all direct or indirect owners of each of foregoing (collectively, the "*Released Parties*") to the extent provided below.

1. I understand that certain of the payments or benefits paid or granted to me under Section 1.4(b) and Section 1.4(c) of the Employment Agreement represent, in part, consideration for signing this Mutual General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive the payments and benefits specified in Section 1.4(b) or Section 1.4(c) of the Employment Agreement (other than for any other unpaid compensation, benefits and expenses to which I am entitled thereunder for employment prior to termination) unless I execute this Mutual General Release and do not revoke this Mutual General Release within the time period permitted hereafter or breach this Mutual General Release.

2. Except as provided in paragraph 6 below, and except for compensation and benefits and equity ownership in the Company I am entitled to under the terms of the Employment Agreement, I knowingly and voluntarily release and forever discharge the Released Parties from any and all claims, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date of this Mutual General Release) and whether known or unknown, suspected, or claimed against the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, may have, which arise out of or are connected with my employment with, or my separation from, the Company (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act) (except as provided in paragraph 6 below); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Civil Rights Act of 1866, as amended; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims").

3. This Release is mutual, and the Company hereby expressly releases Robert W. D'Loren, his successors, assigns, heirs, executors and administrators ("D'Loren Parties") from all claims and to the same extent as described in the preceding Section 2.

4. The Parties represent and acknowledge that they have not assigned or transferred or purported to assign or transfer, to any person or entity, any right, claim, demand, cause of action, or other matter mentioned or implied by this Mutual General Release.

5. I represent, warrant and covenant to each of the Released Parties that at no time prior to or contemporaneous with my execution of this Mutual General Release have I (i) knowingly engaged in any wrongful conduct against, on behalf of or as the representative or agent of the Company; (ii) breached any provision of the Employment Agreement; or (iii) violated any state, federal, local or other law, including any securities laws or regulations, including the regulations of FINRA, or any exchange, inter-dealer quotation system or the Over-the-Counter Bulletin Board or other trading venue on which the Company's securities are traded. Each Party represents, warrants and covenants to each of the other Parties that at no time prior to or contemporaneous with his or its execution of this Mutual General Release has any Party filed or caused or knowingly permitted the filing or maintenance, in any state, federal or foreign court, or before any local, state, federal or foreign administrative agency or other tribunal, any charge, claim or action of any kind, nature and character whatsoever ("*Claim*"), known or unknown, suspected or unsuspected, that is pending on the date hereof against the other Parties which is based in whole or in part on any matter referred to in Sections 2 and 3 above; and, subject to each Party's performance under this Mutual General Release, to the maximum extent permitted by law each Party shall be prohibited from filing or maintaining, or causing or knowingly permitting the filing or maintaining, of any such Claim in any such forum.

6. I agree that this Mutual General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this Mutual General Release. I acknowledge and agree that my separation from employment with the Company in compliance with the terms of the Employment Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

7. In signing this Mutual General Release, the Parties acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. The Parties expressly consent that this Mutual General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. The Parties acknowledge and agree that this waiver is an essential and material term of this Mutual General Release and that without such waiver the Parties would not have agreed to the terms of the Employment Agreement. The Parties further agree that in the event a claim is brought in violation of this Mutual General Release, this Mutual General Release shall serve as a complete defense to such Claims. I further agree that I am not aware of any pending charge or complaint of the type described in paragraph 2 as of the execution of this General Release.

8. The Parties agree that neither this Mutual General Release, nor the furnishing of the consideration for this Mutual General Release, shall be deemed or construed at any time to be an admission by any Released Party or the Executive of any improper or unlawful conduct.

9. I agree that I will forfeit all cash amounts payable by the Company pursuant to the Employment Agreement that would not have otherwise been paid but for my signing this Mutual General Release if I challenge the validity of this Mutual General Release.

10. The Parties agree that this Mutual General Release is confidential and agree not to disclose any information regarding the terms of this Mutual General Release to any third party, except any tax, legal or other counsel consulted regarding the meaning or effect hereof or as required by law and except that the Company may disclose this Mutual General Release to its affiliates and their representatives. The Executive may also disclose information contained herein to his immediate family. The Parties will instruct each of the foregoing not to disclose the same to anyone.

11. Any non-disclosure provision in this Mutual General Release does not prohibit or restrict me (or my attorney) or the Company or its attorney from responding to any inquiry about this Mutual General Release or its underlying facts and circumstances by any governmental entity.

12. The Parties specifically acknowledge their continuing obligations to one another under the Employment Agreement, including without limitation under Section 1.6, Section 1.7, Section 1.8, Section 1.9 and Section 3.1 of the Employment Agreement.

13. Whenever possible, each provision of this Mutual General Release shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Mutual General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Mutual General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

14. Capitalized terms used but not defined herein shall have the meaning given such terms in the Employment Agreement.

BY SIGNING THIS MUTUAL GENERAL RELEASE, I REPRESENT AND AGREE THAT:

a. I HAVE READ IT CAREFULLY;

b. I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED; TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963; THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

c. I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

d. I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION, I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

e. I HAVE HAD AT LEAST 21 DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE, SUBSTANTIALLY IN ITS FINAL FORM ON _____ __, _____, TO CONSIDER IT, AND THE CHANGES MADE SINCE THE _____ __, _____ VERSION OF THIS RELEASE ARE NOT MATERIAL AND WILL NOT RESTART THE REQUIRED 21-DAY PERIOD;

f. THE CHANGES TO THE AGREEMENT SINCE _____ ___, _____ EITHER ARE NOT MATERIAL OR WERE MADE AT MY REQUEST.

g. I UNDERSTAND THAT I HAVE SEVEN (7) DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED;

g. I HAVE SIGNED THIS MUTUAL GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND

h. I AGREE THAT THE PROVISIONS OF THIS MUTUAL GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

DATE: _____ __, _____

Robert D’Loren

Acknowledged and agreed as of the date first written above:

XCel Brands, Inc.

By: _____

Name: James Haran
Title: CFO

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "*Agreement*") is made as of the 1st day of August, 2011, by and between Xcel Brands, Inc. a Delaware corporation (the "*Company*"), and Giuseppe Falco (the "*Executive*"), each a "*Party*" and collectively the "*Parties*." Unless otherwise indicated, capitalized terms used herein are defined in Section 2.1.

WHEREAS, the Company has determined that it is in the best interests of the Company and its shareholders to enter into an employment agreement with the Executive and the Executive is willing to serve as an employee of the Company.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, it is agreed by and between the Executive and the Company as follows:

ARTICLE I
EMPLOYMENT TERMS

1.1 Employment. The Company will employ the Executive, and the Executive accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning on the Effective Date and ending as provided in Section 1.4(a) hereof (the "*Employment Period*"). Notwithstanding anything to the contrary contained in this Agreement, if the Effective Date does not occur on or prior to October 1, 2011, then this Agreement shall be deemed terminated; provided, however, that the provisions contained in Section 1.5 shall remain in full force and effect.

1.2 Position and Duties.

(a) Generally. The Executive shall serve as the President, Chief Operating Officer of the Izaac Mizrahi Brand ("*IMB*") and in such capacity shall be responsible for the general management of IMB , shall perform such duties as are customarily performed by an officer with similar title and responsibilities of a company of a similar size and shall have such power and authority as shall reasonably be required to enable him to perform his duties hereunder; provided, however, that in exercising such power and authority and performing such duties, he shall at all times be subject to the authority, control and direction of the Chief Executive Officer of the Company.

(b) Duties and Responsibilities. The Executive shall report directly to Robert D'Loren, the Chief Executive Officer of the Company, or his successor, and shall devote his full business time and attention to the business and affairs of the Company and its Subsidiaries. The Executive shall have such duties, responsibility and authority as are customary and consistent with his position. The Executive shall perform his duties and responsibilities in a diligent, trustworthy, businesslike and efficient manner and shall use his best efforts during the Employment Period to protect, encourage and promote the best interests of the Company and its stockholders. The Executive shall not engage in any other business activities that could reasonably be expected to conflict with the Executive's duties, responsibilities and obligations hereunder. Notwithstanding the foregoing, nothing herein shall prohibit Executive from (i) serving on corporate, civic or charitable boards or committees, (ii) delivering lectures or fulfilling speaking engagements and (iii) managing personal investments, so long as such activities do not materially interfere with the performance of Executive's responsibilities hereunder. During the Employment Period, the Executive shall promptly bring to the Company or its Subsidiaries, as applicable, all investment or business opportunities relating to the Business of which the Executive becomes aware.

(c) Principal Office. The principal place of performance by the Executive of his duties hereunder shall be the Company's principal executive offices in the New York Metropolitan area, although the Executive may be required to travel outside of the area where the Company's principal executive offices are located in connection with the performance of Executive's duties for the Company.

1.3 Compensation.

(a) Base Salary. The Executive's base salary shall be $350,000 per annum (the "*Base Salary*"). The Base Salary payable for Fiscal Year 2011 shall be prorated based on the number of days from and including the Effective Date through and including December 31, 2011. The Base Salary will be payable to the Executive by the Company in regular installments in accordance with the Company's general payroll practices. The Executive shall receive such increases (but not decreases) in his Base Salary as the Board of Directors, or the compensation committee of the Board of Directors, may approve in its sole discretion from time to time; provided that the Executive's Base Salary will be reviewed for potential upward adjustment not less often than annually.

(b) Cash Bonuses. Executive shall be entitled to a cash bonus of up to $50,000 per annum ("Cash Bonus") based upon the following: one half of one percent (0.5%) of all Isaac Mizrahi Live net sales in excess of $60 million on QVC as reported by QVC to the Company. The Cash Bonus shall be awarded to Executive on the date that is the earlier of (i) the 90th day following the end of the fiscal year to which the Cash Bonus relates and (ii) the first business day following the date the Company's annual report on Form 10-K for the fiscal year to which the Cash Bonus relates is filed with the Securities and Exchange Commission. Executive shall be eligible to receive a pro rata portion of the Cash Bonus if Executive's employment is less than a full year or ceases prior to the end of the calendar year for which a Cash Bonus has not yet been paid. The Executive is eligible to receive additional cash bonuses at the discretion of the Company's compensation committee.

(c) Withholding. All payments made under this Agreement (including Base Salary, Cash Bonuses, and other amounts) shall be subject to withholding for income taxes, payroll taxes and other legally required deductions.

(d) Expenses. The Company will reimburse the Executive for all reasonable expenses incurred by him in the course of performing his duties under this Agreement that are consistent with the Company's policies in effect at that time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses.

(e) Vacation; Holiday Pay and Sick Leave. The Executive shall be entitled to four (4) weeks' paid vacation in each calendar year, which if not taken during any year may be carried forward to any subsequent year. Executive shall receive holiday pay and paid sick leave as provided to other executive employees of the Company.

(f) Additional Benefits. During the Employment Period, the Executive shall be entitled to participate (for himself and, as applicable, his dependents) in the group medical, life, 401(k) and other insurance programs, employee benefit plans and perquisites which may be adopted by the Board, or the compensation committee of the Board, from time to time, for participation by the Company's senior management or executives, as well as dental, life and disability insurance coverage, with payment of, or reimbursement for, such insurance premiums by the Company, subject to, in all cases, the terms and conditions established by the Board with respect to such plans (collectively, the "*Benefits*"); provided, however, that the Board, in its reasonable discretion, may revise the terms of any Benefits so long as such revision does not have a disproportionately negative impact on the Executive vis-à-vis other Company employees, to the extent applicable.

(g) Indemnification. The Executive shall be entitled to indemnification by the Company in the same circumstances and to the same extent as the other executive officers and directors of the Company, which indemnification shall in no event be less favorable to the Executive than the fullest scope of indemnification permitted by applicable Delaware law (or any such greater scope of indemnification provided by agreement or by the terms of the Company's Certificate of Incorporation or By-Laws to any executive officer or director of the Company).

(h) Stock Options. In the event that the Company elects from time to time during the Employment Period to award to its senior management or executives, generally, options to purchase shares of the Company's stock pursuant to any stock option plan or similar program, the Executive shall be entitled to participate in any such stock option plan or similar program on a basis consistent with the participation of other senior management or executives of the Company.

(i) Warrant. On the Closing Date, the Executive shall receive warrants (the "*Warrant Grant*") a warrant to purchase 100,000 shares of Company's common stock, with an exercise price per share equal to the price per share of common stock (without allocating any value to any warrants, if any, sold with the common stock) sold in the private placement anticipated to close on or about the same day as the Closing Date and a 10-year term (the "*Warrant*"). The Warrant shall vest equally over two years; 50,000 shares shall vest on the first anniversary of the Closing Date, and 50,000 shares shall vest on the second anniversary of the Closing Date. The shares of the Company's Common Stock underlying the Warrant shall have customary piggy back registration and cashless exercise rights.

1.4 Term and Termination.

(a) Duration. The Employment Period shall commence on the Effective Date and the initial term shall terminate two (2) years from the Effective Date (the "*Initial Term*"), unless earlier terminated by the Company or the Executive as set forth in this Section 1.4. The Term shall renew automatically for an additional one-year period, unless either party gives the other party written notice of its intention not to renew the Agreement no later than 30 days prior to the expiration of the then current Term (the "*Term*"). At the end of the three-year Term, the parties shall negotiate in good faith any extension and the terms and conditions thereof. The Employment Period shall be terminated prior to the then-applicable expiration of the Term upon the first to occur of (i) termination of the Executive's employment by the Company for Cause, (ii) termination of the Executive's employment by the Company without Cause, (iii) the Executive's resignation with Good Reason, (iv) the Executive's resignation other than for Good Reason, or (v) the Executive's death or Disability. The Executive shall not terminate the Employment Period, with or without Good Reason, unless he gives the Company written notice that he intends to terminate the Employment Period at least 90 days prior to the Executive's proposed Termination Date. As a condition to Executive receiving any payments or benefits under Section 1.4(b), the Executive shall execute and deliver to the Company the General Release in the form attached hereto as Exhibit A.

(b) Severance Upon Termination Without Cause, Upon Resignation by the Executive For Good Reason or Failure to Renew Term. If the Employment Period is terminated by the Company without Cause or if the Executive resigns for Good Reason, or if the Company fails to renew the Term (in which case termination of the Executive's employment shall be effective at the expiration of the then-current Term), then the Executive will be entitled to receive (1) any unpaid Base Salary through and including the Termination Date and any other amounts, including any amounts due for Cash Bonus, or other entitlements then due and owing to the Executive as of the Termination Date; (2) an amount equal to the Executive's Base Salary (at the rate in effect on the date the Executive's employment is terminated) for a 6 month period following the Executive's termination of employment as described in this Section 1.4(b), payable in a lump sum on the date that is six months following the Executive's "separation from service" (within the meaning of Section 409A of the Code) occurring in connection with such termination (provided, however, that an amount that qualifies for involuntary separation pay exception (within the meaning of Code Section 409A and Final Treasury Regulations Section 1.409A-1(b)(9)(iii)(A)) and is otherwise permissible under Section 409A and the Final Treasury Regulations, shall not be subject to such six-month delay and shall be paid to Executive in a lump sum within thirty (30) days of the Executive's "separation from service") and (3) continue to participate in the Company's group medical plan on the same basis as he previously participated or receive payment of, or reimbursement for, COBRA premiums (or, if COBRA coverage is not available, reimbursement of premiums paid for other medical insurance in an amount not to exceed the COBRA premium) for a six-month period following the Executive's termination of employment; *provided* that if the Executive is provided with health insurance coverage by a successor employer, any such coverage by the Company shall cease (each of (1), (2) and (3) referred to as the "*Severance Payment*"). The Executive also shall be entitled to receive payment for all reimbursable expenses or other entitlements then due and owing to the Executive as of the Termination Date. If the Executive breaches his obligations under Section 1.6, 1.7, 1.8 or 1.9 of this Agreement, the Company's obligation to make any Severance Payments and provide any Benefits shall cease as of the date of such breach; provided, that if the Executive cures such breach within 10 days of receiving written notice from the Company of such breach (which notice the Company shall provide promptly to the Executive after learning of such breach), the Company shall promptly pay all Severance Payments not made during such period of dispute and resume making Severance Payments and providing Benefits promptly following such cure.

(c) Death and Disability. In the event of the death or Disability of the Executive, the Company shall pay the Executive his Base Salary through the Termination Date, at the rate then in effect, and all expenses or accrued Benefits arising prior to such termination which are payable to the Executive pursuant to this Agreement through the Termination Date. Executive or his estate shall also receive the pro-rata portion of the Cash Bonus for the year in which his employment hereunder terminates, calculated based on the number of months Executive worked during that year (including the month in which the termination occurs). Any other rights and benefits the Executive may have under employee benefit plans and programs of the Company generally in the event of the Executive's Disability shall be determined in accordance with the terms of such plans and programs. In the event of Executive's death, any rights and benefits that the Executive's estate or any other person may have under employee benefit plans and programs of the Company generally in the event of the Executive's death shall be determined in accordance with the terms of such plans and programs.

(d) Salary and Other Payments Through Termination. If the Executive's employment with the Company is terminated during the Term (i) by the Company for Cause or (ii) by the Executive other than for Good Reason, the Executive will be entitled to receive his Base Salary through the Termination Date, but will not be entitled to receive any Severance Payments or Benefits after the Termination Date. The Executive shall be entitled to receive payment for all reimbursable expenses or other entitlements then due and owing to the Executive as of the Termination Date.

(e) Other Rights. Except as set forth in this Section 1.4 and Section 1.3, all of the Executive's rights to receive Base Salary, Benefits and Cash Bonuses hereunder (if any) which accrue or become payable after the termination of the Employment Period shall cease upon such termination.

(f) Continuing Benefits. Notwithstanding Section 1.4(e), termination pursuant to this Section 1.4 shall not modify or affect in any way whatsoever any vested right of the Executive to benefits payable under any retirement or pension plan or under any other employee benefit plan of the Company, and all such benefits shall continue, in accordance with, and subject to, the terms and conditions of such plans, to be payable in full to, or on account of, the Executive after such termination.

(g) No Duty of Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Article I by seeking other employment or otherwise.

1.5 Confidential Information.

(a) The Executive shall not disclose or, directly or indirectly, use at any time, during the Employment Period or thereafter, any Confidential Information (as defined below) of which the Executive is or becomes aware, whether or not such information is developed by him, alone or with others, except to the extent that (i) such disclosure or use is required by the Executive's performance of the duties assigned to the Executive by the Board of Directors, (ii) the Executive is required by subpoena or similar process to disclose or discuss any Confidential Information, provided, that in such case, the Executive shall promptly inform the Company in writing of such event, shall cooperate with the Company in attempting to obtain a protective order or to otherwise limit or restrict such disclosure to the greatest extent possible, and shall disclose only that portion of the Confidential Information as is strictly required, or (iii) such Confidential Information is or becomes generally known to and available for use by the public, other than as a result of any action or inaction directly or indirectly by the Executive. At the Company's expense, the Executive shall take all appropriate steps to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. The Executive acknowledges that the Confidential Information obtained by him during the course of his employment with the Company is the sole and exclusive property of the Company and its Subsidiaries, as applicable.

(b) The Executive understands that the Company and its Subsidiaries will receive from third parties confidential or proprietary information ("*Third Party Information*") subject to a duty on the part of the Company and its Subsidiaries to maintain the confidentiality of such information and to use it only for certain limited purposes. During the Employment Period and in the period specified in such confidentiality agreements, and without in any way limiting the provisions of Section 1.5(a) above, the Executive will hold Third Party Information in confidence, consistent with the obligations applicable to Confidential Information of the Company generally, and will not disclose to anyone (other than personnel and agents of the Company or its Subsidiaries who need to know such information in connection with their work for the Company or its Subsidiaries) or use, except in connection with his work for the Company or its Subsidiaries, Third Party Information unless expressly authorized by the Board in writing.

(c) As used in this Agreement, the term "*Confidential Information*" means information that is not generally known to the public and that is related in any way to the actual or anticipated business of the Company, its Subsidiaries, its Affiliates or any of their respective predecessors in interest, including but not limited to (i) business development, growth and other strategic business plans, (ii) properties available for acquisition, financing development or sale, (iii) accounting and business methods, (iv) services or products and the marketing of such services and products, (v) fees, costs and pricing structures, (vi) designs, (vii) analysis, (viii) drawings, photographs and reports, (ix) computer software, including operating systems, applications and program listings, (x) flow charts, manuals and documentation, (xi) data bases, (xii) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xiii) copyrightable works, (xiv) all technology and trade secrets, (xv) confidential terms of material agreements and customer relationships, and (xvi) all similar and related information in whatever form or medium. Confidential Information also expressly excludes Executive's general know-how and business contacts contained in Executive's rolodex, be it electronic or otherwise,as of the Effective Date to the extent that the use of such information does not violate or breach the terms of Section 1.9.

1.6 Inventions and Patents. Executive acknowledges that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, products, methods, processes, techniques, programs, designs, analyses, drawings, reports, patents, copyrightable works and mask works (whether or not including any Confidential Information) and all issuances, registrations or applications related thereto, all other proprietary information or intellectual property and all similar or related information (whether or not patentable) conceived, developed, contributed to, made, or reduced to practice by Executive (either alone or with others) while employed by Company or any of its Subsidiaries or Affiliates or any of their respective predecessors in interest (including prior to the date of this Agreement) and within the scope of the Executive's employment and duties and responsibilities or using the materials, facilities or resources of the Company or any of its Subsidiaries or Affiliates or any of their respective predecessors in interest within the scope of the Executive's employment and duties and responsibilities (collectively, "*Company Works*") is the sole and exclusive property of the Company and its Subsidiaries. Executive hereby assigns all right, title and interest in and to all Company Works to the Company and its Subsidiaries and waives any moral rights he may have therein, without further obligation or consideration. Any copyrightable work prepared in whole or in part by the Executive will be deemed "a work made for hire" under Section 201(b) of the 1976 Copyright Act, and the Company and its Subsidiaries shall own all of the rights comprised in the copyright therein. The Executive shall promptly and fully disclose in writing all Company Works to the Company and shall cooperate with the Company and its Subsidiaries to protect, maintain and enforce the Company's and its Subsidiaries' interests in and rights to such Company Works (including, without limitation, providing reasonable assistance in securing patent protection and copyright registrations and executing all affidavits, assignments, powers-of-attorney and other documents as reasonably requested by the Company, whether such requests occur prior to or after termination of the Executive's employment with the Company).

1.7 Delivery of Materials Upon Termination of Employment. As requested by the Company from time to time and in any event upon the termination of the Executive's employment with the Company , the Executive shall promptly deliver to the Company, or at the Company's election, destroy, all copies and embodiments, in whatever form or medium, of all Confidential Information, Company Works and other property and assets of the Company and its Subsidiaries in the Executive's possession or within his control (including, but not limited to, office keys, access cards, written records, notes, photographs, manuals, notebooks, documentation, program listings, flow charts, magnetic media, disks, diskettes, tapes computers and handheld devices (including all software, files and documents thereon) and any other materials containing any Confidential Information or Company Works) irrespective of the location or form of such material and, if requested by the Company, shall provide the Company with written confirmation that all such materials have been delivered to the Company or destroyed, as applicable.

1.8 Non-Compete and Non-Solicitation Covenants.

(a) The Executive acknowledges and agrees that the Executive's services to the Company and its Subsidiaries are unique in nature and that the Company and its Subsidiaries would be irreparably damaged if the Executive were to provide similar services to any Person competing with the Company and its Subsidiaries or engaged in the Business. The Executive further acknowledges that, in the course of his employment with the Company, he will become familiar with the Company's and its Subsidiaries' trade secrets and with other Confidential Information. During the Noncompete Period, he shall not, directly or indirectly, whether for himself or for any other Person, permit his name to be used by or participate in any business or enterprise (including, without limitation, any division, group or franchise of a larger organization) that engages or proposes to engage in the Business in the Restricted Territories, other than the Company and its Subsidiaries or except as otherwise directed or authorized by the Board. For purposes of this Agreement, the term "participate in" shall include, without limitation, having any direct or indirect interest in any Person, whether as a sole proprietor, owner, stockholder, partner, member, joint venturer, creditor or otherwise, or rendering any direct or indirect service or assistance to any Person (whether as a director, officer, supervisor, employee, agent, consultant or otherwise). Nothing herein will prohibit the Executive from mere passive ownership of not more than five percent (5%) of the outstanding stock of any class of a publicly held corporation whose stock is traded on a national securities exchange or in the over-the-counter market. As used herein, the phrase "mere passive ownership" shall include voting or otherwise granting any consents or approvals required to be obtained from such Person as an owner of stock or other ownership interests in any entity pursuant to the charter or other organizational documents of such entity, but shall not include, without limitation, any involvement in the day-to-day operations of such entity.

(b) During the Nonsolicitation Period, the Executive will not directly, or indirectly through another Person, solicit, induce or attempt to induce any customer, supplier, licensee, or other business relation of the Company or any of its Subsidiaries, or solicit, induce or attempt to induce any person who is, or was during the then-most recent 12-month period, a corporate officer, general manager or other employee of the Company or any of its Subsidiaries to terminate such employee's employment with the Company or any of its Subsidiaries, or hire any such person unless such person's employment was terminated by the Company or any of its Subsidiaries, or in any way interfere with the relationship between any such customer, supplier, licensee, employee or business relation and the Company or any of its Subsidiaries. The restrictions of this Section 1.8(b) shall not apply to any customer, supplier, licensee, or other business relation of the Company or any of its Subsidiaries with whom Executive had a prior business relationship before he started performing services for the Company. The Executive acknowledges and agrees that the Company and its Subsidiaries would be irreparably damaged if the Executive were to breach any of the provisions contained in this Section 1.8(b).

(c) Executive acknowledges that this Agreement, and specifically, this Section 1.8, does not preclude Executive from earning a livelihood, nor does it unreasonably impose limitations on Executive's ability to earn a living. In addition, Executive agrees and acknowledges that the potential harm to the Company of its non-enforcement outweighs any harm to Executive of its enforcement by injunction or otherwise.

1.9 Enforcement. If, at the time of enforcement of Section 1.5, 1.6, 1.7, 1.8, 1.9 or 1.10, a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the Parties agree that, to the extent permitted by applicable law, the maximum period, scope or geographical area reasonable under such circumstances will be substituted for the Noncompete Period, scope or area. Because the Executive's services are unique and because the Executive has access to Confidential Information and Company Works, the Parties agree that money damages may be an inadequate remedy for any breach of Section 1.5, 1.6, 1.7, 1.8, 1.9 or 1.10. Therefore, in the event of a breach or threatened breach of Section 1.5, 1.6, 1.7, 1.8, 1.9 or 1.10, the Company or any of its Subsidiaries or any of their respective successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security). The Parties hereby acknowledge and agree that (a) performance of the services of the Executive hereunder may occur in jurisdictions other than the jurisdiction whose law the Parties have agreed shall govern the construction, validity and interpretation of this Agreement, (b) the law of the State of New York shall govern construction, validity and interpretation of this Agreement to the fullest extent possible, and (c) Section 1.5, 1.6, 1.7, 1.8, 1.9 or 1.10 shall restrict the Executive only to the extent permitted by applicable law.

1.10 Survival. Sections 1.5, 1.6, 1.7, 1.8, 1.9 and 1.10 will survive and continue in full force in accordance with their terms notwithstanding any termination of the Employment Period.

ARTICLE II
DEFINED TERMS

2.1 Definitions. For purposes of this Agreement, the following terms will have the following meanings:

"*Business*" means the business of acquiring and licensing consumer brands worldwide.

"*Cause*" means with respect to the Executive, the occurrence of one or more of the following: (i) conviction of a felony involving moral turpitude, misappropriation of Company property, embezzlement of Company funds, violation of the securities laws or dishonesty, (ii) the willful and continued failure by the Executive to attempt in good faith to substantially perform his obligations under this Agreement (other than any such failure resulting from the Executive's incapacity due to a Disability); (iii) reporting to work under the influence of alcohol or illegal drugs, or the use of illegal drugs (whether or not at the workplace), or (iv) any willful breach of Sections 1.6, 1.7, 1.8 or 1.9 of this Agreement. Notwithstanding the foregoing, termination by the Company for Cause (other than pursuant to clause (i) above) shall not be effective until and unless Executive fails to cure such alleged act or circumstance within 30 days of receipt of notice thereof, to the satisfaction of the Chief Executive Officer in the exercise of his reasonable judgment (or, if within such 30-day period the Executive commences and proceeds to take all reasonable actions to effect such cure, within such reasonable additional time period (no longer than 60 days) as may be necessary).

"*Closing Date*" means September 29, 2011.

"*Code"* means the Internal Revenue Code of 1986 and the Treasury regulations thereunder, each as amended from time to time.

"*Disability*" shall have the meaning set forth in a policy or policies of long-term disability insurance, if any, the Company obtains for the benefit of itself and/or its employees. If there is no definition of "disability" applicable under any such policy or policies, if any, then the Executive shall be considered disabled due to mental or physical impairment or disability, despite reasonable accommodations by the Company and its Subsidiaries, to perform his customary or other comparable duties with the Company or its Subsidiaries immediately prior to such disability for a period of at least 120 consecutive days or for at least 180 non-consecutive days in any 12-month period.

"*Effective Date*" means September 16, 2011.

"*Fiscal Year*" means the fiscal year of the Company and its Subsidiaries.

"*Good Reason*" means the occurrence, without the Executive's written consent, of one or more of the following events: (i) the Company reduces the amount of Executive's Base Salary or Cash Bonus, (ii) the Company requires that the Executive relocate his principal place of employment to a site that is more than 50 miles from the Company's offices in the New York area or if the Company changes the location of its headquarters without the consent of Executive to a location that is more than 50 miles from such location, (iii) the Company materially reduces the Executive's authority, duties or responsibilities or removes the Executive from the position of President and Chief Operating Officer of IMB other than pursuant to a termination of his employment for Cause, or upon the Executive's death or Disability, (iv) the failure or unreasonable delay of the Company to provide to the Executive any of the payments or benefits contemplated hereby or (v) the Company otherwise materially breaches the terms of this Agreement; provided that no such event shall constitute Good Reason hereunder unless (a) the Executive shall have given written notice to the Company of the Executive's intent to resign for Good Reason within 30 days after the Executive becomes aware of the occurrence of any such event, which notice shall describe in reasonable detail the event or events constitute the basis for the Executive's intention to resign for Good Reason and (b) such event or occurrence, if a breach susceptible to cure, shall not have been cured or otherwise shall not have been resolved to the Executive's reasonable satisfaction, in each case within 30 days of the Company's receipt of such notice. In such case the Executive's resignation shall become effective on the 31st day after the Company's receipt of the aforementioned notice.

"*Merger Agreement*" means the Merger Agreement entered into by and among NetFabric Holdings, Inc., the Company and a subsidiary of NetFabric Holdings, Inc. formed for the purpose of acquiring the Company.

"*Noncompete Period*" means the Employment Period and 6 months thereafter.

"*Nonsolicitation Period*" means the Employment Period and 6 months thereafter.

"*Person*" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or the United States of America any other nation, any state or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"*Restricted Territories*" means (i) the United States and its territories and possessions and (ii) any foreign country in which the Company engages in Business as of the Termination Date.

"*Subsidiary*" means, with respect to any Person, any corporation, limited liability company, partnership, association, or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association, or other business entity gains or losses or shall be or control any managing director or general partner or manager or managing member of such limited liability company, partnership, association, or other business entity. For purposes hereof, references to a "Subsidiary" of any Person shall be given effect only at such times that such Person has one or more Subsidiaries, and, unless otherwise indicated, the term "Subsidiary" refers to a Subsidiary of the Company.

"*Termination Date*" means the effective date of the Executive's termination of employment with the Company.

2.2 Other Definitional Provisions.

(a) Section references contained in this Agreement are references to sections in this Agreement, unless otherwise specified. Each defined term used in this Agreement has a comparable meaning when used in its plural or singular form. Each gender-specific term used in this Agreement has a comparable meaning whether used in a masculine, feminine or gender-neutral form.

(b) Whenever the term "including" (whether or not that term is followed by the phrase "but not limited to" or "without limitation" or words of similar effect) is used in this Agreement in connection with a listing of items within a particular classification, that listing will be interpreted to be illustrative only and will not be interpreted as a limitation on, or an exclusive listing of, the items within that classification.

ARTICLE III
MISCELLANEOUS TERMS

3.1 Defense of Claims. The Executive agrees that, during the Employment Period, and for a period of six months after termination of the Executive's employment, upon request by the Company, the Executive shall reasonably cooperate with the Company in connection with any matters the Executive worked on during his employment with the Company and any related transitional matters. In addition, during the Employment Period and thereafter, the Executive agrees to reasonably cooperate with the Company in the defense of any claims or actions that may be made by or against the Company that affect the Executive's prior areas of responsibility or involve matters about which the Executive has knowledge, except if the Executive's reasonable interests are adverse to the Company in such claim or action and provided that after the Employment Period such level of cooperation shall be reasonable and shall take due account of the Executive's work and personal commitments. The Company's request for "reasonable cooperation" shall take into consideration Executive's personal and business commitments and the amount of notice provided to Executive by the Company. The Company agrees to promptly reimburse the Executive for all of the Executive's reasonable travel and other direct expenses incurred, or to be reasonably incurred, to comply with the Executive's obligations under this Section 3.1.

3.2 Nondisparagement. The Executive agrees to refrain from (i) making, directly or indirectly, any derogatory comments concerning the Company or its Subsidiaries or any current or former officers, directors, employees or shareholders thereof or (ii) taking any other action with respect to the Company or its Subsidiaries which is reasonably expected to result, or does result in, damage to the business or reputation of the Company, its Subsidiaries or any of its current or former officers, directors, employees or shareholders. The Company agrees to refrain from (i) making, directly or indirectly, any derogatory comments concerning the Executive or (ii) taking any other action with respect to the Executive which is reasonably expected to result, or does result in, damage to the reputation of the Executive. Notwithstanding anything to the contrary contained herein, nothing in this Agreement shall prohibit or restrict either party from, truthfully and in good faith: (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by, any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company's or the Executive's designated legal, compliance or human resources officers; or (iii) filing, testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal, state or municipal law relating to fraud, or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

3.3 Source of Payments. All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise and except as otherwise provided herein, shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets shall be made, to assure payment. The Executive shall have no right, title or interest whatsoever in or to any investments which the Company or its Subsidiaries may make to aid the Company in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

3.4 Notices. Any notice provided for in this Agreement must be in writing and must be either personally delivered, mailed by first class mail (postage prepaid and return receipt requested), sent by reputable overnight courier service (charges prepaid) or sent by facsimile (with receipt confirmed) to the recipient at the address or facsimile number indicated below:

To the Company:

Xcel Brands, Inc.
5 Penn Plaza
Suite 2335
New York, New York 10001

With copies to:

Blank Rome LLP
The Chrysler Building
405 Lexington Avenue
New York, NY 10174-0208
(212) 885-5001
Attn: Robert Mittman, Esq.

To the Executive:

Joe Falco
35 Cambridge Drive
Smithtown, NY 11787
Home: 631.382.2467

With copies to:

Outten & Golden LLP
3 Park Avenue, 29th Floor
New York, NY 10016
(212) 245-1000
Attn: Wendi S. Lazar, Esq.

or such other address or to the attention of such other Person as the recipient Party will have specified by prior written notice to the sending Party. Any notice under this Agreement will be deemed to have been given when so delivered or sent.

3.5 Severability. Subject to the express provisions of Section 1.10 relating to certain specified changes, whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

3.6 Complete Agreement. This Agreement embodies the complete agreement and understanding among the Parties with regard to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the Parties, written or oral, which may have related to the subject matter hereof in any way. To the extent that this Agreement provides greater benefits to the Executive or fewer obligation of the Executive than available or set forth under the Company's employee handbook or other corporate policies, then this Agreement shall prevail.

3.7 Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

3.8 Assignment. Without the Executive's consent, the Company may not assign its rights and obligations under this Agreement except (i) to a "Successor" (as defined below) or (ii) to an entity that is formed and controlled by the Company or any of its Subsidiaries. This Agreement is personal to the Executive, and the Executive shall not have the right to assign the Executive's interest in this Agreement, any rights under this Agreement or any duties imposed under this Agreement, nor shall the Executive have the right to pledge, hypothecate, transfer, assign or otherwise encumber the Executive's right to receive any form of compensation hereunder without the prior written consent of the Board. As used in Section 3.8 and 3.9, "*Successor*" shall include any Person that at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets of, or ownership interests in, the Company and its Subsidiaries.

3.9 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by the Company, the Executive, and their respective heirs, successors and permitted assigns.

3.10 Choice of Law. This Agreement and the performance of the parties hereunder shall be governed by the internal laws (and not the law of conflicts) of the State of New York. Any claim or controversy arising out of or in connection with this Agreement, or the breach thereof, shall be adjudicated exclusively by the Supreme Court, New York County, State of New York, or by a federal court sitting in Manhattan in New York City, State of New York. The parties hereto agree to the personal jurisdiction of such courts and agree to accept process by regular mail in connection with any such dispute.

3.11 Waiver of Jury Trial. AS A SPECIFICALLY BARGAINED FOR INDUCEMENT FOR EACH OF THE PARTIES HERETO TO ENTER INTO THIS AGREEMENT (AFTER HAVING THE OPPORTUNITY TO CONSULT WITH COUNSEL), EACH PARTY HERETO EXPRESSLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY LAWSUIT OR PROCEEDING RELATING TO OR ARISING IN ANY WAY FROM THIS AGREEMENT OR THE MATTERS CONTEMPLATED HEREBY.

