

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): **August 1, 2013**

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

Delaware
(State or Other Jurisdiction of Incorporation)

000-31553
(Commission File Number)

76-0307819
(IRS Employer Identification No.)

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

10018
(Zip Code)

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

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry Into a Material Definitive Agreement.**Item 2.03 Creation of a Direct Financial Obligation an Obligation under our Off-Balance arrangement of a Registration**

On August 1, 2013, IM Brands LLC (“IM Brands”), a wholly-owned subsidiary of XCel Brands, Inc. (the “Company”), entered into a new secured term loan facility with Bank of Hapoalim B.M. (“BofH”) pursuant to which BofH made a term loan in the aggregate principal amount of \$13,000,000 (the “New Loan”). IM Brands used approximately \$12.77 million of the net proceeds of the New Loan to repay in full the indebtedness outstanding under its previous secured term loan facility, including a prepayment fee in the amount of \$187,312.50. The Loan is secured by all of the assets of IM Brands, and is guaranteed by the Company which guarantee is secured by the Company’s limited liability company interest in IM Brands. The Loan bears interest at an annual fixed rate of 4.44%, payable quarterly in arrears on the first day of each calendar quarter.

Scheduled principal payments are as follows:

Date of Payment	Amount of Principal Payment
October 1, 2014, January 1, 2015, April 1, 2015 and July 1, 2015	\$ 250,000
October 1, 2015, January 1, 2016, April 1, 2016 and July, 2016	\$ 625,000
October 1, 2016, January 1, 2017, April 1, 2016 and July, 2017	\$ 750,000
October 1, 2017, January 1, 2018 and April 1, 2018	\$ 875,000
July 1, 2018	\$ 3,875,000

In addition, on and after January 1, 2015, the Company is required to prepay the outstanding amount of the New Loan from excess cash flow for the prior fiscal year in an amount equal to twenty percent (20%) of such excess cash flow. Excess cash flow is defined as, for any fiscal period, cash provided by operating activities for such period less (a) capital expenditures not made through the incurrence of indebtedness less (b) all cash interest and principal (including the New Loan) paid or payable during such period less (c) payments made during such period by IM Brands to the Company equal to the estimated tax liability of the Company resulting from any taxable income (net of losses, including for prior years to the extent permitted to be deducted) of IM Brands.

The New Loan contains customary covenants, including (i) net worth on a consolidated basis not being less than \$22,500,000.00 at the end of any fiscal quarter, (ii) unencumbered (other than the liens securing the New Loan) cash and cash equivalents being at least \$2,000,000 at all times, (iii) the fixed charge coverage ratio (defined as (x) consolidated EBITDA plus unencumbered (other than the liens securing the New Loan) cash and cash equivalents in excess of \$6,000,000 minus capital expenditures to (y) sum of (1) the consolidated cash interest expense during the applicable period, (2) the principal amount of total debt of Guarantor on a Consolidated Basis having a scheduled due date during such period, (c) all tax distributions and (d) all other cash distributions or dividends made by the Company) at the end of each fiscal quarter for the twelve fiscal month period ending on such fiscal quarter not being less than 1.20 to 1.00, and (iv) capital expenditures in any fiscal year not exceeding the greater of (x) \$1,000,000 or (y) \$1,000,000 plus an amount equal to (1) gross royalty revenues for the prior fiscal year minus \$15,000,000 times (2) ten percent (10%).

Item 9.01 Financial Statements and Exhibits

(d) **Exhibits**

- 10.1 Line Letter Agreement dated as of July 31, 2013 between IM Brands, LLC and Bank Hapoalim B.M.
 - 10.2 Promissory Note dated July 31, 2013 in the principal amount equal to \$13,000,000 made by IM Brands, LLC to the order of Bank Hapoalim B.M., as supplemented by the Loan Rider.
 - 10.3 Security Agreement dated as of July 31, 2013 between IM Brands, LLC and Bank Hapoalim B.M.
 - 10.4 Intellectual Property Security Agreement dated as of July 31, 2013 between the IM Brands, LLC and Bank Hapoalim B.M.
 - 10.5 Guaranty dated July 31, 2013 made by Xcel Brands, Inc. for the benefit of Bank Hapoalim B.M.
 - 10.6 Membership Pledge Agreement dated as of July 31, 2013 made by Xcel Brands, Inc. in favor of Bank Hapoalim B.M.
 - 10.7 Subordination Agreement dated as of July 31, 2013, among Bank Hapoalim B.M., IM Ready-Made, LLC, Xcel Brands, Inc. and IM Brands, LLC.
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SIGNATURES

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

XCEL BRANDS, INC.

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

Date: August 7, 2013

As of July 31, 2013

IM Brands, LLC
475 Tenth Avenue
New York, New York 10018

Ladies and Gentlemen:

We are pleased to advise that Bank Hapoalim B.M. (the "**Bank**") has agreed, subject to the conditions set forth below, to extend a term loan (the "**Term Loan**") to IM Brands, LLC, a Delaware limited liability company (the "**Borrower**"), in the maximum principal amount of THIRTEEN MILLION AND 00/100 DOLLARS (\$13,000,000.00) (the "**Term Loan**").

The Term Loan (1) shall be evidenced by a Promissory Note dated as of the date hereof executed by Borrower in favor of the Bank in the amount of \$13,000,000.00 (the Promissory Note, together with any riders referred to in paragraph 3 thereto, as each may be amended, restated, supplemented or otherwise modified from time to time, shall collectively be referred to as the "**Promissory Note**"), (2) shall mature on July 1, 2018, and (3) shall be repaid by Borrower in accordance with the terms and conditions of the Promissory Note.

1177 Avenue of the Americas, New York, New York 10036-2790
www.bhiusa.com

1. Conditions Precedent

The effectiveness of the Term Loan is subject to the satisfaction, in the Bank's sole discretion, of the following conditions: (a) the Bank's receipt of such documentation as it may request, including without limitation, the following, each in form and substance satisfactory to the Bank in all respects: (i) this Letter Agreement duly executed by the Borrower; (ii) the Promissory Note; (iii) (A) a Security Agreement executed by Borrower in favor of the Bank (as amended, restated, supplemented or otherwise modified from time to time, the "**Asset Security Agreement**") and (B) an Intellectual Property Security Agreement executed by Borrower in favor of the Bank (as amended, restated, supplemented or otherwise modified from time to time, the "**IP Security Agreement**"; the Security Agreement and the IP Security Agreement shall be collectively referred to herein as the "**Security Agreement**"; (iv) a guaranty to perform the obligations of Borrower to the Bank executed on behalf of Xcel Brands, Inc. ("**Guarantor**"); (v) a Pledge Agreement executed by Guarantor (as amended, restated, supplemented or otherwise modified from time to time, the "**Pledge Agreement**"; (vi) an opinion of the Borrower's and Guarantor's legal counsel, covering such issues as the Bank may reasonably request; (vii) a resolution by Borrower's Manager approving and authorizing the execution, delivery and performance of the Loan Documents (as defined below) and any transaction contemplated thereby as well as the incumbency and signatures of those authorized to sign and act with respect to the Loan Documents; (viii) a letter of direction from Borrower to the Bank with respect to the disbursements of the proceeds of the Term Loan; (ix) a subordination agreement in favor of the Bank with respect to the indebtedness and obligations of Borrower and Guarantor to IM Ready-Made, LLC; and (x) any other documents as the Bank may reasonably require; (b) the Borrower's entering into such various collateral, security and/or control documents designed to create and perfect the Bank's security interest in certain assets of Borrower and any other documents or instruments related thereto as required by the Bank and its counsel; (c) certified copies of UCC, intellectual property, tax lien and judgment searches or other evidence satisfactory to Lender, listing all effective financing statements which name Borrower (under present name, any previous name or any trade or doing business name) as debtor and covering all jurisdictions requested by the Bank, together with copies of such other financing statements and recordations; (d) the Bank's receipt of a current appraisal of the Borrower's Trademarks (as such term is defined in the IP Security Agreement) conducted at the Borrower's expense (except as respects \$5,000 of such expense which will be paid by the Bank), in form and substance acceptable to the Bank and performed by a firm acceptable to the Bank; (e) the Bank shall have received a fully executed payoff letter satisfactory to Lender confirming (i) the amount of all obligations owing by Borrower and Guarantor to Midmarket Capital Partners LLC, Great American Life Insurance Company and Great American Insurance Company will be repaid in full from the proceeds of the Term Loan, (ii) that all liens and security interests upon any property of Borrower and Guarantor shall be terminated immediately upon receipt of such payment by such parties; (f) the Bank's receipt of a field examination with respect to the business and assets of Borrower performed by a field examiner acceptable to the Bank with results satisfactory to the Bank; (g) the Bank's receipt of a copy of a life insurance policy insuring the life of Isaac Mizrahi for an amount at least equal to \$15,000,000 naming Borrower as the beneficiary thereof together with a collateral assignment of the proceeds of such life insurance policy in the favor of the Bank; (h) Borrower shall have furnished the Bank (i) a summary of all of the Borrower's existing insurance coverage and (ii) evidence acceptable to the Bank that the insurance policies required by Section 4(s) hereof have been obtained and are in full force and effect (and, if requested by the Bank, copies of such policies); (i) the Bank shall have received (i) satisfactory evidence that Borrower and Guarantor have obtained all required consents and approvals of all persons and entities including all requisite governmental authorities, to the execution, delivery and performance of this Agreement and the other Loan Documents or (ii) an officer's certificate in form and substance reasonably satisfactory to the Bank affirming that no such consents or approvals are required; (j) the Bank shall have completed its business and legal due diligence, including agreements relating to the Trademark Licenses with results satisfactory to the Bank; (k) payment to the Bank of a commitment fee in the amount of \$60,000.00 less up to a \$35,000 credit against fees paid to HSBC, such payment to be made from the proceeds of the Term Loan; and (l) the Liabilities shall not exceed forty percent (40%) of the current fair market value of the Borrower's Trademarks or sixty percent (60%) of the current orderly liquidation value of the Borrower's Trademarks, as such values are set forth in the most recent appraisal acceptable to the Bank of the Borrower's Trademarks, as prepared by an independent appraisal firm acceptable to the Bank.

This Letter Agreement, the Promissory Note, the Security Agreement, the Guaranty, the Pledge Agreement, any Rate Contract between Borrower and Bank or an affiliate of Bank and any documents or instruments entered into in connection with any of the foregoing shall be referred to herein as the "**Loan Documents**".