3.12 Legal Fees and Court Costs. In the event that any action, suit or other proceeding in law or in equity is brought to enforce the provisions of this Agreement, and such action results in the award of a judgment for money damages or in the granting of any injunction in favor of the Company, all expenses (including reasonable attorneys' fees) of the Company in such action, suit or other proceeding shall be paid by the Executive. In the event that any action, suit or other proceeding in law or in equity is brought to enforce the provisions of this Agreement, and such action results in the award of a judgment for money damages or in the granting of any injunction in favor of the Executive, all expenses (including reasonable attorneys' fees and travel expenses) of the Executive in such action, suit or other proceeding shall be paid by the Company.

3.13 Remedies. Each Party will be entitled to enforce its rights under this Agreement specifically, to recover damages and costs caused by any breach of any provision of this Agreement and to exercise all other rights existing in its favor. Subject to Section 3.12, nothing herein shall prohibit any arbitrator or judicial authority from awarding attorneys' fees or costs to a prevailing Party in any arbitration or other proceeding to the extent that such arbitrator or authority may lawfully do so.

3.14 Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company and the Executive, and no course of conduct or failure or delay in enforcing the provisions of this Agreement will affect the validity, binding effect or enforceability of this Agreement.

3.15 Third Party Beneficiaries. This Agreement will not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns and other than, in the event of the Executive's death, his estate, to which all of Executive's rights and remedies set forth herein shall accrue.

3.16 The Executive's Representations. The Executive hereby represents and warrants to the Company that (a) the execution, delivery and performance of this Agreement by the Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Executive is a party or by which he is bound, (b) the Executive is not a party to or bound by any employment agreement, noncompete agreement or confidentiality agreement with any other Person (or other agreement with any other person containing a restriction on the Executive's right to do business or obligating him to do business with any other Person on a priority or preferential basis), (c) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of the Executive, enforceable in accordance with its terms and (d) upon the execution and delivery of this Agreement by the Company, Executive shall not be in violation of clause (i) set forth in the definition of Cause and shall not be disabled.

3.17 Section 409A of the Code.

(a) Compliance. Notwithstanding anything herein to the contrary, this Agreement is intended to be interpreted and applied so that the payments and benefits set forth herein either shall either be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), or shall comply with the requirements of Code Section 409A, and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be exempt from or in compliance with Code Section 409A. To the extent that the Company determines that any provision of this Agreement would cause Executive to incur any additional tax or interest under Code Section 409A, the Company shall be entitled to reform such provision to attempt to comply with or be exempt from Code Section 409A through good faith modifications. To the extent that any provision hereof is modified in order to comply with Code Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to Executive and the Company without violating the provisions of Code Section 409A.

(b) Separate Payments. Notwithstanding anything in this Agreement to the contrary, the right to receive installment payments hereunder shall be treated as a right to receive a series of separate payments in accordance with Code Section 409A and Final Treasury Regulation Section 1.409A-2(b)(2)(iii).

(c) Short-Term Deferral. Except as otherwise specifically provided, amounts payable under this Agreement, other than those expressly payable on a deferred or installment basis, will be paid as promptly as practicable following the date on which they are earned and vested and, in any event, on or prior to March 15 of the year following the first calendar year in which such amounts are no longer subject to a substantial risk of forfeiture, as such term is defined in Section 409A of the Code.

(d) Separation from Service. Notwithstanding anything in this Agreement or elsewhere to the contrary, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits that constitute "non-qualified deferred compensation" within the meaning of Code Section 409A upon or following a termination of Executive's employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service" and the date of such separation from service shall be the Termination Date for purposes of any such payment or benefits.

(e) No Designation. In no event may Executive, directly or indirectly, designate the calendar year of any payment to be made under this Agreement or otherwise which constitutes a "deferral of compensation" within the meaning of Code Section 409A.

(f) Expense Reimbursement. With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Code Section 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, and (iii) such payments shall be made on or before the last day of Executive's taxable year following the taxable year in which the expense was incurred.

[END OF PAGE]
[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Employment Agreement as of the date first written above.

Xcel Brands, Inc.

By: /s/ Robert W. D'Loren
Name: Robert W. D'Loren
Title: Chairman and CEO

/s/ Giuseppe Falco
Giuseppe Falco

EXHIBIT A

FORM OF RELEASE

I, Giuseppe Falco, on behalf of myself and my heirs, successors and assigns, in consideration of the performance by Xcel Brands, Inc., a Delaware corporation (together with its Subsidiaries, the "*Company*"), of its material obligations under the Employment Agreement, dated as of July XX, 2011 (the "*Agreement*"), do hereby release and forever discharge as of the date hereof the Company, its Affiliates, each such Person's respective successors and assigns and each of the foregoing Persons' respective present and former directors, officers, partners, stockholders, members, managers, agents, representatives, employees (and each such Person's respective successors and assigns) (collectively, the "*Released Parties*") to the extent provided below.

1. I understand that any payments or benefits paid or granted to me under Section 1.4(b) of the Agreement represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive the payments and benefits specified in Section 1.4(b) of the Agreement unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter or breach this General Release.

2. I knowingly and voluntarily release and forever discharge the Company and the other Released Parties from any and all claims, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date of this General Release), whether under the laws of the United States or another jurisdiction and whether known or unknown, suspected or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, have or may have, which arise out of or are connected with my employment with, or my separation from, the Company (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Civil Rights Act of 1866, as amended; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; Occupational Safety and Health Act of 1970, as amended, under the Worker Adjustment and Retraining Notification Act of 1988, as amended, under the Family and Medical Leave Act of 1993, as amended, under the Fair Credit Reporting Act of 1970, as amended, and under the Sarbanes-Oxley Act of 2002, under the Civil Rights Act of 1870, 42 U.S.C. § 1981, as amended, under the Civil Rights Act of 1871, as amended, under the Americans With Disabilities Act of 1990, as amended, under the Americans with Disabilities Act Amendments of 2008, under the Rehabilitation Act of 1973, as amended, under the Immigration Reform and Control Act of 1986, as amended, under the Vietnam Era Veterans Readjustment Assistance Act of 1974, as amended, under the Uniformed Service Employment and Reemployment Rights Act of 1994, as amended, under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), and any and all claims under the New York State Human Rights Law, under the New York City Human Rights Law, and under the New York Labor Laws, and any and all claims under any other federal, state, or local labor law, civil rights law, fair employment practices law, human rights law, family and medical leave law, occupational safety and health law, whistleblower protection law, and equal pay law; or any and all claims of slander, libel, defamation, invasion of privacy, intentional or negligent infliction of emotional distress, intentional or negligent misrepresentation, fraud, prima facie torts or other tort; or any and all claims based on the design or administration of any of the Company's employee benefit plan or program, or arising under any Company policy, practice, or procedure, or employee benefit plan; any and all claims for wages, commissions bonuses, vacation pay or other paid time off, employee benefits equity-based compensation, or other compensation or payments of any kind or nature, or for continued employment with the Company in any position; or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or any claim for wrongful discharge, breach of contract, or infliction of emotional distress; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims"); provided, however, that nothing contained in this General Release shall apply to, or release the Company from, (i) any obligation of the Company contained in the Agreement to be performed after the date hereof or (ii) any vested or accrued benefits pursuant to any employee benefit plan, program or policy of the Company.

3. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 2 above.

4. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this General Release. I acknowledge and agree that my separation from employment with the Company in compliance with the terms of the Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

5. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to the terms of the Agreement. I covenant that I shall not directly or indirectly, commence, maintain or prosecute or sue any of the Released Persons either affirmatively or by way of cross-complaint, indemnity claim, defense or counterclaim or in any other manner or at all on any Claim covered by this General Release. I further agree that in the event I should bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims. I further agree that I am not aware of any pending charge or complaint of the type described in paragraph 2 as of the execution of this General Release.

6. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

7. I agree that this General Release is confidential and agree not to disclose any information regarding the terms of this General Release, except to my immediate family and any tax, legal or other counsel I have consulted regarding the meaning or effect hereof or as required by law, and I will instruct each of the foregoing not to disclose the same to anyone.

8. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. or any other self-regulatory organization or governmental entity.

9. Without limitation of any provision of the Agreement, I hereby expressly re-affirm my obligations under Sections 1.5, 1.6, 1.7, 1.8, 1.9, 1.10 and 3.1.

10. Whenever possible, each provision of this General Release shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

"Affiliate" means, with respect to any Person, any Person that controls, is controlled by or is under common control with such Person or an Affiliate of such Person.

"Person" means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, investment fund, any other business entity and a governmental entity or any department, agency or political subdivision thereof.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association, or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association, or other business entity gains or losses or shall be or control any managing director or general partner of such limited liability company, partnership, association, or other business entity.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

(a) I HAVE READ IT CAREFULLY;

(b) I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

(c) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

(d) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY (VIA THE AGREEMENT AND THIS RELEASE) BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION, I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

(e) I HAVE HAD AT LEAST 21 DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE SUBSTANTIALLY IN ITS FINAL FORM ON _____ __, _____ TO CONSIDER IT AND THE CHANGES MADE SINCE THE _____ __, _____ VERSION OF THIS RELEASE ARE NOT MATERIAL AND WILL NOT RESTART THE REQUIRED 21-DAY PERIOD;

(f) THE CHANGES TO THE AGREEMENT SINCE _____ ___, _____ EITHER ARE NOT MATERIAL OR WERE MADE AT MY REQUEST.

(g) I UNDERSTAND THAT I HAVE SEVEN DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE EIGHTH DAY FOLLOWING EXECUTION OF THE AGREEMENT;

(h) I ACKNOWLEDGE THAT MY acceptance of any of the monies paid by the COMPANY as described in sections __ of the employment Agreement, at any time more than seven days after the execution of this Agreement will constitute an admission by ME that I did not revoke this Agreement during the revocation period of seven days; and will further constitute an admission by ME that this Agreement has become effective and enforceable.

(i) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND

(j) I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

DATE: _____ __, _____

_____
Giuseppe Falco

Acknowledged and agreed as of the date first written above:

Xcel Brands, Inc.

By: _____
Name: Robert W. D'Loren
Title: Chairman & CEO

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "*Agreement*") is made as of the 22nd day of September, 2011, by and between XCel Brands, Inc., a Delaware corporation (the "*Company*") and James F. Haran (the "*Executive*"), each a "*Party*" and collectively the "*Parties*." Unless otherwise indicated, capitalized terms used herein are defined in Section 2.1.

WHEREAS, the Company has determined that it is in the best interests of the Company and its shareholders to enter into an employment agreement with the Executive and the Executive is willing to serve as an employee of the Company.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, it is agreed by and between the Executive and the Company as follows:

ARTICLE I
EMPLOYMENT TERMS

1.1 Employment. The Company will employ the Executive, and the Executive accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning on the Effective Date and ending as provided in Section 1.4(a) hereof (the "*Employment Period*").

1.2 Position and Duties.

(a) Generally. The Executive shall serve as the Chief Financial Officer, of the Company and, in such capacity shall be responsible for the general management of the financial affairs of the Company, shall perform such duties as are customarily performed by an officer with similar title and responsibilities of a company of a similar size and shall have such power and authority as shall reasonably be required to enable him to perform his duties hereunder; provided, however, that in exercising such power and authority and performing such duties, he shall at all times be subject to the authority, control and direction of the Board of Directors and the Chief Executive Officer of the Company.

(b) Duties and Responsibilities. The Executive shall report to the Chief Executive Officer of the Company and shall devote his full business time and attention to the business and affairs of the Company and its Subsidiaries. The Executive shall perform his duties and responsibilities in a diligent, trustworthy, businesslike and efficient manner and shall use his best efforts during the Employment Period to protect, encourage and promote the best interests of the Company and its stockholders. The Executive shall not engage in any other business activities that could reasonably be expected to conflict with the Executive's duties, responsibilities and obligations hereunder. During the Employment Period, the Executive shall promptly bring to the Company or its Subsidiaries, as applicable, all investment or business opportunities relating to the Business of which the Executive becomes aware.

(c) Principal Office. The principal place of performance by the Executive of his duties hereunder shall be the Company's principal executive offices in the New York Metropolitan area, although the Executive may be required from time to time to travel outside of the area where the Company's principal executive offices are located in connection with the business of the Company.

1.3 Compensation.

(a) Base Salary. The Executive's base salary shall be (i) $225,000.00 per annum (the "*First Year Base Salary*") for the one year period commencing on the Effective Date and ending on the first anniversary of the Effective Date (the "*First Year*") and (ii) $250,000 per annum (the "*Second Year Base Salary*") for the one year period commending on the first anniversary of the Effective Date and ending on the second anniversary of the Effective Date (the "*Second Year*"). "*Base Salary*" means the First Year Base Salary or the Second Year Base Salary, whichever is in effect at the time of the determination. The Base Salary will be payable to the Executive by the Company in regular installments in accordance with the Company's general payroll practices. The Executive shall receive such increases (but not decreases) in his Base Salary as the Board of Directors, or the compensation committee of the Board of Directors, may approve in its sole discretion from time to time. Following the initial two years, the Base Salary shall be reviewed at least annually.

(b) Cash Bonus. Executive shall be eligible for a cash bonus of up to $50,000 per annum (the "Cash Bonus") based upon the following: 50% of the $50,000 Cash Bonus shall be paid to the Executive if the Company achieves at least 70% of its budgeted EBITDA and 100% of the $50,000 Cash Bonus shall be paid to the Executive if the Company achieves at least 90% of its budgeted EBITDA. The Cash Bonus shall be awarded to the Executive on the date that is the earlier of (i) the 90th day following the end of the fiscal year to which the Cash Bonus relates and (ii) the first business day following the date the Company's annual report on Form 10-K for the fiscal year to which the Cash Bonus relates is filed with the Securities and Exchange Commission. Notwithstanding the foregoing, all payments of Cash Bonuses shall be made on a date that allows such payments to comply with the requirements of Section 409A of the Code. Executive shall be eligible to receive a pro rata portion of the Cash Bonus if Executive's employment is less than a full year or ceases prior to the end of the calendar year for which a Cash Bonus has not yet been paid. The Executive is eligible to receive additional cash bonuses at the discretion of the Company's compensation committee.

(c) Withholding. All payments made under this Agreement (including Base Salary, Cash Bonus payments, and other amounts) shall be subject to withholding for income taxes, payroll taxes and other legally required deductions.

(d) Expenses. The Company will reimburse the Executive for all reasonable expenses incurred by him in the course of performing his duties under this Agreement that are consistent with the Company's policies in effect at that time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses and. Notwithstanding the foregoing, Executive shall be reimbursed for up to $1,000 per month for automobile-related expenses; with such reimbursements made in the calendar year in which the expense is incurred.

(e) Vacation; Holiday Pay and Sick Leave. The Executive shall be entitled to four (4) weeks' paid vacation in each calendar year, which if not taken during any year may be carried forward to any subsequent year. Executive shall receive holiday pay and paid sick leave as provided to other executive employees of the Company.

(f) Additional Benefits. During the Employment Period, the Executive shall be entitled to participate (for himself and, as applicable, his dependents) in the group medical, life, 401(k) and other insurance programs, employee benefit plans and perquisites which may be adopted by the Board, or the compensation committee of the Board, from time to time, for participation by the Company's senior management or executives, as well as dental, life and disability insurance coverage, with payment of, or reimbursement for, such insurance premiums by the Company, subject to, in all cases, the terms and conditions established by the Board with respect to such plans (collectively, the "*Benefits*"); provided, however, that the Board, in its reasonable discretion, may revise the terms of any Benefits so long as such revision does not have a disproportionately negative impact on the Executive vis-à-vis other Company employees, to the extent applicable.

(g) Indemnification. The Executive shall be entitled to indemnification by the Company in the same circumstances and to the same extent as the other executive officers and directors of the Company, which indemnification shall in no event be less favorable to the Executive than the fullest scope of indemnification permitted by applicable Delaware law (or any such greater scope of indemnification provided by agreement or by the terms of the Company's Certificate of Incorporation or By-Laws to any executive officer or director of the Company).

(h) Stock Options. In the event that the Company elects from time to time during the Employment Period to award to its senior management or executives, generally, options to purchase shares of the Company's stock or shares of restricted stock pursuant to any stock option plan or similar program, the Executive shall be entitled to participate in any such stock option plan or similar program on a basis consistent with the participation of other senior management or executives of the Company.

(i) Warrant. On the Closing Date, the Executive shall receive a warrant (the "Warrant Grant") a warrant to purchase 49,500 shares of Company's common stock (the "*Warrant*"), each with an exercise price per share equal to the price per share of common stock (without allocating any value to any warrants, if any, sold with the common stock) sold in the private placement anticipated to close on or about the same day as the Closing Date. The warrant vests and becomes exercisable on the Closing Date and has a ten-year term. The shares of the Company's Common Stock underlying the Warrant shall have customary piggy back registration and cashless exercise rights.

1.4 Term and Termination.

(a) Duration. The Employment Period shall commence on the Effective Date and the initial term shall terminate two (2) years from the Effective Date (the "*Term*"), unless earlier terminated by the Company or the Executive as set forth in this Section 1.4. The Term shall renew automatically for one-year periods, unless either party gives the other party written notice of its intention not to renew the Agreement no later than 30 days prior to the expiration of the then current Term. The Employment Period shall be terminated prior to the then-applicable expiration of the Term upon the first to occur of (i) termination of the Executive's employment by the Company for Cause, (ii) termination of the Executive's employment by the Company without Cause, (iii) the Executive's resignation with Good Reason, (iv) the Executive's resignation other than for Good Reason, or (v) the Executive's death or Disability. The Executive shall not terminate the Employment Period, with or without Good Reason, unless he gives the Company written notice that he intends to terminate the Employment Period at least 90 days prior to the Executive's proposed Termination Date. As a condition to Executive receiving any payments or benefits under Section 1.4(b) or Section 1.4(c), the Executive shall execute and deliver to the Company the General Release in the form attached hereto as Exhibit A.

(b) Severance Upon Termination Without Cause, Upon Resignation by the Executive For Good Reason or Failure to Renew Term. If the Employment Period is terminated by the Company without Cause or if the Executive resigns for Good Reason, or if the Company fails to renew the Term (in which case termination of the Executive's employment shall be effective at the expiration of the then-current Term), then the Executive will be entitled to receive (1) any unpaid Base Salary through and including the Termination Date and any other amounts, including any amounts due for Cash Bonus, or other entitlements then due and owing to the Executive as of the Termination Date; (2) an amount equal to the Executive's Base Salary (at the rate in effect on the date the Executive's employment is terminated) for a 12-month period following the Executive's termination of employment as described in this Section 1.4(b), payable in a lump sum on the date that is six months following the Executive's "separation from service" (within the meaning of Section 409A of the Code) occurring in connection with such termination and (3) continue to participate in the Company's group medical plan on the same basis as he previously participated or receive payment of, or reimbursement for, COBRA premiums (or, if COBRA coverage is not available, reimbursement of premiums paid for other medical insurance in an amount not to exceed the COBRA premium) for a one-year period following the Executive's termination of employment; *provided* that if the Executive is provided with health insurance coverage by a successor employer, any such coverage by the Company shall cease (each of (1), (2) and (3) referred to as the "*Severance Payment*"). The Executive also shall be entitled to receive payment for all reimbursable expenses or other entitlements then due and owing to the Executive as of the Termination Date. If the Executive breaches his obligations under Section 1.6, 1.7, 1.8 or 1.9 of this Agreement, the Company's obligation to make any Severance Payments and provide any Benefits shall cease as of the date of such breach; provided, that if the Executive cures such breach within 10 days of receiving written notice from the Company of such breach (which notice the Company shall provide promptly to the Executive after learning of such breach), the Company shall promptly pay all Severance Payments not made during such period of dispute and resume making Severance Payments and providing Benefits promptly following such cure.

(c) Severance upon a Change of Control. Anything contained herein to the contrary notwithstanding, in the event the Executive's employment hereunder is terminated within twelve (12) months following a Change of Control by the Company without Cause or by the Executive with Good Reason, the Executive shall be entitled to receive the Severance Payment as described in sub-section (b)(2) above; provided, however, that if such lump sum Severance Payment, either alone or together with other payments or benefits, either cash or non-cash, that the Executive has the right to receive from the Company, including, but not limited to, accelerated vesting or payment of any deferred compensation, options, stock appreciation rights or any benefits payable to the Executive under any plan for the benefit of employees, would constitute an "excess parachute payment" (as defined in Section 280G of the Code), then such lump sum severance payment or other benefit shall be reduced to the largest amount that will not result in receipt by the Executive of an "excess parachute payment." The determination of the amount of the payment described in this subsection shall be made by the Company's independent auditors at the sole expense of the Company. For purposes of clarification the value of any options described above will be determined by the Company's independent auditors using a Black-Scholes valuation methodology. If within twelve (12) months after the occurrence of a Change of Control, the Company shall terminate the Executive's employment without Cause or the Executive terminates his employment with Good Reason, then notwithstanding the vesting and exercisability schedule in any stock option or other grant agreement between the Company and the Executive, all unvested stock options, shares of restricted stock and other equity awards granted by the Company to the Executive pursuant to any such agreement shall immediately vest, and all such stock options shall become exercisable and shall remain exercisable for the lesser of 180 days after the effective Termination Date of the Executive's employment or the remaining term of the applicable option.

(d) Death and Disability. In the event of the death or Disability of the Executive, the Company shall pay the Executive his Base Salary through the Termination Date, at the rate then in effect, and all expenses or accrued Benefits arising prior to such termination which are payable to the Executive pursuant to this Agreement through the Termination Date. Any other rights and benefits the Executive may have under employee benefit plans and programs of the Company generally in the event of the Executive's Disability shall be determined in accordance with the terms of such plans and programs. In the event of Executive's death, any rights and benefits that the Executive's estate or any other person may have under employee benefit plans and programs of the Company generally in the event of the Executive's death shall be determined in accordance with the terms of such plans and programs.

(e) Salary and Other Payments Through Termination. If the Executive's employment with the Company is terminated during the Term (i) by the Company for Cause or (ii) by the Executive other than for Good Reason, the Executive will be entitled to receive his Base Salary through the Termination Date, but will not be entitled to receive any Severance Payments or Benefits after the Termination Date. The Executive shall be entitled to receive payment for all reimbursable expenses or other entitlements then due and owing to the Executive as of the Termination Date.

(f) Other Rights. Except as set forth in this Section 1.4 and Section 1.3, all of the Executive's rights to receive Base Salary, Benefits and the Cash Bonuses hereunder (if any) which accrue or become payable after the termination of the Employment Period shall cease upon such termination.

(g) Continuing Benefits. Notwithstanding Section 1.4(f), termination pursuant to this Section 1.4 shall not modify or affect in any way whatsoever any vested right of the Executive to benefits payable under any retirement or pension plan or under any other employee benefit plan of the Company, and all such benefits shall continue, in accordance with, and subject to, the terms and conditions of such plans, to be payable in full to, or on account of, the Executive after such termination.

(h) No Duty of Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Article I by seeking other employment or otherwise.

1.5 Confidential Information.

(a) The Executive shall not disclose or, directly or indirectly, use at any time, during the Employment Period or thereafter, any Confidential Information (as defined below) of which the Executive is or becomes aware, whether or not such information is developed by him, alone or with others, except to the extent that (i) such disclosure or use is required by the Executive's performance of the duties assigned to the Executive by the Board, (ii) the Executive is required by subpoena or similar process to disclose or discuss any Confidential Information, provided, that in such case, the Executive shall promptly inform the Company in writing of such event, shall cooperate with the Company in attempting to obtain a protective order or to otherwise limit or restrict such disclosure to the greatest extent possible, and shall disclose only that portion of the Confidential Information as is strictly required, or (iii) such Confidential Information is or becomes generally known to and available for use by the public, other than as a result of any action or inaction directly or indirectly by the Executive. At the Company's expense, the Executive shall take all appropriate steps to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. The Executive acknowledges that the Confidential Information obtained by him during the course of his employment with the Company is the sole and exclusive property of the Company and its Subsidiaries, as applicable.

(b) The Executive understands that the Company and its Subsidiaries will receive from third parties confidential or proprietary information ("*Third Party Information*") subject to a duty on the part of the Company and its Subsidiaries to maintain the confidentiality of such information and to use it only for certain limited purposes. During the Employment Period and in the period specified in such confidentiality agreements, and without in any way limiting the provisions of Section 1.5(a) above, the Executive will hold Third Party Information in confidence, consistent with the obligations applicable to Confidential Information of the Company generally, and will not disclose to anyone (other than personnel and agents of the Company or its Subsidiaries who need to know such information in connection with their work for the Company or its Subsidiaries) or use, except in connection with his work for the Company or its Subsidiaries, Third Party Information unless expressly authorized by the Board in writing.

(c) As used in this Agreement, the term "*Confidential Information*" means information that is not generally known to the public and that is related in any way to the actual or anticipated business of the Company, its Subsidiaries, its Affiliates or any of their respective predecessors in interest, including but not limited to (i) business development, growth and other strategic business plans, (ii) properties available for acquisition, financing development or sale, (iii) accounting and business methods, (iv) services or products and the marketing of such services and products, (v) fees, costs and pricing structures, (vi) designs, (vii) analysis, (viii) drawings, photographs and reports, (ix) computer software, including operating systems, applications and program listings, (x) flow charts, manuals and documentation, (xi) data bases, (xii) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xiii) copyrightable works, (xiv) all technology and trade secrets, (xv) confidential terms of material agreements and customer relationships, and (xvi) all similar and related information in whatever form or medium. Confidential Information also expressly excludes Executive's general know-how and business contacts to the extent that the use of such information does not violate or breach the terms of Section 1.9.

1.6 Inventions and Patents. Executive acknowledges that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, products, methods, processes, techniques, programs, designs, analyses, drawings, reports, patents, copyrightable works and mask works (whether or not including any Confidential Information) and all issuances, registrations or applications related thereto, all other proprietary information or intellectual property and all similar or related information (whether or not patentable) conceived, developed, contributed to, made, or reduced to practice by Executive (either alone or with others) while employed by Company or any of its Subsidiaries or Affiliates or any of their respective predecessors in interest (including prior to the date of this Agreement) or using the materials, facilities or resources of the Company or any of its Subsidiaries or Affiliates or any of their respective predecessors in interest (collectively, "*Company Works*") is the sole and exclusive property of the Company and its Subsidiaries. Executive hereby assigns all right, title and interest in and to all Company Works to the Company and its Subsidiaries and waives any moral rights he may have therein, without further obligation or consideration. Any copyrightable work prepared in whole or in part by the Executive will be deemed "a work made for hire" under Section 201(b) of the 1976 Copyright Act, and the Company and its Subsidiaries shall own all of the rights comprised in the copyright therein. The Executive shall promptly and fully disclose in writing all Company Works to the Company and shall cooperate with the Company and its Subsidiaries to protect, maintain and enforce the Company's and its Subsidiaries' interests in and rights to such Company Works (including, without limitation, providing reasonable assistance in securing patent protection and copyright registrations and executing all affidavits, assignments, powers-of-attorney and other documents as reasonably requested by the Company, whether such requests occur prior to or after termination of the Executive's employment with the Company).

1.7 Delivery of Materials Upon Termination of Employment. As requested by the Company from time to time and in any event upon the termination of the Executive's employment with the Company, the Executive shall promptly deliver to the Company, or at the Company's election, destroy, all copies and embodiments, in whatever form or medium, of all Confidential Information, Company Works and other property and assets of the Company and its Subsidiaries in the Executive's possession or within his control (including, but not limited to, office keys, access cards, written records, notes, photographs, manuals, notebooks, documentation, program listings, flow charts, magnetic media, disks, diskettes, tapes computers and handheld devices (including all software, files and documents thereon) and any other materials containing any Confidential Information or Company Works) irrespective of the location or form of such material and, if requested by the Company, shall provide the Company with written confirmation that all such materials have been delivered to the Company or destroyed, as applicable.

1.8 Non-Compete and Non-Solicitation Covenants.

(a) The Executive acknowledges and agrees that the Executive's services to the Company and its Subsidiaries are unique in nature and that the Company and its Subsidiaries would be irreparably damaged if the Executive were to provide similar services to any Person competing with the Company and its Subsidiaries or engaged in the Business. The Executive further acknowledges that, in the course of his employment with the Company, he will become familiar with the Company's and its Subsidiaries' trade secrets and with other Confidential Information. During the Noncompete Period, he shall not, directly or indirectly, whether for himself or for any other Person, permit his name to be used by or participate in any business or enterprise (including, without limitation, any division, group or franchise of a larger organization) that engages or proposes to engage in the Business in the Restricted Territories, other than the Company and its Subsidiaries or except as otherwise directed or authorized by the Board. For purposes of this Agreement, the term "participate in" shall include, without limitation, having any direct or indirect interest in any Person, whether as a sole proprietor, owner, stockholder, partner, member, joint venturer, creditor or otherwise, or rendering any direct or indirect service or assistance to any Person (whether as a director, officer, supervisor, employee, agent, consultant or otherwise). Nothing herein will prohibit the Executive from mere passive ownership of not more than five percent (5%) of the outstanding stock of any class of a publicly held corporation whose stock is traded on a national securities exchange or in the over-the-counter market. As used herein, the phrase "mere passive ownership" shall include voting or otherwise granting any consents or approvals required to be obtained from such Person as an owner of stock or other ownership interests in any entity pursuant to the charter or other organizational documents of such entity, but shall not include, without limitation, any involvement in the day-to-day operations of such entity.

(b) During the Nonsolicitation Period, the Executive will not directly, or indirectly through another Person, solicit, induce or attempt to induce any customer, supplier, licensee, or other business relation of the Company or any of its Subsidiaries, or solicit, induce or attempt to induce any person who is, or was during the then-most recent 12-month period, a corporate officer, general manager or other employee of the Company or any of its Subsidiaries to terminate such employee's employment with the Company or any of its Subsidiaries, or hire any such person unless such person's employment was terminated by the Company or any of its Subsidiaries, or in any way interfere with the relationship between any such customer, supplier, licensee, employee or business relation and the Company or any of its Subsidiaries. The Executive acknowledges and agrees that the Company and its Subsidiaries would be irreparably damaged if the Executive were to breach any of the provisions contained in this Section 1.8(b).

(c) Executive acknowledges that this Agreement, and specifically, this Section 1.8, does not preclude Executive from earning a livelihood, nor does it unreasonably impose limitations on Executive's ability to earn a living. In addition, Executive agrees and acknowledges that the potential harm to the Company of its non-enforcement outweighs any harm to Executive of its enforcement by injunction or otherwise.

1.9 Enforcement. If, at the time of enforcement of Section 1.5, 1.6, 1.7, 1.8, 1.9 or 1.10, a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the Parties agree that, to the extent permitted by applicable law, the maximum period, scope or geographical area reasonable under such circumstances will be substituted for the Noncompete Period, scope or area. Because the Executive's services are unique and because the Executive has access to Confidential Information and Company Works, the Parties agree that money damages would be an inadequate remedy for any breach of Section 1.5, 1.6, 1.7, 1.8, 1.9 or 1.10. Therefore, in the event of a breach or threatened breach of Section 1.5, 1.6, 1.7, 1.8, 1.9 or 1.10, the Company or any of its Subsidiaries or any of their respective successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security). The Parties hereby acknowledge and agree that (a) performance of the services of the Executive hereunder may occur in jurisdictions other than the jurisdiction whose law the Parties have agreed shall govern the construction, validity and interpretation of this Agreement, (b) the law of the State of New York shall govern construction, validity and interpretation of this Agreement to the fullest extent possible, and (c) Section 1.5, 1.6, 1.7, 1.8, 1.9 or 1.10 shall restrict the Executive only to the extent permitted by applicable law.

1.10 Survival. Sections 1.5, 1.6, 1.7, 1.8, 1.9 and 1.10 will survive and continue in full force in accordance with their terms notwithstanding any termination of the Employment Period.

ARTICLE II
DEFINED TERMS

2.1 Definitions. For purposes of this Agreement, the following terms will have the following meanings:

"*Business*" means the business of acquiring and licensing consumer brands worldwide.

"*Cause*" means with respect to the Executive, the occurrence of one or more of the following: (i) conviction of a felony involving moral turpitude, misappropriation of Company property, embezzlement of Company funds, violation of the securities laws or dishonesty, (ii) persistent and repeated refusal to comply with no less than three written directives of the Board with respect to an item that the Board deems material to the business prospects and/or operations of the Company, (iii) reporting to work under the influence of alcohol or illegal drugs, or the use of illegal drugs (whether or not at the workplace), or (iv) any willful breach of Sections 1.6, 1.7, 1.8 or 1.9 of this Agreement. Notwithstanding the foregoing, termination by the Company for Cause (other than pursuant to clause (i) above) shall not be effective until and unless (i) Executive fails to cure such alleged act or circumstance within 30 days of receipt of notice thereof, to the satisfaction of the Board in the exercise of its reasonable judgment (or, if within such 30-day period the Executive commences and proceeds to take all reasonable actions to effect such cure, within such reasonable additional time period (no longer than 60 days) as may be necessary), and (ii) notice of intention to terminate for Cause has been given by the Company within sixty (60) days after the Board learns of the act, failure or event constituting "Cause," and (iii) the Board has voted (at a meeting of the Board duly called and held as to which termination of Executive is an agenda item) by a vote of at least two-thirds of the members of the Board to terminate Executive for Cause after Executive has been given notice of the particular acts or circumstances which are the basis for the termination for Cause and has been afforded an opportunity to appear with counsel and present his positions at such meeting and to present his case thereat, and (iv) the Board has given notice of termination to Executive within five days after such meeting voting in favor of termination.

"*Change of Control*" means the occurrence of any of the following (i) a merger or consolidation to which the Company is a party (other than one in which the stockholders of the Company prior to the event own a majority of the voting power of the surviving or resulting corporation) (ii) a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company, or (iii) a sale or transfer by the Company's stockholders of voting control, in a single transaction or a series of transactions.

"*Closing Date*" means September 29, 2011.

"*Code"* means the Internal Revenue Code of 1986 and the Treasury regulations thereunder, each as amended from time to time.

"*Disability*" shall have the meaning set forth in a policy or policies of long-term disability insurance, if any, the Company obtains for the benefit of itself and/or its employees. If there is no definition of "disability" applicable under any such policy or policies, if any, then the Executive shall be considered disabled due to mental or physical impairment or disability, despite reasonable accommodations by the Company and its Subsidiaries, to perform his customary or other comparable duties with the Company or its Subsidiaries immediately prior to such disability for a period of at least 120 consecutive days or for at least 180 non-consecutive days in any 12-month period.

"*Effective Date*" means September 16, 2011.

"*Fiscal Year*" means the fiscal year of the Company and its Subsidiaries.

"*Good Reason*" means the occurrence, without the Executive's written consent, of one or more of the following events: (i) the Company reduces the amount of Executive's Base Salary or Cash Bonuses, (ii) the Company requires that the Executive relocate his principal place of employment to a site that is more than 50 miles from the Company's offices in the New York area or if the Company changes the location of its headquarters without the consent of Executive to a location that is more than 50 miles from such location, (iii) the Company materially reduces the Executive's responsibilities or removes the Executive from the position of Senior Vice President other than pursuant to a termination of his employment for Cause, or upon the Executive's death or Disability, (iv) the failure or unreasonable delay of the Company to provide to the Executive any of the payments or benefits contemplated hereby or (v) the Company otherwise materially breaches the terms of this Agreement; provided that no such event shall constitute Good Reason hereunder unless (a) the Executive shall have given written notice to the Company of the Executive's intent to resign for Good Reason within 30 days after the Executive becomes aware of the occurrence of any such event, which notice shall describe in reasonable detail the event or events constitute the basis for the Executive's intention to resign for Good Reason and (b) such event or occurrence, if a breach susceptible to cure, shall not have been cured or otherwise shall not have been resolved to the Executive's reasonable satisfaction, in each case within 30 days of the Company's receipt of such notice. In such case the Executive's resignation shall become effective on the 31st day after the Company's receipt of the aforementioned notice.

"*Merger Agreement*" means the Merger Agreement entered into by and among NetFabric Holdings, Inc., the Company and a subsidiary of NetFabric Holdings, Inc. formed for the purpose of acquiring the Company.

"*Noncompete Period*" means the Employment Period and 12 months thereafter.

"*Nonsolicitation Period*" means the Employment Period and 12 months thereafter.

"*Person*" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or the United States of America any other nation, any state or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"*Restricted Territories*" means (i) the United States and its territories and possessions and (ii) any foreign country in which the Company engages in business as of the Termination Date.

"*Subsidiary*" means, with respect to any Person, any corporation, limited liability company, partnership, association, or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association, or other business entity gains or losses or shall be or control any managing director or general partner or manager or managing member of such limited liability company, partnership, association, or other business entity. For purposes hereof, references to a "Subsidiary" of any Person shall be given effect only at such times that such Person has one or more Subsidiaries, and, unless otherwise indicated, the term "Subsidiary" refers to a Subsidiary of the Company.

"*Termination Date*" means the effective date of the Executive's termination of employment with the Company.

2.2 Other Definitional Provisions.

(a) Section references contained in this Agreement are references to sections in this Agreement, unless otherwise specified. Each defined term used in this Agreement has a comparable meaning when used in its plural or singular form. Each gender-specific term used in this Agreement has a comparable meaning whether used in a masculine, feminine or gender-neutral form.

(b) Whenever the term "including" (whether or not that term is followed by the phrase "but not limited to" or "without limitation" or words of similar effect) is used in this Agreement in connection with a listing of items within a particular classification, that listing will be interpreted to be illustrative only and will not be interpreted as a limitation on, or an exclusive listing of, the items within that classification.

ARTICLE III
MISCELLANEOUS TERMS

3.1 Defense of Claims. The Executive agrees that, during the Employment Period, and for a period of six months after termination of the Executive's employment, upon request by the Company, the Executive shall reasonably cooperate with the Company in connection with any matters the Executive worked on during his employment with the Company and any related transitional matters. In addition, during the Employment Period and thereafter, the Executive agrees to reasonably cooperate with the Company in the defense of any claims or actions that may be made by or against the Company that affect the Executive's prior areas of responsibility or involve matters about which the Executive has knowledge, except if the Executive's reasonable interests are adverse to the Company in such claim or action and provided that after the Employment Period such level of cooperation shall be reasonable and shall take due account of the Executive's work and personal commitments. The Company agrees to promptly reimburse the Executive for all of the Executive's reasonable travel and other direct expenses incurred, or to be reasonably incurred, to comply with the Executive's obligations under this Section 3.1.

3.2 Nondisparagement. The Executive agrees to refrain from (i) making, directly or indirectly, any derogatory comments concerning the Company or its Subsidiaries or any current or former officers, directors, employees or shareholders thereof or (ii) taking any other action with respect to the Company or its Subsidiaries which is reasonably expected to result, or does result in, damage to the business or reputation of the Company, its Subsidiaries or any of its current or former officers, directors, employees or shareholders. The Company agrees to refrain from (i) making, directly or indirectly, any derogatory comments concerning the Executive or (ii) taking any other action with respect to the Executive which is reasonably expected to result, or does result in, damage to the reputation of the Executive. Notwithstanding anything to the contrary contained herein, nothing in this Agreement shall prohibit or restrict either party from, truthfully and in good faith: (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by, any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company's or the Executive's designated legal, compliance or human resources officers; or (iii) filing, testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal, state or municipal law relating to fraud, or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

3.3 Source of Payments. All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise and except as otherwise provided herein, shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets shall be made, to assure payment. The Executive shall have no right, title or interest whatsoever in or to any investments which the Company or its Subsidiaries may make to aid the Company in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

3.4 Notices. Any notice provided for in this Agreement must be in writing and must be either personally delivered, mailed by first class mail (postage prepaid and return receipt requested), sent by reputable overnight courier service (charges prepaid) or sent by facsimile (with receipt confirmed) to the recipient at the address or facsimile number indicated below:

To the Company:

XCel Brands, Inc.
5 Penn Plaza
Suite 2335
New York, New York 10001

With copies to:

Blank Rome LLP
The Chrysler Building
405 Lexington Avenue
New York, NY 10174-0208
(212) 885-5001
Attn: Robert Mittman, Esq.

To the Executive:

James F. Haran

Telephone:
Telecopy:

or such other address or to the attention of such other Person as the recipient Party will have specified by prior written notice to the sending Party. Any notice under this Agreement will be deemed to have been given when so delivered or sent.

3.5 Severability. Subject to the express provisions of Section 1.10 relating to certain specified changes, whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

3.6 Complete Agreement. This Agreement embodies the complete agreement and understanding among the Parties with regard to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the Parties, written or oral, which may have related to the subject matter hereof in any way. To the extent that this Agreement provides greater benefits to the Executive or fewer obligations of the Executive than available or set forth under the Company's employee handbook or other corporate policies, then this Agreement shall prevail.

3.7 Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

3.8 Assignment. Without the Executive's consent, the Company may not assign its rights and obligations under this Agreement except (i) to a "Successor" (as defined below) or (ii) to an entity that is formed and controlled by the Company or any of its Subsidiaries. This Agreement is personal to the Executive, and the Executive shall not have the right to assign the Executive's interest in this Agreement, any rights under this Agreement or any duties imposed under this Agreement, nor shall the Executive have the right to pledge, hypothecate, transfer, assign or otherwise encumber the Executive's right to receive any form of compensation hereunder without the prior written consent of the Board. As used in Sections 3.8 and 3.9, "*Successor*" shall include any Person that at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets of, or ownership interests in, the Company and its Subsidiaries.

3.9 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by the Company, the Executive, and their respective heirs, successors and permitted assigns.

3.10 Choice of Law. This Agreement and the performance of the parties hereunder shall be governed by the internal laws (and not the law of conflicts) of the State of New York. Any claim or controversy arising out of or in connection with this Agreement, or the breach thereof, shall be adjudicated exclusively by the Supreme Court, New York County, State of New York, or by a federal court sitting in Manhattan in New York City, State of New York. The parties hereto agree to the personal jurisdiction of such courts and agree to accept process by regular mail in connection with any such dispute.

3.11 Waiver of Jury Trial. AS A SPECIFICALLY BARGAINED FOR INDUCEMENT FOR EACH OF THE PARTIES HERETO TO ENTER INTO THIS AGREEMENT (AFTER HAVING THE OPPORTUNITY TO CONSULT WITH COUNSEL), EACH PARTY HERETO EXPRESSLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY LAWSUIT OR PROCEEDING RELATING TO OR ARISING IN ANY WAY FROM THIS AGREEMENT OR THE MATTERS CONTEMPLATED HEREBY.

3.12 Legal Fees and Court Costs. In the event that any action, suit or other proceeding in law or in equity is brought to enforce the provisions of this Agreement, and such action results in the award of a judgment for money damages or in the granting of any injunction in favor of the Company, all expenses (including reasonable attorneys' fees) of the Company in such action, suit or other proceeding shall be paid by the Executive. In the event that any action, suit or other proceeding in law or in equity is brought to enforce the provisions of this Agreement, and such action results in the award of a judgment for money damages or in the granting of any injunction in favor of the Executive, all expenses (including reasonable attorneys' fees and travel expenses) of the Executive in such action, suit or other proceeding shall be paid by the Company.

3.13 Remedies. Each Party will be entitled to enforce its rights under this Agreement specifically, to recover damages and costs caused by any breach of any provision of this Agreement and to exercise all other rights existing in its favor. Subject to Section 3.12, nothing herein shall prohibit any arbitrator or judicial authority from awarding attorneys' fees or costs to a prevailing Party in any arbitration or other proceeding to the extent that such arbitrator or authority may lawfully do so.

3.14 Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company and the Executive, and no course of conduct or failure or delay in enforcing the provisions of this Agreement will affect the validity, binding effect or enforceability of this Agreement.

3.15 Third Party Beneficiaries. This Agreement will not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns and other than, in the event of the Executive's death, his estate, to which all of Executive's rights and remedies set forth herein shall accrue.

3.16 The Executive's Representations. The Executive hereby represents and warrants to the Company that (a) the execution, delivery and performance of this Agreement by the Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Executive is a party or by which he is bound, (b) the Executive is not a party to or bound by any employment agreement, noncompete agreement or confidentiality agreement with any other Person (or other agreement with any other person containing a restriction on the Executive's right to do business or obligating him to do business with any other Person on a priority or preferential basis), (c) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of the Executive, enforceable in accordance with its terms and (d) upon the execution and delivery of this Agreement by the Company, Executive shall not be in violation of clause (i) set forth in the definition of Cause and shall not be disabled.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Employment Agreement as of the date first written above.

XCel Brands, Inc.

By: /s/ Robert W. D'Loren
Name: Robert W. D'Loren
Title: Chairman and CEO

/s/ James F. Haran
James F. Haran

EXHIBIT A

FORM OF RELEASE

I, James F. Haran, on behalf of myself and my heirs, successors and assigns, in consideration of the performance by XCel Brands, Inc., a Delaware corporation (together with its Subsidiaries, the "Company"), of its material obligations under the Employment Agreement, dated as of July XX, 2011 (the "Agreement"), do hereby release and forever discharge as of the date hereof the Company, its Affiliates, each such Person's respective successors and assigns and each of the foregoing Persons' respective present and former directors, officers, partners, stockholders, members, managers, agents, representatives, employees (and each such Person's respective successors and assigns) (collectively, the "Released Parties") to the extent provided below.

1. I understand that any payments or benefits paid or granted to me under Section 1.4(b) of the Agreement represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive the payments and benefits specified in Section 1.4(b) of the Agreement unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter or breach this General Release.

2. I knowingly and voluntarily release and forever discharge the Company and the other Released Parties from any and all claims, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date of this General Release), whether under the laws of the United States or another jurisdiction and whether known or unknown, suspected or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, have or may have, which arise out of or are connected with my employment with, or my separation from, the Company (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Civil Rights Act of 1866, as amended; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; Occupational Safety and Health Act of 1970, as amended, under the Worker Adjustment and Retraining Notification Act of 1988, as amended, under the Family and Medical Leave Act of 1993, as amended, under the Fair Credit Reporting Act of 1970, as amended, and under the Sarbanes-Oxley Act of 2002, under the Civil Rights Act of 1870, 42 U.S.C. § 1981, as amended, under the Civil Rights Act of 1871, as amended, under the Americans With Disabilities Act of 1990, as amended, under the Americans with Disabilities Act Amendments of 2008, under the Rehabilitation Act of 1973, as amended, under the Immigration Reform and Control Act of 1986, as amended, under the Vietnam Era Veterans Readjustment Assistance Act of 1974, as amended, under the Uniformed Service Employment and Reemployment Rights Act of 1994, as amended, under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), and any and all claims under the New York State Human Rights Law, under the New York City Human Rights Law, and under the New York Labor Laws, and any and all claims under any other federal, state, or local labor law, civil rights law, fair employment practices law, human rights law, family and medical leave law, occupational safety and health law, whistleblower protection law, and equal pay law; or any and all claims of slander, libel, defamation, invasion of privacy, intentional or negligent infliction of emotional distress, intentional or negligent misrepresentation, fraud, prima facie torts or other tort; or any and all claims based on the design or administration of any of the Company's employee benefit plan or program, or arising under any Company policy, practice, or procedure, or employee benefit plan; any and all claims for wages, commissions bonuses, vacation pay or other paid time off, employee benefits equity-based compensation, or other compensation or payments of any kind or nature, or for continued employment with the Company in any position; or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or any claim for wrongful discharge, breach of contract, or infliction of emotional distress; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims"); provided, however, that nothing contained in this General Release shall apply to, or release the Company from, (i) any obligation of the Company contained in the Agreement to be performed after the date hereof or (ii) any vested or accrued benefits pursuant to any employee benefit plan, program or policy of the Company.

3. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 2 above.

4. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this General Release. I acknowledge and agree that my separation from employment with the Company in compliance with the terms of the Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

5. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to the terms of the Agreement. I covenant that I shall not directly or indirectly, commence, maintain or prosecute or sue any of the Released Persons either affirmatively or by way of cross-complaint, indemnity claim, defense or counterclaim or in any other manner or at all on any Claim covered by this General Release. I further agree that in the event I should bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims. I further agree that I am not aware of any pending charge or complaint of the type described in paragraph 2 as of the execution of this General Release.

6. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

7. I agree that this General Release is confidential and agree not to disclose any information regarding the terms of this General Release, except to my immediate family and any tax, legal or other counsel I have consulted regarding the meaning or effect hereof or as required by law, and I will instruct each of the foregoing not to disclose the same to anyone.

8. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. or any other self-regulatory organization or governmental entity.

9. Without limitation of any provision of the Agreement, I hereby expressly re-affirm my obligations under Sections 1.5, 1.6, 1.7, 1.8, 1.9, 1.10 and 3.1.

10. Whenever possible, each provision of this General Release shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

“Affiliate” means, with respect to any Person, any Person that controls, is controlled by or is under common control with such Person or an Affiliate of such Person.

“Person” means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, investment fund, any other business entity and a governmental entity or any department, agency or political subdivision thereof.

“Subsidiary” means, with respect to any Person, any corporation, limited liability company, partnership, association, or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association, or other business entity gains or losses or shall be or control any managing director or general partner of such limited liability company, partnership, association, or other business entity.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

(a) I HAVE READ IT CAREFULLY;

(b) I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

(c) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

(d) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY (VIA THE AGREEMENT AND THIS RELEASE) BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION, I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

(e) I HAVE HAD AT LEAST 21 DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE SUBSTANTIALLY IN ITS FINAL FORM ON _____ __, _____ TO CONSIDER IT AND THE CHANGES MADE SINCE THE _____ __, _____ VERSION OF THIS RELEASE ARE NOT MATERIAL AND WILL NOT RESTART THE REQUIRED 21-DAY PERIOD;

(f) THE CHANGES TO THE AGREEMENT SINCE _____ ___, _____ EITHER ARE NOT MATERIAL OR WERE MADE AT MY REQUEST.

(g) I UNDERSTAND THAT I HAVE SEVEN DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE EIGHTH DAY FOLLOWING EXECUTION OF THE AGREEMENT;

(h) I ACKNOWLEDGE THAT MY ACCEPTANCE OF ANY OF THE MONIES PAID BY THE COMPANY AS DESCRIBED IN SECTIONS __ OF THE EMPLOYMENT AGREEMENT, AT ANY TIME MORE THAN SEVEN DAYS AFTER THE EXECUTION OF THIS AGREEMENT WILL CONSTITUTE AN ADMISSION BY ME THAT I DID NOT REVOKE THIS AGREEMENT DURING THE REVOCATION PERIOD OF SEVEN DAYS; AND WILL FURTHER CONSTITUTE AN ADMISSION BY ME THAT THIS AGREEMENT HAS BECOME EFFECTIVE AND ENFORCEABLE.

(i) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND

(j) I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

DATE: _____ __, _____ _____

James F. Haran

Acknowledged and agreed as of the date first written above:

XCel Brands, Inc.

By: _____

Name: Robert W. D'Loren
Title: Chairman and CEO

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "*Agreement*") is made as of the 22nd day of September, 2011, by and between XCel Brands, Inc. a Delaware corporation (the "*Company*") and Seth Burroughs (the "*Executive*"), each a "*Party*" and collectively the "*Parties*." Unless otherwise indicated, capitalized terms used herein are defined in Section 2.1.

WHEREAS, the Company has determined that it is in the best interests of the Company and its shareholders to enter into an employment agreement with the Executive and the Executive is willing to serve as an employee of the Company.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, it is agreed by and between the Executive and the Company as follows:

ARTICLE I
EMPLOYMENT TERMS

1.1 Employment. The Company will employ the Executive, and the Executive accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning on the Effective Date and ending as provided in Section 1.4(a) hereof (the "*Employment Period*").

1.2 Position and Duties.

(a) Generally. The Executive shall serve as the Executive Vice President – Business Development and Treasury, of the Company and, in such capacity shall be responsible for the general management of the treasury affairs of the Company, shall perform such duties as are customarily performed by an officer with similar title and responsibilities of a company of a similar size and shall have such power and authority as shall reasonably be required to enable him to perform his duties hereunder; provided, however, that in exercising such power and authority and performing such duties, he shall at all times be subject to the authority, control and direction of the Chief Executive Officer of the Company.

(b) Duties and Responsibilities. The Executive shall report to the Chief Executive Officer of the Company and shall devote his full business time and attention to the business and affairs of the Company and its Subsidiaries. The Executive shall perform his duties and responsibilities in a diligent, trustworthy, businesslike and efficient manner and shall use his best efforts during the Employment Period to protect, encourage and promote the best interests of the Company and its stockholders. The Executive shall not engage in any other business activities that could reasonably be expected to conflict with the Executive's duties, responsibilities and obligations hereunder. During the Employment Period, the Executive shall promptly bring to the Company or its Subsidiaries, as applicable, all investment or business opportunities relating to the Business of which the Executive becomes aware.

(c) The Executive shall not engage in any other business activities that could reasonably be expected to conflict with the Executive's duties, responsibilities and obligations hereunder.

(d) Principal Office. The principal place of performance by the Executive of his duties hereunder shall be the Company's principal executive offices in the New York Metropolitan area, although the Executive may be required to travel outside of the area where the Company's principal executive offices are located in connection with the business of the Company.

1.3 Compensation.

(a) Base Salary. The Executive's base salary shall be (i) $175,000 per annum (the "*First Year Base Salary*") for the one year period commencing on the Effective Date and ending on the first anniversary of the Effective Date and (ii) $200,000 per annum (the "*Second Year Base Salary*") for the one year period commencing on the first anniversary of the Effective Date and ending on the second anniversary of the Effective Date. *Base Salary*" means the First Year Base Salary or the Second Year Base Salary, whichever is in effect at the time of the determination. The Base Salary will be payable to the Executive by the Company in regular installments in accordance with the Company's general payroll practices. The Executive shall receive such increases (but not decreases) in his Base Salary as the Board of Directors, or the compensation committee of the Board of Directors, may approve in its sole discretion from time to time. Following the initial two years, the Base Salary shall be reviewed at least annually.

(b) Cash Bonus. Executive shall be eligible for cash bonuses ("*Cash Bonus*") as follows: (i) for any acquisition completed by the Company with a purchase price of an amount that is equal to or greater than $10 million, but less than $25 million, Executive shall be paid $50,000; (ii) for any acquisition completed by the Company with a purchase price of an amount that is equal to or greater than $25 million, but less than $75 million, Executive shall be paid $100,000; (iii) for any acquisition completed by the Company with a purchase price of an amount that is equal to or greater than $75 million, but less than $150 million, Executive shall be paid $125,000; and (iv) for any acquisition completed by the Company with a purchase price of an amount that is equal to or greater than $150 million, Executive shall be paid $150,000. The Cash Bonus shall be awarded to the Executive within 30 days of the closing of the acquisition to which the Cash Bonus relates. Executive shall be eligible to receive the Cash Bonus if Executive's employment is less than a full year or ceases prior to the day that is 30 days from the closing of the acquisition to which the Cash Bonus relates. The Executive is eligible to receive additional cash bonuses at the discretion of the Company's compensation committee.

(c) Withholding. All payments made under this Agreement (including Base Salary, Cash Bonus, bonus payments, and other amounts) shall be subject to withholding for income taxes, payroll taxes and other legally required deductions.

(d) Expenses. The Company will reimburse the Executive for all reasonable expenses incurred by him in the course of performing his duties under this Agreement that are consistent with the Company's policies in effect at that time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses.

(e) Vacation; Holiday Pay and Sick Leave. The Executive shall be entitled to four (4) weeks' paid vacation in each calendar year, which if not taken during any year may be carried forward to any subsequent year. Executive shall receive holiday pay and paid sick leave as provided to other executive employees of the Company.

(f) Additional Benefits. During the Employment Period, the Executive shall be entitled to participate (for himself and, as applicable, his dependents) in the group medical, life, 401(k) and other insurance programs, employee benefit plans and perquisites which may be adopted by the Board, or the compensation committee of the Board, from time to time, for participation by the Company's senior management or executives, as well as dental, life and disability insurance coverage, with payment of, or reimbursement for, such insurance premiums by the Company, subject to, in all cases, the terms and conditions established by the Board with respect to such plans (collectively, the "*Benefits*"); provided, however, that the Board, in its reasonable discretion, may revise the terms of any Benefits so long as such revision does not have a disproportionately negative impact on the Executive vis-à-vis other Company employees, to the extent applicable.

(g) Indemnification. The Executive shall be entitled to indemnification by the Company in the same circumstances and to the same extent as the other executive officers and directors of the Company, which indemnification shall in no event be less favorable to the Executive than the fullest scope of indemnification permitted by applicable Delaware law (or any such greater scope of indemnification provided by agreement or by the terms of the Company's Certificate of Incorporation or By-Laws to any executive officer or director of the Company).

(h) Stock Options. In the event that the Company elects from time to time during the Employment Period to award to its senior management or executives, generally, options to purchase shares of the Company's stock pursuant to any stock option plan or similar program, the Executive shall be entitled to participate in any such stock option plan or similar program on a basis consistent with the participation of other senior management or executives of the Company.

(i) Warrant. On the Closing Date, the Executive shall receive a warrant (the "*Warrant Grant*") to purchase 50,000 shares of Company's common stock (the "*Warrant*"), each with an exercise price per share equal to the price per share of common stock (without allocating any value to any warrants, if any, sold with the common stock) sold in the private placement anticipated to close on or about the same day as the Closing Date. The warrant vests and becomes exercisable on the Closing Date and has a ten-year term. The shares of the Company's Common Stock underlying the Warrant shall have customary piggy back registration and cashless exercise rights.

1.4 Term and Termination.

(a) Duration. The Employment Period shall commence on the Effective Date and the initial term shall terminate two (2) years from the Effective Date (the "*Term*"), unless earlier terminated by the Company or the Executive as set forth in this Section 1.4. The Term shall renew automatically for one-year periods, unless either party gives the other party written notice of its intention not to renew the Agreement no later than 30 days prior to the expiration of the then current Term. The Employment Period shall be terminated prior to the then-applicable expiration of the Term upon the first to occur of (i) termination of the Executive's employment by the Company for Cause, (ii) termination of the Executive's employment by the Company without Cause, (iii) the Executive's resignation with Good Reason, (iv) the Executive's resignation other than for Good Reason, or (v) the Executive's death or Disability. The Executive shall not terminate the Employment Period, with or without Good Reason, unless he gives the Company written notice that he intends to terminate the Employment Period at least 90 days prior to the Executive's proposed Termination Date. As a condition to Executive receiving any payments or benefits under Section 1.4(b), the Executive shall execute and deliver to the Company the General Release in the form attached hereto as Exhibit A.

(b) Severance Upon Termination Without Cause, Upon Resignation by the Executive For Good Reason or Failure to Renew Term. If the Employment Period is terminated by the Company without Cause or if the Executive resigns for Good Reason, or if the Company fails to renew the Term (in which case termination of the Executive's employment shall be effective at the expiration of the then-current Term), then the Executive will be entitled to receive (1) any unpaid Base Salary through and including the Termination Date and any other amounts, including any unpaid Cash Bonus amounts, or other entitlements then due and owing to the Executive as of the Termination Date; (2) an amount equal to the Executive's Base Salary (at the rate in effect on the date the Executive's employment is terminated) for a 12 month period following the Executive's termination of employment as described in this Section 1.4(b), payable in (A) substantially equal installments over the lesser of (i) a six-month period immediately following such termination, or (ii) such shorter period that is the longest period permissible in order for the payments not to be considered *"nonqualified deferred compensation"* under Section 409A of the Code or any regulations, rulings or other regulatory guidance issued thereunder, or (B) if such payment terms would not satisfy the requirements of Section 409A of the Code and the regulations, rulings and other regulatory guidance issued thereunder, a lump sum on the date that is six months following the Executive's *"separation from service"* (within the meaning of Section 409A of the Code) occurring in connection with such termination and (3) continue to participate in the Company's group medical plan on the same basis as he previously participated or receive payment of, or reimbursement for, COBRA premiums (or, if COBRA coverage is not available, reimbursement of premiums paid for other medical insurance in an amount not to exceed the COBRA premium) for a one-year period following the Executive's termination of employment; *provided* that if the Executive is provided with health insurance coverage by a successor employer, any such coverage by the Company shall cease (each of (1), (2) and (3) referred to as the "*Severance Payment*"). The Executive also shall be entitled to receive payment for all reimbursable expenses or other entitlements then due and owing to the Executive as of the Termination Date. If the Executive breaches his obligations under Section 1.6, 1.7, 1.8 or 1.9 of this Agreement, the Company's obligation to make any Severance Payments and provide any Benefits shall cease as of the date of such breach; provided, that if the Executive cures such breach within 10 days of receiving written notice from the Company of such breach (which notice the Company shall provide promptly to the Executive after learning of such breach), the Company shall promptly pay all Severance Payments not made during such period of dispute and resume making Severance Payments and providing Benefits promptly following such cure.

(c) Death and Disability. In the event of the death or Disability of the Executive, the Company shall pay the Executive his Base Salary through the Termination Date, at the rate then in effect, and all expenses or accrued Benefits arising prior to such termination which are payable to the Executive pursuant to this Agreement through the Termination Date. Any other rights and benefits the Executive may have under employee benefit plans and programs of the Company generally in the event of the Executive's Disability shall be determined in accordance with the terms of such plans and programs. In the event of Executive's death, any rights and benefits that the Executive's estate or any other person may have under employee benefit plans and programs of the Company generally in the event of the Executive's death shall be determined in accordance with the terms of such plans and programs.

(d) Salary and Other Payments Through Termination. If the Executive's employment with the Company is terminated during the Term (i) by the Company for Cause or (ii) by the Executive other than for Good Reason, the Executive will be entitled to receive his Base Salary through the Termination Date, but will not be entitled to receive any Severance Payments or Benefits after the Termination Date. The Executive shall be entitled to receive payment for all reimbursable expenses or other entitlements then due and owing to the Executive as of the Termination Date.

(e) Other Rights. Except as set forth in this Section 1.4 and Section 1.3, all of the Executive's rights to receive Base Salary, Benefits and Cash Bonuses hereunder (if any) which accrue or become payable after the termination of the Employment Period shall cease upon such termination.

(f) Continuing Benefits. Notwithstanding Section 1.4(e), termination pursuant to this Section 1.4 shall not modify or affect in any way whatsoever any vested right of the Executive to benefits payable under any retirement or pension plan or under any other employee benefit plan of the Company, and all such benefits shall continue, in accordance with, and subject to, the terms and conditions of such plans, to be payable in full to, or on account of, the Executive after such termination.

(g) No Duty of Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Article I by seeking other employment or otherwise.

1.5 Confidential Information.

(a) The Executive shall not disclose or, directly or indirectly, use at any time, during the Employment Period or thereafter, any Confidential Information (as defined below) of which the Executive is or becomes aware, whether or not such information is developed by him, alone or with others, except to the extent that (i) such disclosure or use is required by the Executive's performance of the duties assigned to the Executive by the Board of Directors, (ii) the Executive is required by subpoena or similar process to disclose or discuss any Confidential Information, provided, that in such case, the Executive shall promptly inform the Company in writing of such event, shall cooperate with the Company in attempting to obtain a protective order or to otherwise limit or restrict such disclosure to the greatest extent possible, and shall disclose only that portion of the Confidential Information as is strictly required, or (iii) such Confidential Information is or becomes generally known to and available for use by the public, other than as a result of any action or inaction directly or indirectly by the Executive. At the Company's expense, the Executive shall take all appropriate steps to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. The Executive acknowledges that the Confidential Information obtained by him during the course of his employment with the Company is the sole and exclusive property of the Company and its Subsidiaries, as applicable.

(b) The Executive understands that the Company and its Subsidiaries will receive from third parties confidential or proprietary information ("*Third Party Information*") subject to a duty on the part of the Company and its Subsidiaries to maintain the confidentiality of such information and to use it only for certain limited purposes. During the Employment Period and in the period specified in such confidentiality agreements, and without in any way limiting the provisions of Section 1.5(a) above, the Executive will hold Third Party Information in confidence, consistent with the obligations applicable to Confidential Information of the Company generally, and will not disclose to anyone (other than personnel and agents of the Company or its Subsidiaries who need to know such information in connection with their work for the Company or its Subsidiaries) or use, except in connection with his work for the Company or its Subsidiaries, Third Party Information unless expressly authorized by the Board in writing.

(c) As used in this Agreement, the term "*Confidential Information*" means information that is not generally known to the public and that is related in any way to the actual or anticipated business of the Company, its Subsidiaries, its Affiliates or any of their respective predecessors in interest, including but not limited to (i) business development, growth and other strategic business plans, (ii) properties available for acquisition, financing development or sale, (iii) accounting and business methods, (iv) services or products and the marketing of such services and products, (v) fees, costs and pricing structures, (vi) designs, (vii) analysis, (viii) drawings, photographs and reports, (ix) computer software, including operating systems, applications and program listings, (x) flow charts, manuals and documentation, (xi) data bases, (xii) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xiii) copyrightable works, (xiv) all technology and trade secrets, (xv) confidential terms of material agreements and customer relationships, and (xvi) all similar and related information in whatever form or medium. Confidential Information also expressly excludes Executive's general know-how and business contacts to the extent that the use of such information does not violate or breach the terms of Section 1.9.

1.6 Inventions and Patents. Executive acknowledges that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, products, methods, processes, techniques, programs, designs, analyses, drawings, reports, patents, copyrightable works and mask works (whether or not including any Confidential Information) and all issuances, registrations or applications related thereto, all other proprietary information or intellectual property and all similar or related information (whether or not patentable) conceived, developed, contributed to, made, or reduced to practice by Executive (either alone or with others) while employed by Company or any of its Subsidiaries or Affiliates or any of their respective predecessors in interest (including prior to the date of this Agreement) or using the materials, facilities or resources of the Company or any of its Subsidiaries or Affiliates or any of their respective predecessors in interest (collectively, "*Company Works*") is the sole and exclusive property of the Company and its Subsidiaries. Executive hereby assigns all right, title and interest in and to all Company Works to the Company and its Subsidiaries and waives any moral rights he may have therein, without further obligation or consideration. Any copyrightable work prepared in whole or in part by the Executive will be deemed "a work made for hire" under Section 201(b) of the 1976 Copyright Act, and the Company and its Subsidiaries shall own all of the rights comprised in the copyright therein. The Executive shall promptly and fully disclose in writing all Company Works to the Company and shall cooperate with the Company and its Subsidiaries to protect, maintain and enforce the Company's and its Subsidiaries' interests in and rights to such Company Works (including, without limitation, providing reasonable assistance in securing patent protection and copyright registrations and executing all affidavits, assignments, powers-of-attorney and other documents as reasonably requested by the Company, whether such requests occur prior to or after termination of the Executive's employment with the Company).

1.7 Delivery of Materials Upon Termination of Employment. As requested by the Company from time to time and in any event upon the termination of the Executive's employment with the Company , the Executive shall promptly deliver to the Company, or at the Company's election, destroy, all copies and embodiments, in whatever form or medium, of all Confidential Information, Company Works and other property and assets of the Company and its Subsidiaries in the Executive's possession or within his control (including, but not limited to, office keys, access cards, written records, notes, photographs, manuals, notebooks, documentation, program listings, flow charts, magnetic media, disks, diskettes, tapes computers and handheld devices (including all software, files and documents thereon) and any other materials containing any Confidential Information or Company Works) irrespective of the location or form of such material and, if requested by the Company, shall provide the Company with written confirmation that all such materials have been delivered to the Company or destroyed, as applicable.

1.8 Non-Compete and Non-Solicitation Covenants.

(a) The Executive acknowledges and agrees that the Executive's services to the Company and its Subsidiaries are unique in nature and that the Company and its Subsidiaries would be irreparably damaged if the Executive were to provide similar services to any Person competing with the Company and its Subsidiaries or engaged in the Business. The Executive further acknowledges that, in the course of his employment with the Company, he will become familiar with the Company's and its Subsidiaries' trade secrets and with other Confidential Information. During the Noncompete Period, he shall not, directly or indirectly, whether for himself or for any other Person, permit his name to be used by or participate in any business or enterprise (including, without limitation, any division, group or franchise of a larger organization) that engages or proposes to engage in the Business in the Restricted Territories, other than the Company and its Subsidiaries or except as otherwise directed or authorized by the Board. For purposes of this Agreement, the term "participate in" shall include, without limitation, having any direct or indirect interest in any Person, whether as a sole proprietor, owner, stockholder, partner, member, joint venturer, creditor or otherwise, or rendering any direct or indirect service or assistance to any Person (whether as a director, officer, supervisor, employee, agent, consultant or otherwise). Nothing herein will prohibit the Executive from mere passive ownership of not more than five percent (5%) of the outstanding stock of any class of a publicly held corporation whose stock is traded on a national securities exchange or in the over-the-counter market. As used herein, the phrase "mere passive ownership" shall include voting or otherwise granting any consents or approvals required to be obtained from such Person as an owner of stock or other ownership interests in any entity pursuant to the charter or other organizational documents of such entity, but shall not include, without limitation, any involvement in the day-to-day operations of such entity.

(b) During the Nonsolicitation Period, the Executive will not directly, or indirectly through another Person, solicit, induce or attempt to induce any customer, supplier, licensee, or other business relation of the Company or any of its Subsidiaries, or solicit, induce or attempt to induce any person who is, or was during the then-most recent 12-month period, a corporate officer, general manager or other employee of the Company or any of its Subsidiaries to terminate such employee's employment with the Company or any of its Subsidiaries, or hire any such person unless such person's employment was terminated by the Company or any of its Subsidiaries, or in any way interfere with the relationship between any such customer, supplier, licensee, employee or business relation and the Company or any of its Subsidiaries. The Executive acknowledges and agrees that the Company and its Subsidiaries would be irreparably damaged if the Executive were to breach any of the provisions contained in this Section 1.8(b).

(c) Executive acknowledges that this Agreement, and specifically, this Section 1.8, does not preclude Executive from earning a livelihood, nor does it unreasonably impose limitations on Executive's ability to earn a living. In addition, Executive agrees and acknowledges that the potential harm to the Company of its non-enforcement outweighs any harm to Executive of its enforcement by injunction or otherwise.

1.9 Enforcement. If, at the time of enforcement of Section 1.5, 1.6, 1.7, 1.8, 1.9 or 1.10, a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the Parties agree that, to the extent permitted by applicable law, the maximum period, scope or geographical area reasonable under such circumstances will be substituted for the Noncompete Period, scope or area. Because the Executive's services are unique and because the Executive has access to Confidential Information and Company Works, the Parties agree that money damages would be an inadequate remedy for any breach of Section 1.5, 1.6, 1.7, 1.8, 1.9 or 1.10. Therefore, in the event of a breach or threatened breach of Section 1.5, 1.6, 1.7, 1.8, 1.9 or 1.10, the Company or any of its Subsidiaries or any of their respective successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security). The Parties hereby acknowledge and agree that (a) performance of the services of the Executive hereunder may occur in jurisdictions other than the jurisdiction whose law the Parties have agreed shall govern the construction, validity and interpretation of this Agreement, (b) the law of the State of New York shall govern construction, validity and interpretation of this Agreement to the fullest extent possible, and (c) Section 1.5, 1.6, 1.7, 1.8, 1.9 or 1.10 shall restrict the Executive only to the extent permitted by applicable law.

1.10 Survival. Sections 1.5, 1.6, 1.7, 1.8, 1.9 and 1.10 will survive and continue in full force in accordance with their terms notwithstanding any termination of the Employment Period.

ARTICLE II
DEFINED TERMS

2.1 Definitions. For purposes of this Agreement, the following terms will have the following meanings:

"*Business*" means the business of acquiring and licensing consumer brands worldwide.

"*Cause*" means with respect to the Executive, the occurrence of one or more of the following: (i) conviction of a felony involving moral turpitude, misappropriation of Company property, embezzlement of Company funds, violation of the securities laws or dishonesty, (ii) the willful and continued failure by the Executive to attempt in good faith to substantially perform his obligations under this Agreement (other than any such failure resulting from the Executive's incapacity due to a Disability); (iii) reporting to work under the influence of alcohol or illegal drugs, or the use of illegal drugs (whether or not at the workplace), or (iv) any willful breach of Sections 1.6, 1.7, 1.8 or 1.9 of this Agreement. Notwithstanding the foregoing, termination by the Company for Cause (other than pursuant to clause (i) above) shall not be effective until and unless Executive fails to cure such alleged act or circumstance within 30 days of receipt of notice thereof, to the satisfaction of the Chief Executive Officer in the exercise of his reasonable judgment (or, if within such 30-day period the Executive commences and proceeds to take all reasonable actions to effect such cure, within such reasonable additional time period (no longer than 60 days) as may be necessary).

"*Closing Date*" means September 29, 2011.

"*Code"* means the Internal Revenue Code of 1986 and the Treasury regulations thereunder, each as amended from time to time.

"*Disability*" shall have the meaning set forth in a policy or policies of long-term disability insurance, if any, the Company obtains for the benefit of itself and/or its employees. If there is no definition of "disability" applicable under any such policy or policies, if any, then the Executive shall be considered disabled due to mental or physical impairment or disability, despite reasonable accommodations by the Company and its Subsidiaries, to perform his customary or other comparable duties with the Company or its Subsidiaries immediately prior to such disability for a period of at least 120 consecutive days or for at least 180 non-consecutive days in any 12-month period.

"*Effective Date*" means September 16, 2011.

"*Fiscal Year*" means the fiscal year of the Company and its Subsidiaries.

"*Good Reason*" means the occurrence, without the Executive's written consent, of one or more of the following events: (i) the Company reduces the amount of Executive's Base Salary or Cash Bonuses, (ii) the Company requires that the Executive relocate his principal place of employment to a site that is more than 50 miles from the Company's offices in the New York area or if the Company changes the location of its headquarters without the consent of Executive to a location that is more than 50 miles from such location, (iii) the Company materially reduces the Executive's responsibilities or removes the Executive from the position of Executive Vice President – Business Development and Treasury other than pursuant to a termination of his employment for Cause, or upon the Executive's death or Disability, (iv) the failure or unreasonable delay of the Company to provide to the Executive any of the payments or benefits contemplated hereby or (v) the Company otherwise materially breaches the terms of this Agreement; provided that no such event shall constitute Good Reason hereunder unless (a) the Executive shall have given written notice to the Company of the Executive's intent to resign for Good Reason within 30 days after the Executive becomes aware of the occurrence of any such event, which notice shall describe in reasonable detail the event or events constitute the basis for the Executive's intention to resign for Good Reason and (b) such event or occurrence, if a breach susceptible to cure, shall not have been cured or otherwise shall not have been resolved to the Executive's reasonable satisfaction, in each case within 30 days of the Company's receipt of such notice. In such case the Executive's resignation shall become effective on the 31st day after the Company's receipt of the aforementioned notice.