2. Representations and Warranties

In order to induce the Bank to enter into this Letter Agreement and to make available the Term Loan provided for herein, Borrower makes the following representations and warranties to the Bank, all of which shall survive the execution and delivery of the Loan Documents: **(a) Organization, Good Standing and Due Qualification.** Borrower is a limited liability company duly organized and existing under the laws of the State of Delaware and has the full power, authority and legal right to own its assets and conduct its business as it is now being conducted. **(b) Company Power and Authority.** Borrower has the requisite power and authority to execute, deliver and carry out the terms of the Loan Documents and has taken all necessary limited liability company action to authorize the execution, delivery and performance of the Loan Documents. Each of the Loan Documents constitutes its legal, valid and binding obligation enforceable in accordance with its terms, except to the extent that enforceability of any such Loan Document may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally or limiting the right of specific performance. The execution and delivery of, the performance of its obligations under, and compliance with the provisions of the Loan Documents by Borrower will not: (i) contravene any existing applicable law, statute, rule or regulation or any judgment decree or permit to which Borrower is subject, the contravention of which would have a material adverse effect on the Borrower's operations; (ii) conflict with, or result in any breach of any of the terms of, or constitute a default under, any material agreement or other instrument to which Borrower is a party or is subject or by which it or any of its property is bound; (iii) contravene or conflict with any provisions of the Borrower's Certificate of Formation and Limited Liability Company Agreement; or (iv) result in the creation or imposition of, or oblige Borrower to create, any lien or encumbrance on the Borrower's assets, rights or revenues, except as provided for in the Loan Documents. **(c) Litigation.** No litigation, arbitration or administrative proceeding is pending or, to the knowledge of Borrower and its respective officers, threatened against Borrower or any other person or entity affiliated with Borrower, which could have a material adverse effect on the Borrower's Trademarks or the business, assets or financial condition of Borrower or any other person or entity affiliated with Borrower, except as specifically set forth on Schedule I hereto. **(d) Disputes.** There is not in existence nor to the Borrower's knowledge is there likely to occur any dispute with any governmental or other authority or any other dispute of any kind which in any such case may materially adversely affect it or its business or assets. **(e) Undisclosed Obligations.** Except as set forth in on Schedule II hereto, 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. **(f) Immunity.** To the knowledge of the Borrower, neither Borrower nor any of its assets is entitled to immunity on the grounds of sovereignty or otherwise from any legal action or proceeding (which shall include, without limitation, suit, attachment prior to judgment, execution or other enforcement). **(g) Consents, Approvals.** Every consent, authorization, license or approval of, or registration with or declaration to, governmental or public bodies or authorities or courts required by Borrower to authorize, or required by Borrower in connection with the execution, delivery, validity, enforceability or admissibility in evidence of the Loan Documents or the performance by Borrower of its obligations under the Loan Documents has been obtained or made and is in full force and effect and there has been no default in the observance of the conditions or restrictions (if any) imposed in, or in connection with, any of the same. **(h) Investment Company.** Borrower is not an "investment company" or a company controlled by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. Borrower is not subject to regulation under any federal or state statute or regulations that limit its ability to incur any indebtedness. **(i) Margin Stock.** Borrower is not engaged principally in the business of extending credit for the purpose of purchasing or carrying any "Margin Stock" as defined in Regulation U, and no part of the proceeds of any Extension of Credit will be used in a manner that would result in the Extensions of Credit being deemed to be a "purpose credit" under Regulation U of the Federal Reserve Board, as the same may at any time be amended or modified and in effect. **(j) No Default.** Borrower is not, nor would it be with the giving of notice or lapse of time, in breach of or in default under any agreement relating to indebtedness to which it is a party or by which it may be bound or under any material agreement binding upon it which could reasonably be expected to have a material adverse effect on the Borrower's business assets or financial condition. **(k) Security Documents.** The Security Agreement is effective to create in favor of the Bank a legal, valid and enforceable security interest in the collateral as defined and qualified therein. **(l) Subsidiaries.** Set forth on Schedule III is a true and complete list of all of the Subsidiaries of the Borrower, together with, for each such Subsidiary, (i) the jurisdiction of organization of such Subsidiary, (ii) each Person holding ownership interests in such Subsidiary and (iii) the nature of the ownership interests held by each such Person and the percentage of ownership of such Subsidiary represented by such ownership interests. **(m) Financial Statements.** The audited consolidated financial statement of Guarantor and its Subsidiaries for the fiscal year ending December 31, 2012 and the most recent annual balance sheets of Guarantor and its Subsidiaries, together (in each case) with the related statements of income and the related notes and supplemental information delivered to the Bank, have been prepared in accordance with GAAP in effect as of such date consistently applied, except as otherwise indicated in the notes to such financial statements. All of such financial statements fairly present the financial position or the results of operations of Guarantor and its Subsidiaries at the dates or for the periods indicated, and reflect all known liabilities, contingent or otherwise, that GAAP requires, as of such dates, to be shown or reserved against. **(n) Intellectual Property.** Schedules A and B to the IP Security Agreement contain a true, correct and complete list of all of the Borrower's registered Copyrights, registered Trademarks and Revenue Licenses. **(o) License Agreements.** Borrower has provided to the Bank true, correct and complete copies of each Revenue License, including all material amendments, schedules, exhibits and other attachments thereto, all conditions to the effectiveness of each Revenue License have been satisfied on or prior to the date hereof, and to the knowledge of Borrower no material defaults exist with respect to any of the Revenue Licenses except as disclosed to the Bank on Schedule IV hereto.

3. Financial Reporting Requirements

(a) Borrower and Guarantor each hereby agrees that, so long as the Term Loan remains in effect and any amount is due and owing to Bank thereunder, it shall submit to the following reporting requirements:

(i) Annual Financial Statements. Furnish to Bank within one hundred and twenty (120) days after the close of each fiscal year of Guarantor, a copy of the audited financial statement of Guarantor on a Consolidated Basis and, to the extent Guarantor has any Subsidiary other than the Borrower, consolidating balance sheets as at the end of such fiscal year and statements of income and of cash flows for such fiscal year, prepared by CohnReznick LLP or other independent certified public accountants of nationally recognized standing reasonably acceptable to the Bank.

(ii) Quarterly Financial Statements. As soon as available and in any event within forty five (45) days after the end of each of the first three quarterly periods of each fiscal year of Guarantor, a copy of internally prepared financial statement of Guarantor on a Consolidated Basis and, to the extent Guarantor has any Subsidiary other than Borrower, consolidating balance sheets as of the end of such quarter and the related 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 (subject to normal year-end audit adjustments).

(iii) Covenant Compliance Certificate. Simultaneously with the delivery of each set of financial statements referred to in clause (a)(i) and (a)(ii) of this Section 3, provide a covenant compliance certificate of an authorized officer or Manager of Borrower substantially in the form of Exhibit A hereto and otherwise in form and substance satisfactory to the Bank in all respects.

(iv) Royalty Collections Reports. Borrower shall furnish to the Bank within forty-five (45) days after the close of each calendar quarter a copy of its Quarterly Royalty Collections Report showing actual royalties billed and collected in the period covered thereby and setting forth the GMR for such period. For purposes of this Letter Agreement, the term “**Quarterly Royalty Collections Report**” shall mean a report substantially in the form of Exhibit B hereto and “**GMR**” shall mean guaranteed minimum royalties.

(b) Borrower further agrees that, so long as the Term Loan remains in effect and any amount is due and owing to Bank thereunder:

(i) Complete Statements. All financial statements required pursuant to paragraphs (a)(i) and (a)(ii) of this Section 3 shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein except with respect to interim financial statements the absence of footnotes and subject to year-end adjustments.

(ii) Fiscal Year. The fiscal year of Guarantor and Borrower shall conclude on December 31st of each year.

4. Financial and Other Covenants

Borrower and Guarantor hereby agree that, so long as the Term Loan remains in effect and any amount is due and owing to Bank thereunder, Borrower and Guarantor shall submit to the following requirements:

(a) Minimum Net Worth. Net Worth shall not be less than \$22,500,000.00 at the end of any fiscal quarter.

(b) Minimum Liquid Assets. Liquid Assets shall be at least \$2,000,000 at all times.

(c) Fixed Charge Coverage Ratio. The Fixed Charge Ratio at the end of each fiscal quarter for the twelve fiscal month period ending on such fiscal quarter shall not be less than 1.20 to 1.00.

(d) Capital Expenditures. Capital Expenditures in any fiscal year shall not exceed the greater of (i) \$1,000,000 or (ii) \$1,000,000 plus an amount equal to (A) the Royalty Revenues Amount minus \$15,000,000 times (B) ten percent (10%).

(e) Financial Information. Borrower and Guarantor shall (i) provide the Bank with such financial and other information concerning Guarantor, Borrower and their affairs, as the Bank may from time to time reasonably request, (ii) promptly inform the Bank of any occurrence of which it becomes aware which might adversely affect its ability to perform its obligations under the Loan Documents and of any default under the Loan Documents forthwith upon becoming aware thereof, and (iii) promptly inform the Bank of any threatened litigation or administrative or arbitration proceedings before or of any court, tribunal, arbitrator or other relevant authority that may be Material to Borrower or affect a Material part of the Borrower's assets.

(f) Consents; Taxes. Borrower and Guarantor shall (i) obtain or cause to be obtained, maintain in full force and effect and comply in all material respects with the conditions and restrictions (if any) imposed in, or in connection with, every material consent, authorization, material license or approval of governmental or public bodies or authorities or courts and do, or cause to be done, all other acts and things, which may from time to time be necessary or desirable under applicable law for the continued due performance of all its obligations under the Loan Documents; (ii) comply in all material respects with all applicable laws, rules, regulations and orders of any governmental agency having jurisdiction over Borrower or Guarantor; (iii) pay to the appropriate governmental authorities when due, all Federal, state, local and other Taxes required to be paid or deposited by Borrower or Guarantor, except that Borrower or Guarantor may defer any such payment while Borrower or Guarantor is diligently contesting the respective Taxes in good faith by appropriate proceedings, but any such deferment shall not extend beyond the time when such unpaid Taxes would become a lien upon any of Borrower's or Guarantor's assets. Borrower will furnish the Bank promptly at the Bank's request with evidence satisfactory to the Bank establishing payment of such Taxes, assessments and contributions. In the Bank's discretion, the Bank shall have the right (but shall not be obligated) to pay any such Tax, assessment or contribution (including any interest or penalties thereon) for Borrower's or Guarantor's benefit in the event Borrower or Guarantor shall fail timely to do so and provided the non-payment of such Tax will result in a lien or security interest encumbering the assets which will be prior to the lien and security interest held by the Bank; any such payment shall be deemed an advance hereunder bearing interest at the Loan Rate (as such term is defined in the Promissory Note) and payable in the manner specified therein. Borrower shall, promptly on demand, reimburse the Bank for any such payment and any costs and expenses (including reasonable attorneys' fees) which the Bank may incur in connection therewith. Notwithstanding anything in any of the Loan Documents to the contrary, Borrower and Guarantor shall furnish to the Bank within twenty (20) days of when filed copies of its annual tax returns as filed with the applicable taxing authority, and to the extent that Borrower or Guarantor fails to file its annual Federal tax return with the United States Internal Revenue Service by the March 15th deadline, Borrower and Guarantor shall furnish to the Bank no later than three (3) Business Days after such deadline a copy of Borrower's and Guarantor's properly filed extension request.

(g) Company Existence. Borrower will maintain its existence as a limited liability company and carry on its business in substantially the same manner and in substantially the same fields as such business is now carried on and maintained. Guarantor will maintain its existence as a corporation and carry on its business in substantially the same manner and in substantially the same fields as such business is now carried on and maintained.

(h) Encumbrances. Borrower shall not create, effect or permit to exist any Encumbrance over all or any part of its assets except for (i) 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 Borrower or Guarantor in conformity with GAAP; (ii) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like liens arising in the ordinary course of business; (iii) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation; (iv) 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; (v) 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 Borrower or Guarantor; (vi) liens in existence on the date hereof listed on Schedule IV hereto, provided that no such lien is spread to cover any additional property after the date hereof and that the amount of indebtedness secured thereby is not increased; (vii) liens securing indebtedness of Borrower or Guarantor incurred to finance the acquisition of fixed or capital assets, provided that (x) such liens shall be created substantially simultaneously with the acquisition of such fixed or capital assets, (y) such liens do not at any time encumber any property other than the property financed by such indebtedness and (z) the amount of indebtedness secured thereby is not increased; (viii) liens created pursuant to the Security Agreement and the Pledge Agreement; (ix) any interest or title of a lessor under any lease entered into by Guarantor, Borrower or any other Subsidiary in the ordinary course of its business and covering only the assets so leased; and (x) the interests of non-exclusive licensees under license agreements entered into in the ordinary course of business. Guarantor shall not create, effect or permit to exist any Encumbrance over all or any part of any of its assets pledged as collateral security for the Liabilities.

(i) Indebtedness. Neither Borrower nor Guarantor shall incur, create, assume, become or be liable in any manner with respect to, or permit to exist, any indebtedness for borrowed money, reimbursement or payment obligations or any obligation evidenced by notes, bonds, debentures or similar instruments other than (a) pursuant to the Loan Documents; (b) indebtedness to Guarantor or any of its Subsidiaries; provided that any such indebtedness to Guarantor or any of its Subsidiaries shall be subordinated to the Liabilities on terms and conditions reasonably satisfactory to the Bank; (c) indebtedness (including, without limitation, capital lease obligations) secured by liens permitted by clause (vii) of Section 4(h) in an aggregate principal amount not to exceed \$750,000 at any one time outstanding; (d) indebtedness outstanding on the date hereof and listed on Schedule II hereto and any refinancings, refundings, renewals or extensions thereof (without any increase in the principal amount thereof and any shortening of the maturity of any principal amount thereof) except that Borrower and Guarantor may amend the indebtedness listed on Schedule II to (i) modify the manner, calculations or mechanics by which amounts thereunder are payable in capital stock of Guarantor and (ii) extend the maturity of all or any portion of the indebtedness evidenced thereby; (e) guarantee obligations with respect to the obligations of Guarantor under the Agreement of Lease with Adler Holding III, LLC; (f) unsecured indebtedness not to exceed \$500,000 in the aggregate at any time outstanding; (g) indebtedness under Rate Contracts entered in the ordinary course of business in order to mitigate interest rate, currency or similar risks and not for speculative purposes with respect to the Term Loan; and (h) guarantee obligations of Guarantor with respect to the obligations of any Subsidiary of Guarantor.