"*Merger Agreement*" means the Merger Agreement entered into by and among NetFabric Holdings, Inc., the Company and a subsidiary of NetFabric Holdings, Inc. formed for the purpose of acquiring the Company.

"*Noncompete Period*" means the Employment Period and 12 months thereafter.

"*Nonsolicitation Period*" means the Employment Period and 12 months thereafter.

"*Person*" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or the United States of America any other nation, any state or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"*Restricted Territories*" means (i) the United States and its territories and possessions and (ii) any foreign country in which the Company engages in business as of the Termination Date.

"*Subsidiary*" means, with respect to any Person, any corporation, limited liability company, partnership, association, or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association, or other business entity gains or losses or shall be or control any managing director or general partner or manager or managing member of such limited liability company, partnership, association, or other business entity. For purposes hereof, references to a "Subsidiary" of any Person shall be given effect only at such times that such Person has one or more Subsidiaries, and, unless otherwise indicated, the term "Subsidiary" refers to a Subsidiary of the Company.

"*Termination Date*" means the effective date of the Executive's termination of employment with the Company.

2.2 Other Definitional Provisions.

(a) Section references contained in this Agreement are references to sections in this Agreement, unless otherwise specified. Each defined term used in this Agreement has a comparable meaning when used in its plural or singular form. Each gender-specific term used in this Agreement has a comparable meaning whether used in a masculine, feminine or gender-neutral form.

(b) Whenever the term "including" (whether or not that term is followed by the phrase "but not limited to" or "without limitation" or words of similar effect) is used in this Agreement in connection with a listing of items within a particular classification, that listing will be interpreted to be illustrative only and will not be interpreted as a limitation on, or an exclusive listing of, the items within that classification.

ARTICLE III
MISCELLANEOUS TERMS

3.1 Defense of Claims. The Executive agrees that, during the Employment Period, and for a period of six months after termination of the Executive's employment, upon request by the Company, the Executive shall reasonably cooperate with the Company in connection with any matters the Executive worked on during his employment with the Company and any related transitional matters. In addition, during the Employment Period and thereafter, the Executive agrees to reasonably cooperate with the Company in the defense of any claims or actions that may be made by or against the Company that affect the Executive's prior areas of responsibility or involve matters about which the Executive has knowledge, except if the Executive's reasonable interests are adverse to the Company in such claim or action and provided that after the Employment Period such level of cooperation shall be reasonable and shall take due account of the Executive's work and personal commitments. The Company agrees to promptly reimburse the Executive for all of the Executive's reasonable travel and other direct expenses incurred, or to be reasonably incurred, to comply with the Executive's obligations under this Section 3.1.

3.2 Nondisparagement. The Executive agrees to refrain from (i) making, directly or indirectly, any derogatory comments concerning the Company or its Subsidiaries or any current or former officers, directors, employees or shareholders thereof or (ii) taking any other action with respect to the Company or its Subsidiaries which is reasonably expected to result, or does result in, damage to the business or reputation of the Company, its Subsidiaries or any of its current or former officers, directors, employees or shareholders. The Company agrees to refrain from (i) making, directly or indirectly, any derogatory comments concerning the Executive or (ii) taking any other action with respect to the Executive which is reasonably expected to result, or does result in, damage to the reputation of the Executive. Notwithstanding anything to the contrary contained herein, nothing in this Agreement shall prohibit or restrict either party from, truthfully and in good faith: (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by, any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company's or the Executive's designated legal, compliance or human resources officers; or (iii) filing, testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal, state or municipal law relating to fraud, or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

3.3 Source of Payments. All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise and except as otherwise provided herein, shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets shall be made, to assure payment. The Executive shall have no right, title or interest whatsoever in or to any investments which the Company or its Subsidiaries may make to aid the Company in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

3.4 Notices. Any notice provided for in this Agreement must be in writing and must be either personally delivered, mailed by first class mail (postage prepaid and return receipt requested), sent by reputable overnight courier service (charges prepaid) or sent by facsimile (with receipt confirmed) to the recipient at the address or facsimile number indicated below:

To the Company:

XCel Brands, Inc.
5 Penn Plaza
Suite 2335
New York, New York 10001

With copies to:

Blank Rome LLP
The Chrysler Building
405 Lexington Avenue
New York, NY 10174-0208
(212) 885-5001
Attn: Robert Mittman, Esq.

To the Executive:

Seth Burroughs
Telephone:

or such other address or to the attention of such other Person as the recipient Party will have specified by prior written notice to the sending Party. Any notice under this Agreement will be deemed to have been given when so delivered or sent.

3.5 Severability. Subject to the express provisions of Section 1.10 relating to certain specified changes, whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

3.6 Complete Agreement. This Agreement embodies the complete agreement and understanding among the Parties with regard to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the Parties, written or oral, which may have related to the subject matter hereof in any way. To the extent that this Agreement provides greater benefits to the Executive or fewer obligations of the Executive than available or set forth under the Company's employee handbook or other corporate policies, then this Agreement shall prevail.

3.7 Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

3.8 Assignment. Without the Executive's consent, the Company may not assign its rights and obligations under this Agreement except (i) to a "Successor" (as defined below) or (ii) to an entity that is formed and controlled by the Company or any of its Subsidiaries. This Agreement is personal to the Executive, and the Executive shall not have the right to assign the Executive's interest in this Agreement, any rights under this Agreement or any duties imposed under this Agreement, nor shall the Executive have the right to pledge, hypothecate, transfer, assign or otherwise encumber the Executive's right to receive any form of compensation hereunder without the prior written consent of the Board. As used in Sections 3.8 and 3.9, "*Successor*" shall include any Person that at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets of, or ownership interests in, the Company and its Subsidiaries.

3.9 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by the Company, the Executive, and their respective heirs, successors and permitted assigns.

3.10 Choice of Law. This Agreement and the performance of the parties hereunder shall be governed by the internal laws (and not the law of conflicts) of the State of New York. Any claim or controversy arising out of or in connection with this Agreement, or the breach thereof, shall be adjudicated exclusively by the Supreme Court, New York County, State of New York, or by a federal court sitting in Manhattan in New York City, State of New York. The parties hereto agree to the personal jurisdiction of such courts and agree to accept process by regular mail in connection with any such dispute.

3.11 Waiver of Jury Trial. AS A SPECIFICALLY BARGAINED FOR INDUCEMENT FOR EACH OF THE PARTIES HERETO TO ENTER INTO THIS AGREEMENT (AFTER HAVING THE OPPORTUNITY TO CONSULT WITH COUNSEL), EACH PARTY HERETO EXPRESSLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY LAWSUIT OR PROCEEDING RELATING TO OR ARISING IN ANY WAY FROM THIS AGREEMENT OR THE MATTERS CONTEMPLATED HEREBY.

3.12 Legal Fees and Court Costs. In the event that any action, suit or other proceeding in law or in equity is brought to enforce the provisions of this Agreement, and such action results in the award of a judgment for money damages or in the granting of any injunction in favor of the Company, all expenses (including reasonable attorneys' fees) of the Company in such action, suit or other proceeding shall be paid by the Executive. In the event that any action, suit or other proceeding in law or in equity is brought to enforce the provisions of this Agreement, and such action results in the award of a judgment for money damages or in the granting of any injunction in favor of the Executive, all expenses (including reasonable attorneys' fees and travel expenses) of the Executive in such action, suit or other proceeding shall be paid by the Company.

3.13 Remedies. Each Party will be entitled to enforce its rights under this Agreement specifically, to recover damages and costs caused by any breach of any provision of this Agreement and to exercise all other rights existing in its favor. Subject to Section 3.12, nothing herein shall prohibit any arbitrator or judicial authority from awarding attorneys' fees or costs to a prevailing Party in any arbitration or other proceeding to the extent that such arbitrator or authority may lawfully do so.

3.14 Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company and the Executive, and no course of conduct or failure or delay in enforcing the provisions of this Agreement will affect the validity, binding effect or enforceability of this Agreement.

3.15 Third Party Beneficiaries. This Agreement will not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns and other than, in the event of the Executive's death, his estate, to which all of Executive's rights and remedies set forth herein shall accrue.

3.16 The Executive's Representations. The Executive hereby represents and warrants to the Company that (a) the execution, delivery and performance of this Agreement by the Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Executive is a party or by which he is bound, (b) the Executive is not a party to or bound by any employment agreement, noncompete agreement or confidentiality agreement with any other Person (or other agreement with any other person containing a restriction on the Executive's right to do business or obligating him to do business with any other Person on a priority or preferential basis), (c) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of the Executive, enforceable in accordance with its terms and (d) upon the execution and delivery of this Agreement by the Company, Executive shall not be in violation of clause (i) set forth in the definition of Cause and shall not be disabled.

3.17 Amendment to Comply with Section 409A of the Code. To the extent that this Agreement or any part thereof is deemed to be a nonqualified deferred compensation plan subject to Section 409A of the Code and the Treasury Regulations (including proposed regulations) and guidance promulgated thereunder, (a) the provisions of this Agreement shall be interpreted in a manner to the maximum extent possible to comply in good faith with Code Section 409A and (b) the parties hereto agree to amend this Agreement for purposes of complying with Code Section 409A promptly upon issuance of any Treasury regulations or guidance thereunder, *provided*, that any such amendment shall not materially change the present value of the benefits payable to the Executive hereunder or otherwise materially adversely affect the Executive, the Company, or any affiliate of the Company, without the consent of such party. With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Code Section 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, and (iii) such payments shall be made on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred.

[END OF PAGE]
[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Employment Agreement as of the date first written above.

XCel Brands, Inc.

By: /s/ James F. Haran
Name: James F. Haran
Title: CFO

/s/ Seth Burroughs
Seth Burroughs

EXHIBIT A

FORM OF RELEASE

I, Seth Burroughs, on behalf of myself and my heirs, successors and assigns, in consideration of the performance by XCel Brands, Inc., a Delaware corporation (together with its Subsidiaries, the "*Company*"), of its material obligations under the Employment Agreement, dated as of July XX, 2011 (the "*Agreement*"), do hereby release and forever discharge as of the date hereof the Company, its Affiliates, each such Person's respective successors and assigns and each of the foregoing Persons' respective present and former directors, officers, partners, stockholders, members, managers, agents, representatives, employees (and each such Person's respective successors and assigns) (collectively, the "*Released Parties*") to the extent provided below.

1. I understand that any payments or benefits paid or granted to me under Section 1.4(b) of the Agreement represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive the payments and benefits specified in Section 1.4(b) of the Agreement unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter or breach this General Release.

2. I knowingly and voluntarily release and forever discharge the Company and the other Released Parties from any and all claims, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date of this General Release), whether under the laws of the United States or another jurisdiction and whether known or unknown, suspected or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, have or may have, which arise out of or are connected with my employment with, or my separation from, the Company (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Civil Rights Act of 1866, as amended; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; Occupational Safety and Health Act of 1970, as amended, under the Worker Adjustment and Retraining Notification Act of 1988, as amended, under the Family and Medical Leave Act of 1993, as amended, under the Fair Credit Reporting Act of 1970, as amended, and under the Sarbanes-Oxley Act of 2002, under the Civil Rights Act of 1870, 42 U.S.C. § 1981, as amended, under the Civil Rights Act of 1871, as amended, under the Americans With Disabilities Act of 1990, as amended, under the Americans with Disabilities Act Amendments of 2008, under the Rehabilitation Act of 1973, as amended, under the Immigration Reform and Control Act of 1986, as amended, under the Vietnam Era Veterans Readjustment Assistance Act of 1974, as amended, under the Uniformed Service Employment and Reemployment Rights Act of 1994, as amended, under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), and any and all claims under the New York State Human Rights Law, under the New York City Human Rights Law, and under the New York Labor Laws, and any and all claims under any other federal, state, or local labor law, civil rights law, fair employment practices law, human rights law, family and medical leave law, occupational safety and health law, whistleblower protection law, and equal pay law; or any and all claims of slander, libel, defamation, invasion of privacy, intentional or negligent infliction of emotional distress, intentional or negligent misrepresentation, fraud, prima facie torts or other tort; or any and all claims based on the design or administration of any of the Company's employee benefit plan or program, or arising under any Company policy, practice, or procedure, or employee benefit plan; any and all claims for wages, commissions bonuses, vacation pay or other paid time off, employee benefits equity-based compensation, or other compensation or payments of any kind or nature, or for continued employment with the Company in any position; or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or any claim for wrongful discharge, breach of contract, or infliction of emotional distress; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims"); provided, however, that nothing contained in this General Release shall apply to, or release the Company from, (i) any obligation of the Company contained in the Agreement to be performed after the date hereof or (ii) any vested or accrued benefits pursuant to any employee benefit plan, program or policy of the Company.

3. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 2 above.

4. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this General Release. I acknowledge and agree that my separation from employment with the Company in compliance with the terms of the Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

5. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to the terms of the Agreement. I covenant that I shall not directly or indirectly, commence, maintain or prosecute or sue any of the Released Persons either affirmatively or by way of cross-complaint, indemnity claim, defense or counterclaim or in any other manner or at all on any Claim covered by this General Release. I further agree that in the event I should bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims. I further agree that I am not aware of any pending charge or complaint of the type described in paragraph 2 as of the execution of this General Release.

6. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

7. I agree that this General Release is confidential and agree not to disclose any information regarding the terms of this General Release, except to my immediate family and any tax, legal or other counsel I have consulted regarding the meaning or effect hereof or as required by law, and I will instruct each of the foregoing not to disclose the same to anyone.

8. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. or any other self-regulatory organization or governmental entity.

9. Without limitation of any provision of the Agreement, I hereby expressly re-affirm my obligations under Sections 1.5, 1.6, 1.7, 1.8, 1.9, 1.10 and 3.1.

10. Whenever possible, each provision of this General Release shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

"Affiliate" means, with respect to any Person, any Person that controls, is controlled by or is under common control with such Person or an Affiliate of such Person.

"Person" means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, investment fund, any other business entity and a governmental entity or any department, agency or political subdivision thereof.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association, or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association, or other business entity gains or losses or shall be or control any managing director or general partner of such limited liability company, partnership, association, or other business entity.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

(a) I HAVE READ IT CAREFULLY;

(b) I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

(c) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

(d) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY (VIA THE AGREEMENT AND THIS RELEASE) BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION, I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

(e) I HAVE HAD AT LEAST 21 DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE SUBSTANTIALLY IN ITS FINAL FORM ON _____ __, _____ TO CONSIDER IT AND THE CHANGES MADE SINCE THE _____ __, _____ VERSION OF THIS RELEASE ARE NOT MATERIAL AND WILL NOT RESTART THE REQUIRED 21-DAY PERIOD;

(f) THE CHANGES TO THE AGREEMENT SINCE _____ ___, _____ EITHER ARE NOT MATERIAL OR WERE MADE AT MY REQUEST.

(g) I UNDERSTAND THAT I HAVE SEVEN DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE EIGHTH DAY FOLLOWING EXECUTION OF THE AGREEMENT;

(h) I ACKNOWLEDGE THAT MY acceptance of any of the monies paid by the COMPANY as described in sections __ of the employment Agreement, at any time more than seven days after the execution of this Agreement will constitute an admission by ME that I did not revoke this Agreement during the revocation period of seven days; and will further constitute an admission by ME that this Agreement has become effective and enforceable.

(i) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND

(j) I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

DATE: _____ __, _____ _____

Seth Burroughs

Acknowledged and agreed as of the date first written above:

XCel Brands, Inc.

By: _____

Name: James Haran
Title: CFO

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made as of May 19, 2011 by and between Xcel Brands, Inc. a Delaware corporation (the "Company"), and Isaac Mizrahi (the "Executive"), each a "Party" and collectively the "Parties." Unless otherwise indicated, capitalized terms used herein are defined in Section 2.1.

WHEREAS, the Company has determined that it is in the best interests of the Company and its shareholders to enter into an employment agreement with the Executive and the Executive is willing to serve as an employee of the Company.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, as defined below, it is agreed by and between the Executive and the Company as follows:

ARTICLE I
EMPLOYMENT TERMS

1.1 Employment. The Company will employ the Executive, and the Executive accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning on the Effective Date and ending as provided in Section 1.4(a) hereof (the "Employment Period").

1.2 Position and Duties.

(a) Generally. The Executive shall serve as the Chief Design Officer of Isaac Mizrahi Brand, and in such capacity shall be responsible for the creation of the Company's design vision for the Isaac Mizrahi Brand, shall perform such duties as are customarily performed by an officer with similar title and responsibilities of a company of a similar size (including, without limitation, the performance of Executive's duties and obligations under agreements with the Company's licensees or any other third-party pursuant to which Executive is obligated to perform personal services, but not including Executive's duties under agreements pursuant to the Retained Media Rights) and shall have such power and authority as shall reasonably be required to enable him to perform his duties hereunder; provided, however, that in exercising such power and authority and performing such duties, he shall at all times be subject to the authority, control and direction of the Chairman and CEO of the Company.

(b) Duties and Responsibilities. The Executive shall report to the Chairman and CEO of the Company and shall devote his full business time and attention to the business and affairs of the Company and its Subsidiaries. The Executive shall perform his duties and responsibilities in a diligent, trustworthy, businesslike and efficient manner. The Executive shall not engage in any other business activities that conflict with the Executive's duties, responsibilities and obligations hereunder. During the Employment Period, the Executive shall promptly bring to the Company all investment or business opportunities and creative design ideas relating to the Business, of which the Executive becomes aware.

(c) Notwithstanding anything to the contrary in this Section 1.2, Executive may engage in the Retained Media Rights, in each case so long as such activity does not have a materially negative impact upon or materially conflict with the Executive's duties hereunder.

(d) Principal Office. The principal place of performance by the Executive of his duties hereunder shall be at the Company's principal executive offices in Manhattan, New York, although the Executive may be required to travel, upon reasonable advance notice, outside of the area where the Company's principal executive offices are located in connection with the business of the Company. All required travel shall be in accordance with the Company's travel policy.

1.3 Compensation.

(a) Base Salary. The Executive's base salary shall be $500,000, $500,000 and $1,000,000 per annum, respectively, in the first three successive 12 month periods following the Effective Date (respectively, the "Base Salary"). The Base Salary will be payable to the Executive by the Company in regular installments in accordance with the Company's general payroll practices. The Executive shall receive such increases (but not decreases) in his Base Salary as the Board of Directors of the Company (the "Board"), or the compensation committee of the Board, may approve in its sole discretion from time to time. The Executive's Base Salary will be reviewed for potential upward adjustment on the third anniversary of this Agreement and each anniversary thereafter during the Term.

(b) Bonus. In the event that the Net Royalty Income exceeds Twenty-Five Million Dollars ($25,000,000) in the twelve-month period commencing on the first day of the calendar quarter following the calendar quarter in which the Effective Date occurs, or in any successive twelve-month period thereafter, the Executive shall be entitled to a bonus (in each case, a "Net Royalty Income Bonus") equal to five percent (5%) of the Net Royalty Income in such twelve-month period in excess of Twenty-Five Million Dollars ($25,000,000). As soon as practicable after the end of after the applicable twelve-month period, but in no event later than sixty (60) days following the end of such period, Buyers shall deliver to the Seller (i) a statement from the Independent Auditors certifying the Net Royalty Income for such period, (ii) a statement prepared by Buyer of the calculation of the amount of the Net Royalty Income Bonus; and (iii) if requested by Executive, supporting documentation of the determination of Net Royalty Income for the applicable period (collectively, (i) and (ii), the "Reconciliation"). The determination of the Independent Auditors reflected in the Reconciliation shall be binding and conclusive on the Company and the Executive. The Net Royalty Income Bonus, if any, shall be paid to the Executive not later than thirty (30) days after delivery of the Reconciliation to the Executive. In addition to, and not in lieu of, the foregoing, the Executive shall have the right to participate in all employee bonus plans offered to other employees without regard to the Net Royalty Income Bonus and, such other bonus payments as the Board, or the compensation committee of the Board, may approve in its sole discretion. Such bonus payments, if any, shall be paid at the same time paid to other recipients but in no event later than sixty (60) days after the end of the applicable calendar year or fiscal period. All bonuses payable under this Section 1.3(b) shall be, collectively, referred to herein as "Bonus."

(c) Withholding. All payments made under this Agreement (including Base Salary, Bonus payments, and other amounts) shall be subject to withholding for income taxes, payroll taxes and other legally required deductions.

(d) Expenses. The Company will reimburse the Executive for all reasonable expenses incurred by him in the course of performing his duties under this Agreement that are consistent with the Company's policies in effect at that time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses. All expense reimbursement payments for documented expenses shall be made in accordance with the Company expense reimbursement policy. In addition, the Company shall reimburse the Executive for up to $110,000 of non-accountable expenses each calendar year (pro-rated for any partial calendar year during the Employment Period), without regard to whether such expenses would be reimbursable under the Company's expense reimbursement policy. All expense reimbursement payments for non-accountable expenses shall be made within thirty (30) days after the date that the Executive notifies the Company of such expense; provided, however, that the Executive shall notify the Company of such expenses no later than six (6) months after the end of the calendar year in which such expenses were incurred.

(e) Vacation; Holiday Pay and Sick Leave. The Executive shall be entitled to four (4) weeks' paid vacation in each calendar year, which if and to the extent not taken during any year may be carried forward to any subsequent year. Executive shall receive holiday pay and paid sick leave as provided to other executive employees of the Company.

(f) Additional Benefits. During the Employment Period, the Executive shall be entitled to participate (for himself and, as applicable, his dependents) in the group medical, life, 401(k) and other insurance programs, equity and equity-based incentive plans, employee benefit plans and perquisites which may be adopted by the Board, or the compensation committee of the Board, from time to time, for participation by the Company's senior management or executives, as well as dental, life and disability insurance coverage, with payment of, or reimbursement for, such insurance premiums by the Company, subject to, in all cases, the terms and conditions established by the Board with respect to such plans (collectively, the "Benefits"); provided, however, that the Board, in its reasonable discretion, may revise the terms of any Benefits so long as such revision does not have a disproportionately negative impact on the Executive vis-à-vis other Company employees to the extent applicable.

(g) Indemnification. The Executive shall be entitled to indemnification by the Company in the same circumstances and to the same extent as the other executive officers and directors of the Company, which indemnification shall in no event be less favorable to the Executive than the fullest scope of indemnification permitted by applicable Delaware law (or any such greater scope of indemnification provided by agreement or by the terms of the Company's Certificate of Incorporation or By-Laws to any executive officer or director of the Company).

(h) D&O Insurance. The Company shall acquire and maintain Directors' and Officers' insurance for the Company's directors and officers (including the Executive), with coverage in amounts reasonably sufficient to protect the Company's directors and officers, but in all events with coverage in amounts no less than such amounts customarily maintained by similarly situated companies. Upon a Change of Control, the Company shall purchase, or cause to be purchased, a tail policy for the period of one year in an amount reasonably sufficient to protect the Company's former directors and officers, but in all events with coverage in amounts no less than such amounts obtained by similarly situated companies in similar events.

(i) Other Benefits. During the Employment Period, the Company shall: (i) employ a full-time executive assistant for the Executive (whose salary shall be consistent with other staff of the Company at similar levels); (ii) reimburse Executive for up to Five Thousand Dollars ($5,000) per year for Executive to acquire and maintain a life insurance policy on the Executive; (iii) allow the Executive to participate in the Company's disability insurance policy (the "Disability Policy"), which shall name the Executive as loss payee; and (iv) pay for directly, or reimburse the Executive, for the Executive's cell phone and internet expenses, home office supplies and computer maintenance.

1.4 Term and Termination.

(a) Duration. This Agreement shall be effective upon the Closing (as defined in the Purchase Agreement). The Employment Period shall commence on the Effective Date and the initial term shall terminate three (3) years from the Effective Date (the "Initial Term"), unless earlier terminated by the Company or the Executive as set forth in this Section 1.4. After the Initial Term, the Company shall have the option to renew this Agreement for two successive one-year periods (each a "Renewal Period") on the same terms and conditions as those in effect during the third year of the Initial Term. The Initial Term plus any Renewal Period exercised by the Company is referred to herein as the "Term". Thereafter, the Term shall renew automatically for one-year periods, unless either party gives the other party written notice of its intention not to renew the Agreement no later than 30 days prior to the expiration of the then current Term. The Employment Period shall be terminated prior to the then-applicable expiration of the Term upon the first to occur of (i) termination of the Executive's employment by the Company for Cause, (ii) termination of the Executive's employment by the Company without Cause, (iii) the Executive's resignation with Good Reason, (iv) the Executive's resignation other than for Good Reason, or (v) the Executive's death or Disability. The Executive shall not terminate the Employment Period, with or without Good Reason, unless he gives the Company written notice that he intends to terminate the Employment Period at least 30 days prior to the Executive's proposed Termination Date. As a condition to Executive receiving any payments or benefits under Section 1.4(b)(2) and (3) or Section 1.4(c) (except amounts payable pursuant to Section 1.4(b)(1)), the Executive shall execute and deliver to the Company the General Release of claims relating solely to the Executive's employment with the Company within 60 days after the Termination Date in the form attached hereto as Exhibit A. If the Executive does not execute and deliver the General Release within that time period then the amounts otherwise payable pursuant to Section 1.4(b)(2) shall be forfeited. The first payment under this Section 1.4 shall include any amounts payable under this Section 1.4 for periods prior to execution of such General Release.

(b) Severance Upon Termination Without Cause, Upon Resignation by the Executive For Good Reason or Failure to Renew Term. If the Employment Period is terminated by the Company without Cause or if the Executive resigns for Good Reason, or if the Company fails to renew the Term (in which case termination of the Executive's employment shall be effective at the expiration of the then-current Term), then the Executive will be entitled to receive (1) any unpaid Base Salary through and including the date of termination or resignation and any other amounts, including any amounts due for Bonus, or other entitlements then due and owing to the Executive as of the Termination Date; (2) an amount equal to the Executive's Base Salary (at the rate that would have been effect pursuant to Section 1.3(a) had such employment not been terminated) for the longer of (x) six (6) months from the Termination Date, and (y) the remainder of the then-current Term, but in no event exceeding eighteen (18) months (as the case may be, the "Severance Period"), payable in substantially equal installments over the Severance Period in accordance with the Company's normal payroll practices; provided, however, that prior to the date that is six months and one day after the Termination Date, no payments would be made that exceed the lesser of two times: (i) the sum of (A) the Executive's Base Salary (at the rate in effect on the date of termination), (B) the Bonus paid to Executive pursuant to Section 1.3(b) in the prior calendar year, and (C) any other taxable compensation paid to the Executive in the prior calendar year; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to section 401(a)(17) for the year in which the Executive has a termination of employment; and any amount in excess of the applicable limits shall be paid on the date that is six months and one day after the Termination Date; and (3) continue to participate in the Company's group medical plan on the same basis as he previously participated or, if such participation would violate the provisions of Section 409A of the Code or applicable nondiscrimination regulations under the Patient Protection and Affordable Care Act (PPACA), receive reimbursement for, COBRA premiums (or, if COBRA coverage is not available, reimbursement of premiums paid for other medical insurance in an amount not to exceed the COBRA premium) for the Severance Period; provided that if the Executive is provided with health insurance coverage by a successor employer, any such coverage by the Company under subclause (3) shall cease (each of (1), (2) and (3) referred to as the "Severance Payment"). The Executive also shall be entitled to receive payment for (i) all reimbursable expenses or other entitlements then due and owing to the Executive as of the Termination Date under Section 1.3(d) (other than non-accountable expenses which shall be reimbursed pursuant to clause (ii) below), which payments shall be made in accordance with the Company expense reimbursement policy; provided, however, in no event shall any expense reimbursements by the Company be made later than the last day of the calendar year after the calendar year in which the expense was incurred, and (ii) all non-accountable expenses incurred prior to the Termination Date that are reimbursable under Section 1.3(d), which payments shall be made in accordance with the terms of Section 1.3(d). If the Executive breaches his obligations under Section 1.6, 1.7, 1.8 or 1.9 of this Agreement, the Company's obligation to make any Severance Payments and provide any Benefits shall cease as of the date of such breach; provided, that if the Executive cures such breach within 10 days of receiving written notice from the Company of such breach (which notice the Company shall provide promptly to the Executive after learning of such breach), the Company shall promptly pay all Severance Payments not made during such period of dispute and resume making Severance Payments and providing Benefits promptly following such cure.

(c) Severance upon a Change of Control. Anything contained herein to the contrary notwithstanding, in the event the Executive's employment hereunder is terminated within six (6) months following a Change of Control by the Company without Cause or by the Executive with Good Reason, the Executive shall be entitled to receive the Severance Payment as described in sub-section (b) above; provided, however, that in lieu of the calculation contained in Section 1.4(b)(2), Executive shall be entitled to receive a lump sum amount within 60 days after the Termination Date equal to two times the sum of (i) the Executive's Base Salary (at the average rate that would have been effect pursuant to Section 1.3(a) during the two years following the Termination Date) and (ii) the Bonus paid or due to the Executive pursuant to Section 1.3(b) in the year prior to such Change of Control, if any; provided, however, that prior to the date that is six months and one day after the Termination Date, no payment would be made that exceeds the lesser of two times: (i) the sum of (A) the Executive's Base Salary (at the rate in effect on the date of termination), (B) the Bonus paid to Executive pursuant to Section 1.3(b) in the prior calendar year, and (C) any other taxable compensation paid to the Executive in the prior calendar year, or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which the Executive has a termination of employment, and any amount in excess of such limits shall be paid on the date that is six months and one day after the Termination Date; and further provided, however, that if such lump sum severance payment, either alone or together with other payments or benefits, either cash or non-cash, that the Executive has the right to receive from the Company, including, but not limited to, accelerated vesting or payment of any deferred compensation, options, stock appreciation rights or any benefits payable to the Executive under any plan for the benefit of employees, would constitute an "excess parachute payment" (as defined in Section 280G of the Code), then such lump sum severance payment or other benefit shall be reduced to the largest amount that will not result in receipt by the Executive of an "excess parachute payment." The determination of the amount of the payment described in this subsection shall be made by the Company's independent auditors at the sole expense of the Company. For purposes of clarification the value of any options described above will be determined by the Company's independent auditors using a Black-Scholes valuation methodology.

(d) Death and Disability. In the event of the Company terminates this Agreement due to the death of the Executive, the Company shall pay the Executive his Base Salary through the date of termination, at the rate then in effect, and all expenses or accrued Benefits arising prior to such termination which are payable to the Executive pursuant to this Agreement through the date of termination. Any other rights and benefits the Executive may have under employee benefit plans and programs of the Company generally in the event of the Executive's Disability shall be determined in accordance with the terms of such plans and programs. In the event of Executive's death, any rights and benefits that the Executive's estate or any other person may have under employee benefit plans and programs of the Company generally in the event of the Executive's death shall be determined in accordance with the terms of such plans and programs.

(e) Salary and Other Payments Through Termination. If the Executive's employment with the Company is terminated during the Term (i) by the Company for Cause or (ii) by the Executive other than for Good Reason, the Executive will be entitled to receive his Base Salary through the Termination Date, but will not be entitled to receive any Severance Payments or Benefits after the Termination Date. The Executive shall also be entitled to receive payment for (i) all reimbursable expenses or other entitlements then due and owing to the Executive as of the Termination Date under Section 1.3(d) (other than non-accountable expenses which shall be reimbursed pursuant to clause (ii) below), which payments shall be made in accordance with the Company expense reimbursement policy; provided, however, in no event shall any expense reimbursements by the Company be made later than the last day of the calendar year after the calendar year in which the expense was incurred, and (ii) all non-accountable expenses incurred prior to the Termination Date that are reimbursable under Section 1.3(d), which payments shall be made in accordance with the terms of Section 1.3(d).

(f) Other Rights. Except as set forth in this Section 1.4, all of the Executive's rights to receive Base Salary, Benefits and annual bonuses hereunder (if any) which accrue or become payable after the termination of the Employment Period shall cease upon such termination.

(g) Continuing Benefits. Notwithstanding Section 1.4(f), termination pursuant to this Section 1.4 shall not modify or affect in any way whatsoever any vested right of the Executive to benefits payable under any retirement or pension plan or under any other employee benefit plan of the Company, and all such benefits shall continue, in accordance with, and subject to, the terms and conditions of such plans, to be payable in full to, or on account of, the Executive after such termination.

(h) No Duty of Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Article I by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for under Article I be reduced by any compensation earned by Executive after the Termination Date.

(i) Acceleration of Vesting. If the Company shall terminate the Executive's employment without Cause or the Executive terminates his employment with Good Reason, then notwithstanding the vesting and exercisability schedule in any stock option or other grant agreement between the Company and the Executive, all unvested stock options, shares of restricted stock and other equity awards granted by the Company to the Executive pursuant to any such agreement shall immediately vest, and all such stock options shall become exercisable and shall remain exercisable for the remaining term of the applicable option. In the event of conflict between any stock option or other grant agreement between the Company and the Executive and this Agreement, the stock option or other grant agreement shall control.

1.5 Confidential Information.

(a) The Executive shall not disclose or, directly or indirectly, use at any time, during the Employment Period or thereafter, any Confidential Information (as defined below) of which the Executive is or becomes aware, whether or not such information is developed by him, alone or with others, except to the extent that (i) such disclosure or use is required by the Executive's performance of the duties assigned to the Executive by the Board, (ii) the Executive is required by subpoena or similar process to disclose or discuss any Confidential Information, provided, that in such case, the Executive shall promptly inform the Company in writing of such event, shall reasonably cooperate with the Company in attempting to obtain a protective order or to otherwise limit or restrict such disclosure to the greatest extent possible, and shall disclose only that portion of the Confidential Information as is strictly required, or (iii) such Confidential Information is or becomes generally known to and available for use by the public, other than as a result of any action or inaction directly or indirectly by the Executive. At the Company's expense, the Executive shall take all reasonable steps to safeguard Confidential Information in his possession and to protect it against disclosure, misuse, espionage, loss and theft. The Executive acknowledges that the Confidential Information obtained by him during the course of his employment with the Company is the sole and exclusive property of the Company and its Subsidiaries, as applicable.

(b) The Executive understands that the Company and its Subsidiaries will receive from third parties confidential or proprietary information ("Third Party Information") subject to a duty on the part of the Company and its Subsidiaries to maintain the confidentiality of such information and to use it only for certain limited purposes. During the Employment Period and in the period specified in such confidentiality agreements, and without in any way limiting the provisions of Section 1.5(a) above, the Executive will hold Third Party Information in confidence, consistent with the obligations applicable to Confidential Information of the Company generally, and will not disclose to anyone (other than personnel and agents of the Company or its Subsidiaries who need to know such information in connection with their work for the Company or its Subsidiaries) or use, except in connection with his work for the Company or its Subsidiaries, Third Party Information unless expressly authorized by the Board in writing.

(c) As used in this Agreement, the term "Confidential Information" means information that is not generally known to the public and that is related in any way to the actual or anticipated business of the Company, its Subsidiaries, its Affiliates or any of their respective predecessors in interest, including but not limited to (i) business development, growth and other strategic business plans, (ii) properties available for acquisition, financing development or sale, (iii) accounting and business methods, (iv) services or products and the marketing of such services and products, (v) fees, costs and pricing structures, (vi) designs, (vii) analysis, (viii) drawings, photographs and reports, (ix) computer software, including operating systems, applications and program listings, (x) flow charts, manuals and documentation, (xi) data bases, (xii) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xiii) copyrightable works, (xiv) all technology and trade secrets, (xv) confidential terms of material agreements and customer relationships, and (xvi) all similar and related information in whatever form or medium. Confidential Information shall not include any information that has become generally available to the public prior to the date the Executive proposes to disclose or use such information or general know-how of the Executive.

1.6 Inventions and Patents. Executive acknowledges that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, products, methods, processes, techniques, programs, designs, analyses, drawings, reports, patents, copyrightable works and mask works (whether or not including any Confidential Information) and all issuances, registrations or applications related thereto, all other proprietary information or intellectual property and all similar or related information (whether or not patentable)(collectively, "Intellectual Property") conceived, developed, contributed to, made, or reduced to practice by Executive (either alone or with others) while employed by Company or any of its Subsidiaries or Affiliates or using the materials, facilities or resources of the Company or any of its Subsidiaries or Affiliates (collectively, "Company Works") is the sole and exclusive property of the Company and its Subsidiaries; provided, however, that the term Company Works shall not include, and the Executive shall exclusively own, (i) all Intellectual Property conceived, developed, contributed to, made, or reduced to practice by Executive in connection with the performance of the Retained Media Rights, and (ii) the Original Physical Sketch Rights, provided that, with respect to any original physical sketch retained by the Executive, the Executive delivers a high resolution copy thereof to the Company; and provided, further, that, notwithstanding the foregoing, no present or future Intellectual Property Rights purchased by the Buyer under the Purchase Agreement shall be owned by Executive pursuant to this Section 1.6. Executive hereby assigns all right, title and interest in and to all Company Works to the Company and its Subsidiaries and waives any moral rights he may have therein, without further obligation or consideration. Any copyrightable work constituting Company Works prepared in whole or in part by the Executive will be deemed "a work made for hire" under Section 201(b) of the 1976 Copyright Act, and the Company and its Subsidiaries shall own all of the rights comprised in the copyright therein. The Executive shall promptly and fully disclose in writing all Company Works to the Company and shall cooperate with the Company and its Subsidiaries to protect, maintain and enforce the Company's and its Subsidiaries' interests in and rights to such Company Works (including, without limitation, providing reasonable assistance in securing patent protection and copyright registrations and executing all affidavits, assignments, powers-of-attorney and other documents as reasonably requested by the Company, whether such requests occur prior to or after termination of the Executive's employment with the Company).