(j) No Merger. Neither Borrower nor Guarantor shall merge or consolidate with any other Person, acquire all or substantially all of the assets or Stock of any Person except (a) any Subsidiary of Borrower may be merged or consolidated with or into Borrower provided Borrower shall be the continuing or surviving entity; (b) any Subsidiary of Borrower may dispose of any or all of its assets (upon voluntary liquidation or otherwise) to Borrower; (c) any Subsidiary of Guarantor (other than Borrower) may be merged or consolidated with or into Guarantor provided Guarantor shall be the continuing or surviving entity; (d) any Subsidiary of Guarantor (other than Borrower) may dispose of any or all of its assets (upon voluntary liquidation or otherwise) to Guarantor; (e) as otherwise expressly permitted pursuant to the terms of the Promissory Note; and (f) Guarantor may acquire the assets or stock of any Person provided that such acquisition is not financed in whole or in part from any distributions, loans or other assets of Borrower or any Subsidiary of Borrower.

(k) Dispositions. Borrower shall not sell, transfer, lend or otherwise dispose of or cease to exercise direct control over any part of its assets, undertakings or revenues which, in the commercially reasonable opinion of the Bank, is material, other than (a) dispositions of obsolete, worn out or damaged equipment not used in the Borrower's business; (b) as permitted pursuant to the terms of the IP Security Agreement; (c) the sale of inventory in the ordinary course of business; (d) dispositions permitted by clause (b) of Section 4(j); (e) the disposition of any or all of the assets of Borrower to any of its Subsidiaries; (f) 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; (g) any settlement of or payment in respect of any property or casualty insurance claim or any condemnation proceeding relating to any property of Borrower, Guarantor or any of their respective Subsidiaries if such property is Collateral (as defined in the Security Agreement or the Pledge Agreement); and (h) non-exclusive licenses of intellectual property in the ordinary course of business. Guarantor shall not sell, transfer or otherwise dispose of any of its ownership interest in Borrower.

(l) Affiliate Transactions. None of Borrower, Guarantor nor any of their respective subsidiaries shall enter into any transaction with any of its affiliates, unless such transaction is on terms not materially less favorable than if the transaction had been negotiated in good faith on an arm's length basis with a non-affiliate, provided, however, that Borrower may enter into and perform its obligations under the Management Agreement dated as of September 29, 2011 between Borrower and Guarantor.

(m) Distributions. Borrower shall not declare or pay any dividends on or make any other distribution with respect to any equity interests, except that: (i) any Subsidiary of Borrower may make such payments to Borrower; (ii) Borrower may make such payments to Guarantor in order to permit Guarantor to make Capital Expenditures and pay overhead, employment cost and expenses and similar expenses to the extent incurred in connection with the operation of the business of Borrower and the Borrower's Subsidiaries; provided, however, that (x) such expenses shall not include interest expense of Guarantor, scheduled payments of principal on funded debt of Guarantor or capital expenditures of Guarantor and (y) to the extent Guarantor has any Subsidiary other than Borrower, any such expenses which do not relate exclusively to the business and operations of Borrower and the Borrower's Subsidiaries or any such other Subsidiary shall be allocated ratably among Borrower and each such other Subsidiary and Borrower shall only make such payments to Guarantor 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 (such distributions, the "Expense Distributions"); (iii) Borrower may make such payments to Guarantor in an amount equal to the estimated federal, state and local tax liability of Guarantor 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 Guarantor; provided, however, that, upon determination of the actual tax liability of Guarantor with respect to the taxable income of 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 (such distributions, the "Tax Distributions"); and (iv) subject to compliance with Section 4(n), Borrower may make distributions on or after January 1, 2015, in an amount not to exceed eighty percent (80%) of Excess Cash Flow.

(n) Cash Flow Recapture. On and after January 1, 2015, prior to Borrower making any distribution as permitted hereunder other than Expense Distributions and Tax Distributions, Borrower shall prepay the outstanding amount of the Term Loan from Excess Cash Flow for the prior fiscal year in an amount equal to twenty percent (20%) of such Excess Cash Flow (the "**Cash Flow Recapture Requirement**"). Such payments received by the Bank in accordance with this provision shall be applied by the Bank to the principal amount of the Term Loan in the reverse order of maturity.

(o) Bank Accounts. Within sixty (60) days of the date hereof Borrower shall have established its primary operating bank accounts at the Bank, and thereafter Borrower shall, during the term hereof, maintain its primary deposit accounts and operating accounts at the Bank in accordance with the standard account documents of the Bank.

(p) Subsidiaries. Borrower shall not permit or suffer to exist the formation of additional Subsidiaries except for Retail Stores unless the Bank consents to such new Subsidiary in writing.

(q) Trademarks and License Agreements. Borrower shall provide (i) written notice to the Bank immediately upon any occurrence described in paragraph D(6) of the Promissory Note and (ii) within forty-five (45) days after the close of each calendar quarter a written report summarizing all material changes to and material Defaults under any Revenue License.

(r) Use of Proceeds. Borrower shall use the proceeds of the Term Loan (i) to refinance the indebtedness of Borrower to Midmarket Capital Partners, LLC, Great American Life Insurance Company and Great American Insurance Company, (ii) to pay transaction fees and expenses incurred in connection with the transactions contemplated by this Letter Agreement and the other Loan Documents and (iii) and for general working capital purposes.

(s) Inspections and Appraisals. At all times during normal business hours upon reasonable advance notice to Borrower (provided that no notice shall be required is an Event of Default has occurred and is continuing), the Bank and/or any agent of the Bank shall have the right to (i) have access to, visit, inspect, review, evaluate and make physical verification and appraisals of Borrower's properties and the collateral securing the Term Loan, (ii) inspect, audit, photograph and copy and make extracts from Borrower's and Guarantor's Books and Records, including management letters prepared by independent accountants, and (iii) discuss with Borrower's and Guarantor's principal officers and independent accountants Borrower's and Guarantor's business, assets, liabilities, financial condition, results of operations and business prospects. The Bank's inspection rights under this clause (s) shall be at the sole cost and expense of the Bank and, except upon the occurrence and during the continuance of an Event of Default, be limited to no more than twice in any calendar year. Borrower and Guarantor each will deliver to the Bank any instrument necessary for the Bank to obtain records from any service bureau maintaining records for Borrower or Guarantor.

(t) Exchange Controls. To the extent that Borrower or Guarantor trades or purchased foreign currency, Borrower and Guarantor each shall obtain any Exchange Control Permit deemed by the Bank to be necessary or appropriate; and obtain the renewal of any such Exchange Control Permit at least thirty (30) days prior to its expiration.

(u) Insurance. Borrower Guarantor shall each (i) keep its assets which are of an insurable character insured (to the extent and for the time periods consistent with or greater than normal industry standards) by financially sound and reputable insurers against loss or damage by fire, explosion, theft, terrorism or other hazards which are included under extended coverage in amounts not less than the replacement value of the property insured, and Borrower shall maintain with financially sound and reputable insurers, insurance against other hazards and risks and liability to Persons and property (including officers and directors liability coverage) to the extent and in the manner consistent or greater than normal industry standards, (ii) within thirty (30) days of the date hereof, provide to the Bank copies of its insurance policies evidencing to the reasonable satisfaction of the Bank that endorsements have been made to such policies adding the Bank as additional insured and/or lender's loss payee, as applicable, and (iii) within ten (10) business days of the date hereof, provide to the Bank certificates of insurance reasonably satisfactory to the Bank with respect to all existing insurance coverage, which certificates shall name the Bank as additional insured and/or lender's loss payee, as applicable (including, without limitation, naming the Bank as additional insured under any umbrella policy), and shall evidence the Borrower's compliance with this Section 4(u) with respect to all insurance coverage existing as of the date hereof. Borrower shall maintain at all times life insurance insuring the life of Isaac Mizrahi in an amount at least equal to \$15,000,000 issued by MetLife, John Hancock or another insurer otherwise acceptable to the Bank and the proceeds of such policy shall have been assigned to the Bank.

5. Miscellaneous

Capitalized terms not defined in this Letter Agreement shall have the meaning ascribed thereto in the Promissory Note.

As used herein, the following terms shall have the following meanings: **“Books and Records”** shall mean all books, records, board minutes, contracts, licenses, insurance policies, environmental audits, business plans, files, computer files, computer discs and other data and software storage and media devices, accounting books and records, financial statements (actual and pro forma), filings with Governmental Authorities and any and all records and instruments relating to the collateral securing the Term Loan or otherwise necessary or helpful in the collection thereof or the realization thereupon. **“Capital Expenditures”** shall mean, as respects Guarantor on a Consolidated Basis, all payments or accruals (including obligations under capital leases) for any fixed assets or improvements or for replacements, substitutions or additions thereto, that have a useful life of more than one year and that are required to be capitalized under GAAP. **“Cash Flow From Operations”** shall mean as respects Guarantor on a Consolidated Basis, cash flow from operations as determined in accordance with GAAP. **“EBITDA”** shall mean, for any period for Guarantor on a Consolidated Basis (without duplication), an amount equal to (a) Net Income (Loss) for such period, minus, (b) to the extent included in calculating Net Income (Loss), 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 Net Income (Loss), (i) interest charges for such period, (ii) the provision for all federal, state, local and foreign taxes payable for such period and the amount of permitted payments in Section 4 (m)(iii) deducted in calculating Net Income (Loss), (iii) the amount of depreciation and amortization expense for such period, (iv) the transaction fees, costs and expenses incurred in connection with the negotiation and execution of this Letter Agreement and the other Loan Documents, (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) all non-cash compensation (including without limitation, stock or equity compensation) in such period. To the extent that permitted payments in Section 4 (m)(ii) for any period are made to Guarantor in respect of expenses of the type referred to in clauses (iii), (iv), (v), (vi) or (vii) above, the portion of such permitted payments made in respect of such expenses shall be included for purposes of the determination of EBITDA as if such expenses had been incurred by Guarantor and its Subsidiaries. **“Encumbrance”** shall mean 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 financing lease having substantially the same economic effect as any of the foregoing) or any options or rights of first refusal with respect to securities, or any shareholders or stockholders agreement or arrangement of any kind or nature whatsoever. **“Excess Cash Flow”** shall mean (without duplication), for any fiscal period, Cash Flow from Operations for such period less (a) Capital Expenditures not made through the incurrence of indebtedness less (b) all cash interest and principal (including indebtedness owed to the Bank) paid or payable during such period less (c) all Tax Distributions made during such period. **“Exchange Control Permit”** shall mean any permit or license issued by a Governmental Authority outside the United States under which any Party is permitted (a) to incur and pay any of the Liabilities in the United States in any currency(ies) in which denominated or (b) to enter into, incur and/or perform any other obligation or Loan Document. **“Expense Distributions”** shall have the meaning given to such term in Section 4(m). **“Fixed Charge Coverage Ratio”** shall mean for any period, the ratio of (a) EBITDA of Guarantor on a Consolidated Basis for such period plus Liquid Assets in excess of \$6,000,000 minus Capital Expenditures of Guarantor on a Consolidated Basis to (b) the Fixed Charges for such period. **“Fixed Charges”** shall mean for any period, the sum of (a) the cash interest expense of Guarantor on a Consolidated Basis for such period, (b) the principal amount of total debt of Guarantor on a Consolidated Basis having a scheduled due date during such period, (c) all Tax Distributions and (d) all other cash distributions or dividends made by Guarantor on a consolidated basis. **“GAAP”** shall mean generally accepted accounting principles in the United States of America in effect from time to time consistently applied (except for accounting changes in response to FASB releases or other authoritative pronouncements). **“Guarantor on a Consolidated Basis”** shall mean the accounts of Guarantor and its Subsidiaries in accordance with GAAP. **“Letter Agreement”** shall mean this letter agreement, as may be amended, restated, supplemented or otherwise modified from time to time. **“Licenses”** shall have the meaning assigned to such term in the IP Security Agreement. **“Liquid Assets”** shall mean (a) assets (which are unencumbered except as permitted pursuant to the terms of the Loan Documents) in the form of cash and cash equivalents consisting of certificates of deposit and money market funds issued by a commercial bank having net assets of not less than \$500 million less (b) the amount of any Encumbrances thereon and any unsatisfied judgment, writ, order of attachment, levy or garnishment entered or issued against the Borrower, Guarantor or any of its Subsidiaries. **“Net Income (Loss)”** shall mean with respect to Guarantor on a Consolidated Basis and for any period, the aggregate net income (or loss) after taxes for such period, determined in accordance with GAAP but excluding for all purposes (a) net income of 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 all interest rate or currency forwards, options, swaps, caps or collar agreements, foreign exchange agreements, commodity contracts or similar arrangements entered into by Guarantor 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. **“Net Worth”** shall mean, as at any date of determination an amount equal to (a) all of the assets of Guarantor on a Consolidated Basis that, in accordance with GAAP, are properly classified as assets on such date, minus (b) all liabilities of Guarantor on a Consolidated Basis that, in accordance with GAAP, are properly classified as liabilities at such date. **“Rate Contracts”** shall mean swap agreements and any other agreements or arrangements designed to provide protection against fluctuations in interest or currency exchange rates. **“Retail Stores”** shall mean up to 22 retail store locations which are a wholly-owned Subsidiary of Borrower or a wholly-owned Subsidiary of Guarantor (other than Borrower). **“Revenue License”** shall mean each License pursuant to which Borrower is entitled to receive revenue from the licensee party thereto. **“Royalty Revenue Amount”** shall mean an amount equal to the gross royalty revenue of Borrower for the immediately preceding fiscal year. **“Stock”** shall mean all certificated and uncertificated shares, options, warrants, membership interests, general or limited partnership interests, participation or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or equivalent entity whether voting or nonvoting, including common stock, preferred stock, or any other “equity security” (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended). **“Subsidiary”** shall mean, with respect to Guarantor and the Borrower, a corporation, exempted company, partnership, exempted limited partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body are at the time beneficially owned by Guarantor or the Borrower, as the case may be. **“Tax Distributions”** shall have the meaning given to such term in Section 4(m). **“Taxes”** shall mean any and all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including interest, additions to tax and penalties applicable thereto. **“Trademark Licenses”** shall have the meaning assigned to such term in the IP Security Agreement.

Until the maturity of the Term Loan and the payment in full of all obligations thereunder and all of Borrower's obligations under the Loan Documents, the Bank shall retain the security interests in the collateral granted under the Security Agreement and the Pledge Agreement and the ability to exercise any and all rights and remedies available to it pursuant to the Loan Documents and applicable law.

No delay on the part of the Bank in exercising any of its options, powers or rights, or partial or single exercise thereof, shall constitute a waiver thereof. The options, powers and rights of the Bank specified in the Loan Documents are in addition to those otherwise created by law or under any other agreement between Borrower and the Bank. No amendment, modification or waiver of any provision of the Loan Documents, nor consent to any departure by Borrower therefrom shall be effective, unless the same shall be in writing and signed by the Bank. Any such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No consent to or demand on Borrower in any case shall, of itself, entitle it to any other or further notice or demand in similar or other circumstances. This Letter Agreement and the other Loan Documents embody the entire agreement and understanding between the Bank and Borrower with respect to the Term Loan and supersedes all prior agreements and understandings relating to the subject matter hereof. In the event of any conflict between this Letter Agreement and any other Loan Document, this Letter Agreement shall control and govern. Borrower agrees to pay all reasonable costs and expenses incurred or payable by the Bank in connection with the documentation, administration and interpretation of the Loan Documents, including reasonable attorneys' fees and disbursements. Borrower agrees to pay all costs and expenses incurred or payable by the Bank in connection with the enforcement or collection of the Loan Documents, including court costs and reasonable attorneys' fees and disbursements. This Letter Agreement shall be binding on Borrower and its successors and assigns, provided that Borrower shall not have the right to assign its rights hereunder or thereunder or any interest herein or therein without the Bank's prior written consent. This Letter Agreement shall be governed by, and for all purposes shall be construed in accordance with, the laws of the State of New York. For purposes of any action, suit or proceeding in connection with this Letter Agreement or any other credit document, Borrower and the Bank hereby irrevocably submit to the jurisdiction of the courts of the State of New York and of the United States District Court for the Southern District of New York and irrevocably agrees that any such action, suit or proceeding may be brought by any party in any such New York or federal court and that a service of process may be made upon any party by mailing a copy of the summons to it, by registered or certified mail, at its address set forth in the Note. Nothing herein shall affect the Bank's right to commence legal proceedings or otherwise proceed against Borrower in any other jurisdiction or to serve process in any other manner permitted by applicable law. IN ANY SUCH ACTION, SUIT OR PROCEEDING THE PARTIES HERETO MUTUALLY WAIVE TRIAL BY JURY.

Section headings used herein or in any other Loan Document are for convenience only and are not to affect the construction of or be taken into consideration in interpreting this Letter Agreement or any other Loan Document.

This Letter 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 Letter Agreement by signing and delivering one or more counterparts. Any signature delivered by a party by facsimile or electronic transmission (including email transmission of a PDF image) shall be deemed an original signature page hereto.

[remainder of page intentionally left blank]

Please indicate your acknowledgment of and agreement to the foregoing by signing and returning the enclosed copy of this letter to the attention of the Bank.

Very truly yours,

BANK HAPOALIM B.M.

By: /s/ Mitchell Barnett
Name: Mitchell Barnett
Title: Senior Vice President

By: /s/ Lavea Eisenberg
Name: Lavea Eisenberg Barnett
Title: First Vice President

Acknowledged and Agreed to:

IM BRANDS, LLC

XCEL BRANDS, INC.,
Its Manager

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

XCEL BRANDS, INC.

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

SIGNATURE PAGE TO
LETTER AGREEMENT

Schedule I

to Letter Agreement between Bank Hapoalim B.M. and IM Brands, LLC

LITIGATION

None

Schedule II

to Letter Agreement between Bank Hapoalim B.M. and IM Brands, LLC

INDEBTEDNESS

Borrower may incur unsecured indebtedness for trade payables in the ordinary course of business and payable on normal trade terms.

Promissory Note in the original principal amount of \$7,377,432 dated September 29, 2011 issued by Borrower and Guarantor in favor of IM Ready-Made, LLC.

[Earn-Out]

Schedule III

to Letter Agreement between Bank Hapoalim B.M. and IM Brands, LLC

SUBSIDIARIES

None

Schedule IV

to Letter Agreement between Bank Hapoalim B.M. and IM Brands, LLC

ENCUMBRANCES

None

Exhibit A

to letter agreement between Bank Hapoalim B.M. and IM Brands, LLC

FORM OF COMPLIANCE CERTIFICATE

This Certificate is delivered pursuant to Section 3(a)(iii) of the Letter Agreement dated as of July 31, 2013 among Bank Hapoalim B.M., Xcel Brands, Inc. and IM Brands, LLC (as amended, restated, supplemented or otherwise modified from time to time, the "**Letter Agreement**"). All capitalized terms used but not defined herein shall have the respective meanings ascribed to such terms in the Letter Agreement and/or the Promissory Note.

I, the undersigned, an authorized officer or Manager of Xcel Brands, Inc. and IM Brands, LLC, do hereby certify pursuant to Section 3(a)(iii) of the Letter Agreement that:

1. As of the date hereof, no Event of Default or event which with the giving of notice or lapse of time, or both, would constitute an Event of Default has occurred and is continuing.
 2. Since _____ there has been no material adverse change in the business, condition (financial or otherwise) or operations of Xcel Brands, Inc. or IM Brands, LLC, and no event or condition has occurred that might have had a material adverse effect on the legality, validity or enforceability of any of the Loan Documents or the ability of Xcel Brands, Inc. or IM Brands, LLC to perform its obligations thereunder.
 3. Xcel Brands, Inc. and IM Brands, LLC are in compliance with the financial covenants set forth in Section 4 of the Letter Agreement. Attached to this Certificate as Annex A is a covenant compliance worksheet reflecting the computation of such financial covenants as of the date and for the period covered by the financial statements enclosed herewith. The information contained herein and in the attached financial information is true, correct and complete as of the last day of the period and for the period covered by the financial statements enclosed herewith.
-

IN WITNESS WHEREOF I have affixed my signature as of ___ day of _____ 20__.

IM BRANDS, LLC

By: Xcel Brands, Inc.,
Manager

By: _____
Name:
Title:

XCEL BRANDS, INC.

By: _____
Name:
Title:

ANNEX A

to Compliance Certificate

1. Net Worth as of _____, 201__ is \$ _____.
 2. Liquid Assets as of _____, 201__ are \$ _____.
 3. Fixed Charge Coverage Ratio as of _____, 201__ is ___ to 1.00.
 4. Capital Expenditures for the fiscal year ending _____, 201__ are \$ _____.
-

Exhibit B

to letter agreement between Bank Hapoalim B.M. and IM Brands, LLC

FORM OF QUARTERLY ROYALTY COLLECTIONS REPORT

SAMPLE
REPORT

IM Brands, LLC

Quarterly Royalty Payment Reporting

Report Date: _____

Guaranteed, Earned, and Overages Royalties

Quarter _____
End Date: _____

Licensee	Guaranteed Royalties							Earned Royalties and Overages						
	Bill Date	Due Date	Amount Billed	Paid Date	Amount Paid	Paid Aging	Subsequent Payment	Bill Date	Due Date	Amount Billed	Paid Date	Amount Paid	Paid Aging	Subsequent Payment
Licensee A			\$		\$									
Licensee B			\$		\$					\$		\$		
Licensee C			\$		\$									
Licensee D			\$		\$					\$		\$		
Licensee X														
Total			\$		\$					\$		\$		

PROMISSORY NOTE

U.S.\$13,000,000
 Dated: July 31, 2013,
 New York, New York

1. Obligation and Repayment: For value received, Borrower absolutely and unconditionally promises to pay to the order of the Bank, at the Office, without defense, setoff or counterclaim, the principal amount of THIRTEEN MILLION United States Dollars (\$13,000,000.00), together with interest and any other sum(s) due and payable as specified below. The principal amount of this Note shall be due and payable in installments on the dates and in the respective amount shown below:

Date of Payment	Amount of Principal Payment
October 1, 2013, January 1, 2014, April 1, 2014 and July 1, 2014	\$ 0
October 1, 2014, January 1, 2015, April 1, 2015 and July 1, 2015	\$ 250,000
October 1, 2015, January 1, 2016, April 1, 2016 and July, 2016	\$ 625,000
October 1, 2016, January 1, 2017, April 1, 2017 and July, 2017	\$ 750,000
October 1, 2017, January 1, 2018 and April 1, 2018	\$ 875,000
July 1, 2018	\$ 3,875,000

2. Interest: Subject to paragraph A(2) of the Terms and Conditions, interest shall accrue on the principal amount of this Note outstanding from time to time at the following rate described in the Rider referred to in Paragraph 3 below (the "Loan Rate"). Interest shall be payable in accordance with the attached Rider.

3. Riders: In the event of any inconsistency between this Note and any Rider(s) to which this Note is subject, the provisions of such Rider(s) shall prevail. This Note is subject to the following Rider, which is part of this Note: **Rider to Promissory Note, dated as of the date hereof.**

4. Address and Identification of Borrower:

Address: 3500 South DuPont Highway, Dover Delaware 19901
 Telephone: 347-532-5894
 Fax: 347-436-9178

(1) Social Security or Taxpayer ID number: 45-1478879

5. Agreement to All Terms and Conditions; Authorization to Complete Blanks: This Note is subject to all of the Terms and Conditions set forth below. Each of the undersigned agrees to all of the provisions of this Note, including the Terms and Conditions and any Rider(s).

6. No Representations or Agreements by the Bank: Each of the undersigned acknowledges that the Bank has made no representation, covenant, commitment or agreement to Borrower except pursuant to any written document executed by the Bank.

7. No Representation of Nonenforcement: Each of the undersigned acknowledges that no representative or agent of the Bank has represented or indicated that the Bank will not enforce any provision of this Note, including the Terms and Conditions and any Rider(s), in the event of litigation or otherwise.

[Remainder of this page intentionally left blank; signature appears on the next page;
 Terms and Conditions appear following the signature page]

8. Waiver of Jury Trial: Borrower waives, and understands that the Bank waives, the right to a jury trial with respect to any dispute arising hereunder or relating to any of the Liabilities; any judicial proceeding with respect to any such dispute shall take place without a jury.

9. Execution of Promissory Note: Borrower understands that by signing this Note it is agreeing to all of the terms as contained in this Note and all other Terms and Conditions and Rider(s) attached hereto and made a part hereof.

Print name of Borrower:

IM BRANDS, LLC

By: XCEL BRANDS, INC.

Its: Manager

By: /s/ James F. Haran

Name: James F. Haran

Title: Chief Financial Officer By:

[Terms and Conditions appear commencing on the next page]

SIGNATURE PAGE TO
PROMISSORY NOTE

TERMS AND CONDITIONS

Definitions are set forth in paragraph N.