1.7 Delivery of Materials Upon Termination of Employment. As requested by the Company from time to time and in any event upon the termination of the Executive's employment with the Company, the Executive shall promptly deliver to the Company, or at the Company's election destroy, all copies and embodiments, in whatever form or medium, of all Confidential Information, Company Works and other property and assets of the Company and its Subsidiaries in the Executive's possession or within his control (including, but not limited to, office keys, access cards, written records, notes, photographs, manuals, notebooks, documentation, program listings, flow charts, magnetic media, disks, diskettes, tapes, computers and handheld devices (including all software, files and documents thereon) and any other materials containing any Confidential Information or Company Works) irrespective of the location or form of such material and, if requested by the Company, shall provide the Company with written confirmation that all such materials have been delivered to the Company or destroyed, as applicable.

1.8 Non-Compete and Non-Solicitation Covenants.

(a) The Executive acknowledges and agrees that the Executive's services to the Company and its Subsidiaries are unique in nature and that the Company and its Subsidiaries would be irreparably damaged if the Executive were to violate his obligations under this Section 1.8. The Executive further acknowledges that, in the course of his employment with the Company, he will become familiar with the Company's and its Subsidiaries' trade secrets and with other Confidential Information. During the Employment Period, he shall not, directly or indirectly, whether for himself or for any other Person, permit his name to be used by or participate in any business or enterprise (including, without limitation, any division, group or franchise of a larger organization) that engages or proposes to engage in the Business in the Restricted Territories, other than the Company and its Subsidiaries or except as otherwise directed or authorized by the Board. During the one year period following the Termination Date, unless the Executive's employment hereunder was terminated without Cause or was terminated by the Executive for Good Reason, the Executive shall not, directly or indirectly, whether for himself or for any other Person, permit his name to be used by or participate in any business or enterprise (including, without limitation, any division, group or franchise of a larger organization) that engages or proposes to engage in the IM Business in the Restricted Territories, other than the Company and its Subsidiaries or except as otherwise directed or authorized by the Board. For purposes of this Agreement, the term "participate in" shall include, without limitation, having any direct or indirect interest in any Person, whether as a sole proprietor, owner, stockholder, partner, member, joint venturer, creditor or otherwise, or rendering any direct or indirect service or assistance to any Person (whether as a director, officer, supervisor, employee, agent, consultant or otherwise). Nothing herein will prohibit the Executive from (i) mere passive ownership of not more than three percent (3%) of the outstanding stock of any class of a publicly held corporation whose stock is traded on a national securities exchange or in the over-the-counter market, and (ii) engaging in the exploitation of the Retained Media Rights, subject, during the Employment Period, to the restrictions in Section 1.2(c) hereof. As used herein, the phrase "mere passive ownership" shall include voting or otherwise granting any consents or approvals required to be obtained from such Person as an owner of stock or other ownership interests in any entity pursuant to the charter or other organizational documents of such entity, but shall not include, without limitation, any involvement in the day-to-day operations of such entity.

(b) During the Nonsolicitation Period, the Executive will not directly, or indirectly through another Person, solicit, induce or attempt to induce any customer, supplier, licensee, or other business relation of the Company or any of its Subsidiaries to cease doing business with the Company or any of its Subsidiaries, or solicit, induce or attempt to induce any person who is, or was during the then-most recent 12-month period, a corporate officer, general manager or other employee of the Company or any of its Subsidiaries to terminate such employee's employment with the Company or any of its Subsidiaries, or hire any such person unless such person's employment was terminated by the Company or any of its Subsidiaries, or in any way interfere with the relationship between any such customer, supplier, licensee, employee or business relation and the Company or any of its Subsidiaries. The Executive acknowledges and agrees that the Company and its Subsidiaries would be irreparably damaged if the Executive were to breach any of the provisions contained in this Section 1.8(b).

(c) Executive acknowledges that this Agreement, and specifically, this Section 1.8, does not preclude Executive from earning a livelihood, nor does it unreasonably impose limitations on Executive's ability to earn a living. In addition, Executive agrees and acknowledges that the potential harm to the Company of its non-enforcement outweighs any harm to Executive of its enforcement by injunction or otherwise.

1.9 Enforcement. If, at the time of enforcement of Section 1.5, 1.6, 1.7, 1.8 or 1.10, a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the Parties agree that, to the extent permitted by applicable law, the maximum period, scope or geographical area reasonable under such circumstances will be substituted for the period, scope or area. Because the Executive's services are unique and because the Executive has access to Confidential Information and Company Works, the Parties agree that money damages would be an inadequate remedy for any breach of Section 1.5, 1.6, 1.7, 1.8 or 1.10. Therefore, in the event of a breach or threatened breach of Section 1.5, 1.6, 1.7, 1.8 or 1.10, the Company or any of its Subsidiaries or any of their respective successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security). The Parties hereby acknowledge and agree that (a) performance of the services of the Executive hereunder may occur in jurisdictions other than the jurisdiction whose law the Parties have agreed shall govern the construction, validity and interpretation of this Agreement, (b) the law of the State of New York shall govern construction, validity and interpretation of this Agreement to the fullest extent possible, and (c) Section 1.5, 1.6, 1.7, 1.8 or 1.10 shall restrict the Executive only to the extent permitted by applicable law.

1.10 Survival. Sections 1.4, 1.5, 1.6, 1.7, 1.8 and 1.10 will survive and continue in full force in accordance with their terms notwithstanding any termination of the Employment Period.

ARTICLE II
DEFINED TERMS

2.1 Definitions. All capitalized terms used but not defined herein shall have the meanings given to such terms in the Purchase Agreement. For purposes of this Agreement, the following terms will have the following meanings:

"Business" means the business of acquiring and licensing consumer brands worldwide.

"Cause" means with respect to the Executive, the occurrence of one or more of the following: (i) conviction of, or entry of a plea of guilty or nolo contendere to, a felony involving moral turpitude, misappropriation of Company property, embezzlement of Company funds, violation of the securities laws or material dishonesty with respect to the Company; (ii) persistent and repeated refusal to comply with no less than three written lawful directives of the Chairman and CEO or Board with respect to an item material to the business prospects and/or operations of the Company, other than such directives requiring the Executive in his reasonable judgment after consultation with counsel, to act in a manner inconsistent with his fiduciary obligations or those inconsistent with the Executive's position as Chief Design Officer; (iii) reporting to work under the influence of alcohol or illegal drugs, or the use of illegal drugs (whether or not at the workplace), or (iv) any willful breach of Section 1.6, 1.7, 1.8 or 1.9 of this Agreement. Notwithstanding the foregoing, termination by the Company for Cause (other than pursuant to clause (i) above) shall not be effective until and unless (i) Executive fails to cure such alleged act or circumstance within 30 days of receipt of notice thereof, to the satisfaction of the Board in the exercise of its reasonable judgment (or, if within such 30-day period the Executive commences and proceeds to take all reasonable actions to effect such cure, within such reasonable additional time period (no longer than 60 days) as may be necessary), and (ii) notice of intention to terminate for Cause has been given by the Company within forty-five (45) days after the Board learns of the act, failure or event constituting "Cause," and (iii) the Board has voted (at a meeting of the Board duly called and held as to which termination of Executive is an agenda item) by a vote of at least a two-thirds of the members of the Board (other than Executive) to terminate Executive for Cause after Executive has been given notice of the particular acts or circumstances which are the basis for the termination for Cause and has been afforded an opportunity to appear with counsel and present his positions at such meeting and to present his case thereat, and (iv) the Board has given notice of termination to Executive within five days after such meeting voting in favor of termination.

"Change of Control" means the occurrence of any of the following (i) a merger or consolidation to which the Company is a party (other than one in which the stockholders of the Company prior to the event own a majority of the voting power of the surviving or resulting corporation) (ii) a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company, or (iii) a sale or transfer by the Company's stockholders of voting control, in a single transaction or a series of transactions.

"Code" means the Internal Revenue Code of 1986 and the Treasury regulations thereunder, each as amended from time to time.

"Disability" shall have the meaning set forth in a policy or policies of long term disability insurance, if any, the Company obtains for the benefit of itself and/or its employees. If there is no definition of "disability" applicable under any such policy or policies, if any, then the Executive shall be considered disabled due to mental or physical impairment or disability despite reasonable accommodations by the Company and its Subsidiaries, to perform his customary or other comparable duties with the Company or its Subsidiaries immediately prior to such disability for a period of at least 120 consecutive days or for at least 180 non-consecutive days in any 12 month period.

"Effective Date" means the Closing Date (as defined in the Purchase Agreement).

"Fiscal Year" means the fiscal year of the Company and its Subsidiaries.

"Good Reason" means the occurrence, without the Executive's written consent, of one or more of the following events: (i) the Company reduces the amount of Executive's Base Salary, (ii) the Company requires that the Executive relocate his principal place of employment to a site that is more than 15 miles from the Company's offices in Manhattan, New York, or if the Company changes the location of its headquarters with the consent of Executive to a location that is more than 15 miles from such location, (iii) the Company materially reduces the Executive's responsibilities or removes the Executive from the position of Chief Design Officer – Isaac Mizrahi Brand other than pursuant to a termination of his employment for Cause, or upon the Executive's death or Disability, (iv) the failure or unreasonable delay of the Company to provide the Executive any of the payments contemplated hereby, or (v) the Company otherwise materially breaches the terms of this Agreement; provided that no such event shall constitute Good Reason hereunder unless (a) the Executive shall have given written notice to the Company of the Executive's intent to resign for Good Reason within 30 days after the Executive becomes aware of the occurrence of any such event, which notice shall describe in reasonable detail the event or events constitution the basis for the Executive's intention to resign for Good Reason and (b) such event or occurrence, if a breach susceptible to cure, shall not have been cured or otherwise shall not have been resolved to the Executive's reasonable satisfaction, in each case within 30 days of the Company's receipt of such notice; provided, however, except in the case of a failure to make a timely payment that is caused by a third party payroll service provider, in which case the Company shall have ten (10) Business Days to cure, as to any breach by the Company of its obligation to make any payment to Executive when due, the Executive shall have no notice obligation and the Company shall have no right to cure. In such case the Executive's resignation shall become effective on the 31st day after the Company's receipt of the aforementioned notice.

"IM Business" means the licensing, promotion via any form of media, and marketing of the IM Brands or the Isaac Mizrahi image and likeness for any commercial use relating to the manufacture, sale and/or distribution of clothing, related accessories, home goods (i.e., home furnishings, home décor, tabletop, cookware and kitchen prep items), food products and any and all other goods and services; provided, however, notwithstanding anything to the contrary herein, the Business shall not include the Retained Media Rights.

"Net Royalty Income" means booked revenue for the Business, less the sum of advertising royalties, commissions paid to third parties, payments under royalty sharing or participation agreements, and international withholding (solely to the extent the Company or its Affiliates are unable to claim a federal tax credit with respect to such international withholding) and other transfer taxes, in each case to the extent related to such booked revenue, calculated in accordance with GAAP; provided, however, that, (i) Net Royalty Income shall not include any deferred revenues recognized during the period for which Net Royalty Income is being calculated for which the Buyers have not received the related payment, and (ii) in the event of the termination of a license agreement with respect to the Business, the calculation of Net Royalty Income shall not include any revenue accelerated as a result of termination for which termination the Company or its Affiliates have not received the related payment..

"Nonsolicitation Period" means the Employment Period and 12 months thereafter.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or the United States of America any other nation, any state or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"Purchase Agreement" means the Asset Purchase Agreement, dated May 19, 2011, by and among the Company, IM Ready-Made, LLC and certain other parties thereto.

"Restricted Territories" means the United States and the rest of the world.

"Retained Media Rights" shall have the meaning ascribed to such term in the Purchase Agreement.

"Original Physical Sketch Rights" means the right of the Executive to retain any physical original sketches created by the Executive (alone or with others), and the right to display them from time to time in museums, exhibits and other non-retail forums, provided that, except for the foregoing rights, such term does not include any rights to Intellectual Property associated with such sketches, nor does it include the right to exploit, present or publicly display such sketches in connection with the sale or promotion of goods and services or to otherwise use them for the purpose of developing competing goods, products or services.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association, or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association, or other business entity gains or losses or shall be or control any managing director or general partner of such limited liability company, partnership, association, or other business entity. For purposes hereof, references to a "Subsidiary" of any Person shall be given effect only at such times that such Person has one or more Subsidiaries, and, unless otherwise indicated, the term "Subsidiary" refers to a Subsidiary of the Company.

"Termination Date" means the effective date of the Executive's termination of employment with the Company.

2.2 Other Definitional Provisions.

(a) Section references contained in this Agreement are references to sections in this Agreement, unless otherwise specified. Each defined term used in this Agreement has a comparable meaning when used in its plural or singular form. Each gender-specific term used in this Agreement has a comparable meaning whether used in a masculine, feminine or gender-neutral form.

(b) Whenever the term "including" (whether or not that term is followed by the phrase "but not limited to" or "without limitation" or words of similar effect) is used in this Agreement in connection with a listing of items within a particular classification, that listing will be interpreted to be illustrative only and will not be interpreted as a limitation on, or an exclusive listing of, the items within that classification.

ARTICLE III
MISCELLANEOUS TERMS

3.1 Defense of Claims. The Executive agrees that, during the Employment Period, and for a period of six months after termination of the Executive's employment, upon request by the Company, the Executive shall reasonably cooperate with the Company in connection with any matters the Executive worked on during his employment with the Company and any related transitional matters. In addition, during the Employment Period and thereafter, the Executive agrees to reasonably cooperate with the Company in the defense of any claims or actions that may be made by or against the Company that affect the Executive's prior areas of responsibility or involve matters about which the Executive has knowledge, except if the Executive's reasonable interests are adverse to the Company in such claim or action and provided that after the Employment Period such level of cooperation shall be reasonable and shall take due account of the Executive's work and personal commitments. The Company agrees to promptly reimburse the Executive for all of the Executive's reasonable travel and other direct expenses incurred, or to be reasonably incurred, to comply with the Executive's obligations under this Section 3.1.

3.2 Nondisparagement. The Executive agrees to refrain from making any false or disparaging statements, in public or private, which is reasonably likely to materially impair the reputation, goodwill or commercial interest of the Company. The Company agrees to refrain from making any false or disparaging statements, in public or private, which is reasonably likely to materially impair the reputation, goodwill or commercial interest of the Executive. Notwithstanding anything to the contrary contained herein, nothing in this Agreement shall prohibit or restrict either party from, truthfully and in good faith: (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by, any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company's or the Executive's designated legal, compliance or human resources officers; or (iii) filing, testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal, state or municipal law relating to fraud, or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

3.3 Morals Clause. Executive shall not commit any act or do any thing which might reasonably be considered: (i) to be immoral, deceptive, scandalous or obscene; or (ii) to injure, tarnish, damage or otherwise negatively affect the reputation and goodwill associated with the Company or the IM Brands.

3.4 Source of Payments. All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise and except as otherwise provided herein, shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets shall be made, to assure payment. The Executive shall have no right, title or interest whatsoever in or to any investments which the Company or its Subsidiaries may make to aid the Company in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

3.5 Notices. Any notice provided for in this Agreement must be in writing and must be either personally delivered, mailed by first class mail (postage prepaid and return receipt requested), sent by reputable overnight courier service (charges prepaid) or sent by facsimile (with receipt confirmed) to the recipient at the address or facsimile number indicated below:

To the Company:

5 Penn Plaza
Suite 2335
New York, New York 10001

With a copy (which shall not constitute notice) to:

Blank Rome
The Chrysler Building
405 Lexington Avenue
New York, NY 10174-0208
Attn: Robert Mittman, Esquire
Facsimile: (212) 885-5557

To the Executive:

Isaac Mizrahi
475 Tenth Avenue, 4th Floor
New York, NY 10018

With a copy (which shall not constitute notice) to:

Robinson & Cole LLP
885 Third Avenue, 28th Floor
New York, NY 10022
Attention: Eric J. Dale, Esq.
Facsimile: 212-451-2999

or such other address or to the attention of such other Person as the recipient Party will have specified by prior written notice to the sending Party. Any notice under this Agreement will be deemed to have been given when so delivered or sent or, if mailed, five days after deposit in the U.S. mail.

3.6 Severability. Subject to the express provisions of Section 1.10 relating to certain specified changes, whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

3.7 Complete Agreement. This Agreement embodies the complete agreement and understanding among the Parties with regard to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the Parties, written or oral, which may have related to the subject matter hereof in any way. To the extent that this Agreement provides greater benefits to the Executive than available under the Company's employee handbook or other corporate policies, then this Agreement shall prevail.

3.8 Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

3.9 Assignment. Without the Executive's consent, the Company may not assign its rights and obligations under this Agreement except (i) to a "Successor" (as defined below) or (ii) to an entity that is formed and controlled by the Company or any of its Subsidiaries, provided that in the case of (ii) the Company shall remain liable for all of its obligations hereunder. This Agreement is personal to the Executive, and the Executive shall not have the right to assign the Executive's interest in this Agreement, any rights under this Agreement or any duties imposed under this Agreement, nor shall the Executive have the right to pledge, hypothecate, transfer, assign or otherwise encumber the Executive's right to receive any form of compensation hereunder without the prior written consent of the Board. As used in this Section 3.9, "*Successor*" shall include any Person that at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets of, or ownership interests in, the Company and its Subsidiaries.

3.10 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by the Company, the Executive, and their respective heirs, successors and permitted assigns.

3.11 Choice of Law. This Agreement and the performance of the parties hereunder shall be governed by the internal laws (and not the law of conflicts) of the State of New York. Any claim or controversy arising out of or in connection with this Agreement, or the breach thereof, shall be adjudicated exclusively by the Supreme Court, New York County, State of New York, or by a federal court sitting in Manhattan in New York City, State of New York. The parties hereto agree to the personal jurisdiction of such courts and agree to accept process by regular mail in connection with any such dispute.

3.12 Waiver of Jury Trial. AS A SPECIFICALLY BARGAINED FOR INDUCEMENT FOR EACH OF THE PARTIES HERETO TO ENTER INTO THIS AGREEMENT (AFTER HAVING THE OPPORTUNITY TO CONSULT WITH COUNSEL), EACH PARTY HERETO EXPRESSLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY LAWSUIT OR PROCEEDING RELATING TO OR ARISING IN ANY WAY FROM THIS AGREEMENT OR THE MATTERS CONTEMPLATED HEREBY.

3.13 Legal Fees and Court Costs. In the event that any action, suit or other proceeding in law or in equity is brought to enforce the provisions of this Agreement, and such action results in the award of a judgment for money damages or in the granting of any injunction in favor of the Company, all expenses (including reasonable attorneys' fees) of the Company in such action, suit or other proceeding shall be paid by the Executive. In the event that any action, suit or other proceeding in law or in equity is brought to enforce the provisions of this Agreement, and such action results in the award of a judgment for money damages or in the granting of any injunction in favor of the Executive, all expenses (including reasonable attorneys' fees and travel expenses) of the Executive in such action, suit or other proceeding shall be paid by the Company.

3.14 Remedies. Subject to the provisions of Section 3.1, each Party will be entitled to enforce its rights under this Agreement specifically, to recover damages and costs caused by any breach of any provision of this Agreement and to exercise all other rights existing in its favor. Nothing herein shall prohibit any arbitrator or judicial authority from awarding attorneys’ fees or costs to a prevailing Party in any arbitration or other proceeding to the extent that such arbitrator or authority may lawfully do so.

3.15 Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company and the Executive, and no course of conduct or failure or delay in enforcing the provisions of this Agreement will affect the validity, binding effect or enforceability of this Agreement.

3.16 Third Party Beneficiaries. This Agreement will not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns and other than, in the event of the Executive's death, his estate, to which all of Executive's rights and remedies set forth herein shall accrue

3.17 The Executive's Representations. The Executive hereby represents and warrants to the Company that (a) the execution, delivery and performance of this Agreement by the Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Executive is a party or by which he is bound, (b) the Executive is not a party to or bound by any employment agreement, noncompete agreement or confidentiality agreement with any other Person (or other agreement with any other person containing a restriction on the Executive's right to do business or obligating him to do business with any other Person on a priority or preferential basis), (c) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of the Executive, enforceable in accordance with its terms and (d) upon the execution and delivery of this Agreement by the Company, Executive shall not be in violation of clause (i) set forth in the definition of Cause and shall not be disabled.

3.18 Amendment to Comply with Section 409A of the Code. To the extent that this Agreement or any part thereof is deemed to be a nonqualified deferred compensation plan subject to Section 409A of the Code and the Treasury Regulations (including proposed regulations) and guidance promulgated thereunder, (a) the provisions of this Agreement shall be interpreted in a manner to the maximum extent possible to comply in good faith with Code Section 409A and (b) the parties hereto agree to amend this Agreement for purposes of complying with Code Section 409A promptly upon issuance of any Treasury regulations or guidance thereunder, provided, that any such amendment shall not materially change the present value of the benefits payable to the Executive hereunder or otherwise materially adversely affect the Executive, the Company, or any affiliate of the Company, without the consent of such party.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Employment Agreement as of the date first written above.

XCEL BRANDS, INC.

By: /s/ Robert W. D'Loren
Name: Robert W. D'Loren
Title: CEO, President and Secretary

/s/ Isaac Mizrahi
Isaac Mizrahi

[Signature Page to Employment Agreement]

EXHIBIT A

FORM OF RELEASE

I, Isaac Mizrahi, on behalf of myself and my heirs, successors and assigns, in consideration of the performance by Xcel Brands, Inc., a Delaware Corporation (together with its Subsidiaries, the "*Company*"), of its material obligations under the Employment Agreement, dated as of May 19, 2011 (the "Agreement"), do hereby release and forever discharge as of the date hereof the Company, its Affiliates, each such Person's respective successors and assigns and each of the foregoing Persons' respective present and former directors, officers, partners, stockholders, members, managers, agents, representatives, employees (and each such Person's respective successors and assigns) (collectively, the "Released Parties") to the extent provided below.

1. I understand that any payments or benefits paid or granted to me under Section 1.4(b) of the Agreement represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive the payments and benefits specified in Section 1.4(b) of the Agreement unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter or breach this General Release. This General Release shall be deemed rescinded in the event that the Company does not make such payments and make available such benefits in accordance with Section 1.4(b) of the Agreement.

2. I knowingly and voluntarily release and forever discharge the Company and the other Released Parties from any and all claims, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities whatsoever in law and in equity, both past and present (through the date of this General Release), whether under the laws of the United States or another jurisdiction and whether known or unknown, suspected or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, have or may have, solely to the extent that such claims, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities arise out of or are connected with my employment with, or my separation from, the Company (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Civil Rights Act of 1866, as amended; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, or defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims"); provided, however, that nothing contained in this General Release shall apply to, or release the Company from, (i) any obligation of the Company contained in the Agreement to be performed after the date hereof and amounts claimed under the Agreement pursuant to a good faith and pending dispute as of the date hereof, (ii) any vested or accrued benefits pursuant to any employee benefit plan, program or policy of the Company, (iii) any rights to indemnification from the Company under the Company's Certificate of Incorporation, Bylaws, any indemnification agreement and/or applicable law; and (iv) any right to insurance proceeds related to my position as an officer and/or director of the Company or any of its Affiliates; (v) any rights as a stockholder of the Company of any Affiliates of, or successor to, the Company; (vi) any rights under the Asset Purchase Agreement dated May 19, 2011, by and among the Company, IM Ready-Made, LLC and certain other parties thereto (as amended, the "Purchase Agreement") and any Related Agreement (as defined in the Purchase Agreement).

3. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 2 above.

4. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this General Release. I acknowledge and agree that my separation from employment with the Company in compliance with the terms of the Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

5. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to the terms of the Agreement. I covenant that I shall not directly or indirectly, commence, maintain or prosecute or sue any of the Released Persons either affirmatively or by way of cross-complaint, indemnity claim, defense or counterclaim or in any other manner or at all on any Claim covered by this General Release. I further agree that in the event I should bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims. I further agree that I am not aware of any pending charge or complaint of the type described in paragraph 2 as of the execution of this General Release.

6. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

7. I agree that this General Release is confidential and agree not to disclose any information regarding the terms of this General Release, except to my immediate family and any tax, legal or other counsel I have consulted regarding the meaning or effect hereof or as required by law, and I will instruct each of the foregoing not to disclose the same to anyone.

8. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. or any other self-regulatory organization or governmental entity.

9. Without limitation of any provision of the Agreement, I hereby expressly re-affirm my obligations under Sections 1.5, 1.6, 1.8, 1.10 and 3.1.

10. Whenever possible, each provision of this General Release shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

"Affiliate" means, with respect to any Person, any Person that controls, is controlled by or is under common control with such Person or an Affiliate of such Person.

"Person" means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, investment fund, any other business entity and a governmental entity or any department, agency or political subdivision thereof.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association, or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association, or other business entity gains or losses or shall be or control any managing director or general partner of such limited liability company, partnership, association, or other business entity.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

(a) I HAVE READ IT CAREFULLY;

(b) I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

(c) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

(d) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY (VIA THE AGREEMENT AND THIS RELEASE) BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION, I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

(e) I HAVE HAD AT LEAST 21 DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE SUBSTANTIALLY IN ITS FINAL FORM ON _____ __, _____ TO CONSIDER IT AND THE CHANGES MADE SINCE THE _____ __, _____ VERSION OF THIS RELEASE ARE NOT MATERIAL AND WILL NOT RESTART THE REQUIRED 21-DAY PERIOD;

(f) THE CHANGES TO THE AGREEMENT SINCE _____ ___, _____ EITHER ARE NOT MATERIAL OR WERE MADE AT MY REQUEST.

(g) I UNDERSTAND THAT I HAVE SEVEN DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE EIGHTH DAY FOLLOWING EXECUTION OF THE AGREEMENT;

(h) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND

(i) I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

DATE: _____ __, _____

_____
Isaac Mizrahi

Acknowledged and agreed as of the date first written above:

Xcel Brands, Inc.

By: _____

Name: Robert W. D'Loren
Title: CEO, President and Secretary

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made as of May 19, 2011 by and between Xcel Brands, Inc. a Delaware corporation (the "Company"), and Marisa Gardini (the "Executive"), each a "Party" and collectively the "Parties". Unless otherwise indicated, capitalized terms used herein are defined in Section 2.1 of this Agreement.

WHEREAS, the Company has determined that it is in the best interests of the Company and its shareholders to enter into an employment agreement with the Executive and the Executive is willing to serve as an employee of the Company.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, as defined below, it is agreed by and between the Executive and the Company as follows:

ARTICLE I
EMPLOYMENT TERMS

1.1 Employment. The Company will employ the Executive, and the Executive accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning on the Effective Date and ending as provided in Section 1.4(a) hereof (the "Employment Period").

1.2 Position and Duties.

(a) Generally. The Executive shall serve as the SVP Strategic Planning of the Company and, in such capacity shall be responsible for the strategic planning functions of the Business and shall perform such duties as are customarily performed by an officer with similar title and responsibilities of a company of a similar size and shall have such power and authority as shall reasonably be required to enable her to perform her duties hereunder; provided, however, that in exercising such power and authority and performing such duties, she shall at all times be subject to the authority, control and direction of the Chairman and CEO of the Company.

(b) Duties and Responsibilities. The Executive shall report to the Chairman and CEO of the Company and shall devote her full business time and attention to the business and affairs of the Company and its Subsidiaries. The Executive shall perform her duties and responsibilities in a diligent, trustworthy, businesslike and efficient manner. The Executive shall not engage in any other business activities that conflict with the Executive's duties, responsibilities and obligations hereunder, except for the engagement referred to in Section 7.14 of the Purchase Agreement. During the Employment Period, the Executive shall promptly bring to the Company all investment or business opportunities related to the Business, of which the Executive becomes aware.

(c) Principal Office. The principal place of performance by the Executive of her duties hereunder shall be at the Company's principal executive offices in Manhattan, New York, although the Executive may be required to travel, upon reasonable advance notice, outside of the area where the Company's principal executive offices are located in connection with the business of the Company. All required travel shall be in accordance with the Company's travel policy.

1.3 Compensation.

(a) Base Salary. The Executive's base salary shall be $250,000, $250,000 and $500,000 per annum, respectively, in the first three successive 12 month periods following the Effective Date (respectively, the "Base Salary"). The Base Salary will be payable to the Executive by the Company in regular installments in accordance with the Company's general payroll practices. The Executive shall receive such increases (but not decreases) in her Base Salary as the Board of Directors of the Company (the "Board"), or the compensation committee of the Board, may approve in its sole discretion from time to time. The Executive's Base Salary will be reviewed for potential upward adjustment on the third anniversary of this Agreement and each anniversary thereafter during the Term.

(b) Bonus. The Executive shall have the right to participate in all employee bonus plans offered to other executives and senior management and, such other bonus payments as the Board, or the compensation committee of the Board, may approve in its sole discretion. Such bonus payments, if any, shall be paid at the same time paid to other recipients but in no event later than sixty (60) days after the end of the applicable calendar year or fiscal period. All bonuses payable under this Section 1.3(b) shall be, collectively, referred to herein as "Bonus."

(c) Withholding. All payments made under this Agreement (including Base Salary, Bonus payments, and other amounts) shall be subject to withholding for income taxes, payroll taxes and other legally required deductions.

(d) Expenses. The Company will reimburse the Executive for all reasonable expenses incurred by her in the course of performing her duties under this Agreement that are consistent with the Company's policies in effect at that time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses. All expense reimbursement payments for such documented expenses shall be made in accordance with the Company expense reimbursement policy and, in any event, no later than the last day of the calendar month after the expense was incurred. In addition, the Company shall reimburse the Executive for up to $25,000 of non-accountable expenses each calendar year (pro-rated for any partial calendar year during the Employment Period), without regard to whether such expenses would be reimbursable under the Company's expense reimbursement policy. All expense reimbursement payments for non-accountable expenses shall be made within thirty (30) days after the date that the Executive notifies the Company of such expense; provided, however, that the Executive shall notify the Company of such expenses no later than six (6) months after the end of the calendar year in which such expenses were incurred.

(e) Vacation; Holiday Pay and Sick Leave. The Executive shall be entitled to four (4) weeks' paid vacation in each calendar year, which if and to the extent not taken during any year may be carried forward to any subsequent year. Executive shall receive holiday pay and paid sick leave as provided to other executive employees of the Company.

(f) Additional Benefits. During the Employment Period, the Executive shall be entitled to participate (for herself and, as applicable, her dependents) in the group medical, life, 401(k) and other insurance programs, equity and equity-based incentive plans, employee benefit plans and perquisites which may be adopted by the Board, or the compensation committee of the Board, from time to time, for participation by the Company's senior management or executives, as well as dental, life and disability insurance coverage, with payment of, or reimbursement for, such insurance premiums by the Company, subject to, in all cases, the terms and conditions established by the Board with respect to such plans (collectively, the "Benefits"); provided, however, that the Board, in its reasonable discretion, may revise the terms of any Benefits so long as such revision does not have a disproportionately negative impact on the Executive vis-à-vis other Company employees to the extent applicable.

(g) Indemnification. The Executive shall be entitled to indemnification by the Company in the same circumstances and to the same extent as the other executive officers and directors of the Company, which indemnification shall in no event be less favorable to the Executive than the fullest scope of indemnification permitted by applicable Delaware law (or any such greater scope of indemnification provided by agreement or by the terms of the Company's Certificate of Incorporation or By-Laws to any executive officer or director of the Company).

(h) D&O Insurance. The Company shall acquire and maintain Directors' and Officers' insurance for the Company's directors and officers (including the Executive), with coverage in amounts reasonably sufficient to protect the Company's directors and officers, but in all events with coverage in amounts no less than such amounts customarily maintained by similarly situated companies. Upon a Change of Control, the Company shall purchase, or cause to be purchased, a tail policy for a period of one year in an amount reasonably sufficient to protect the Company's former directors and officers, but in all events with coverage in amounts no less than such amounts obtained by similarly situated companies in similar events.

(i) Other Benefits. During the Employment Period, the Company shall: (i) reimburse Executive for up to Three Thousand Dollars ($3,000) per year for Executive to acquire and maintain a life insurance policy on the Executive; and (ii) allow the Executive to participate in the Company's disability insurance policy on the Executive (the "Disability Policy"), which shall name the Executive as loss payee.

1.4 Term and Termination.

(a) Duration. This Agreement shall be effective upon the Closing (as defined in the Purchase Agreement). The Employment Period shall commence on the Effective Date and the initial term shall terminate three (3) years from the Effective Date (the "Initial Term"), unless earlier terminated by the Company or the Executive as set forth in this Section **Error! Reference source not found.**. After the Initial Term, the Company shall have the option to renew this Agreement for two successive one-year periods (each a "Renewal Period") on the same terms and conditions as those in effect during the third year of the Initial Term. The Initial Term plus any Renewal Period exercised by the Company is referred to herein as the "Term". Thereafter, the Term shall renew automatically for one-year periods, unless either party gives the other party written notice of its intention not to renew the Agreement no later than 30 days prior to the expiration of the then current Term. The Employment Period shall be terminated prior to the then-applicable expiration of the Term upon the first to occur of (i) termination of the Executive's employment by the Company for Cause, (ii) termination of the Executive's employment by the Company without Cause, (iii) the Executive's resignation with Good Reason, (iv) the Executive's resignation other than for Good Reason, or (v) the Executive's death or Disability. The Executive shall not terminate the Employment Period, with or without Good Reason, unless she gives the Company written notice that she intends to terminate the Employment Period at least 90 days prior to the Executive's proposed Termination Date. As a condition to Executive receiving any payments or benefits under Section 1.4(b)(2) and (3) or Section 1.4(c) (except amounts payable pursuant to Section 1.4(b)(1)), the Executive shall execute and deliver to the Company the General Release of claims related solely to Executive's employment with the Company within 60 days after the Termination Date in the form attached hereto as Exhibit A. If the Executive does not execute and deliver the General Release within that time period then the amounts otherwise payable pursuant to Section 1.4(b)(2) shall be forfeited. The first payment under this Section 1.4 shall include any amounts payable under this Section 1.4 for periods prior to execution of such General Release.

(b) Severance Upon Termination Without Cause, Upon Resignation by the Executive For Good Reason or Failure to Renew Term. If the Employment Period is terminated by the Company without Cause or if the Executive resigns for Good Reason, or if the Company fails to renew the Term (in which case termination of the Executive's employment shall be effective at the expiration of the then-current Term), then the Executive will be entitled to receive (1) any unpaid Base Salary through and including the date of termination or resignation and any other amounts, including any amounts due for Bonus, or other entitlements then due and owing to the Executive as of the Termination Date; (2) an amount equal to the Executive's Base Salary (at the rate that would have been effect pursuant to Section 1.3(a) had such employment not been terminated) for the longer of (x) six (6) months from the Termination Date, or (y) the remainder of the then-current Term, but in no event exceeding eighteen (18) months (as the case may be, the "Severance Period"), payable in substantially equal installments over the Severance Period in accordance with the Company's normal payroll practices; provided, however, that prior to the date that is six months and one day after the Termination Date, no payments would be made that exceed the lesser of two times: (i) the sum of (A) the Executive's Base Salary (at the rate in effect on the date of termination), (B) the Bonus paid to Executive pursuant to Section 1.3(b) in the prior calendar year, and (C) any other taxable compensation paid to the Executive in the prior calendar year, or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which the Executive has a termination of employment; and any amount in excess of the applicable limits shall be paid on the date that is six months and one day after the Termination Date; and any amount in excess of the applicable limits shall be paid on the date that is six months and one day after the Termination Date; and (3) continue to participate in the Company's group medical plan on the same basis as she previously participated or, if such participation would violate the provisions of Section 409A of the Code or applicable nondiscrimination regulations under the Patient Protection and Affordable Care Act (PPACA), receive reimbursement for, COBRA premiums (or, if COBRA coverage is not available, reimbursement of premiums paid for other medical insurance in an amount not to exceed the COBRA premium) for the Severance Period; provided that if the Executive is provided with health insurance coverage by a successor employer, any such coverage by the Company under subclause (3) shall cease (each of (1), (2) and (3) referred to as the "Severance Payment"). The Executive also shall be entitled to receive payment for (i) all reimbursable expenses or other entitlements then due and owing to the Executive as of the Termination Date under Section 1.3(d)(other than non-accountable expenses which shall be reimbursed pursuant to clause (ii) below), which payments shall be made in accordance with the Company expense reimbursement policy; provided, however, in no event shall any expense reimbursements by the Company be made later than the last day of the calendar year after the calendar year in which the expense was incurred, and (ii) all non-accountable expenses incurred prior to the Termination Date that are reimbursable under Section 1.3(d), which payments shall be made in accordance with the terms of Section 1.3(d). If the Executive breaches her obligations under Section 1.6, 1.7, 1.8 or 1.9 of this Agreement, the Company's obligation to make any Severance Payments and provide any Benefits shall cease as of the date of such breach; provided, that if the Executive cures such breach within 10 days of receiving written notice from the Company of such breach (which notice the Company shall provide promptly to the Executive after learning of such breach), the Company shall promptly pay all Severance Payments not made during such period of dispute and resume making Severance Payments and providing Benefits promptly following such cure.

(c) Severance upon a Change of Control. Anything contained herein to the contrary notwithstanding, in the event the Executive's employment hereunder is terminated within six (6) months following a Change of Control by the Company without Cause or by the Executive with Good Reason, the Executive shall be entitled to receive the Severance Payment as described in sub-section (b) above; provided, however, that, that in lieu of the calculation contained in Section 1.4(b)(2), Executive shall be entitled to receive a lump sum amount within 60 days after the Termination Date equal to two times the sum of (i) the Executive's Base Salary (at the average rate that would have been effect pursuant to Section 1.3(a) during the two years following the Termination Date) and (ii) the Bonus paid or due to the Executive pursuant to Section 1.3(b) in the year prior to such Change of Control, if any; provided, however, that prior to the date that is six months and one day after the Termination Date, no payment would be made that exceeds the lesser of two times: (i) the sum of (A) the Executive's Base Salary (at the rate in effect on the date of termination), (B) the Bonus paid to Executive pursuant to Section 1.3(b) in the prior calendar year, and (C) any other taxable compensation paid to the Executive in the prior calendar year, or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which the Executive has a termination of employment, and any amount in excess of such limits shall be paid on the date that is six months and one day after the Termination Date; and further provided, however, that if such lump sum severance payment, either alone or together with other payments or benefits, either cash or non-cash, that the Executive has the right to receive from the Company, including, but not limited to, accelerated vesting or payment of any deferred compensation, options, stock appreciation rights or any benefits payable to the Executive under any plan for the benefit of employees, would constitute an "excess parachute payment" (as defined in Section 280G of the Code), then such lump sum severance payment or other benefit shall be reduced to the largest amount that will not result in receipt by the Executive of an "excess parachute payment." The determination of the amount of the payment described in this subsection shall be made by the Company's independent auditors at the sole expense of the Company. For purposes of clarification the value of any options described above will be determined by the Company's independent auditors using a Black-Scholes valuation methodology.

(d) Death and Disability. In the event of the Company terminates this Agreement due to the death of the Executive, the Company shall pay the Executive her Base Salary through the date of termination, at the rate then in effect, and all expenses or accrued Benefits arising prior to such termination which are payable to the Executive pursuant to this Agreement through the date of termination. Any other rights and benefits the Executive may have under employee benefit plans and programs of the Company generally in the event of the Executive's Disability shall be determined in accordance with the terms of such plans and programs. In the event of Executive's death, any rights and benefits that the Executive's estate or any other person may have under employee benefit plans and programs of the Company generally in the event of the Executive's death shall be determined in accordance with the terms of such plans and programs.

(e) Salary and Other Payments Through Termination. If the Executive's employment with the Company is terminated during the Term (i) by the Company for Cause or (ii) by the Executive other than for Good Reason, the Executive will be entitled to receive her Base Salary through the Termination Date, but will not be entitled to receive any Severance Payments or Benefits after the Termination Date. The Executive shall also be entitled to receive payment for (i) all reimbursable expenses or other entitlements then due and owing to the Executive as of the Termination Date under Section 1.3(d)(other than non-accountable expenses which shall be reimbursed pursuant to clause (ii) below), which payments shall be made in accordance with the Company expense reimbursement policy; provided, however, in no event shall any expense reimbursements by the Company be made later than the last day of the calendar year after the calendar year in which the expense was incurred, and (ii) all non-accountable expenses incurred prior to the Termination Date that are reimbursable under Section 1.3(d), which payments shall be made in accordance with the terms of Section 1.3(d).

(f) Other Rights. Except as set forth in this Section 1.4, all of the Executive's rights to receive Base Salary, Benefits and annual bonuses hereunder (if any) which accrue or become payable after the termination of the Employment Period shall cease upon such termination.

(g) Continuing Benefits. Notwithstanding Section 1.4(f), termination pursuant to this Section 1.4 shall not modify or affect in any way whatsoever any vested right of the Executive to benefits payable under any retirement or pension plan or under any other employee benefit plan of the Company, and all such benefits shall continue, in accordance with, and subject to, the terms and conditions of such plans, to be payable in full to, or on account of, the Executive after such termination.

(h) No Duty of Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Article I by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for under Article I be reduced by any compensation earned by Executive after the Termination Date.

(i) Acceleration of Vesting. If the Company shall terminate the Executive's employment without Cause or the Executive terminates her employment with Good Reason, then notwithstanding the vesting and exercisability schedule in any stock option or other grant agreement between the Company and the Executive, all unvested stock options, shares of restricted stock and other equity awards granted by the Company to the Executive pursuant to any such agreement shall immediately vest, and all such stock options shall become exercisable and shall remain exercisable for the remaining term of the applicable option. In the event of conflict between any stock option or other grant agreement between the Company and the Executive and this Agreement, the stock option or other grant agreement shall control.

1.5 Confidential Information.

(a) The Executive shall not disclose or, directly or indirectly, use at any time, during the Employment Period or thereafter, any Confidential Information (as defined below) of which the Executive is or becomes aware, whether or not such information is developed by her, alone or with others, except to the extent that (i) such disclosure or use is required by the Executive's performance of the duties assigned to the Executive by the Board of Directors, (ii) the Executive is required by subpoena or similar process to disclose or discuss any Confidential Information, provided, that in such case, the Executive shall promptly inform the Company in writing of such event, shall reasonably cooperate with the Company in attempting to obtain a protective order or to otherwise limit or restrict such disclosure to the greatest extent possible, and shall disclose only that portion of the Confidential Information as is strictly required, or (iii) such Confidential Information is or becomes generally known to and available for use by the public, other than as a result of any action or inaction directly or indirectly by the Executive. At the Company's expense, the Executive shall take all reasonable steps to safeguard Confidential Information in her possession and to protect it against disclosure, misuse, espionage, loss and theft. The Executive acknowledges that the Confidential Information obtained by her during the course of her employment with the Company is the sole and exclusive property of the Company and its Subsidiaries, as applicable.

(b) The Executive understands that the Company and its Subsidiaries will receive from third parties confidential or proprietary information ("Third Party Information") subject to a duty on the part of the Company and its Subsidiaries to maintain the confidentiality of such information and to use it only for certain limited purposes. During the Employment Period and in the period specified in such confidentiality agreements, and without in any way limiting the provisions of Section 1.5(a) above, the Executive will hold Third Party Information in confidence, consistent with the obligations applicable to Confidential Information of the Company generally, and will not disclose to anyone (other than personnel and agents of the Company or its Subsidiaries who need to know such information in connection with their work for the Company or its Subsidiaries) or use, except in connection with her work for the Company or its Subsidiaries, Third Party Information unless expressly authorized by the Board in writing.

(c) As used in this Agreement, the term "Confidential Information" means information that is not generally known to the public and that is related in any way to the actual or anticipated business of the Company, its Subsidiaries, its Affiliates or any of their respective predecessors in interest, including but not limited to (i) business development, growth and other strategic business plans, (ii) properties available for acquisition, financing development or sale, (iii) accounting and business methods, (iv) services or products and the marketing of such services and products, (v) fees, costs and pricing structures, (vi) designs, (vii) analysis, (viii) drawings, photographs and reports, (ix) computer software, including operating systems, applications and program listings, (x) flow charts, manuals and documentation, (xi) data bases, (xii) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xiii) copyrightable works, (xiv) all technology and trade secrets, (xv) confidential terms of material agreements and customer relationships, and (xvi) all similar and related information in whatever form or medium. Confidential Information shall not include any information that has become generally available to the public prior to the date the Executive proposes to disclose or use such information or general know-how of the Executive.

1.6 Inventions and Patents. Executive acknowledges that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, products, methods, processes, techniques, programs, designs, analyses, drawings, reports, patents, copyrightable works and mask works (whether or not including any Confidential Information) and all issuances, registrations or applications related thereto, all other proprietary information or intellectual property and all similar or related information (whether or not patentable) conceived, developed, contributed to, made, or reduced to practice by Executive (either alone or with others) while employed by Company or any of its Subsidiaries or Affiliates or using the materials, facilities or resources of the Company or any of its Subsidiaries or Affiliates (collectively, "Company Works") is the sole and exclusive property of the Company and its Subsidiaries. Executive hereby assigns all right, title and interest in and to all Company Works to the Company and its Subsidiaries and waives any moral rights she may have therein, without further obligation or consideration. Any copyrightable work prepared in whole or in part by the Executive during the Employment Period will be deemed "a work made for hire" under Section 201(b) of the 1976 Copyright Act, and the Company and its Subsidiaries shall own all of the rights comprised in the copyright therein. The Executive shall promptly and fully disclose in writing all Company Works to the Company and shall cooperate with the Company and its Subsidiaries to protect, maintain and enforce the Company's and its Subsidiaries' interests in and rights to such Company Works (including, without limitation, providing reasonable assistance in securing patent protection and copyright registrations and executing all affidavits, assignments, powers-of-attorney and other documents as reasonably requested by the Company, whether such requests occur prior to or after termination of the Executive's employment with the Company).

1.7 Delivery of Materials Upon Termination of Employment. As requested by the Company from time to time and in any event upon the termination of the Executive's employment with the Company, the Executive shall promptly deliver to the Company, or at the Company's election destroy, all copies and embodiments, in whatever form or medium, of all Confidential Information, Company Works and other property and assets of the Company and its Subsidiaries in the Executive's possession or within her control (including, but not limited to, office keys, access cards, written records, notes, photographs, manuals, notebooks, documentation, program listings, flow charts, magnetic media, disks, diskettes, tapes, computers and handheld devices (including all software, files and documents thereon) and any other materials containing any Confidential Information or Company Works) irrespective of the location or form of such material and, if requested by the Company, shall provide the Company with written confirmation that all such materials have been delivered to the Company or destroyed, as applicable.

1.8 Non-Compete and Non-Solicitation Covenants.

(a) The Executive acknowledges and agrees that the Executive's services to the Company and its Subsidiaries are unique in nature and that the Company and its Subsidiaries would be irreparably damaged if the Executive violated her obligations under this Section 1.8. The Executive further acknowledges that, in the course of her employment with the Company, she will become familiar with the Company's and its Subsidiaries' trade secrets and with other Confidential Information. During the Non-compete Period, she shall not, directly or indirectly, whether for herself or for any other Person, permit her name to be used by or participate in any business or enterprise (including, without limitation, any division, group or franchise of a larger organization) that engages or proposes to engage in the Business in the Restricted Territories, other than the Company and its Subsidiaries or except as otherwise directed or authorized by the Board. For purposes of this Agreement, the term "participate in" shall include, without limitation, having any direct or indirect interest in any Person, whether as a sole proprietor, owner, stockholder, partner, member, joint venturer, creditor or otherwise, or rendering any direct or indirect service or assistance to any Person (whether as a director, officer, supervisor, employee, agent, consultant or otherwise). Nothing herein will prohibit the Executive from (i) mere passive ownership of not more than three percent (3%) of the outstanding stock of any class of a publicly held corporation whose stock is traded on a national securities exchange or in the over-the-counter market, and (ii) engaging in such business as contemplated by Section 7.14 of the Purchase Agreement. As used herein, the phrase "mere passive ownership" shall include voting or otherwise granting any consents or approvals required to be obtained from such Person as an owner of stock or other ownership interests in any entity pursuant to the charter or other organizational documents of such entity, but shall not include, without limitation, any involvement in the day-to-day operations of such entity.

(b) During the Nonsolicitation Period, the Executive will not directly, or indirectly through another Person, solicit, induce or attempt to induce any customer, supplier, licensee, or other business relation of the Company or any of its Subsidiaries to cease doing business with the Company or any of its Subsidiaries, or solicit, induce or attempt to induce any person who is, or was during the then-most recent 12-month period, a corporate officer, general manager or other employee of the Company or any of its Subsidiaries to terminate such employee's employment with the Company or any of its Subsidiaries, or hire any such person unless such person's employment was terminated by the Company or any of its Subsidiaries, or in any way interfere with the relationship between any such customer, supplier, licensee, employee or business relation and the Company or any of its Subsidiaries. The Executive acknowledges and agrees that the Company and its Subsidiaries would be irreparably damaged if the Executive were to breach any of the provisions contained in this Section 1.8(b).

(c) Executive acknowledges that this Agreement, and specifically, this Section 1.8, does not preclude Executive from earning a livelihood, nor does it unreasonably impose limitations on Executive's ability to earn a living. In addition, Executive agrees and acknowledges that the potential harm to the Company of its non-enforcement outweighs any harm to Executive of its enforcement by injunction or otherwise.

1.9 Enforcement. If, at the time of enforcement of Section 1.5, 1.6, 1.7, 1.8 or 1.10, a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the Parties agree that, to the extent permitted by applicable law, the maximum period, scope or geographical area reasonable under such circumstances will be substituted for the period, scope or area. Because the Executive's services are unique and because the Executive has access to Confidential Information and Company Works, the Parties agree that money damages would be an inadequate remedy for any breach of Section 1.5, 1.6, 1.7, 1.8 or 1.10. Therefore, in the event of a breach or threatened breach of Section 1.5, 1.6, 1.7, 1.8 or 1.10, the Company or any of its Subsidiaries or any of their respective successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security). The Parties hereby acknowledge and agree that (a) performance of the services of the Executive hereunder may occur in jurisdictions other than the jurisdiction whose law the Parties have agreed shall govern the construction, validity and interpretation of this Agreement, (b) the law of the State of New York shall govern construction, validity and interpretation of this Agreement to the fullest extent possible, and (c) Section 1.5, 1.6, 1.7, 1.8 or 1.10 shall restrict the Executive only to the extent permitted by applicable law.

1.10 Survival. Sections 1.4, 1.5, 1.6, 1.7, 1.8 and 1.10 will survive and continue in full force in accordance with their terms notwithstanding any termination of the Employment Period.

ARTICLE II
DEFINED TERMS

2.1 Definitions. All capitalized terms used but not defined herein shall have the meanings given to such terms in the Purchase Agreement. For purposes of this Agreement, the following terms will have the following meanings:

"Business" means the business of acquiring and licensing consumer brands worldwide.

"Cause" means with respect to the Executive, the occurrence of one or more of the following: (i) conviction of, or entry of a plea of guilty or nolo contendere to, a felony involving moral turpitude, misappropriation of Company property, embezzlement of Company funds, violation of the securities laws or material dishonesty with respect to the Company; (ii) persistent and repeated refusal to comply with no less than three written lawful directives of the Chairman and CEO or Board with respect to an item that the Chairman and CEO or Board deems material to the business prospects and/or operations of the Company, other than such directives requiring the Executive in her reasonable judgment after consultation with counsel, to act in a manner inconsistent with her fiduciary obligations or those inconsistent with the Executive's position as SVP Strategic Planning; (iii) reporting to work under the influence of alcohol or illegal drugs, or the use of illegal drugs (whether or not at the workplace), or (iv) any willful breach of Section 1.6, 1.7, 1.8 or 1.9 of this Agreement. Notwithstanding the foregoing, termination by the Company for Cause (other than pursuant to clause (i) above) shall not be effective until and unless (i) Executive fails to cure such alleged act or circumstance within 30 days of receipt of notice thereof, to the satisfaction of the Board in the exercise of its reasonable judgment (or, if within such 30-day period the Executive commences and proceeds to take all reasonable actions to effect such cure, within such reasonable additional time period (no longer than 60 days) as may be necessary), and (ii) notice of intention to terminate for Cause has been given by the Company within forty-five (45) days after the Board learns of the act, failure or event constituting "Cause," and (iii) the Board has voted (at a meeting of the Board duly called and held as to which termination of Executive is an agenda item) by a vote of at least a two-thirds of the members of the Board (other than Executive) to terminate Executive for Cause after Executive has been given notice of the particular acts or circumstances which are the basis for the termination for Cause and has been afforded an opportunity to appear with counsel and present her positions at such meeting and to present her case thereat, and (iv) the Board has given notice of termination to Executive within five (5) days after such meeting voting in favor of termination.

"Change of Control" means the occurrence of any of the following (i) a merger or consolidation to which the Company is a party (other than one in which the stockholders of the Company prior to the event own a majority of the voting power of the surviving or resulting corporation) (ii) a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company, or (iii) a sale or transfer by the Company's stockholders of voting control, in a single transaction or a series of transactions.

"Code" means the Internal Revenue Code of 1986 and the Treasury regulations thereunder, each as amended from time to time.

"Disability" shall have the meaning set forth in a policy or policies of long term disability insurance, if any, the Company obtains for the benefit of itself and/or its employees. If there is no definition of "disability" applicable under any such policy or policies, if any, then the Executive shall be considered disabled due to mental or physical impairment or disability despite reasonable accommodations by the Company and its Subsidiaries, to perform his customary or other comparable duties with the Company or its Subsidiaries immediately prior to such disability for a period of at least 120 consecutive days or for at least 180 non-consecutive days in any 12 month period.

"Effective Date" means the Closing Date (as defined in the Purchase Agreement).

"Fiscal Year" means the fiscal year of the Company and its Subsidiaries.

"Good Reason" means the occurrence, without the Executive's written consent, of one or more of the following events: (i) the Company reduces the amount of Executive's Base Salary, (ii) the Company requires that the Executive relocate her principal place of employment to a site that is more than 15 miles from the Company's offices in the New York area, or if the Company changes the location of its headquarters with the consent of Executive to a location that is more than 15 miles from such location, (iii) the Company materially reduces the Executive's responsibilities or removes the Executive from the position of President – Isaac Mizrahi Brand other than pursuant to a termination of her employment for Cause, or upon the Executive's death or Disability, (iv) the failure or unreasonable delay of the Company to provide the Executive any of the payments contemplated hereby, or (v) the Company otherwise materially breaches the terms of this Agreement; provided that no such event shall constitute Good Reason hereunder unless (a) the Executive shall have given written notice to the Company of the Executive's intent to resign for Good Reason within 30 days after the Executive becomes aware of the occurrence of any such event, which notice shall describe in reasonable detail the event or events constitution the basis for the Executive's intention to resign for Good Reason and (b) such event or occurrence, if a breach susceptible to cure, shall not have been cured or otherwise shall not have been resolved to the Executive's reasonable satisfaction, in each case within 30 days of the Company's receipt of such notice; provided, however, except in the case of a failure to make a timely payment that is caused by a third party payroll service provider, in which case the Company shall have ten (10) Business Days to cure, as to any breach by the Company of its obligation to make any payment to Executive when due, the Executive shall have no notice obligation and the Company shall have no right to cure. In such case the Executive's resignation shall become effective on the 31st day after the Company's receipt of the aforementioned notice.

"Non-compete Period" means the Employment Period and 12 months thereafter; provided that, in the event, but only in the event, the Executive's employment hereunder is terminated by the Company without Cause or by the Executive with Good Reason, "Non-Compete Period" shall mean the Employment Period.

"Nonsolicitation Period" means the Employment Period and 12 months thereafter.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or the United States of America any other nation, any state or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"Purchase Agreement" means the Asset Purchase Agreement, dated May 19, 2011, by and among the Company, IM Ready-Made, LLC and certain other parties thereto.

"Restricted Territories" means the United States and the rest of the world.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association, or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association, or other business entity gains or losses or shall be or control any managing director or general partner of such limited liability company, partnership, association, or other business entity. For purposes hereof, references to a "Subsidiary" of any Person shall be given effect only at such times that such Person has one or more Subsidiaries, and, unless otherwise indicated, the term "Subsidiary" refers to a Subsidiary of the Company.

"Termination Date" means the effective date of the Executive's termination of employment with the Company.

2.2 Other Definitional Provisions.

(a) Section references contained in this Agreement are references to sections in this Agreement, unless otherwise specified. Each defined term used in this Agreement has a comparable meaning when used in its plural or singular form. Each gender-specific term used in this Agreement has a comparable meaning whether used in a masculine, feminine or gender-neutral form.

(b) Whenever the term "including" (whether or not that term is followed by the phrase "but not limited to" or "without limitation" or words of similar effect) is used in this Agreement in connection with a listing of items within a particular classification, that listing will be interpreted to be illustrative only and will not be interpreted as a limitation on, or an exclusive listing of, the items within that classification.

ARTICLE III
MISCELLANEOUS TERMS

3.1 Defense of Claims. The Executive agrees that, during the Employment Period, and for a period of six months after termination of the Executive's employment, upon request by the Company, the Executive shall reasonably cooperate with the Company in connection with any matters the Executive worked on during her employment with the Company and any related transitional matters. In addition, during the Employment Period and thereafter, the Executive agrees to reasonably cooperate with the Company in the defense of any claims or actions that may be made by or against the Company that affect the Executive's prior areas of responsibility or involve matters about which the Executive has knowledge, except if the Executive's reasonable interests are adverse to the Company in such claim or action and provided that after the Employment Period such level of cooperation shall be reasonable and shall take due account of the Executive's work and personal commitments. The Company agrees to promptly reimburse the Executive for all of the Executive's reasonable travel and other direct expenses incurred, or to be reasonably incurred, to comply with the Executive's obligations under this Section 3.1.

3.2 Nondisparagement. The Executive agrees to refrain from making any false or disparaging statements, in public or private, which is reasonably likely to materially impair the reputation, goodwill or commercial interest of the Company. The Company agrees to refrain from making any false or disparaging statements, in public or private, which is reasonably likely to materially impair the reputation, goodwill or commercial interest of the Executive. Notwithstanding anything to the contrary contained herein, nothing in this Agreement shall prohibit or restrict either party from, truthfully and in good faith: (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by, any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company's or the Executive's designated legal, compliance or human resources officers; or (iii) filing, testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal, state or municipal law relating to fraud, or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

3.3 Source of Payments. All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise and except as otherwise provided herein, shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets shall be made, to assure payment. The Executive shall have no right, title or interest whatsoever in or to any investments which the Company or its Subsidiaries may make to aid the Company in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

3.4 Notices. Any notice provided for in this Agreement must be in writing and must be either personally delivered, mailed by first class mail (postage prepaid and return receipt requested), sent by reputable overnight courier service (charges prepaid) or sent by facsimile (with receipt confirmed) to the recipient at the address or facsimile number indicated below:

To the Company:

5 Penn Plaza
Suite 2335
New York, New York 10001

With a copy (which shall not constitute notice) to:

Blank Rome
The Chrysler Building
405 Lexington Avenue
New York, NY 10174-0208
Attn: Robert Mittman, Esquire
Facsimile: (212) 885-5557

To the Executive:

Marisa Gardini
475 Tenth Avenue, 4th Floor
New York, NY 10018

With a copy (which shall not constitute notice) to:

Robinson & Cole LLP
885 Third Avenue, 28th Floor
New York, NY 10022
Attention: Eric J. Dale, Esq.
Facsimile: 212-451-2999

or such other address or to the attention of such other Person as the recipient Party will have specified by prior written notice to the sending Party. Any notice under this Agreement will be deemed to have been given when so delivered or sent or, if mailed, five days after deposit in the U.S. mail.

3.5 Severability. Subject to the express provisions of Section 1.10 relating to certain specified changes, whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

3.6 Complete Agreement. This Agreement embodies the complete agreement and understanding among the Parties with regard to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the Parties, written or oral, which may have related to the subject matter hereof in any way. To the extent that this Agreement provides greater benefits to the Executive than available under the Company's employee handbook or other corporate policies, then this Agreement shall prevail.

3.7 Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

3.8 Assignment. Without the Executive's consent, the Company may not assign its rights and obligations under this Agreement except (i) to a "Successor" (as defined below) or (ii) to an entity that is formed and controlled by the Company or any of its Subsidiaries, provided that in the case of (ii) the Company shall remain liable for all of its obligations hereunder. This Agreement is personal to the Executive, and the Executive shall not have the right to assign the Executive's interest in this Agreement, any rights under this Agreement or any duties imposed under this Agreement, nor shall the Executive have the right to pledge, hypothecate, transfer, assign or otherwise encumber the Executive's right to receive any form of compensation hereunder without the prior written consent of the Board. As used in this Section 3.8, "Successor" shall include any Person that at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets of, or ownership interests in, the Company and its Subsidiaries.

3.9 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by the Company, the Executive, and their respective heirs, successors and permitted assigns.

3.10 Choice of Law. This Agreement and the performance of the parties hereunder shall be governed by the internal laws (and not the law of conflicts) of the State of New York. Any claim or controversy arising out of or in connection with this Agreement, or the breach thereof, shall be adjudicated exclusively by the Supreme Court, New York County, State of New York, or by a federal court sitting in Manhattan in New York City, State of New York. The parties hereto agree to the personal jurisdiction of such courts and agree to accept process by regular mail in connection with any such dispute.

3.11 Waiver of Jury Trial. AS A SPECIFICALLY BARGAINED FOR INDUCEMENT FOR EACH OF THE PARTIES HERETO TO ENTER INTO THIS AGREEMENT (AFTER HAVING THE OPPORTUNITY TO CONSULT WITH COUNSEL), EACH PARTY HERETO EXPRESSLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY LAWSUIT OR PROCEEDING RELATING TO OR ARISING IN ANY WAY FROM THIS AGREEMENT OR THE MATTERS CONTEMPLATED HEREBY.

3.12 Legal Fees and Court Costs. In the event that any action, suit or other proceeding in law or in equity is brought to enforce the provisions of this Agreement, and such action results in the award of a judgment for money damages or in the granting of any injunction in favor of the Company, all expenses (including reasonable attorneys' fees) of the Company in such action, suit or other proceeding shall be paid by the Executive. In the event that any action, suit or other proceeding in law or in equity is brought to enforce the provisions of this Agreement, and such action results in the award of a judgment for money damages or in the granting of any injunction in favor of the Executive, all expenses (including reasonable attorneys' fees and travel expenses) of the Executive in such action, suit or other proceeding shall be paid by the Company.

3.13 Remedies. Subject to the provisions of Section 3.1, each Party will be entitled to enforce its rights under this Agreement specifically, to recover damages and costs caused by any breach of any provision of this Agreement and to exercise all other rights existing in its favor. Nothing herein shall prohibit any arbitrator or judicial authority from awarding attorneys' fees or costs to a prevailing Party in any arbitration or other proceeding to the extent that such arbitrator or authority may lawfully do so.

3.14 Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company and the Executive, and no course of conduct or failure or delay in enforcing the provisions of this Agreement will affect the validity, binding effect or enforceability of this Agreement.

3.15 Third Party Beneficiaries. This Agreement will not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns and other than, in the event of the Executive's death, her estate, to which all of Executive's rights and remedies set forth herein shall accrue.

3.16 The Executive's Representations. The Executive hereby represents and warrants to the Company that (a) the execution, delivery and performance of this Agreement by the Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Executive is a party or by which she is bound, (b) the Executive is not a party to or bound by any employment agreement, noncompete agreement or confidentiality agreement with any other Person (or other agreement with any other person containing a restriction on the Executive's right to do business or obligating her to do business with any other Person on a priority or preferential basis), (c) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of the Executive, enforceable in accordance with its terms and (d) upon the execution and delivery of this Agreement by the Company, Executive shall not be in violation of clause (i) set forth in the definition of Cause and shall not be disabled.

3.17 Amendment to Comply with Section 409A of the Code. To the extent that this Agreement or any part thereof is deemed to be a nonqualified deferred compensation plan subject to Section 409A of the Code and the Treasury Regulations (including proposed regulations) and guidance promulgated thereunder, (a) the provisions of this Agreement shall be interpreted in a manner to the maximum extent possible to comply in good faith with Code Section 409A and (b) the parties hereto agree to amend this Agreement for purposes of complying with Code Section 409A promptly upon issuance of any Treasury regulations or guidance thereunder, provided, that any such amendment shall not materially change the present value of the benefits payable to the Executive hereunder or otherwise materially adversely affect the Executive, the Company, or any affiliate of the Company, without the consent of such party.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Employment Agreement as of the date first written above.

XCEL BRANDS, INC.

By: /s/ Robert W. D'Loren
Name: Robert W. D'Loren
Title: CEO, President and Secretary

/s/ Marisa Gardini
Marisa Gardini

[Signature Page to Employment Agreement]

EXHIBIT A
FORM OF RELEASE

I, Marisa Gardini, on behalf of myself and my heirs, successors and assigns, in consideration of the performance by Xcel Brands, Inc., a Delaware Corporation (together with its Subsidiaries, the "Company"), of its material obligations under the Employment Agreement, dated as of May 19, 2011 (the "Agreement"), do hereby release and forever discharge as of the date hereof the Company, its Affiliates, each such Person's respective successors and assigns and each of the foregoing Persons' respective present and former directors, officers, partners, stockholders, members, managers, agents, representatives, employees (and each such Person's respective successors and assigns) (collectively, the "Released Parties") to the extent provided below.

1. I understand that any payments or benefits paid or granted to me under Section 1.4(b) of the Agreement represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive the payments and benefits specified in Section 1.4(b) of the Agreement unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter or breach this General Release. This General Release shall be deemed rescinded in the event that the Company does not make such payments and make available such benefits in accordance with Section 1.4(b) of the Agreement.

2. I knowingly and voluntarily release and forever discharge the Company and the other Released Parties from any and all claims, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities whatsoever in law and in equity, both past and present (through the date of this General Release), whether under the laws of the United States or another jurisdiction and whether known or unknown, suspected or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, have or may have, solely to the extent that such claims, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities arise out of or are connected with my employment with, or my separation from, the Company (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Civil Rights Act of 1866, as amended; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, or defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims"); provided, however, that nothing contained in this General Release shall apply to, or release the Company from, (i) any obligation of the Company contained in the Agreement to be performed after the date hereof and amounts claimed under the Agreement pursuant to a good faith and pending dispute as of the date hereof, (ii) any vested or accrued benefits pursuant to any employee benefit plan, program or policy of the Company, (iii) any rights to indemnification from the Company under the Company's Certificate of Incorporation, Bylaws, any indemnification agreement and/or applicable law; and (iv) any right to insurance proceeds related to my position as an officer and/or director of the Company or any of its Affiliates; (v) any rights as a stockholder of the Company of any Affiliates of, or successor to, the Company; (vi) any rights under the Asset Purchase Agreement dated May 19, 2011, by and among the Company, IM Ready-Made, LLC and certain other parties thereto (as amended, the "Purchase Agreement") and any Related Agreement (as defined in the Purchase Agreement).

3. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 2 above.

4. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this General Release. I acknowledge and agree that my separation from employment with the Company in compliance with the terms of the Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

5. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to the terms of the Agreement. I covenant that I shall not directly or indirectly, commence, maintain or prosecute or sue any of the Released Persons either affirmatively or by way of cross-complaint, indemnity claim, defense or counterclaim or in any other manner or at all on any Claim covered by this General Release. I further agree that in the event I should bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims. I further agree that I am not aware of any pending charge or complaint of the type described in paragraph 2 as of the execution of this General Release.

6. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

7. I agree that this General Release is confidential and agree not to disclose any information regarding the terms of this General Release, except to my immediate family and any tax, legal or other counsel I have consulted regarding the meaning or effect hereof or as required by law, and I will instruct each of the foregoing not to disclose the same to anyone.

8. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. or any other self-regulatory organization or governmental entity.

9. Without limitation of any provision of the Agreement, I hereby expressly re-affirm my obligations under Sections 1.5, 1.6, 1.8, 1.10 and 3.1.

10. Whenever possible, each provision of this General Release shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

"Affiliate" means, with respect to any Person, any Person that controls, is controlled by or is under common control with such Person or an Affiliate of such Person.

"Person" means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, investment fund, any other business entity and a governmental entity or any department, agency or political subdivision thereof.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association, or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association, or other business entity gains or losses or shall be or control any managing director or general partner of such limited liability company, partnership, association, or other business entity.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

(a) I HAVE READ IT CAREFULLY;

(b) I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

(c) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

(d) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY (VIA THE AGREEMENT AND THIS RELEASE) BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION, I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

(e) I HAVE HAD AT LEAST 21 DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE SUBSTANTIALLY IN ITS FINAL FORM ON _____ __, _____ TO CONSIDER IT AND THE CHANGES MADE SINCE THE _____ __, _____ VERSION OF THIS RELEASE ARE NOT MATERIAL AND WILL NOT RESTART THE REQUIRED 21-DAY PERIOD;

(f) THE CHANGES TO THE AGREEMENT SINCE _____ ___, _____ EITHER ARE NOT MATERIAL OR WERE MADE AT MY REQUEST.

(g) I UNDERSTAND THAT I HAVE SEVEN DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE EIGHTH DAY FOLLOWING EXECUTION OF THE AGREEMENT;

(h) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND

(i) I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

DATE: _____ __, _____

_____

Marisa Gardini

Acknowledged and agreed as of the date first written above:

Xcel Brands, Inc.

By: _____

Name:Robert W. D'Loren
Title: CEO, President and Secretary

Code Of Business Conduct And Ethics
for

XCel Brands, Inc.

1. Purpose

XCel Brands, Inc. (the "***Corporation***") Code of Business Conduct and Ethics (the "***Code***") is a guide to ethical decision-making. While the standards in the Code are mainly based on laws to which we are all subject, in some cases they go beyond legal obligations. In this respect, the Code reflects the values that define the Corporation and the principle that we must strive to avoid any circumstances that may give rise to even an appearance of impropriety. The standards in this Code may be further explained or implemented through corporate policies or other compliance manuals, including those relating to specific areas of our business.

Each of us is personally responsible for making sure that our business decisions and actions comply at all times with the rules and regulations of federal, state and local governments and other appropriate private and public regulatory agencies and this Code. However, no set of standards should be considered the final word in all circumstances. When you have doubts about the application of a standard or where we have not addressed a situation that presents an ethical issue, you should seek guidance from your immediate supervisor or from the Corporation's Compliance Officer (as designated from time to time by the Board of Directors). In addition, each of us has a duty to report behavior on the part of others that appears to violate this Code or any other compliance policy or procedure of the Corporation.

All supervisory and management personnel, including all officers and directors of the Corporation, have a special responsibility to lead according to the standards of this Code, in both words and action. Our supervisory and management personnel are also expected to adhere to and promote our "open door" policy. This means that they are available to anyone with ethical concerns, questions, or complaints. We also maintain a confidential "hot line" that you can call, the details of which are set out at the end of this Code. All concerns questions and complaints will be taken seriously and handled promptly, confidentially and professionally. No retaliatory action will be taken against any employee for raising concerns, questions or complaints in good faith.

The following standards of conduct will be enforced at all organizational levels. Anyone who violates them will be subject to prompt disciplinary action, up to and including dismissal.

This Code supplements and is not intended to replace any other current policy of the Corporation relating to matters referred to herein or otherwise, including, without limitation, the Corporation's employee handbook, Insider Trading Policy and Corporate Communications Policy.

2. Covered Persons

This Code applies to all officers, directors and employees of the Corporation and its affiliates.

Wherever we do business, we are required to comply with all applicable laws, rules and regulations. We are also responsible for complying with requirements of contracts that we have entered into with other parties, such as distribution or supply agreements, service agreements, purchase and sale agreements, intellectual property licenses, confidentiality agreements, leases, and other agreements. The standards in this Code must, of course, be interpreted in light of the law and practices of the areas where we operate, as well as good common sense. Any questions as to the applicability of any law should be directed to the Corporation's Compliance Officer. Any suspected or actual violation of any applicable law, rule or regulation or our contractual undertakings should be reported immediately to your immediate supervisor or the Compliance Officer. If you are not comfortable reporting to your immediate supervisor or the Compliance Officer, you may report the situation to the confidential hotline, the details of which are set out at the end of the Code.

3. Conflicts of Interest

A conflict of interest occurs whenever our private interests interfere – or appears to interfere — with the interests of the Corporation as a whole. In order for the Corporation to carry out its business effectively, it must be assured of loyalty of each of its officers, directors and employees. We must therefore refrain from entering into relationships that might impair our judgment as to what is best for the Corporation. Even relationships that give the appearance of a conflict of interest should be avoided. You cannot avoid these standards by acting through someone else, such as a friend or family member.

There are many different ways in which conflicts of interest arise. For example, personal financial interests, obligations to another company or governmental entity or the desire to help a relative or friend are all factors that might divide our loyalties. To clarify what we mean, we have set out below our policies about the most common types of conflict of interest.

If you believe it is not possible to avoid a conflict of interest you must bring this to the attention of, and make full written disclosure of the surrounding circumstances to, your immediate supervisor, who should in appropriate circumstances bring it to the attention of the Corporation's Board of Directors. If your immediate supervisor is unavailable you may bring the matter directly to the attention of the Compliance Officer.

A. Outside Employment and Directorships

Executive officers and members of the Board of Directors (the "Board") of the Corporation may not work for or receive compensation for services from any competitor, customer, licensee or supplier of the Corporation, in each case, without the prior approval of the Board. In addition, they may not serve on the board of directors of another company or of a governmental agency without the prior approval of the Board. No employee may work for or receive compensation for services from any competitor, customer, licensee or supplier of the Corporation, in each case, without the prior approval of the Corporation's Compliance Officer.

Most of these situations are likely to present conflicts of interest. Even where approval is granted, you must take appropriate steps to separate Corporation and non-Corporation activities. The Compliance Officer will assist you in determining what steps are appropriate.

B. Investments

You or any member of your immediate family (your spouse or your children living with you), may not have financial interests in any competitor, customer, distributor or supplier of the Corporation where this would influence, or appear to influence, actions on behalf of the Corporation. If there is any doubt about how an investment might be perceived, you should discuss it in advance with your immediate supervisor or the Compliance Officer.

C. Using the Corporation's Time and Assets for Personal Benefit

You may not, directly or indirectly, perform non-Corporation work or solicit that work on the Corporation's premises or while working on the Corporation's time, including any paid leave you are granted by the Corporation. Also, you are not permitted to use Corporation assets (including equipment, telephones, materials, resources or proprietary information) for any outside work.

D. Loans to Employees

Loans to and guarantees of obligations of employees, officers or directors incurred for personal reasons can also present conflicts of interest. Corporation loans to employees (other than the Corporation's officers and/or directors) are not prohibited. Loans to officers and directors are prohibited by law.