A. Calculation and Accrual of Interest: (1) Generally. Interest shall be calculated on a daily basis on outstanding balances at the Applicable Rate, divided by 360, on a month consisting of 30 days. During any time that the Applicable Rate would exceed the applicable maximum lawful rate of interest, the Applicable Rate shall automatically be reduced to such maximum rate. Any interest payment made in excess of such maximum rate shall be applied as, and deemed to be, in the Bank's sole discretion, (a) a payment of any of the Liabilities, in such manner as determined by the Bank, or (b) held as cash collateral to be retained by the Bank to secure payment of the Liabilities if application of such excess to the outstanding principal amount of this Note would result in Fixed Rate Liquidation Costs being due from the Borrower, such cash collateral to be applied to any Liabilities arising as soon as practicable. **(2) Increased Rate.** Interest shall accrue at the Increased Rate upon and after (a) the occurrence of any Debtor Relief Action, (b) any demand of payment of this Note (if payable on demand) or (c) the occurrence of any Event of Default (if this Note is payable other than on demand). **(3) Accrual.** To the extent permitted by Law, interest shall accrue at the Applicable Rate on all unpaid Liabilities under this Note, including but not limited to any unpaid interest and any unpaid obligation owed pursuant to paragraph B (Indemnification).

B. Indemnification: To the extent permitted by Law: **(1) Taxes.** All payments under this Note shall be made free and clear of, and without deduction for, any Taxes. If Borrower shall be required to deduct any Taxes in respect of any sum payable under this Note, then (a) the sum payable shall be increased so that the Bank shall receive an amount equal to the sum the Bank would have received had no deductions been made, and (b) Borrower shall make such deductions and shall pay the amount deducted to the relevant Governmental Authority. Borrower shall pay to the Bank on demand, and shall indemnify and hold the Bank harmless from, any and all Taxes paid by the Bank and any and all liability (including penalties, interest and expenses) with respect thereto arising out of the Borrower's failure to comply with the provisions of this clause (1), whether or not such Taxes were correctly or legally asserted. Within 30 days after any Taxes are paid by Borrower, Borrower shall furnish evidence thereof to the Bank. The Bank shall provide Borrower two copies of appropriate tax forms properly completed and duly executed by the Bank claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by the Bank on or before the first date it is entitled to receive any payment under this Note or any other Loan Document. In addition, the Bank shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by the Bank. The Bank shall promptly notify the Borrower at any time it determined 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). **(2) Regulatory Costs.** In the event that in connection with the transaction(s) contemplated by this Note and/or the Bank's funding of such transaction(s), the Bank is required to incur any Regulatory Costs in order to comply with any Law issued after the date of this Note, then Borrower shall pay to the Bank on demand, and shall indemnify and hold the Bank harmless from, any and all such Regulatory Costs. **(3) Costs and Expenses.** Borrower shall pay the Bank, and shall indemnify and hold the Bank harmless from, any and all Costs and Expenses within ten (10) days after the Bank's invoice to Borrower with respect thereto. **(4) Prepayment Costs.** If Borrower makes any payment of Prepaid Principal (voluntarily or not), then Borrower shall pay to the Bank an amount equal to the Applicable Percentage multiplied by the amount of Prepaid Principal and in addition an amount sufficient to compensate the Bank for its Fixed Rate Liquidated Costs. Borrower agrees that determining the actual amount of the Fixed Rate Liquidated Cost may be difficult or impossible in any specific instance and accordingly agrees with Bank that the Fixed Rate Liquidated Cost shall equal the excess, if any, of the present value (determined using the Applicable Discount Rate) of (a) the product of (i) the amount of principal prepaid, multiplied by (ii) the Fixed Rate applicable to such prepaid amount divided by 360, multiplied by (iii) the remaining number of days from the date of the prepayment to the maturity date of the Loan, over (b) the product of (i) the amount of principal prepaid, multiplied by (ii) the rate determined by Bank to be the fixed rate that would be applicable to the prepaid amount if the Fixed Rate was being set by Bank on the date of prepayment divided by 360, multiplied by (iii) the remaining number of days from the date of the prepayment to the maturity date of the Loan. **(5) Bank Certificate.** The Bank's certificate as to any amounts owing under this paragraph shall be prima facie evidence of Borrower's obligation.

C. Set Off: Every Account of Borrower with the Bank shall be subject to a lien and during the existence of any Event of Default to being set off against the Liabilities. The Bank may at any time during the existence of any Event of Default at its option and without notice, except as may be required by law, charge and/or appropriate and apply all or any part of any such Account toward the payment of any of the Liabilities. The Bank agrees promptly to notify the Borrower after any such set off and application made by the Bank, provided that the failure to give such notice shall not affect the validity of such set off and application.

D. Events of Default: Each of the following shall be an Event of Default hereunder: **(1) Nonpayment.** The nonpayment when due of any principal amount of the Liabilities; (a) the non-payment within three (3) Business Days after the same shall become due of any interest or any other part of the Liabilities; (b) the prohibition by any Law of payment of any part of any of the Liabilities. **(2) Bankruptcy; Adverse Proceedings.** (a) The occurrence of any Debtor Relief Action; (b) the appointment of a receiver, trustee, committee, custodian, personal representative or similar official for any Party or for any Material part of any Party's property; (c) any action taken by any Party to authorize or consent to any action set forth in subparagraph D(2)(a) or (b); (d) the rendering against any Party of one or more judgments, orders, decrees and/or arbitration awards (whether for the payment of money or injunctive or other relief) which in the aggregate are Material to such Party, if they continue in effect for 30 days without being vacated, discharged, stayed, satisfied or performed and involve an aggregate liability of \$750,000 or more (excluding amounts covered by insurance to the extent the relevant third parties insurer has agreed in writing to cover such amount); (e) the issuance or filing of any warrant, process, order of attachment, garnishment or other lien or levy against any Material part of any Party's property which shall not have been vacated, discharged, stayed or bonded pending appeal within thirty (30) days; (f) the commencement of any proceeding under, or the use of any of the provisions of, any Law against any Material part of any Party's property which shall not have been vacated, discharged, stayed or bonded pending appeal within thirty (30) days, including but not limited to any Law (i) relating to the enforcement of judgments or (ii) providing for forfeiture to, or condemnation, appropriation, seizure or taking possession by, or on order of, any Governmental Authority; (g) the forfeiture to, or the condemnation, appropriation, seizure, or taking possession by, or on order of, any Governmental Authority, of any Material part of any Party's property; (h) any Party being charged with a crime by indictment, information or the like. **(3) Noncompliance.** (a) any Party fails to perform under Sections 4(e), (f), (t) and (u) of the Letter Agreement, Sections 5.4, 5.6 and 5.7 of the IP Security Agreement and Section 10.1 of the Security Agreement and such failure is not cured within thirty (30) days of the earlier to occur of (i) the date upon which Borrower or Guarantor becomes aware of such failure and (ii) the date upon which written notice thereof is given to Borrower by Bank; (b) other than those items separately covered by a clause contained in this Section (D), any "Event of Default" (as such term is defined in each Loan Document) by any Party with respect to any Loan Document; (c) the giving to the Bank by or on behalf of any Party at any time of any materially incorrect or incomplete representation, warranty, statement or information; (d) the failure of any Party to furnish to the Bank copies of its financial statements and such other information respecting such Party's business, properties, condition or operations, financial or otherwise, promptly when and in such form as reasonably required or requested by the Bank; (e) any Party's failure or refusal, upon reasonable notice from the Bank (unless an Event of Default has occurred and is continuing, in which case no notice is necessary), to permit the Bank's representative(s) to visit such Party's premises during normal business hours and to examine and make photographs, copies and extracts of such Party's property and of its books and records subject to the limitations set forth in the Letter Agreement; (f) any Party's concealing, removing or permitting to be concealed or removed, any part of its property with the intent to hinder or defraud any of its creditors; (g) any Party's making or suffering any Transfer of any of its property, which Transfer is deemed fraudulent under the law of any applicable jurisdiction; (h) any material provision of any Loan Document shall for any reason cease to be valid and binding on or enforceable against any Party thereto or any such Party shall so state in writing or bring an action to limit its obligations or liabilities thereunder; or any Loan Document that creates a security interest in the collateral purported to be covered thereby shall for any reason (other than pursuant to the terms thereof) cease to create a valid security interest in the collateral purported to be covered thereby or such security interest shall for any reason cease to be a perfected and first priority security interest subject only to Permitted Liens. **(4) Adverse Changes.** (a) Intentionally Deleted; (b) the dissolution or liquidation of any Party; (c) any Party's failure to be and remain in good standing and qualified to do business in each jurisdiction Material to such Party; (d) any Party shall (i) default in making any payment of any principal of any indebtedness (excluding the Liabilities) 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; provided, that a default, event or condition described in clause (i), (ii) or (iii) of this clause (d) 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 (d) shall have occurred and be continuing with respect to indebtedness the outstanding principal amount of which exceeds in the aggregate \$500,000; (e) Borrower becoming insolvent, as defined in the Uniform Commercial Code; (f) any Party's Material failure to pay any tax when due; (g) any loss, suspension, nonrenewal or invalidity of any Material permit, franchise or Trademark (as such term is defined in the Letter Agreement) or the like of Borrower; (h) the occurrence of any event which gives any Person (other than Bank) the right to assert a lien, levy or right of forfeiture against any Material part of any Party's property; (i) Borrower's failure to give the Bank notice, within 10 Business Days after Borrower had notice or knowledge, of the occurrence of any event which, with the giving of notice and/or lapse of time, would constitute an Event of Default. **(5) Business Changes.** (a) any change in Control of Borrower; (b) any merger or consolidation involving any Party not permitted under the terms of a Loan Document; (c) any Party's sale or other Transfer of substantially all of its property; (d) any Material change in the nature or structure of any Party's business; (e) Robert W. D'Loren shall no longer be the Chairman of the Board of Directors of Borrower or Guarantor or have the duties of the Chairman of the Board of Directors of Borrower or Guarantor. **(6) Material License Termination or Default.** The termination of, any amendment or other modification to, or any default under the QVC Agreement but only to the extent such event could reasonably be expected to have a Material adverse effect on Borrower's business or financial condition and Borrower has not replaced such license within sixty (60) days of such termination with a license which generates revenue at least equivalent to the QVC Agreement which was terminated.

E. Remedies: (1) Acceleration at Bank's Option. Upon any failure to pay this Note in full on demand (if payable on demand) or (if this Note is payable other than on demand) upon the occurrence of any Event of Default other than any Debtor Relief Action, then any and all Liabilities, not then due, shall, at the Bank's option, become immediately due and payable, without notice, which Borrower waives. **(2) Automatic Acceleration.** Upon the occurrence of any Debtor Relief Action, then, whether or not any of the Liabilities are payable upon demand and notwithstanding paragraph F, any and all Liabilities not then due, shall automatically become immediately due and payable, without notice or demand, which Borrower waives. **(3) Additional Remedies.** Bank shall have all rights and remedies available to it under any applicable Loan Document or Law after any applicable notice or cure period.

F. Waiver of Protest, etc.: Notice, presentment, protest, notice of dishonor and (except for such of the Liabilities as are payable on demand, but subject to subparagraph E(2)) demand for payment are hereby waived as to all of the Liabilities.