E. Acceptance of Gifts and Entertainment

The acceptance of gifts and entertainment by you or members of your family may present a conflict of interest. While you are permitted to accept reasonable gifts of nominal value, such as unsolicited promotional items or holiday gifts, you are prohibited from accepting or soliciting anything that might reasonably be deemed to affect your judgment or that is accompanied by any express or implied understanding that you are in any way obligated do to something in exchange for the gift. Similarly, you may accept entertainment, but only insofar as it is reasonable in the context of the business at hand and facilitates the Corporation's interests. You are strictly prohibited from soliciting gifts, gratuities or business courtesies for yourself or for the benefit of any family member or friend.

F. Family Members and Close Personal Relationships

The Corporation's standards of conduct are not intended to intrude on our personal lives. Situations may arise, however, where our relationships with family members and friends create conflicts of interest. Generally, you are prohibited from being in the position of supervising, reviewing or having any influence on the job evaluation or salary of your relatives or friends. It is your responsibility to act with honesty and integrity, avoiding actual or apparent conflicts of interest between personal and professional relationships, and to the extent such conflicts arise, to resolve such conflicts honestly and ethically. To this end, if you have family members or friends that work for businesses seeking to provide goods or services to the Corporation, you may not use your personal influence to affect negotiations and if you are an officer or director of the Corporation, you must notify the Corporation's Compliance Officer, who will review the proposed transaction and notify the Audit Committee of the Corporation's Board of Directors for review and action as it sees fit, including, if necessary, approval by the Corporation's Board of Directors. If you have relatives or friends that work for competitors, you should bring this fact to the attention of your immediate supervisor and discuss any difficulties that might arise and appropriate steps to minimize any potential conflict of interest.

G. Corporate Opportunities

You may not appropriate to yourself, or to any other person or organization, the benefit of any business venture, opportunity or potential opportunity that you learn about in the course of your employment and that is in the Corporation's line of business without first obtaining the Corporation's written consent, as specifically authorized by the Board of Directors. It is never permissible for you to compete against the Corporation, either directly or indirectly. Employees, officers and directors owe a duty to the Corporation to advance its legitimate interests when the opportunity to do so arises.

4. Shareholder & Media Relations

We will provide accurate, appropriate and timely material information to the public, including our shareholders and the media to keep them informed of matters which affect our organization. To assure consistency and accuracy in these communications and to prevent the inadvertent disclosure of confidential information, you should not give statements to shareholders or the media. If you are contacted by a shareholder, the request should be immediately forwarded to the Corporation's Compliance Officer or, in the case of financial issues, to the Corporation's Chief Financial Officer. If you are contacted by the media, the request should be forwarded to Compliance Officer or, in the case of financial issues or inquiries, to the Corporation's Chief Financial Officer.

5. Accurate Books and Records

U.S. law requires the Corporation to make sure that its books and records accurately and fairly represent transactions and dispositions of our assets in reasonable detail. In all of our operations, it is a violation of Corporation policy, and possibly illegal, for any of us to cause our books and records to be inaccurate in any way. You must never create or participate in the creation of records that are misleading or artificial. If you are asked to falsify the accounting records in any manner or are aware of falsification by anyone else in the Corporation, you should immediately report the event to the Corporation's Compliance Officer.

You are expected to cooperate fully with our internal and independent auditors. In particular, the following requirements must be strictly respected by all of us.

A. Access to Corporation Assets, Transactions on Management's Authorization

Access to Corporation assets is permitted only in accordance with management's general or specific authorization and transactions must be executed only in accordance with management's general or specific authorizations. Transactions involving the Corporation must be recorded to permit preparation of our financial statements in conformity with generally accepted accounting principles and related requirements and to maintain accountability for the Corporation's assets.

B. Accurate Books

All Corporation books and records must be true and complete. False or misleading entries are strictly prohibited, and the Corporation will not condone any undisclosed liabilities or unrecorded bank accounts or assets established for any purpose.

C. Proper Payments

You may not authorize payment of Corporation funds knowing that any part of the payment will be used for any purpose other than the purpose described in the documents supporting the payment.

D. Appropriate Controls

Administrative and accounting controls must be implemented to provide reasonable assurance that the Corporation is in compliance with the above requirements and that financial and other reports are accurately and reliably prepared, and fully and fairly disclose all required or otherwise material information.

E. Prohibited Actions

No director, officer or employee shall (i) take any action to fraudulently influence, coerce, manipulate, or mislead any independent public or certified accountant engaged in the performance of an audit of the financial statements of the Corporation; or (ii) take any action to fraudulently influence, coerce, manipulate, or mislead any member of the Corporation's internal auditors engaged in the performance of an internal audit or investigation.

6. Complete, Accurate and Timely Disclosure

The Corporation is obligated to make various disclosures to the public. The Corporation is committed to full compliance with all requirements applicable to its public disclosures. The Corporation has implemented disclosure controls and procedures to assure that its public disclosures are timely, compliant and otherwise full, fair, accurate, timely and understandable. All employees, officers and directors responsible for the preparation of the Corporation's public disclosures, or who provide information as part of that process, have a responsibility to assure that such disclosures and information are complete, accurate and in compliance with the Corporation's disclosure controls and procedures.

7. Waivers of the Code of Business Conduct and Ethics

Any request for a waiver of any standard in this Code by any executive officer or director of the Corporation may be granted only by the Board or, in the case of employees (and not executive officers or directors), the Compliance Officer. Only the Board or a designated committee of the Board may grant waivers involving any of the Corporation's executive officers or directors, and all waivers granted to executive officers and directors must be promptly disclosed to the Corporation's shareholders. All personnel should be aware that the Corporation generally will not grant such waivers and will do so only when good cause is shown for doing so.

8. Audits; Investigations; Disciplinary Action

The Corporation will conduct periodic audits of compliance with this Code. Allegations of potential wrongdoing will be investigated by the proper corporate or departmental personnel and, upon the advice of the Compliance Officer, will be reported to the Board of Directors (or an appropriate committee thereof) and to the relevant authorities. Knowingly false accusations of misconduct will be subject to disciplinary action. You are required to cooperate fully with any internal or external investigation. You must also maintain the confidentiality of any investigation and related documentation, unless specifically authorized by the Compliance Officer to disclose such information.

Appropriate disciplinary penalties for violations of this Code may include counseling, reprimands, warnings, suspensions with or without pay, demotions, salary reductions, dismissals, and restitution. Disciplinary action may also extend to a violator's supervisor insofar as the Corporation determines that the violation involved the participation of the supervisor or reflected the supervisor's lack of diligence in causing compliance with the Code. Any person who takes any action whatsoever in retaliation against the employee who has in good faith raised any question or concern about compliance with this Code will be subject to serious sanctions, which may include dismissal for cause.

You are reminded that the Corporation's document retention policies strictly prohibit the destruction or alteration of documentation undertaken with the intent to obstruct any pending or threatened investigation or proceeding of any nature or in contemplation of a proceeding.

9. Where to Turn for Advice

If you have questions about this Code, you should turn to your immediate supervisor or the Compliance Officer in the first instance. The Corporation's "open door" policy gives you the freedom to approach any member of management with ethical questions or concerns without fear of retaliation.

The Corporation's Compliance Officer has been designated with responsibility for overseeing and monitoring compliance with this Code. The Compliance Officer will make periodic reports to the Corporation's Audit Committee regarding the implementation and effectiveness of this Code as well as the Corporation's policies and procedures to ensure compliance with this Code.

The Corporation's Compliance Officer may be reached at (347) 532-5894. If you wish to communicate any matter anonymously, the Corporation will maintain the confidentiality of your communication to the extent possible under applicable laws. Communications intended to be confidential should be mailed in writing, without indicating your name or address, to XCel Brands, 475 10th Avenue, New York, New York 10018, Attention: Mr. Seth Burroughs.

The Corporation has also established a confidential hotline to enhance our commitment to conducting business ethically and to give you a confidential option to report your concerns. If, for any reason, you do not feel comfortable speaking with your supervisor and would prefer to remain anonymous, you may leave a message on the confidential hotline at (___) ___-____ for the Compliance Officer. All employee communications made in good faith will be treated promptly and professionally and without risk of retribution.

Adopted: September 29, 2011

Acknowledgement

I acknowledge that I have received, read and understood the Corporation's Code of Business Conduct and Ethics and that my conduct as an employee, officer or director of the Corporation must at all times comply with the standards and policies set out in the Code, as well as any other legal or compliance policies or procedures of the Corporation. I have not violated any standards or policies set out in the Code.

Officer/Director/Employee (Signature): _____

Printed Name: _____

Date: _____

ARIK ESHEL, CPA & ASSOC., PC

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October 4, 2011

Office of the Chief Accountant
Securities and Exchange Commission
460 Fifth Street N. W.
Washington, DC 20549

Re: Netfabric Holdings, Inc. n/k/a XCel Brands, Inc.

Commission File Number 000-31553

Dear Sirs:

We have received a copy of, and are in agreement with, the statements being made by Netfabric Holdings, Inc. in Item 4.01(a) of its Form 8-K dated September 29, 2011, captioned "Changes in Registrant's Certifying Accountant". We have no basis on which to agree or disagree with any other statements made in the Current Report on Form 8-K.

We hereby consent to the filing of this letter as an exhibit to the foregoing report on Form 8-K.

Sincerely,

ARIK ESHEL, CPA & ASSOCIATES., PC

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Management of
IM Ready-Made, LLC

We have audited the accompanying statements of assets to be acquired and liabilities to be assumed of IM Licensing Business (the “Business) of IM Ready-Made, LLC as of December 31, 2010 and 2009, and the related statements of revenues and direct expenses for each of the years in the two-year period ended December 31, 2010. These financial statements are the responsibility of the management of IM Ready-Made, LLC. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Business is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Business’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying statements were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission as described in Note 1 and are not intended to be a complete presentation of the Business’s assets and liabilities.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets to be acquired and liabilities to be assumed of the IM Licensing Business of IM Ready-Made, LLC as of December 31, 2010 and 2009, and its revenues and direct expenses for each of the years in the two-year period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ Rothstein, Kass & Company, P.C.

Roseland, New Jersey
July 13, 2011

STATEMENTS OF ASSETS TO BE ACQUIRED AND LIABILITIES TO BE ASSUMED

	June 30, 2011 (Unaudited)	December 31, 2010	December 31, 2009
Assets to be Acquired			
Property and equipment, net of accumulated depreciation of $1,441,000, $1,301,000, $1,019,000 and $762,000, respectively	$ 1,294,000	$ 1,435,000	$ 1,648,000
Total Assets to be Acquired	$ 1,294,000	$ 1,435,000	$ 1,648,000
Commitments and Contingencies			
Liabilities to be Assumed			
Current Liabilities			
Liabilities assumed, vendor payable	$ 1,500,000	$ 1,500,000	$ -
Settlement payable			
Total current liabilities to be Assumed	$ 1,500,000	$ 1,500,000	$ -
Total Liabilities to be Assumed	$ 1,500,000	$ 1,500,000	$ -

STATEMENT OF REVENUES AND DIRECT EXPENSES

	For the Six Months Ended June 30,		For the Year Ended December 31,	
	2011	2010	2010	2009
	(Unaudited)			
Revenues	$ 5,789,000	$ 3,522,000	$ 9,796,000	$ 7,639,000
Direct expenses				
Operating and administrative	2,810,000	2,065,000	4,443,000	2,377,000
Depreciation and amortization	141,000	140,000	281,000	257,000
Total direct expenses	2,951,000	2,205,000	4,724,000	2,634,000
Excess of revenues over direct expenses	$ 2,838,000	$ 1,317,000	$ 5,072,000	$ 5,005,000

Notes to the Financial Statements

1. Overview and Basis of Presentation

Overview

On May 19, 2011, Xcel Brands, Inc. ("Xcel") entered into an Asset Purchase Agreement with IM Ready-Made, LLC, and as amended on July 28, 2011, pursuant to which Xcel will acquire certain assets and assume certain liabilities of the IM Licensing Business (the "License Business") of IM Ready-Made, LLC. The License Business is primarily engaged in licensing and managing the Isaac Mizrahi brand.

Basis of Presentation

The accompanying statements present the assets to be acquired and liabilities to be assumed of the License Business, and its revenues and direct expenses accounted for in conformity with accounting principles generally accepted in the United States of America ("GAAP") and derived from the accounting records of IM Ready-Made, LLC.

These financial statements have been prepared for the purpose of complying with the rules and regulations of the U.S. Securities and Exchange Commission. Statements of assets to be acquired and liabilities to be assumed and statements of revenues and direct expenses have been included in this report in lieu of full financial statements because the preparation of full financial statements was determined to be impracticable as it would have required significant assumptions that cannot be substantiated. Full financial statements for the License Business have never been prepared and IM Ready-Made, LLC did not maintain separate books, records and accounts necessary to present full financial statements for the License Business. Accordingly, The License Business is not a separate legal entity and thus is not necessarily indicative of the results of operations that would have occurred if the License Business had been operated as a separate entity.

Statement of Assets to be Acquired and Liabilities to be Assumed

The assets and liabilities in the accompanying statements of assets to be acquired and liabilities to be assumed include only those assets to be sold and liabilities transferred to the License Business pursuant to the Asset Purchase Agreement.

Statement of Revenues and Direct Expenses

The statement of revenues and direct expenses includes direct costs of production, marketing and distribution, including selling and direct overhead, depreciation and amortization, and an allocation of direct expenses and general and administrative expenses incurred by IM Ready-Made, LLC on behalf of the License Business, but omits interest expense and income taxes. These costs may not be indicative of future costs to be incurred by the License Business on a stand-alone basis.

Cash Flow Data

All cash flow requirements for the License Business were funded by IM Ready-Made, LLC, and cash management functions were not performed at the Licensing Business level. Therefore, a statement of cash flows, including cash flows from operating, investment and financing activities, is not presented as the License Business did not maintain a separate cash account and it is not possible to determine the cash flows directly attributable to the License Business.

2. Summary of Significant Accounting Policies

Unaudited Interim Financial Information

The interim financial information as of June 30, 2011 and for the six months ended June 30, 2011 and June 30, 2010 is unaudited and has been prepared on the same basis as the audited financial statements. In the opinion of management, such unaudited financial information includes all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the interim information. Operating results for the six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization are determined using the straight-line method over the estimated useful lives of the assets, generally 5 to 7 years for furniture and equipment. Leasehold improvements are amortized over the shorter of the economic useful life of the improvement or the lease period. Maintenance and repairs are charged to operations, while betterments and improvements are capitalized.

Impairment of Long-Lived Assets

The Company on behalf of the Licensing Business reviews long-lived assets, including intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. If an impairment indicator is present, the Company evaluates recoverability by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If the assets are impaired, the impairment recognized is measured by the amount by which the carrying amount exceeds the estimated fair value of the assets.

Revenue Recognition

The Licensing Business earns royalty revenues by exploiting intangible assets to third parties, commonly referred to as “licenses”. Royalties are derived from wholesale and/or retail product sales generated by third-party licensees. Revenues and income earned from license agreements are determined by the greater of (i) the product contracted royalty rates and product sales or (ii) guaranteed minimum royalties, if applicable. The Licensing Business recognizes revenues from licensees whose sales exceed contractual minimums when its licenses are sold or sales are reported for these licensed products. For licensees whose sales do not exceed contractual sales minimums, the Licensing Business recognizes licensing revenues ratably based on contractual minimums.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

In addition to royalty revenues, the Licensing Business receives design service fees for services provided to licensees, separate and in addition to royalties. Design service fees are recorded and recognized in accordance with the terms and conditions of each design fee contract. This includes recording on a straight-line basis each base fee as stated in each design fee service contract, and recognizing additional payments in the period that it applies.

Rent expense

Rent is charged to operations by amortizing the minimum rent payments over the term of the lease, using the straight-line method.

Recent Accounting Pronouncements

Management does not believe that any recently issued, but not effective, accounting standards, if currently adopted, would have a material effect on the Company's financial statements.

3. Fixed Assets

At December 31, 2010, 2009 and 2008, property and equipment is comprised of the following:

	2010	2009	2008
Furniture and fixtures	42,000	42,000	26,000
Computer equipment and software	30,000	30,000	-
Leasehold improvements	2,664,000	2,595,000	2,540,000
	2,736,000	2,667,000	2,566,000
Less accumulated depreciation and amortization,	(1,301,000)	(1,019,000)	(762,000)
Total	$ 1,435,000	$ 1,648,000	$ 1,804,000

4. Commitments and Contingencies

The Licensing Business has a non-cancelable operating lease agreement for its office facility. A summary of the lease commitments under the non-cancelable lease for years ending subsequent to December 31, 2010, are approximately as follows:

Year Ending December 31:	
2011	$ 512,000
2012	527,000
2013	543,000
2014	578,000
2015	595,000
Thereafter	306,000
	$ 3,061,000

The lease requires the Licensing business to pay additional rents by virtue of increases in the base taxes on the property. Additional rents have not been material. Rent expense for the Licensing Business was approximately $525,000, $503,000 and $494,000 for the years ended December 31, 2010, 2009 and 2008 respectively, and approximately $260,000 and $265,000 for the six month periods ending June 30, 2011 and 2010, respectively.

As of December 31, 2010, the Licensing Business has no outstanding purchase commitments with any equipment vendors.

Earthbound, LLC – IM Ready Made, LLC Service Agreement

Earthbound, LLC ("Earthbound") entered into a service agreement with Laugh Club, Inc. ('Laugh Club") on November 6, 2001 whereby Laugh Club engaged Earthbound to provide brand management and design services for mass-merchandised retail products. for the Isaac Mizrahi Business (the "Earthbound Agreement"). Isaac Mizrahi, individual, is the controlling member and manager of Laugh Club and IM Ready-Made, LLC. On September 3, 2002, Laugh Club assigned all of the rights and obligations in the Earthbound Agreement to IM Ready. Earthbound has no common ownership, direct or indirect, with either IM Ready or Laugh Club. The Earthbound Agreement expires December 31, 2014, however certain beneficial rights extend beyond the expiration date to Earthbound for as long as IM Ready receives revenues procured by Earthbound.

Earthbound, IM Ready-Made, LLC and Xcel have entered into a settlement and termination agreement of the Earthbound Agreement on August 16, 2011 (the "Termination Agreement"), subject to the close of the Asset Purchase Agreement. Upon the execution of the Termination Agreement, Earthbound shall receive from IM Ready $600,000 in cash and an additional $1,500,000 payable over the next 5 years from Xcel . In consideration of this Termination Agreement, Earthbound shall contribute to Xcel certain intellectual property, design and product archives and equipment and cash in exchange for a minority interest of Xcel's common stock. Earthbound will have no further obligation to provide services to the surviving entity.

4. Commitments and Contingencies (continued)

IPX Capital, LLC – IM Ready-Made, LLC Advisory Service Agreement

IPX Capital, LLC ("IPX") and IM Ready-Made, LLC entered into an Advisory Service Agreement dated November 16, 2010 whereby IPX provided various advisory and consulting services to IM Ready-Made, LLC including conducting an operational review of IM Ready-Made, LLC, reviewing strategic alternatives for IM Ready-Made, LLC's business including the potential to complete a transaction with Xcel, developing and preparing a brand positioning presentation including brand architecture strategy, conducting a review of the "IsaacMizrahiLIVE" and "Liz Claiborne New York" businesses on QVC and the related agreements, and conducting a due diligence review of Company's retail and couture operations and making restructuring recommendations on such retail and couture operations. IPX's service fees under the Advisory Service Agreement are based on its actual hourly billing rates, with a cap of $500,000. IPX's aggregate hourly billing to date is in excess of $500,000, resulting in a final amount due to IPX from IM Ready-Made, LLC of $500,000. The fees are contingent upon and payable to IPX by IM Ready-Made, LLC only upon IM Ready-Made, LLC closing on a financing, re-capitalization, or sale of all or a portion of its assets.

5. Significant Contracts

Liz Claiborne

The Licensing business has a design service agreement with Liz Claiborne, Inc ("LC") (the "LC Agreement"). LC manufactures, promote, markets, designs, and distributes Liz Claiborne products, which includes the use of Isaac Mizrahi's name as designer. LC pays to the Licensing Business a base fee plus a bonus fee based on operating performance. Isaac Mizrahi, the controlling Member of IM Ready-Made, LLC is a party to this agreement. The Licensing Business commenced services under the LC Agreement January 2008 and was terminated and replaced with a new agreement October 2009. The revenue recognized by the Licensing Business was $0 for the year ended December 31, 2010, and $6,623,000 and $4,100,000 for the years ended December 31, 2009 and 2008, respectively. For the six months ended June 30, 2011 and 2010, Liz Claiborne accounted for zero revenues, by virtue of the contract was terminated October 2009 and replaced with the Liz QVC Agreement (see section below).

QVC

The Licensing Business has a licensing and design agreement with QVC, Inc, ("QVC") a subsidiary of Liberty Interactive, Inc (LINTA) (the "QVC Agreement"). QVC promote, markets, designs, and distributes Isaac Mizrahi Live products (or other derivative licensed products) through various means and media. QVC pays to the Licensing Business a royalty based on the greater, of (i) 10% of retail sales or (ii) guaranteed minimum payments. Isaac Mizrahi, the controlling Member of IM Ready-Made, LLC is a party to this agreement and is required to make certain minimum media appearances on behalf of QVC. The QVC Agreement commenced design activity in 2010 and the term expires September 2015.

The revenue recognized by the Licensing Business was $4,492,000 for the year ended December 31, 2010, and $0 for the years ended December 31, 2009 and 2008. For the six months ended June 30, 2011 and 2010, QVC accounted for $3,650,000 and $850,000 of the Licensing Business revenues, respectively.

5. Significant Contracts (continued)

Liz Claiborne/QVC

The Licensing Business has a 3-party arrangement with QVC and LC. This includes a design service agreement with Liz Claiborne, Inc ("LC") (the "LC Agreement 2") whereby the Licensing Business provides design services to LC and permits the use of Isaac Mizrahi's name as designer. The Licensing business has an agreement with QVC to provide design services for the Liz Claiborne New York line ("LC-Design"). LC and QVC have entered into a license agreement for the design and distribution of product developed by QVC, LC and Isaac Mizrahi, exclusively to be sold through QVC ("Liz-QVC"). These agreements shall collectively be referred to as the LC/QVC agreements ("LC/QVC"). Isaac Mizrahi is a party each of these agreements. LC pays to the Licensing Business 25% of the royalty revenue it receives from QVC. QVC pays to the Licensing Business a base design fee of $1.1 million per annum. The LC-Design agreement commenced December 2009 and is in effect so as long as the Liz-QVC agreement is in effect. The LC Agreement 2 agreement commenced December 2009 and runs through July 2013. The revenues relating to LC/QVC recognized by the Licensing Business was $3,823,000 and $727,000 for the years ended December 31, 2010 and 2009, respectively, and $0 for the year ended December 31, 2008. For the six months ended June 30, 2011 and 2010, Liz Claiborne/QVC accounted for $2,124,000 and $1,766,000 of the Licensing Business revenues, respectively.

Target Stores

The Licensing Business, prior to 2008, had a licensing agreement with Target Stores, a division of Target Corporation providing Target Stores with an exclusive right to sell Isaac Mizrahi branded product. At the end of the first term of this agreement, the Licensing Business elected not to renew the agreement with Target Stores and entered into a termination agreement with Target Stores on January 15, 2008. Target was permitted to continue to sell Isaac Mizrahi branded products through September 30, 2008, that included an additional sell-off period that extended into early 2009. The revenue recognized by the Licensing Business was $0 for the year ended December 31, 2010, and $270,000 and $3,720,000 for the years ended December 31, 2009 and 2008, respectively.

6. Concentration

Liz Claiborne

Liz Claiborne accounted for $3,823,000, $7,350,000 and $4,405,000 or 39%, 96% and 54% of the Licensing Businesses revenues for the years ended December 31, 2010, 2009 and 2008, respectively. For the six months ended June 30, 2011 and June 30, 2010, Liz Claiborne accounted for total revenues of $2,123,000 and $1,766,000 or 37% and 50%, respectively.

QVC

The Licensing Business relies on QVC directly and indirectly for a majority of its revenue. This includes all of the revenue recognized from the QVC and from LC/QVC. The royalty income the Licensing Business receives from LC in accordance with LC Agreement 2 is dependent on QVC. The combined revenue recognized by the Licensing Business, dependent on QVC, was $5,968,000 for the year ended December 31, 2010. This revenue accounts for 61% of all revenue for the year ended December 31, 2010 and $4,600,000 and $1,443,000 or 79% and 41% for the six months ended June 30, 2011 and 2010, respectively. (See Note 5 for details).

6. Concentration (continued)

Target Stores

Target Stores accounted $3,720,000 or 46% of the Licensing Businesses revenues for 2008. Target Stores accounted for less than 4% of revenues for 2009 and zero revenues thereafter. See Note 5 for details.

7. Settlement

The Licensing Business entered into a licensing agreement with a licensee to distribute Isaac Mizrahi product in Canada (the "Canadian Licensee"). The License Business and the Canadian Licensee brought action against one another in 2008. The Licensing Business claims were based on failure to pay royalties and the Canadian Licensee filed claims based on a lack of design support. The parties reached a full settlement in July 2009 whereby the Licensing Business would remit $250,000 settlement payment to the Canadian Licensee, of which is accrued for as of December 31, 2008. The settlement amount was paid August 2009.

8. Subsequent Events

Management has performed an evaluation of subsequent events through September 16, 2011, the date of issuance of the financial statements, noting the following material events:

Asset Purchase Agreement

On May 19, 2011 and amended on July 28, 2011, IM Ready-made, LLC (the "Seller') entered into an Asset Purchase Agreement with Xcel Brands, Inc and IM Brands, LLC (collectively the "Buyers") selling to the Buyers substantially all of the assets and liabilities of the Licensing Business. The Seller will be receiving a combination of cash, stock of Xcel (or its assigns) and a Seller's Note aggregating $31.346 million. The sale is expected to close in September 2011. The Sale shall be contingent on (i) the Buyer securing adequate financing to close the transaction, (ii) an amendment of the current QVC Agreement, (iii) amendment of the current LC Agreement 2 and (iv) the termination of the service contract with Earthbound, LLC.

Unaudited Pro Forma Condensed Combined Financial Statements

Introduction

The following unaudited pro forma combined financial statements give effect to the acquisition by Xcel Brands, Inc. ("Xcel") of IM Licensing Business (A division of IM Ready-Made, LLC) under the purchase method of accounting, and immediately after the acquisition, Xcel shall reverse merge into NetFabric Holdings, Inc (combined, the "Company", by reference the "Merger"). The Merger is being accounted for as a reverse acquisition presented as a recapitalization, except no goodwill or other intangible assets are recorded. Accordingly, the financial statements of XCel will become the historical financial statements of the Company. These pro forma statements are presented for illustrative purpose only. The pro forma adjustments are based upon available information and certain assumptions that management believes are reasonable. The pro forma combined condensed financial statements do not purport to represent what the results of operations of Xcel would actually have been if the acquisition had in fact occurred at the beginning of the periods presented, nor do they purport to project the results of operations of Xcel for any future period. The IM Licensing Business consist of statements of revenues and direct expenses in lieu of full financial statements (the "Carve-out") because the preparation of full financial statements was determined to be impracticable as it would have required significant assumptions that cannot be substantiated. Full financial statements for the IM License Business have never been prepared and IM Ready-Made, LLC did not maintain separate books, records and accounts necessary to present full financial statements for the License Business. Accordingly, the IM License Business is not a separate legal entity and the excess of revenues over direct expenses reported on the Statements of Revenues and Direct Expenses is not necessarily indicative of the results of operations that would have occurred if the IM License Business had been operated as a separate entity.

Under the purchase method of accounting, the total purchase price was allocated to the net tangible and intangible assets of the IM License Business acquired in connection with the Asset Purchase Agreement, based on the estimated fair values as of the completion of the acquisition. Xcel is determining the estimated fair value of certain assets acquired and liabilities assumed with the assistance of a third party valuation specialist. The purchase price allocations set forth in the following unaudited pro forma condensed combined financial statements are based on preliminary estimates of the IM License Business's intangible and tangible assets acquired. The final valuations, and any interim updated preliminary valuation estimates, may differ materially from these preliminary valuation estimates, and as a result the final allocation of the purchase price may result in reclassifications of the allocated amounts that are materially different from the purchase price allocations reflected herewith. Any material change in the valuation estimates and related allocation of the purchase price would materially impact Xcel's depreciation and amortization expenses, the unaudited pro forma condensed combined financial statements and Xcel's results of operations after the acquisition.

The pro forma combined balance sheet assumes that the acquisition had occurred as of June 30, 2011. The pro forma combined statement of operations for the six months ended June 30, 2011 and the year ended December 31, 2010 assumes that the acquisition occurred at the beginning of January 1, 2010.

The historical financial statements of Xcel are derived from Xcel's audited financial statements from September 23, 2010, the Company's inception, through December 31, 2010 and Xcel's unaudited financial statements for the six months ended June 30, 2011. The Carve-out financial statements' of IM Licensing Business is derived from IM Licensing Business audited financial statements for the year ended December 31, 2010 and the unaudited financial statements for the six months ended June 30, 2011.

Xcel Brands, Inc

Unaudited Pro Forma Condensed Combined Balance Sheet
June 30, 2011

	Xcel Brands, Inc	IM Licensing Business	Note I	Note II	Pro Forma Combined
Assets					
Cash	$ 100	$ -**(a)**	(10,174,000)		$ 3,747,100
		(c)	3,472,000		
		(d)	12,915,000		
		(e)	(2,466,000)		
Restricted cash		**(e)**	193,000		193,000
Prepaid expenses	177,100	-**(e)**	122,000**(y)**	(176,100)	123,000
Deferred finance costs		**(d)**	585,000		585,000
Trademarks		**(b)**	47,700,000		47,700,000
License contracts		**(b)**	530,000		530,000
Goodwill		**(b)**	1,025,000		1,025,000
Property and equipment, net of accumulated depreciation of $1,441,000	-	1,294,000**(b)**	1,172,000**(z)**	(1,294,000)	1,172,000
Total Assets	$ 177,200	$ 1,294,000	$ 55,074,000	$ (1,470,100)	$ 55,075,100
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable	$ 510,700	$ 1,500,000**(a)**	$ 1,500,000**(z)**	$ (1,500,000)	$ -
		(e)	$ (1,500,000)**(y)**	$ (510,700)	
Accrued expenses	200	-			200
Due to affiliates	77,200	-	**(y)**	(77,200)	-
Installment obligation - current portion	-	-**(a)**	124,000	-	124,000
Total current liabilities	588,100	1,500,000	124,000	(2,087,900)	124,200
Long term liabilities					
Installment Obligation, net of current portion		**(a)**	1,024,000		1,024,000
Deferred payment obligation - Seller		**(a)**	1,858,000		1,858,000
Seller Note		**(a)**	5,552,000		5,552,000
Contingent consideration obligation		**(a)**	16,400,000		16,400,000
Senior debt		**(d)**	13,500,000	-	11,678,000
	-	**(d)**	(1,822,000)	-	-
Total long term liabilities	-	-	36,512,000	-	36,512,000
Total Liabilities	588,100	1,500,000	36,636,000	(2,087,900)	36,636,200
Stockholders Equity					
Common stock	-	-**(a)**	2,800		5,800
		(c.)	900		
			(x)	900	
			(w)	1,200	
Paid in capital	1,000	**(a)**	13,792,200		23,808,400
		(c.)	4,304,100		
		(c.)	(833,000)		
		(d)	1,822,000		
			(x)	4,722,100	
Member's Equity		(206,000)	**(z)**	206,000	-
Retained earnings (deficit)	(411,900)	**(e)**	(651,000)**(y)**	411,800	(5,375,300)
			(x)	(4,723,000)	
	-	-	-**(w)**	(1,200)	-
Total stockholders equity	(410,900)	(206,000)	18,438,000	617,800	18,438,900
Total liabilities and stockholders equity	$ 177,200	$ 1,294,000	$ 55,074,000	$ (1,470,100)	$ 55,075,100

Xcel Brands, Inc

Unaudited Pro Forma Condensed Combined Statement of Operations

	For the Six Months Ended June 30, 2011				
	Xcel Brands, Inc	IM Licensing Business	Note III	Note IV	Pro Forma Combined
Revenues	$ -	$ 5,789,000	$ -	$ -	$ 5,789,000
Expenses					
Operating & administrative	2,200	2,810,000			2,812,200
Non-recurring expenses	388,100		**(x)**	$ (388,100)	-
Depreciation & amortization	-	141,000 **(a)**	76,000 **(z)**	(24,000)	193,000
Total expenses	390,300	2,951,000	76,000	(412,100)	3,005,200
Operating Income (Loss)	(390,300)	2,838,000	(76,000)	412,100	2,783,800
Finance charges					
Interest expense - Senior Notes		**(c.)**	573,800		573,800
Interest expense - OID Senior Notes		**(c.)**	173,400		173,400
Interest expense - Imputed charges		**(d)**	433,200		433,200
Deferred finance charges	-	-**(b)**	58,500	-	58,500
Total Finance Charges	-	-	1,238,900	-	1,238,900
Net income (loss) before provision for income taxes	(390,300)	2,838,000	(1,314,900)	412,100	1,544,900
Provision for Income taxes	200	-**(e)**	(476,845) **(y)**	1,029,193	552,548
Net Income (loss)	$ (390,500)	$ 2,838,000	$ (838,055)	$ (617,093)	$ 992,352
Earnings (loss) per Common Share:					
Basic	$ (5,386)				$ 0.17
Fully Diluted:	$ (5,386)				$ 0.15
Weighted average number of common shares outstanding:					
Basic	72.50	**(f)**	5,743,000	(72.50)	5,743,000
Fully Diluted:	72.50	**(f)**	6,540,000	(72.50)	6,540,000

Xcel Brands, Inc

Unaudited Pro Forma Condensed Combined Statement of Operations

	For the Year Ended December 31, 2010				
	Xcel Brands, Inc	IM Licensing Business	Note III	Note IV	Pro Forma Combined
Revenues	$ -	$ 9,796,000	$ -	$ -	$ 9,796,000
Expenses					
Operating & administrative	-	4,443,000			4,443,000
Non-recurring expenses	21,200		**(x)**	$ (21,200)	-
Depreciation & amortization	-	281,000 **(a)**	151,000 **(z)**	(47,000)	385,000
Total expenses	21,200	4,724,000	151,000	(68,200)	4,828,000
Operating Income (Loss)	(21,200)	5,072,000	(151,000)	68,200	4,968,000
Finance charges					
Interest expense - Senior Notes		**(c.)**	1,147,500		1,147,500
Interest expense - OID Senior Notes		**(c.)**	339,300		339,300
Interest expense - Imputed charges		**(d)**	820,700		820,700
Deferred finance charges	-	**-(b)**	117,000	-	117,000
Total Finance Charges	-	-	2,424,500	-	2,424,500
Net income (loss) before provision for income taxes	(21,200)	5,072,000	(2,575,500)	68,200	2,543,500
Provision for Income taxes	200	**-(e)**	(933,998) **(y)**	1,839,347	905,549
Net Income (loss)	$ (21,400)	$ 5,072,000	$ (1,641,502)	$ (1,771,147)	$ 1,637,951
Earnings (loss) per Common Share:					
Basic	$ (295)				$ 0.29
Fully Diluted:	$ (295)				$ 0.25
Weighted average number of common shares outstanding:					
Basic	72.50	**(f)**	5,743,000	(72.50)	5,743,000
Fully Diluted:	72.50	**(f)**	6,540,000	(72.50)	6,540,000

Notes to Unaudited Pro Forma Condensed Combined Balance Sheet

Note I

Reflects the allocation of costs associated with the acquisition of IM Licensing Business assets and the assumption of its liabilities under the purchase method of accounting as though the acquisition occurred on June 30, 2011 and the impact of the financing associated with the acquisition.

Adjustment (a)

Total purchase price and consideration to the Seller was determined as follows:

2,759,000 shares of $.001 par value common stock at	$ 2,800
Fair value of 2,759,000 shares of $.001 par value common stock at $5.00 per share, less stated par value(**see Note below**)	13,792,200
Total equity value	13,795,000
Cash paid at closing	10,174,000
Assumption of vendor payable	1,500,000
Assumption of installment obligation ($124,000 current portion) (ii)	1,148,000
Deferred payment obligation to Seller	1,858,000
Fair market value Seller Note, (face amount $7,377,000)	5,552,000
Contingent consideration obligation (i)	16,400,000
Total cost of acquisition	$ 50,427,000

(i) Contingent consideration obligation represents the net present value of estimated additional consideration due to the Seller in accordance with the terms and conditions of the acquisition.

(ii) As part of the consideration to the Seller, Xcel shall assume a non-interest bearing $1.5 million installment obligation of the Seller payable over the next five years. The annual payment amounts are year 1, $150,000; year 2, $325,000; year 3, $325,000; year 4, $350,000; and year 5, $350,000. The net present value of $1.148 million is recorded using a discount rate of 9.25%, the estimated borrowing rate cost of Xcel.

Adjustment (b)

The purchase price was allocated to the fair value of the assets acquired and liabilities assumed as follows:

Property and equipment	$ 1,172,000
Isaac Mizrahi trademarks	47,700,000
License contracts	530,000
Goodwill	1,025,000
Total allocated purchase price	$ 50,427,000

Adjustment (c)

Financing of the acquisition is funded through (i) the issuance of 861,000 shares of common stock valued at $5.00 per share through a private placement simultaneously with the acquisition and (ii) proceeds from a $13.5 million senior term loan secured with the Isaac Mizrahi trademarks and other assets of IM Brands, LLC, ("IM Brands") a wholly owned subsidiary of Xcel.