G. Payment: (1) Manner. Any payment by other than immediately available funds shall be subject to collection. Interest shall continue to accrue until the funds by which payment is made are available to the Bank. If and to the extent any payment of any of the Liabilities is not made when due, the Bank is authorized in its discretion to effect payment by charging any amount so due against any Account of Borrower with the Bank without prior notice, except as may be required by law, whether or not such charge creates an overdraft and of which event the Bank will provide notice following such charging of an Account. **(2) Application.** Any payment received by the Bank (including a deemed payment under paragraph A, a set-off under paragraph C or a charge against an Account under this paragraph G) shall be applied to pay any obligation of indemnification (including but not limited to under paragraph B) and to pay any other Liabilities (including interest thereon and the principal thereof) in such order as the Bank shall elect in its discretion. Borrower will continue to be liable for any deficiency. **(3) Prepayment.** Borrower shall be entitled to pay any outstanding principal amount or installment under this Note on any Business Day prior to the applicable Due Date without the prior consent of the Bank, provided that (a) any such payment shall be together with payment of all Liabilities then due and all interest accrued on the Prepaid Principal to the date of such payment, and (b) any such payment shall be on not less than 5 Business Days' notice to the Bank and shall be accompanied by any amount required pursuant to subparagraph B(4). Any such payment shall, unless otherwise consented to by the Bank, be applied pro rata to the last outstanding principal amount(s) to become due under this Note in inverse order of maturity. **(4) Non-Business Days.** If any payment of any of the Liabilities is due on any day that is not a Business Day, it shall be payable on the next Business Day. The additional day(s) shall be included in the computation of interest. **(5) Extension at Bank's Option.** The Bank shall have the option, which may be exercised one or more times by notice(s) to Borrower, to extend the date on which any amount is payable hereunder to one or more subsequent date(s) set forth in such notice(s). **(6) Late Payment.** Without limiting or waiving any rights or remedies of the Bank contained in the Note or under applicable law, and without implying that the Bank has any obligation to declare or to notify the Borrower of the occurrence of any Event of Default, if the Bank has neither declared nor notified the Borrower of the occurrence of an Event of Default, and if any amount of any required payment of principal, interest fees and/or Late Charge (as defined below) under the Note is not paid in full within (7) seven days after the same is due, then in addition to all interest, penalty interest or other fees due to the Bank pursuant to the Note, any rider to the Note or any agreement or document related to this credit facility, the Borrower shall pay the Bank a late fee equal to \$14.30 for each day thereafter. Any amount due under this paragraph shall be referred to herein as a "Late Charge". The Borrower shall pay any and all such Late Charges in addition to all payments of principal, interest and fees (if any) under the Note, provided, however, that during any time that any of the above Late Charges would cause the total interest payable under the Note to exceed the applicable maximum lawful rate of interest, then the sum of (a) all such Late Charges and (b) the amount of interest payable at the Applicable Rate shall automatically be reduced to an amount that shall not exceed the amount of interest payable at such maximum rate.

H. Parties; Counterparts; No Transfer by Borrower: If Borrower is more than one Person, all of them shall be jointly and severally liable under this Note. This Note and any Rider hereto may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single instrument. Any signature delivered by a party by facsimile or electronic transmission (including email transmission of a PDF image) shall be deemed an original signature hereto. Without the Bank's written consent, Borrower shall have no right to make any Transfer of any of the Liabilities; any such purported Transfer shall be void. Subject to the foregoing, the provisions of this Note shall be binding on Borrower's successors and assigns.

I. Bank Transfers: (1) Transferability. Without limiting the Bank's rights hereunder, and subject to the prior written consent of Borrower not to be unreasonably withheld (which consent shall not be required after the occurrence and during the continuance of an Event of Default) the Bank may make a Transfer of all or any part of (a) the Liabilities, (b) any obligation of any other Party in connection with any of the Liabilities, (c) any Loan Document of any Party in connection with any of the Liabilities or any agreement related thereto, (d) any collateral, mortgage, lien or security interest, however denominated, securing any of the Liabilities, and/or (e) the Bank's rights and, if any, obligations with respect to any of the foregoing. **(2) Extent of Transfer.** In the event the Bank shall make any Transfer (and has obtained the consent of Borrower to the extent required hereunder) of any of the foregoing items ("Transferred Items"), then - to the extent provided by the Bank with respect to such Transfer - the Transferee shall have the rights, powers, privileges and remedies of the Bank. The Bank shall thereafter, to the extent of such Transfer, be forever relieved and fully discharged from all liability or responsibility, if any, that it may have to any Person with respect thereto, except for claims, if any, arising prior to or upon such Transfer. The Bank shall retain all its rights and powers with respect to any Transferred Items to the extent that it has not made a Transfer thereof. Without limiting the foregoing, to the extent of any such Transfer with respect to which Borrower has provided its consent or such consent is not required, paragraph B (Indemnification) shall apply to any Taxes, Regulatory Costs, Costs and Expenses, and Fixed Rate Liquidation Costs of, or incurred by, any Transferee, and paragraphs C (Set-Off) and G(1) (Payment-Manner) shall apply to any Account of Borrower with any Transferee and if the required Borrower consent is not so obtained, then such Transferee shall be entitled to reimbursement or compensation under the foregoing paragraphs only to the extent such amounts would have been payable to Bank if the Transfer had not occurred. **(3) Disclosures.** The Bank is authorized to disclose to any prospective or actual Transferee any information that the Bank may have or acquire about Borrower and any information about any other Person submitted to the Bank by or on behalf of Borrower provided that such prospective or actual Transferee agrees to maintain the confidentiality of such information consistent with the terms of the Loan Document. **(4) Negotiability Defenses Waived.** If this Note is not a negotiable instrument, Borrower waives all defenses (except such defenses as may be asserted against a holder in due course of a negotiable instrument) which Borrower may have or acquire against any Transferee who takes this Note, or any complete or partial interest in it, for value, in good faith and without notice that it is overdue or has been dishonored or of any defense against or claim to it on the part of any Person.

J. No Oral Changes; No Waiver by the Bank; Partial Unenforceability: This Note may not be changed orally. Neither a waiver by the Bank of any of its options, powers or rights in one or more instances, nor any delay on the part of the Bank in exercising any of them, nor any partial or single exercise thereof, shall constitute a waiver thereof in any other instance. Any provision of this Note which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization, without invalidating the remaining provisions of this Note in that or any other jurisdiction and without affecting the validity, enforceability or legality of such provision in any other jurisdiction.

K. Disputes and Litigation: (1) Governing Law. This Note and the rights and obligations of the Bank and Borrower hereunder shall be governed by the internal laws of the State of New York without giving effect to conflict of laws principles. **(2) Jurisdiction, Venue, and Service of Process.** Borrower and the Bank each submit to the nonexclusive jurisdiction of the federal and state courts in the State of New York in New York County with respect to any dispute arising hereunder or relating to any of the Liabilities. Service of process may be made on Borrower or the Bank by personal delivery at, or by mail addressed to, any address to which the Bank is authorized to address notices to Borrower. **(3) Waiver of Defenses, Setoffs, Counterclaims and Certain Damages.** Borrower waives the right to assert to the extent permitted by applicable law any defense (other than the defense of payment), setoff or counterclaim in any proceeding relating in any way to this Note or any transaction contemplated hereby. The Bank shall not have any liability for negligence, except solely to the extent required by law and not disclaimable, and except for its own gross negligence or willful misconduct. In any event, the Bank shall not have any liability for any special, consequential or punitive damages. **(4) Sovereign Immunity.** Borrower irrevocably waives, with respect to itself and its property, any sovereign immunity that it may have or hereafter acquire, including but not limited to immunity from the jurisdiction of any court, from any legal process, from attachment prior to judgment, from attachment in aid of execution, from execution or otherwise.

L. OFAC and Patriot Act: Borrower shall: Comply with all Anti-Terrorism Laws; immediately to notify the Bank if it obtains knowledge that it or any of its Affiliates has become or been listed as a Restricted Party or has been charged with or has engaged in any violation of any Anti-Terrorism Law; not to receive any funds from a Restricted Party and, in any case, to exclude any funds derived from any Restricted Party or from any person or entity involved in the violation of any Anti-Terrorism Law from being used to pay debt service or any other amounts owing under the Note; not to transfer or permit the transfer of any legal or beneficial ownership interest of any kind in Borrower to a Restricted Party or any person or entity involved in the violation of any Anti-Terrorism Law; not to acquire, directly or indirectly, ownership interest of any kind in any Restricted Party or any person or entity involved in the violation of any Anti-Terrorism Law; not to form any partnership or joint venture or conduct any business with any Restricted Party or any person or entity involved in the violation of any Anti-Terrorism Law, and not to act, directly or indirectly, as the agent or representative of any Restricted Party or any person or entity involved in the violation of any Anti-Terrorism Law; and to indemnify the Bank for any costs incurred by any of them as a result of any violation of an Anti-Terrorism Law by Borrower.

M. Notice: Any notice in connection with any of the Liabilities shall be in writing and may be delivered personally or by cable, telex, telecopy or other electronic means of communication, or by certified mail, return receipt requested, addressed (a) to Borrower at IM Brands, LLC, 475 Tenth Avenue, 4th Floor, New York, New York 10018 or to such other address that the Bank has received written notice from Borrower as being Borrower's address, and (b) to the Bank at Bank Hapoalim B.M., 1177 Avenue of the Americas, New York, New York 10036, Attention: Legal Department. Any such notice shall be addressed to such other address (es) as may be designated in writing hereafter. All such notices shall be deemed given when delivered personally or electronically or when mailed, except notice of change of address, which shall be deemed to have been given when received.

(a) **N. Definitions:** The following definitions apply in this Note: **(1) Acceleration:** any acceleration of payment or requirement of prepayment of any Debt, or any Debts becoming due and payable prior to stated maturity. **(2) Account:** (a) the balance of any account of Borrower with any Person, and/or (b) any property in the possession or custody of, or in transit to, any Person, whether for safekeeping, collection, pledge or otherwise, as to which Borrower has any right, power or interest - in each case whether existing now or hereafter, in any jurisdiction worldwide, and whether or not denominated in the same currency as any of the Liabilities. **(2A) Applicable Discount Rate:** a discount rate selected by Bank based on the Applicable LIBOR Based Rate (for remaining terms of one year or less) or the Treasury Note Rate (for remaining terms of greater than one year). **(2B) Applicable LIBOR Based Rate:** at the time of the prepayment, the rate of interest per annum equal to the LIBOR Based Rate (converted by Bank to the applicable equivalent monthly yield using Bank's then system of conversion) for an Interest Period selected by Bank in accordance with good faith commercial practices as having a maturity date closest to the maturity date of the Loan. **(3) Applicable Percentage:** (a) two percent (2.00%) in the case of a prepayment on or prior to June 30, 2014, (b) one percent (1.00%) in the case of a prepayment on or after July 1, 2014 but on or before June 30, 2015 and (c) zero percent (0.00%) on or after July 1, 2015. **(4) Applicable Rate:** whichever of the Loan Rate or Increased Rate is the applicable interest rate at any time. **(5) Anti-Terrorism Law:** any U.S. State or Federal law relating to terrorism, money laundering or any related seizure, forfeiture or confiscation of assets, including: (a) the Executive Order No. 13224 of September 23, 2001 - Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism; (b) the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the USA PATRIOT Act), Public Law 107-56; and (c) the Money Laundering Control Act of 1986, Public Law 99-570. **(6) Bank:** Bank Hapoalim B.M. **(6) Borrower:** the Person(s) executing this Note at paragraph 10 or any one or more of them. "Borrower" may refer to one or more Persons. **(7) Business Day:** any day on which both (a) banks are regularly open for business in New York City and (b) the Office is open for ordinary business. In the Bank's discretion, the Office may be closed on any Saturday, Sunday, legal holiday or other day on which it is lawfully permitted to close. **(8) Control:** the power, alone or in conjunction with others, directly or indirectly, through voting securities, by contract or otherwise, to direct or cause the direction of a Person's management and policies. **(9) Costs and Expenses:** any and all reasonable costs and expenses (including but not limited to reasonable attorneys' fees and disbursements) incurred in connection with the Loan Documents and/or the Liabilities, including but not limited to those for (a) any action taken, whether or not by litigation, to collect, or to protect rights or interests with respect to, or to preserve any collateral securing, any of the Liabilities, (b) compliance with any legal process or any order or directive of any Governmental Authority with respect to any Party, (c) any litigation or administrative proceeding relating to any Party, and/or (d) any amendment, modification, extension or waiver with respect to any of the Liabilities. **(10) Debt:** any Party's obligation of any sort (in whole or in part) for the payment of money to any Person, whether (a) absolute or contingent, (b) secured or unsecured, (c) joint, several or independent, (d) now or hereafter existing, or (e) due or to become due. **(11) Debtor Relief Action:** the commencement by any Party or (unless dismissed or terminated within 60 days) against any Party of any proceeding under any law of any jurisdiction (domestic or foreign) relating to bankruptcy, reorganization, insolvency, arrangement, composition, receivership, liquidation, dissolution, moratorium or other relief of financially distressed debtors, or the appointment of a receiver, trustee, committee, custodian, personal representative or similar official for Borrower or for any Material part of Borrower's property, or the making by any Party of an assignment for the benefit of creditors. **(12) Default:** any breach, default or event of default under, or any failure to comply with, any provision of any Loan Document after giving effect to any applicable notice, grace or cure period. **(13) Event of Default:** any event set forth in paragraph D. **(14) Executive Order:** Executive Order No. 13224 of September 23, 2001 - Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism; **(14A) Fixed Rate Liquidated Cost:** an amount, if any, necessary to compensate Bank for the cost of reinvesting (whether or not Bank actually invests the prepaid principal amount), for the period through the maturity date of the Loan, the prepaid principal amount received by Bank at a rate or rates which may be less than the Fixed Rate applicable to such prepaid portion of the Loan. **(15) Governmental Authority:** any domestic or foreign, national or local, (a) government, (b) governmental, quasi-governmental or regulatory agency or authority, (c) court or (d) central bank or other monetary authority. **(16) Guarantor:** Xcel Brands, Inc., a Delaware corporation. **(17) Increased Rate:** the Loan Rate plus 2% per year. **(18) IP Security Agreement:** the Intellectual Property Security Agreement, dated as of the date hereof and as may be amended, restated, supplemented or otherwise modified from time to time, between the Borrower and the Bank. **(19) Law:** any treaty, law, regulation, rule, judgment, order, decree, guideline, interpretation or request (whether or not having the force of law) issued by any Governmental Authority. **(20) Letter Agreement:** the letter agreement, dated as of the date hereof and as may be amended, restated, supplemented or otherwise modified from time to time, between the Borrower and the Bank. **(21) Liabilities:** (a) any and all of the Debt evidenced by this Note, and any and all other Debt of Borrower to, or held or to be held by, the Bank under the Loan Documents, and (b) any and all obligations of any other Party with respect to any of such Debt. **(21A) LIBOR:** the rate per annum (carried out to the fifth decimal) equal to the rate determined by the Bank to be the offered rate on a page or service (whether provided by Bridge Telerate, Reuters, Bloomberg or any other service) that displays an average British Bankers Association Interest Settlement Rate for deposits in U.S. dollars with a term equivalent to the remaining term of the Loan. **(21B) LIBOR-Based Rate:** an annual rate equal to LIBOR plus 3.00%, as determined by the Bank. **(22) License:** shall have the meaning assigned to such term in the IP Security Agreement. **(23) Loan Documents:** means, collectively, the Letter Agreement, this Note, the Security Agreement and all documents executed and delivered in connection with the foregoing. **(24) Loan Rate:** the interest rate determined under paragraph 2. **(25) Material:** material to the business or financial condition of any Party on a consolidated or consolidating basis. **(26) Material Royalty Default:** An Event of Default pursuant to paragraph D(7) hereof. **(27) Office:** the Bank's office at 1177 Avenue of the Americas, New York, New York 10036, or such other place within the United States as the Bank may specify by notice. **(28) Party:** (a) Borrower; (b) any maker, co-maker or endorser of any Loan Document evidencing-, or any guarantor, surety, accommodation party or indemnitor with respect to-, or any Person that provides any collateral as security for, or any Person that issues a subordination, comfort letter, standby letter of credit, repurchase agreement, put agreement, option, other agreement or other credit support with respect to, any of the Liabilities; and (c) if any Party is a partnership or joint venture, any general partner or joint venturer in such Party. **(29) Payment Date:** any Business Day on which any part of the principal or any installment of this Note becomes due and payable under paragraph 1 (and not on account of an Acceleration). **(30) Person:** any person, partnership, joint venture, company, corporation, unincorporated organization or association, trust, estate, Governmental Authority, or any other entity. **(31) Prepaid Principal:** any amount of principal or any installment of this Note which Borrower pays prior to the applicable Payment Date for such amount. **(32) Intentionally Omitted.** **(33) Prime Rate:** the Bank's New York Branches' stated Prime Rate as reflected in its books and records as such Prime Rate may change from time to time. The Bank's determination of its Prime Rate shall be conclusive and final. The Prime Rate is a reference rate and not necessarily the lowest interest rate charged by the Bank. **(34) 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, Isaac Mizrahi and IM Ready-Made, LLC, as amended, supplemented or otherwise modified from time to time. **(35) Regulatory Costs:** any and all costs and expenses of complying with any Law adopted or taking effect after the date hereof, including but not limited to with respect to (a) any reserves or special deposits maintained for or with, or pledges to, or assessments, insurance premiums or special charges paid to, any Governmental Authority, or (b) any capital, capital equivalency ledger account, ratio of assets to liabilities, risk-based capital assessment or any other capital substitute, risk-based or otherwise. **(36) Restricted Party:** (a) any individual or entity: listed in the Annex to the Executive Order or is otherwise subject to the provisions of the Executive Order; (b) listed on the "Specially

Designated Nationals and Blocked Persons" list maintained by the Office of Foreign Assets Control (OFAC) of the United States Department of the Treasury, as updated or amended from time to time, or any similar list issued by OFAC; or (c) whose property has been blocked, or is subject to seizure, forfeiture or confiscation, by any order relating to terrorism or money laundering issued by the President, Attorney General, Secretary of State, Secretary of Defense, Secretary of the Treasury or any other U.S. State or Federal governmental official or entity. **(37) Taxes:** any and all present and future taxes, levies, imposts, deductions, charges and withholdings in any jurisdiction worldwide, and all liabilities with respect thereto, which are imposed by a Governmental Authority with respect to this Note or to any amount payable under this Note, excluding taxes determined on the basis of the net income of a Person or of any of its offices. **(38) Transfer:** any negotiation, assignment, participation, conveyance, grant of a security interest, lease, delegation, or any other direct or indirect transfer of a complete or partial, legal, beneficial, economic or other interest or obligation. **(39) Transferee:** any Person to whom a Transfer is made. **(40) Transferred Items:** items defined in paragraph I. **(40a) Treasury Note Rate:** at the time of the prepayment, the rate of interest per annum equal to the yield to maturity (converted by Bank to the applicable equivalent monthly yield using Bank's then system of conversion) of the Treasury Obligation selected by Bank in accordance with good faith commercial practices as having a maturity date closest to the maturity date of the Loan. **(41) Treasury Obligation:** a note, bill or bond issued by the United States Treasury Department as a full faith and credit general obligation of the United States.

RIDER TO PROMISSORY NOTE

This Rider is referred to in paragraph 3 of, and constitutes a part of, the Promissory Note of Borrower to the Bank dated as of July 31, 2013 in the amount of up to \$13,000,000.00.

Specific Terms

Fixed Rate: 4.44% per annum

[Remainder of this page intentionally left blank;
signature page appears on the next page;
Riders continue after the signature page]

Borrower agrees to the above Specific Terms and to all of the Terms and Conditions set forth below.

Print Borrower's Name:

IM BRANDS, LLC

By: XCEL BRANDS, INC.
Its: Manager

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

[Riders continue on the following page]

Terms and Conditions

Certain capitalized terms are defined in paragraph 4.

1. Advances. Borrower shall receive on the date hereof a Loan in the principal amount of \$13,000,000 from the Bank, subject to the terms and conditions set forth in the Loan Documents.

2. Payment of Principal and Interest. Subject to the other provisions of the Note:

(a) Obligation, Time and Manner of Payment. Subject to the other provisions of the Note and this Rider, the Outstanding Principal Amount shall be due and payable at the applicable Due Date. Unless specified otherwise in the Note or in a Rider thereto, every payment to be made by or on behalf of the Borrower under the Note shall be made in U.S. Dollars, and the designation of U.S. Dollars as the currency of payment is of the essence. Every payment or delivery under the Note by or on behalf of Borrower of any money denominated in any Currency shall be made at the Office and/or to such account or accounts as the Bank may designate from time to time by notice to Borrower, in immediately available and freely transferable funds in the Currency in which the applicable obligation is denominated and in Currency that is unrestricted, unblocked and free of exchange controls, without set off, counterclaim, withholding or deduction of any kind whatsoever. Except as otherwise provided herein, any payment due under the Note on a day that is not a Business Day shall be payable on the next succeeding Business Day.

(b) Loan Rate. Interest on any Outstanding Principal Amount shall accrue, at the Fixed Rate.

(c) Payment and Calculation of Interest. Interest accruing on the Outstanding Principal Amount shall be payable (i) each Payment Date, (ii) at the Due Date and (iii) at any time that any Prepaid Principal is paid. Interest shall be calculated as set forth in the Note.

(d) Currency of Payment. All loans and repayments of principal, interest or any other costs and charges shall be made in U.S. dollars.

3. Bank's Conclusive Determinations and Schedule. The Bank's determination with respect to any matter hereunder shall be conclusive, final and binding on Borrower, absent manifest error. The Bank shall from time to time record the Applicable Rate, each date on which any part of principal, interest or any other amount shall be due and payable, and the amount and date of each payment of principal, interest or any other amount, on a schedule, which in the Bank's discretion may be computer-generated and/or may be taken from the Bank's general books and records, and which schedule is incorporated in, and is a part of, the Note and this Rider (the "Schedule"). The Schedule shall be conclusive, final and binding upon Borrower, absent manifest error, provided, however, that the failure of the Bank to record any of the foregoing shall not limit or otherwise affect the obligation of Borrower to pay all amounts owed to the Bank under the Note. Without limiting the foregoing, Borrower acknowledges that the Interest Period and the Applicable Rate with respect to any Outstanding Principal Amount are subject to the Bank's consent ordinarily negotiated between Borrower and the Bank by telephone, and Borrower agrees that in the event of any dispute as to any of the terms of any Loan, the determination of the Bank and its respective entry with respect thereto on its books and records and/or on the Schedule shall be conclusive, final and binding on Borrower, absent manifest error.

4. Definitions. Each capitalized term not defined herein shall have the meaning ascribed thereto in the Note. The following definitions apply in this Rider and in the Note, and shall prevail over any different definitions in the Note.

(a) Applicable Rate: whichever of the Loan Rate or Increased Rate is the applicable interest rate at any time with respect to any Outstanding Principal Amount.

(b) Currency: money denominated in the lawful currency of any country (including but not limited to the lawful currency of the United States) or any unit of account or single or unified currency of the European Community.

(c) Determination Time: 12:00 noon (or any later time determined by the Bank in its sole discretion), New York City time, of a Working Day that is two Working Days prior to the date of the Loan.

(d) Due Date: each date set forth in paragraph 1 of the Note or, if the Bank has extended such dates pursuant to paragraph G(5) of the Note or by an agreement with Borrower, such extended dates.

(e) Fixed Rate: as set forth under Specific Terms.

(f) Loan: any loan advanced by the Bank to Borrower under the Note.

(g) Loan Rate: the interest rate determined under subparagraph 2(b).

(h) Note: the note of which this Rider is a part (including any and all riders and amendments to the Note).

(i) Outstanding Principal Amount: the outstanding principal amount of the Loan.

(j) Payment Date: the first Business Day of each calendar quarter with respect to interest accrued up to such date.

(k) Working Day: a Business Day on which banks are regularly open for business in London.

SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of July 31, 2013 between IM BRANDS, LLC, a Delaware limited liability company (the "Borrower") with its principal office located at 475 Tenth Avenue, New York, New York 10018, and Bank Hapoalim B.M., an Israeli banking corporation licensed to do business in the State of New York (the "Bank") with its New York office located at 1177 Avenue of the Americas, New York, NY 10036.

WHEREAS, the Borrower will enter into credit facilities with the Bank, evidenced by the various loan documents (each, as amended and in effect from time to time, a "Loan Document" and together, as amended and in effect from time to time, the "Loan Documents"), including an additional separate and distinct credit facility with the Bank dated as of this date (as evidenced by such documents dated as of this date as may be amended and in effect from time to time, the "Credit Agreements", which shall also be deemed to be "Loan Documents"), with the Bank pursuant to which the Bank, subject to the terms and conditions contained therein, is to make loans or otherwise to extend credit to the Borrower; and

WHEREAS, it is a condition precedent to the Bank's making credit available to the Borrower under the Credit Agreements and to make any loans or otherwise extend credit to the Borrower under the Loan Documents, that the Borrower execute and deliver to the Bank a security agreement in substantially the form hereof; and

WHEREAS, the Borrower wishes to grant security interests in favor of the Bank as herein provided;

NOW, THEREFORE, in consideration of the promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Definitions.** All capitalized terms used herein without definitions shall have the respective meanings provided therefor in the Loan Documents. The term "State", as used herein, means the State of New York. All terms defined in the Uniform Commercial Code of the State and used herein shall have the same definitions herein as specified therein. However, if a term is defined in Article 9 of the Uniform Commercial Code of the State differently than in another Article of the Uniform Commercial Code of the State, the term has the meaning specified in Article 9. The term "Obligations", as used herein, means all of the indebtedness, obligations and liabilities of the Borrower to the Bank, individually or collectively, whether direct or indirect, joint or several, absolute or contingent, due or to become due, now existing or hereafter arising under or in respect of the Loan Documents, any promissory notes or other instruments or agreements executed and delivered pursuant thereto or in connection therewith, or this Agreement. The term "Loan Document(s)", as used herein, includes the Credit Agreements, promissory notes or other instruments, letter of credit applications and agreements, this Agreement, and any other agreement between the Borrower and the Bank, relating to a credit facility or facilities extended by the Bank to the Borrower. The term "Event of Default", as used herein, means the failure of the Borrower to pay or to perform any of the Obligations, or any of the other terms or conditions, as and when due to be paid or performed under the terms of any Loan Document, or a default as set forth in any Loan Document.