The fair market value per share is an estimate based on the set price per share of the equity subscriptions received in accordance with a private placement transaction occurring simultaneously with the acquisition.

861,000 shares of $.001 par value common stock at	$ 900
861,000 shares of $.001 issued at $5.00 per share less stated par value, in a private placement.	4,304,100
Costs related to the issuance of common stock	(833,000)
Net cash received from financing activities	$ 3,472,000

Adjustment (d)

IM Brands entered into a five year senior secured term facility (the "Loan") with MidMarket Capital Partners, LLC ("MidMarket") in the aggregate principal amount of $13,500,000. The Loan is secured by all of the assets and membership interests of IM Brands, and is guaranteed by Xcel. The principal amount of the Loan will be payable as follows: 0% following the closing until December 31, 2012, 2.5% on January 1, 2013 and at the end of each quarter thereafter for one year; 3.75% at the end of each quarter from January 1, 2014 through December 31, 2014; 6.25% at the end of each quarter from January 1, 2015 through December 31, 2015; 12.5% at the end of each quarter from January 1, 2016 through December 31, 2016 and the entire unpaid principal amount on the January 1, 2017. The loan shall bear interest at 8.5% per annum

Senior Loan proceeds	13,500,000
Deferred finance costs (i)	(585,000)
Net Senior Loan proceeds	$ 12,915,000
Senior Loan	$ 13,500,000
Discount from issuance of warrants. (ii)	1,822,000
Net Senior Loan	$ 11,678,000

(i) Xcel incurred approximately $585,000 of costs related directly to the financing, including closing fee of $405,000 to MidMarket equal to 3% of the committed amount.

(ii) In addition, the Company is issuing 364,428 warrants to the lender exercisable at $0.01 per share, exercisable up to 7 years from the date of the grant.

Adjustment (e)

The terms and conditions of the acquisition required certain disbursements be made by Xcel in conjunction with the acquisition and prepaid interest to the Seller of $122,000. In addition, the following presents other uses of cash relating to the acquisition:

Vendor payment (i)	$ 1,500,000
Prepaid interest - Seller note (ii)	122,000
Other costs relating to the acquisition (iii)	651,000
Restricted cash (iv)	193,000
Total other uses of cash relating to the acquisition	$ 2,466,000

(i) Xcel is assuming a vendor payable in the amount of $1.5 million, and was paid to the vendor at closing.

(ii) Xcel prepayed to the Seller interest relating to the Seller Note. The Seller Note has a 3 year term and is payable in cash or common stock, at the option of Xcel.

(iii) Xcel incurred acquisition costs that are treated as expenses in the ordinary course of business and accordingly is reflected in the retained earnings (deficit) on the balance sheet. These estimated costs consist of legal and professional fees of $400,000 and estimated due diligence costs of $251,000.

(iv) Xcel shall post a letter of credit secured with cash for the benefit of the landlord in accordance with the assumed lease of the Seller.

Note II -

Adjustment (z)
Represents the elimination of historical values of IM Licensing Business already reflected in Note I entries.

Adjustment (y)
This represents the elimination of assets and liabilities of Excel that have been eliminated in conjunction with the acquisition. These include prepaid expense and accounts payable relating solely to the acquisition.

Adjustment (x)
This represents the recognition of a loss on the acquisition of the intellectual property and other acquired rights under the Earthbound/IM Ready Made agreement (the "Earthbound Agreement"). In consideration of the acquisition, the Company acquired (i) all of the rights and obligations under the Earthbound Agreement, and (ii) other consideration in exchange for 944,688 shares of common stock. Going forward, Xcel will have no further obligations under the Earthbound Agreement and it will have no value for the Company. The Company will assume a loss on the value of stock issued of approximately $4,723,000. The Company will not allocate any value for the other consideration. This loss is a non-cash loss and non-recurring and should have no impact on the operating results of the Company going forward.

Adjustment (w)
On September 29, 2011, NetFabric Holdings, Inc., a Delaware corporation (the "NetFabric"), XCel Brands, Inc., a Delaware corporation ("XCel"), Netfabric Acquisition Corp., a Delaware corporation ("Acquisition Corp.") and wholly-owned subsidiary of NetFabric and certain stockholders of NetFabric entered into an Agreement of Merger and Plan of Reorganization (the "Merger Agreement") pursuant to which Acquisition Corp. was merged with and XCel, with XCel surviving as a wholly-owned subsidiary of NetFabric (the "Merger"). Immediately following the Merger, Xcel was merged with and into NetFabric (the "Short Form Merger") and the Company changed its name to Xcel Brands, Inc. Pursuant to the Merger, NetFabric acquired all of the outstanding capital stock of XCel in exchange for issuing an aggregate of 944,688 shares of Common Stock, par value $0.001 per share (the "Common Stock") to XCel's stockholders at a ratio of 9,446.88 shares of Common Stock for each share of XCel common stock outstanding at the effective time of the Merger.

On September 28, 2011, NetFabric filed an amendment to its certificate of incorporation and effected a 1 for 520.5479607 reverse stock split such that holders of Common Stock prior to the Merger held a total of 186,444 shares of Common Stock and options immediately prior to the Merger. In addition, 47,132 shares of Common Stock shall be owned by Mr. Stephen J. Cole-Hatchard or his designees, a director of Netfabric. These shares combined with 944,688 shares issued to Xcel's management represent 1,178,264 shares of common stock at par value that shall be owned by Xcel shareholders and the old shareholders of NetFabrics.

Notes to Unaudited Pro Forma Combined Statement of Operations

Note III

Adjustment (a)
This represents the amortization of acquired intangible assets (licensed contracts) on a straight line basis over the remaining weighted average contract period of 3.5 years.

Trademarks and goodwill are considered indefinite life assets and accordingly are not amortized. The Company tests and measures at least annually trademarks and goodwill for the possibility of impairment.

Adjustment (b)
Represents the deferred finance costs incurred relating to closing on the Loan and shall be amortized on a straight line basis over the 5-year term and classified as other finance charges.

Adjustment (c)
Represents the interest expense at a rate of 8.5% for the six months ended June 30, 2011 and the year ended December 31, 2010, that would have been incurred under the terms of the Loan incurred as part of the acquisition.
The discount to the Loan attributable to the estimated fair value of the warrant consideration to the senior lender has been recorded as a discount to the Loan. The amount of the discount is amortized using compound-interest principles over the term of the Loan.

Adjustment (d)
Represents the imputed interest at a rate of 9.25% per annum related to (i) Seller Note, (ii) deferred payment due to the Seller and (iii) the installment obligation assumed that would have been incurred as part of the acquisition. The interest rate is based on the estimated borrowing cost of the Company.

Adjustment (e)
This represents the income tax provision (benefit) that is related to the adjustments in Note III using the Company's estimated effective tax rate.

Adjustment (f)

Weighted average number of common shares - The aggregate number of shares to issued by the Company in connection with the acquisition is 4,698,000 shares plus an additional 1,045,000 shares to old Xcel shareholders combining to equal 5,743,000 outstanding shares.

Fully diluted shares – in connection with the acquisition, the Company issued 797,000 warrants below fair market value, whereby the warrant holders are entitled to exercise each warrant for one common share. These warrants are included in the calculation of fully diluted shares. The following table illustrates fully diluted shares that consist of the total of (i) outstanding shares and (ii) convertible securities that have an exercise price below the estimated current fair market value.

Security	Number of Shares	Estimated Fair Market Value per Share	Exercise Price
Common Shares	5,743,000	$ 5.00	N/A
Senior lender warrants (i)	364,000	$ 5.00	$ .01
Investors warrants (ii)	431,000	$ 5.00	$ .01
Shell Co holders	2,000	$ 5.00	$ 0.001
	6,540,000		

(i) The Company will issue 364,428 warrants exercisable at $0.01 per share to its senior lender. The warrants are exercisable at any time from the date of the acquisition for 7 years. Warrants issued with the Senior Loan were valued at $1,822,000 and has been recorded as a discount to the Loan and an increase in additional paid in capital. The amount of the discount is amortized on a straight line basis over the 5-year term of the debt.

(ii) The amount of investor warrants to be issued is based on the Company issuing 861,000 new investor shares at $5 per shore equaling $4,305,000 in proceeds. Investors shall receive 1 warrant for each 2 shares subscribed, exercisable at $.01 per share.

Total Warrants – in addition to 797,000 warrants and options issued in as stated in the fully diluted table above, the Company expects to issue an additional 748,000 warrants and options. Combining with warrants and options included in the fully diluted table, the aggregate amount of warrants and options issued is 1,546,000 : The following table presents the combined warrants and options expected to be issued upon closing of the acquisition.

Warrant holder	Number	Exercise Price	Term
Senior Lender	364,000	$ .01	7 years
Investors	431,000	$ .01	5 years
Shell Co holders	2,000	$ 0.001	4 years
Employees	464,000	$ 5.00	10-Years
Directors	250,000	$ 5.00	5-years
Other	25,000	$ 5.00	5-years
Placement agent	10,000	$ 5.50	5 years
	1,546,000		

Note IV

Adjustment (z)
Represents the adjusted difference of depreciation expense that would have been incurred as a result of the acquisition and the amount recorded by IM Licensing Business.

Adjustment (y)
IM licensing Business is a not a reporting entity for income tax purposes. This adjustment represents income tax expense that would be recorded against earnings generated from the acquired IM Licensing Business using the Company's estimated tax rate.

Adjustment (x)
This represents non-recurring expenses of Xcel that, relate exclusively to the acquisition of the Seller.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
Xcel Brands, Inc.

We have audited the accompanying balance sheet of Xcel Brands, Inc. (a corporation in the development stage) (the ‘‘Company’’) as of December 31, 2010, and the related statements of operations, stockholder’s equity and cash flows for the period from September 23, 2010 (date of inception) to December 31, 2010. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Xcel Brands, Inc. (a corporation in the development stage) as of December 31, 2010, and the results of its operations and its cash flows for the period from September 23, 2010 (date of inception) to December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ ROTHSTEIN, KASS & COMPANY, P.C.

Roseland, New Jersey
October 4, 2011

Xcel Brands, Inc. (A Corporation in the Development Stage)

Balance Sheets

	June 30, 2011 (Unaudited)	December 31, 2010
Assets		
Current Assets		
Cash	$ 100	$ -
Prepaid expenses	740	-
Total current assets	840	-
Other Assets		
Deferred offering costs	130,996	-
Deferred financing costs	45,376	-
Total other assets	176,372	-
Total assets	$ 177,212	$ -
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 379,686	$ 21,237
Accrued offering costs	130,996	-
Accrued expenses - other	175	150
Due to shareholder	77,234	-
Total current liabilities	588,091	21,387
Commitment and contingencies		
Stockholders' Equity		
Subscription receivable	-	(1,000)
Common stock; no par value, 200 shares authorized; 72.5 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	1,000	1,000
Deficit accumulated during the development stage	(411,879)	(21,387)
Total stockholders' equity	(410,879)	(21,387)
Total liabilities and stockholders' equity	$ 177,212	$ -

Xcel Brands, Inc. (A Corporation in the Development Stage)

Statement of Stockholders' Equity

	Shares	Amount	Subcription Receivable	Deficit Accumulated During the Development Stage	Total
Balance at September 23, 2010 (date of inception)	-	$ -	$ -	$ -	$ -
Shares issued, September 23, 2010	72.50	1,000	(1,000)		-
Net loss				(21,387)	(21,387)
Balance at December 31, 2010	72.50	$ 1,000	$ (1,000)	$ (21,387)	$ (21,387)
Repayment of subscription receivable, March 11, 2011, March 31, 2011 and June 8, 2011			1,000		1,000
Net loss				(390,492)	(390,492)
Balance at June 30, 2011 (unaudited)	72.50	$ 1,000	$ -	$ (411,879)	$ (410,879)

Xcel Brands, Inc. (A Corporation in the Development Stage)

Statements of Operations

	For the Six Months Ended June 30, 2011 (Unaudited)	For the Period September 23, 2010 (date of inception) to December 31, 2010	For the Period September 23, 2010 (date of inception) to June 30, 2011 (Unaudited)
Revenues	$ -	$ -	$ -
Expenses			
Operating and administrative	2,418	150	2,568
Acquisition costs	228,967	-	228,967
Due diligence costs	159,107	21,237	180,344
Total expenses	390,492	21,387	411,879
Net loss	$ (390,492)	$ (21,387)	$ (411,879)
Basic and diluted loss per common share	$ (5,386)	$ (295)	$ (5,681)
Weighted average number of common shares outstanding - basic and diluted	72.50	72.50	72.50

Xcel Brands, Inc. (A Corporation in the Development Stage)

Statements of Cash Flows

	For the Six Months Ended June 30, 2011 (Unaudited)	For the Period September 23, 2010 to (date of inception) December 31, 2010	For the Period September 23, 2010 (date of inception) to June 30, 2011 (Unaudited)
Cash flows from operating activities			
Net loss	$ (390,492)	$ (21,387)	$ (411,879)
Adjustments to reconcile net loss to net cash used in operating activities			
Changes in operating assets and liabilities:			
Prepaid expenses	(740)	-	(740)
Accounts payable	313,073	21,237	334,310
Accrued expenses	25	150	175
Due to shareholder	77,234	-	77,234
Net cash used in operating activities	(900)	-	(900)
Cash flows from financing activities			
Repayment of subscription receivable	1,000	-	1,000
Cash provided by financing activities	1,000	-	1,000
Net increase in cash	100	-	100
Cash, beginning of period	-	-	-
Cash, end of period	$ 100	$ -	$ 100
Supplemental disclosure of non-cash financing activity,			
subscription receivable issued for common stock	$ -	$ 1,000	$ -

XCEL BRANDS, INC. (A Corporation in the Development Stage)

NOTE 1 – NATURE OF BUSINESS AND MANAGEMENT PLANS

Incorporation

Xcel Brands, Inc. ("Xcel" or the "Company"), a corporation in the development stage, was incorporated in Delaware on September 23, 2010.

Fiscal year end

The Company has selected December 31 as its fiscal year end.

Business purpose

The Company was formed for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, exchangeable share transaction or other similar business transaction, one or more operating businesses or assets, one of which that has been indentified and further described in Note 3. The Company is considered to be in the development stage as defined in FASB Accounting Standard Codification, or ASC 915, "Development Stage Entities," and is subject to the risks associated with activities of development stage companies.

Financing

The Company intends to finance a Business Combination in part with proceeds from a proposed $2,500,000 minimum and $3,500,000 maximum private offering (as further described in Note 3) and a $13,500,000 Senior credit facility (collectively, the "Anticipated Financing and Business Combination") as further described in Note 3.

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

Basis of presentation

The accompanying financial statements are presented in U.S. dollars in conformity with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC").

These financial statements were approved by management and available for issuance on October 4, 2011. Subsequent events have been evaluated through this date.

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (continued)

Development stage company

The Company is considered to be in the development stage as defined by FASB ASC 915, ‘‘Development Stage Entities.” As is subject to the risks associated with activities of development stage companies. As of June 30, 2011, the Company has not commenced any operations nor generated revenue to date. All activity through June 30, 2011 (unaudited) relates to the Company’s formation and the Anticipated Financing and Business Combination discussed in Note 3. The Company has incurred expenses relating to the Anticipated Financing and Business Combination. These expenses are considered to be non-recurring and relate directly to the activities of the Anticipated Financing and Business Combination transaction.

Net loss per common share

Net loss per common share is computed by dividing net loss applicable to common stockholders by the weighted average number of common shares outstanding for the period, plus to the extent dilutive, the incremental number of shares of common stock to settle warrants as calculated using the treasury stock method. At December 31, 2010 and June 30, 2011(unaudited), the Company did not have any dilutive securities and other contracts that could potentially be exercised or converted into common stock and then share in the earnings of the Company under the treasury stock method. As a result, diluted loss per common share is the same as basic loss per common share for the period.

Deferred offering costs

Deferred offering costs consist principally of management’s estimates of the legal fees incurred through the balance sheet date that are related to the Anticipated Financing and Business Combination and that will be charged to stockholder’s equity upon the completion of the Anticipated Financing and Business Combination or charged to operations if the Anticipated Financing and Business Combination is not completed.

Deferred financing costs

Deferred financing costs consist principally of management’s estimates of the legal fees and underwriting costs incurred through the balance sheet date that are related to the Anticipated Financing and Business Combination and that will be capitalized as an asset and subsequently amortized to expense over the life of the loan upon the completion of the Anticipated Financing and Business Combination or charged to operations if the Anticipated Financing and Business Combination is not completed.

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (continued)

Income taxes

The Company complies with FASB ASC 740, "Income Taxes," which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the interim financial statement and tax bases of assets and liabilities that will result in future taxable or deductible amounts, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The Company established a full valuation allowance as of December 31, 2010 of $8,400. The deferred tax asset is comprised of expenses non-deductible in the development stage.

The Company adopted the provisions of FASB ASC 740-10-25 which establishes recognition requirements for the accounting for income taxes. There were no unrecognized tax benefits as of December 31, 2010. The section prescribes a recognition threshold and a measurement attribute for the interim financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. No amounts were accrued for the payment of interest and penalties at December 31, 2010. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position. The Company is subject to income tax examinations by major taxing authorities since inception. The adoption of the provisions of FASB ASC 740-10-25 did not have a material impact on the Company's financial position and results of operation and cash flows as of and for the periods ended December 31, 2010.

The Company may be subject to potential examination by U.S. federal, U.S. states or foreign jurisdiction authorities in the areas of income taxes. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with U.S. federal, U.S. state and foreign tax laws. The Company's management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

Unaudited interim financial information

The interim financial information as of June 30, 2011 and for the six months ended June 30, 2011 and for the period September 23, 2010 (date of inception) through June 30, 2011 is unaudited and has been prepared on the same basis as the audited financial statements. In the opinion of management, such unaudited financial information includes all adjustments necessary for a fair presentation of the interim information. Operating results for the six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (continued)

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Recent accounting pronouncements

Management does not believe that any recently issued, but not effective, accounting standards, if currently adopted, would have a material effect on the Company's financial statements.

Liquidity

At June 30, 2011, the Company's working capital deficit was approximately $587,000 and its deficit accumulated during the development stage was approximately $412,000. Unless financing is obtained relative to the Anticipated Financing and Business Combination, it will be necessary for the current shareholders of the Company to fund future operations.

NOTE 3 – ANTICIPATED FINANCING AND BUSINESS COMBINATION

Business combination

On May 19, 2011, amended on July 28, 2011 and the 2nd amendment on September 15, 2011, the Company and IM Brands, LLC, a wholly owned subsidiary of the Company (collectively the "Buyers"), entered into an Asset Purchase Agreement (the "APA") with a third party (the "Seller") whereby the Buyers shall purchase from the Seller substantially all of the assets and liabilities of Seller's licensing business division (the "Brand"). Immediately after the closing of this business acquisition, the Company will merge into a public shell company ("PubCo"). PubCo has no operations and has no debt. The Company together with its acquisition of the Brand, Service Agreement (as described below) and PubCo will complete a business combination that will be a public reporting company.

The net consideration shall be a combination of cash, stock of Xcel (or its assigns) and a Seller's Note aggregating $31.346 million. The acquisition shall be contingent on (i) the Buyer securing adequate financing to close the transaction, (ii) amendments to the Seller's two current license agreements and (iii) the termination of the Seller's service contract (see below for details). The parties consummated the asset purchase contemplated by the Purchase Agreement on September 29, 2011. (see Note 5).

In conjunction with the acquisition of the Brand, the Company shall acquire from a service provider of the Brand (i) all of the rights and obligations under its service agreement (the "Service Agreement") with the Brand, (ii) $500,000 cash and (iii) other consideration in exchange for approximately 17.5% shares of common stock of PubCo, on a fully diluted basis. Going forward, the Service Agreement will serve no purpose and have no recordable value for the Company under GAAP. The Service Agreement provides for a management fee equal to 38% of certain revenue paid to the service provider.

NOTE 3 - ANTICIPATED FINANCING AND BUSINESS COMBINATION (continued)

Business combination (continued)

Post acquisition, the management fee would be an intercompany transaction, and accordingly would be eliminated upon consolidation. The Company does not expect to utilize the Service Agreement and accordingly will terminate the Service Agreement. The Company is expected to assume a loss on the value of stock issued less the amount of cash received of approximately $4.8 million. The Company will not allocate any value for the other consideration.

Financing

The Company expects to finance the proposed business combination with (i) a private equity offering and (ii) a $13.5 million senior credit facility.

The Company distributed on a limited basis, with the assistance of a 3rd party placement agent, a private placement memorandum offering cumulative investment of a minimum of $2.5 million and a maximum of $4.0 million (the "Offering"). Management estimates that the amount of closed equity will range between $3 and $4 million. The purchase price consideration to the Seller will include an equal adjustment to the amount of cash received and the amount of stock received by the difference between the maximum equity offer and the actual equity closed.

The Company has a $13.5 million commitment from a senior lender (the "Commitment") with the proceeds used for the acquisition and for general working capital. The Commitment requires the Company to have a minimum of $3 million of working capital upon closing of the acquisition. The term of the credit facility is for 5-years, with an interest rate of 8.5% per annum, a 3% upfront underwriting and facility fee, and 5% of the Company's outstanding equity, after giving effect to these warrants, on a fully diluted basis, with an exercise price $.01 per share. The senior lender will have seven years from the closing to exercise the warrants.

Placement agent fees

The Company is committed to pay to a placement agent a cash placement fee (the "Placement Agent's Closing Fee") equal to (i) 7% of the aggregate purchase price paid by each purchaser of Securities that are placed in the Offering other than to founders and employees of the Company, insiders and their affiliates; (ii) 2% of the aggregate purchase price paid by each purchaser of securities that are placed in the Offering by insiders and their affiliates, and (iii) 0% of the aggregate purchase price paid by each purchaser of securities that are placed in the Offering to founders and employees of the Company. The Placement Agent's Closing Fee will be deducted at the closing of the Offering (the "Closing") from the gross proceeds of the securities sold. Additionally, a cash fee payable within 48 hours of (but only in the event of) the receipt by the Company of any proceeds from the exercise of any warrants or options sold in the Offering equal to 7% of the aggregate cash exercise price received by the Company upon such exercise, if any (together with the Placement Agent's Closing Fee, the "Placement Agent's Fee").

NOTE 3 - ANTICIPATED FINANCING AND BUSINESS COMBINATION (continued)

Warrants

As additional compensation for the Services, the Company shall issue to Placement Agent at the Closing, warrants (the "Placement Agent Warrants") to purchase that number of shares of common stock of the Company ("Shares") equal to (i) 7% of the aggregate number of Shares placed by the Placement Agent in the Offering excluding shares sold or granted to management or pre-Offering principals of the Company, and insiders and affiliates (the "Excluded Group"), plus any Shares underlying any convertible Securities placed by Placement Agent, and units sold in the Offering to such purchasers excluding the Excluded Group, and (ii) 3.5% of the aggregate amount of Shares placed by the Company or its principals or affiliates in the Offering. The Placement Agent Warrants shall have the same terms, including exercise price and registration rights as the warrants issued to investors ("Investors") in the Offering: provided however, that the Placement Agent Warrants shall not contain any penalty provisions for failure to satisfy registration rights or share delivery obligations.

If no warrants are issued to Investors, the Placement Agent Warrants shall have the terms equivalent to those of any other convertible securities issued to Investors, and if no convertible securities are issued, the Placement Agent Warrants shall have an exercise price equal to the price at which Shares are issued to Investors, an exercise period of five years and registration rights for the Shares underlying the Placement Agent Warrants equivalent to those granted with respect to the Shares; provided however, that the Placement Agent Warrants shall not contain any penalty provisions for failure to satisfy registration rights or share delivery obligations.

NOTE 4 - RELATED PARTY TRANSACTIONS

IPX Capital

Overview
Xcel and its wholly owned subsidiary IM Brands, LLC (collectively, the "Buyers") have entered into an Asset Purchase Agreement with the Brand, whereby the Buyers will acquire certain assets and assume certain obligations of the Brand. IPX Capital, LLC ("IPX") has entered into certain agreements with Xcel and the Brand whereby IPX has provided services to both Xcel and the Brand. IPX is an affiliate of the Buyers whereby IPX and Xcel have common ownership and common management. The following sections describe the nature of these services.

NOTE 4 - RELATED PARTY TRANSACTIONS (continued)

IPX Capital (continued)

Due diligence service agreement

IPX and Xcel entered into a Due Diligence Service Agreement dated December 3, 2010 whereby IPX has provided various due diligence tasks relating to the APA including financial review of the Brand, preparing business plans, financial projections and other documents required in connection with the transaction, advise the Buyers regarding the corporate, legal and financial structure of the transaction and assist the Buyers with the negotiation of documentation relating to the transaction. Market service fees for this type of engagement are typically a fixed dollar amount or hourly billing rates, plus direct expenses. IPX believes that estimated fees for this assignment to range between $600,000 and $800,000. IPX has waived all of its fees it would have otherwise been entitled to, but not its direct expenses. Fees and expenses incurred for the period ended December 31, 2010 and the six months ended June 30, 2011 (unaudited) are $21,237 and $129,107, respectively, of which $21,237 and $150,344 are accrued for under accounts payable on the Company's balance sheet as of December 31, 2010 and June 30, 2011, respectively. Direct expenses incurred by IPX as of September 27, 2011 and reimbursable to IPX by Xcel pursuant to the agreement are approximately $250,000 (unaudited). The fees and expenses under this agreement are due and payable upon the closing of the acquisition of the Brand.

Amounts Due to a Shareholder

Xcel's largest shareholder has advanced certain expenses including but not limited to legal fees, banking fees, lender fees and appraisals on behalf of Xcel. These amounts are reimbursable to the shareholder including interest compounded monthly at 5% per annum. Advances made by the Shareholder on behalf of the Company for the period ended December 31, 2010 and the six months ended June 30, 2011 are $0 and $77,234, respectively. Total advances to the Company as of September 27, 2011 and reimbursable to the Shareholder by Xcel is approximately $170,000 (unaudited).

NOTE 5 - SUBSEQUENT EVENTS

On September 29, 2011, the Company, executed and closed an asset purchase agreement (the "Purchase Agreement") with IM Ready, Isaac Mizrahi and Marisa Gardini, pursuant to which the Company acquired certain assets of IM Ready, including (i) the "Isaac Mizrahi" brands (including the trademarks and brands "Isaac Mizrahi New York", "Isaac Mizrahi" and "IsaacMizrahiLIVE") (collectively, the "IM Trademarks"), (ii) the license agreements between IM Ready and certain third parties related to the IM Trademarks (together with the IM Trademarks, the "Isaac Mizrahi Business"), (iii) design agreements with Liz Claiborne and QVC to design the "Liz Claiborne New York" brand for sale exclusively at QVC and (iv) computers, design software, and other assets related to the licensing and design of the IM Trademarks and the design of the Liz Claiborne New York brand.

NOTE 5 - SUBSEQUENT EVENTS (continued)

Pursuant to the Purchase Agreement, at the closing, the Company delivered to IM Ready (a) $9,673,568 in cash, (b) a promissory note (the "Note") in the principal amount of $7,377,432 and (c) 2,759,000 shares of common stock of the Company, valued at $13,795,000 (the "IM Ready Stock Consideration"), and (ii) to an escrow agent $500,000 that the escrow agent will pay to IM Ready upon resolution of certain obligations of IM Ready and Mizrahi (together, the "Closing Consideration"). The Company also pre-paid $122,568 of interest on the Note on the Closing Date.

In addition to the Closing Consideration and the escrowed funds, IM Ready will be eligible to earn shares of Common Stock with a value of up to $7,500,000 (the "Earn-Out Value") per year for four years, with the number of shares to be issued based upon the greater of (i) $4.50 and (ii) average stock price for the last twenty days in such period and with such earn-out payment contingent upon the Isaac Mizrahi Business achieving certain royalty targets.

XCEL BRANDS, INC.

AUDIT COMMITTEE CHARTER

Purpose

There shall be a committee of the board of directors (the "Board") of XCel Brands, Inc. (the “Company”) to be known as the audit committee. The audit committee’s purpose is to:

(A) oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company; and

(B) prepare an audit committee report as required by the SEC’s rules to be included in the Company’s annual proxy statements, or, if the Company does not file a proxy statement, in the Company’s annual report filed on Form 10-K with the SEC.

Composition

The audit committee shall have at least three (3) members, each of whom must meet the following conditions: (i) be independent as defined under Rule 4200(a)(15) of The Nasdaq Stock Market (except as set forth in Rule 4350 (d)(2)(B)); (ii) meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934 (subject to the exemptions provided in Rule 10A-3(c)); (iii) not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years; and (iv) be able to read and understand fundamental financial statements, including a Company’s balance sheet, income statement, and cash flow statement. Additionally, at least one member of the audit committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

The Board shall elect or appoint a chairperson of the audit committee (or, if it does not do so, the audit committee members shall elect a chairperson by vote of a majority of the full committee); the chairperson will have authority to act on behalf of the audit committee between meetings.

Specific Responsibilities and Authority

The specific responsibilities and authority of the audit committee shall be as follows:

(A) be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, and each such registered public accounting firm must report directly to the audit committee.

(B) establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submissions by Company employees of concerns regarding questionable accounting or auditing matters;

(C) have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties;

(D) receive appropriate funding from the Company, as determined by the audit committee in its capacity as a committee of the Board, for payment of: (i) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; (ii) compensation to any advisers employed by the audit committee; and (iii) ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties;

(E) ensure its receipt from the outside auditors of a formal written statement delineating all relationships between the auditor and the Company, consistent with Independence Standards Board Standard 1, and actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for taking, or recommending that the full Board take, appropriate action to oversee the independence of the outside auditor;

(F) report regularly to the Board;

(G) make an annual performance evaluation of the audit committee;

(H) review and reassess the adequacy of the audit committee's charter annually;

(I) comply with all preapproval requirements of Section 10A(i) of the Securities Exchange Act of 1934 and all SEC rules relating to the administration by the audit committee of the auditor engagement to the extent necessary to maintain the independence of the auditor as set forth in 17 CFR Part 210.2-01(c)(7); and

(J) take such other actions and make such other recommendations to the Board on such matters, within the scope of its function, as may come to its attention and which in its discretion warrant consideration by the Board.

Meetings

The audit committee shall meet at least four times per year on a quarterly basis, or more frequently as circumstances require. One or more meetings may be conducted in whole or in part by telephone conference call or similar means if it is impracticable to obtain the personal presence of each audit committee member. The Company shall make available to the audit committee, at its meetings and otherwise, such individuals and entities as may be designated from time to time by the audit committee, such as members of management including (but not limited to) the internal audit and accounting staff, the independent auditors, inside and outside counsel, and other individuals or entities (whether or not employed by the Company and including any corporate governance employees and individuals or entities performing internal audit services as independent contractors).

Delegation

Any duties and responsibilities of the audit committee, including, but not limited to, the authority to preapprove all audit and permitted non-audit services, may be delegated to one or more members of the audit committee or a subcommittee of the audit committee.

Limitations

The audit committee is responsible for the duties and responsibilities set forth in this charter, but its role is oversight and therefore it is not responsible for either the preparation of the Company's financial statements or the auditing of the Company's financial statements. The members of the audit committee are not employees of the Company and may not be accountants or auditors by profession or experts in accounting or auditing. Management has the responsibility for preparing the financial statements and implementing internal controls and the independent auditors have the responsibility for auditing the financial statements and monitoring the effectiveness of the internal controls, subject, in each case, to the oversight of the audit committee described in this charter. The review of the financial statements by the audit committee is not of the same character or quality as the audit performed by the independent auditors. The oversight exercised by the audit committee is not a guarantee that the financial statements will be free from mistake or fraud. In carrying out its responsibilities, the audit committee believes its policies and procedures should remain flexible in order to best react to a changing environment.

Compensation Committee Charter

The Board of Directors ("Board") of XCel Brands, Inc. ("Company" or "XCel") is committed to establishing and maintaining executive compensation practices designed to enhance the profitability of the Company and enhance long-term shareholder value. Toward these aims, the Board of Directors has established a Compensation Committee. This Committee reports to the Board on executive compensation matters.

Membership

The Committee is comprised of no less than two independent members of the Board. Director independence is, at a minimum, consistent with applicable rules for Nasdaq-traded issuers, Rule 16b-3 of the Securities Exchange Act of 1934, and Section 162(m) of the Internal Revenue Code. Specific director independence guidelines are specified in the Company's "Corporate Governance Principles." The Committee also maintains a chair. The chair is an independent member of the Board. The Committee chair and members serve for one year renewable terms.

Responsibilities

The Committee's responsibilities include the following:

- Approve the Compensation philosophy of the Company.

- Formulate, evaluate, and approve compensation for the Company's officers, as defined in Section 16 of the Securities and Exchange Act of 1934 and rules and regulations promulgated therein. Compensation policies are intended to reward executives for their contributions to the Company's growth and profitability, recognize individual initiative, leadership, achievement, and other valuable contributions to the Company. An additional goal is to provide competitive compensation that attracts and retains qualified and talented executives. Compensation programs and policies are reviewed and approved annually. Included in this process is establishing the goals and objectives by which executive compensation is determined. Executive officers' performance is evaluated in light of these performance goals and objectives. The Committee may consult the Chief Executive Officer on the performance of other Company executives.

- Formulate, approve, and administer cash incentives and deferred compensation plans for executives. Cash incentive plans are based on specific performance objectives defined in advance of approving and administering the plan.

- Oversee and approve all compensation programs involving the issuance of the Company's stock and other equity securities of the Company. Stock options and other equity based awards will be granted in accordance with applicable rules for Nasdaq-traded issuers. Any material modifications to existing stock option plans and stock incentive plans are also made consistent with applicable rules for Nasdaq-traded issuers.

- Review executive supplementary benefits, as well as the Company's retirement, benefit, and special compensation programs involving significant cost to the Company, as necessary and appropriate.

- Review compensation for terminated executives.

- Oversee funding for all executive compensation programs.

- Review compensation practices and trends of other companies to assess the adequacy of the Company's executive compensation programs and policies.

- Secure the services of external compensation consultants or other experts, as necessary and appropriate. These services will be paid from the Company provided Board of Directors budget. This system is designed to ensure the independence of such external advisors.

- Approve employment contracts, severance agreements, change in control provisions, and other compensatory arrangements with Company executives.

- Prepare and provide (over the names of the members of the Committee) the required Committee report for the Company's annual report or proxy statement for the annual meeting of stockholders.

- Review and discuss with the Company's management the Compensation Discussion and Analysis ("CD&A") required by the Securities and Exchange Commission Regulation S-K, Item 402 each year for which the Company is required to include the CD&A in its annual report or proxy statement for the annual meeting of stockholders. Based on such review and discussion, determine whether to recommend to the Board of Directors that the CD&A be included in the Company's annual report or proxy statement for the annual meeting of stockholders.

Nominating and Corporate Governance Committee Charter

The Board of Directors ("Board") of XCel Brands, Inc. ("Company" or "XCel") is committed to establishing and maintaining corporate governance practices designed to aid the long-term success of the Company and effectively enhance and protect shareholder value. Central to effective corporate governance at XCel is the Nominating and Corporate Governance Committee (the "Committee"). This Committee reports to the Board on corporate governance matters.

Membership

The Committee is comprised of no less than two independent members of the Board. Director independence, at a minimum, is consistent with applicable rules for Nasdaq-traded issuers. Specific director independence guidelines are specified in the Company's "Corporate Governance Principles." The Committee maintains a chair. The chair is an independent member of the Board. The Committee chair and members serve one year renewable terms.

Responsibilities

The Committee's responsibilities include the following:

- Develop and periodically review the effectiveness of the Board's corporate governance guidelines. The Committee makes recommendations on revisions to these guidelines as appropriate. Included among these responsibilities is keeping the Board apprised of impending corporate governance guidelines and "best practices."

- Monitor and protect the Board's independence.

- Oversee and review the Company's processes for providing information to the Board.

- Recommend appropriate Board structures and membership, including the removal of directors, as necessary.

- Recommend appropriate Board committee structures and membership including the existence of a Lead Independent Director, in accordance with the Corporate Governance Principles. The Board has determined that there are three committees essential to effective governance. These are the Audit, Compensation, and Nominating and Corporate Governance Committees. The Board is committed to ensuring the independence of these committees. Committee independence is evaluated in light of the Sarbanes-Oxley Act of 2002, Nasdaq Rules and the Company's "Corporate Governance Principles".

- Establish procedures for the director nomination process and recommend nominees for election or appointment to the Board. The Committee evaluates the background and qualifications of director nominees, including those nominated by the Company's stockholders. To nominate a director candidate for the Committee's consideration, please submit the candidate's name and qualifications to the Board of Directors c/o Corporate Secretary, 475 10th Avenue, New York, New York 10018.

- Oversee formal evaluation of the Board and all Board committees. Included is formal assessment of individual directors. All directors will be formally evaluated prior to consideration for re-nomination to the Board.

- Recommend and review director compensation policies.

  Determine whether to appoint, conduct search for, and recommend appointment of a Chief Executive Officer to fill any vacancy of such office.

- Secure the services of external search firms or other experts, as necessary and appropriate. These services will be compensated from the Company provided Board of Directors budget. This budget system is designed to ensure the independence of such external advisors.

- Promote the quality of directors through continuing education experiences.

- The Committee shall annually review and evaluate the Committee charter.