2. **Grant of Security Interest.** The Borrower hereby grants to the Bank, to secure the payment and performance in full of all of the Obligations, a security interest in and so pledges and assigns to the Bank the following properties, assets and rights of the Borrower, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof (all of the same being hereinafter called the "Collateral"): all personal and fixture property of every kind and nature including without limitation all goods (including inventory, equipment and any accessions thereto), instruments (including promissory notes), documents, accounts (including health-care insurance receivables), chattel paper (whether tangible or electronic), deposit accounts, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), commercial tort claims, securities and all other investment property, supporting obligations, any other contract rights or rights to the payment of money, insurance claims and proceeds, tort claims and all general intangibles (including all payment intangibles). The Bank acknowledges that the attachment of its security interest in any commercial tort claim as original collateral is subject to the Borrower's compliance with Section 4.7.

3. **Authorization to File Financing Statements.** The Borrower hereby irrevocably authorizes the Bank at any time and from time to time to file in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of the Borrower or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of the State or such jurisdiction, or (ii) as being of an equal or lesser scope or with greater detail, and (b) contain any other information required by part 5 of Article 9 of the Uniform Commercial code of the State for the sufficiency or filing office acceptance of any financing statement or amendment, including whether the Borrower is an organization, the type of organization and any organization identification number issued to the Borrower. The Borrower agrees to furnish any such information to the Bank promptly upon request. The Borrower also ratifies its authorization for the Bank to have filed in any Uniform Commercial Code jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

4. **Other Actions.** Further to insure the attachment, perfection and first priority of, and the ability of the Bank to enforce, the Bank's security interest in the Collateral, the Borrower agrees, in each case at the Borrower's own expense, to take the following actions with respect to the following Collateral:

4.1 **Promissory Notes and Tangible Chattel Paper.** If the Borrower shall at any time hold or acquire any promissory notes or tangible chattel paper, the Borrower shall promptly notify the Bank thereof, and, upon the Bank's request and option, endorse, assign and deliver the same to the Bank, accompanied by such instruments of transfer or assignment duly executed in blank as the Bank may from time to time specify.

4.2 **Deposit Accounts.** For each deposit account that the Borrower at any time opens or maintains, the Borrower shall, at the Bank's request and option, pursuant to an agreement in form and substance satisfactory to the Bank, either (a) cause the depository bank to agree to comply at any time with instructions from the Bank to such depository bank directing the disposition of funds from time to time credited to such deposit account, without further consent of the Borrower, or (b) arrange for the Bank to become the customer of the depository bank with respect to the deposit account, with the Borrower being permitted, only with the consent of the Bank, to exercise rights to withdraw funds from such deposit account. The Bank agrees with the Borrower that the Bank shall not give any such instructions or withhold any withdrawal rights from the Borrower unless an Event of Default has occurred and is continuing or, after giving effect to any withdrawal not otherwise permitted by the Loan Documents, would occur. The provisions of this paragraph shall not apply to (i) deposit accounts for which the Bank is the Depository and (ii) deposit accounts specially and exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of the Borrower's salaried employees.

4.3 **Investment Property.** If the Borrower shall at any time hold or acquire any certificated securities, the Borrower shall forthwith endorse, assign and deliver the same to the Bank, accompanied by such instruments of transfer or assignment duly executed in blank as the Bank may from time to time specify. If any securities now or hereafter acquired by the Borrower are uncertificated and are issued to the Borrower or its nominee directly by the issuer thereof, the Borrower shall immediately notify the Bank thereof and, at the Bank's request and option, pursuant to an agreement in form and substance satisfactory to the Bank, either (a) cause the issuer to agree to comply with instructions from the Bank as to such securities, without further consent of the Borrower or such nominee, or (b) arrange for the Bank to become the registered owner of the securities. If any securities, whether certificated or uncertificated, or other investment property now or hereafter acquired by the Borrower are held by the Borrower or its nominee through a securities intermediary or commodity intermediary, the Borrower shall immediately notify the Bank thereof and, at the Bank's request and option, pursuant to an agreement in form and substance satisfactory to the Bank, either (i) cause such securities intermediary or (as the case may be) commodity intermediary to agree to comply with entitlement orders or other instructions from the Bank to such securities intermediary as to such securities or other investment property, or (as the case may be) commodity intermediary to agree to comply with entitlement orders or other instructions from the Bank to such securities intermediary as to such securities or other investment property, or (as the case may be) to apply any value distributed on account of any commodity contract as directed by the Bank to such commodity intermediary, in each case without further consent of the Borrower or such nominee, or (ii) in the case of financial assets or other investment property held, with the Borrower being permitted, only with the consent of the Bank, to exercise rights to withdraw or otherwise deal with such investment property. The Bank agrees with the Borrower that the Bank shall not give any such entitlement orders or instructions or directions to any such issuer, securities intermediary or commodity intermediary, and shall not withhold its consent to the exercise of any withdrawal or dealing rights by the Borrower, unless an Event of Default has occurred and is continuing, or, after giving effect to any such investment and withdrawal rights not otherwise permitted by the Loan Documents, would occur. The provisions of this paragraph shall not apply to any financial assets credited to a securities account for which the Bank is the securities intermediary.

4.4 **Collateral in the Possession of a Bailee.** If any Collateral having a value of \$100,000 is at any time in the possession of a bailee, the Borrower shall promptly notify the Bank thereof and, if requested by the Bank, shall promptly obtain an acknowledgment from the bailee, in form and substance satisfactory to the Bank, that the bailee holds such Collateral for the benefit of the Bank and shall act upon the instructions of the Bank, without the further consent of the Borrower. The Bank agrees with the Borrower that the Bank shall not give any such instructions unless an Event of Default has occurred and is continuing or would occur after taking into account any action by the Borrower with respect to the bailee.

4.5 **Electronic Chattel paper and Transferable Records.** If the Borrower at any time holds or acquires an interest in any electronic chattel paper or any “transferable record,” as that term is defined in Section 201 of the federal Electronic Signatures in Global and National Commerce Act, or in Section 16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction, the Borrower shall promptly notify the Bank thereof and, at the request of the Bank, shall take such action as the Bank may reasonably request to vest in the Bank control, under Section 9-105 of the Uniform Commercial Code, of such electronic chattel paper or control under Section 201 of the federal Electronic Signatures in Global and National Commerce Act or, as the case may be, Section 16 of the Uniform Electronic Transactions Act, as so in effect in such jurisdiction, of such transferable record. The Bank agrees with the Borrower that the Bank will arrange, pursuant to procedures satisfactory to the Bank and so long as such procedures will not result in the Bank’s loss of control, for the Borrower to make alterations to the electronic chattel paper or transferable record permitted under UCC Section 9-105 or, as the case may be, Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or Section 16 of the Uniform Electronic Transactions Act for a party in control to make without loss of control, unless an Event of Default has occurred and is continuing or would occur after taking into account any action by the Borrower with respect to such electronic chattel paper or transferable record.

4.6 **Letter-of-credit Rights.** If the Borrower is at any time a beneficiary under a letter of credit now or hereafter issued in favor of the Borrower, the Borrower shall promptly notify the Bank thereof and, at the request and option of the Bank, the Borrower shall, pursuant to an agreement in form and substance satisfactory to the Bank, either (i) arrange for the issuer and any confirmer of such letter of credit to consent to an assignment to the Bank of the proceeds of any drawing under the letter of credit, or (ii) arrange for the Bank to become the transferee beneficiary of the letter of credit, with the Bank agreeing, in each case, that the proceeds of the letter of credit are to be applied as provided in the Loan Documents.

4.7 **Commercial Tort Claims.** If the Borrower shall at any time hold or acquire a commercial tort claim, the Borrower shall immediately notify the Bank in a writing signed by the Borrower of the brief details thereof and grant to the Bank 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 satisfactory to the Bank.

4.8 **Other Actions as to any and all Collateral.** The Borrower further agrees to take any other action reasonably requested by the Bank to insure the attachment, perfection and first priority of, and the ability of the Bank to enforce, the Bank's security interest in any and all of the Collateral including, without limitation, (a) executing, delivering and, where appropriate, filing financing statements and amendments relating thereto under the Uniform Commercial Code, to the extent, if any, that the Borrower's signature thereon is required therefor, (b) causing the Bank's name to be noted as secured party on any certificate of title for a titled good if such notation is a condition to attachment, perfection or priority of, or ability of the Bank to enforce, the Bank's security interest in such Collateral, (c) complying with any provision of any statute, regulation or treaty of the United States as to any Collateral if compliance with such provision is a condition to attachment, perfection or priority of, or ability of the Bank to enforce, the Bank's security interest in such Collateral, (d) obtaining governmental and other third party consents and approvals, including without limitation any consent of any licensor, lessor or other person obligated on Collateral, (e) obtaining waivers from mortgagees and landlords in form and substance satisfactory to the Bank and (f) taking all actions required by any earlier versions of the Uniform Commercial Code or by other law, as applicable in any relevant Uniform Commercial Code jurisdiction, or by other law as applicable in any foreign jurisdiction.

5. **[Reserved]**.

6. **Representations and Warranties Concerning Borrower's Legal Status.** The Borrower has previously delivered to the Bank a certificate signed by the Borrower entitled "Perfection Certificate" (the "Perfection Certificate"). The Borrower represents and warrants to the Bank as follows: (a) the Borrower's exact legal name is that indicated on the Perfection Certificate and on the signature page hereof, (b) the Borrower is an organization of the type and organized in the jurisdiction set forth in the Perfection Certificate, (c) the Perfection Certificate accurately sets forth the Borrower's organizational identification number or accurately states that the Borrower has none, (d) the Perfection Certificate accurately sets forth the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different and (e) all other information set forth on the Perfection Certificate pertaining to the Borrower is accurate and complete.

7. **Covenants Concerning Borrower's Legal Status.** The Borrower covenants with the Bank as follows: (a) without providing at least 30 days prior written notice to the Bank, the Borrower will not change its name, its place of business or, if more than one, chief executive office, or its mailing address or organizational identification number if it has one, (b) if the Borrower does not have an organizational identification number and later obtains one, the Borrower shall forthwith notify the Bank of such organizational identification number, and (c) the company will not change its type of organization, jurisdiction of organization or other legal structure.

8. **Representations and Warranties Concerning Collateral, Etc.** The Borrower further represents and warrants to the Bank as follows: (a) the Borrower is the owner of or has other rights in or power to transfer the Collateral, free from any adverse lien, security interest or other encumbrance, except for the security interest created by this Agreement, (b) none of the Collateral constitutes, or is the proceeds of, "farm products" as defined in Section 9-102(a)(34) of the Uniform Commercial Code of the State, (c) none of the account debtors or other persons obligated on any of the Collateral is a governmental authority subject to the Federal Assignment of Claims Act or like federal, state or local statute or rule in respect of such Collateral, (d) the Borrower holds no commercial tort claims, and (e) the Borrower has at all times operated its business in compliance with all applicable provisions of the federal Fair Labor Standards Act, as amended, and with all applicable provisions of federal, state and local statutes and ordinances dealing with the control, shipment, storage or disposal of hazardous materials or substances and (f) all other information set forth on the Perfection Certificate pertaining to the Collateral is accurate and complete.

9. **Covenants Concerning Collateral, Etc.** The Borrower further covenants with the Bank as follows: (a) the Collateral, to the extent not delivered to the Bank pursuant to Section 4, will be kept at those locations listed on the Perfection Certificate and the Borrower will not remove the Collateral from such locations without providing at least 30 days prior written notice to the Bank, (b) except for the security interest herein granted and liens permitted by a Credit Agreement, the Borrower shall be the owner of or have other rights in the Collateral free from any lien, security interest or other encumbrance, and the Borrower shall defend the same against all interests therein adverse to the Bank, (c) the Borrower shall not pledge, mortgage or create, or suffer to exist a security interest in the Collateral in favor of any person other than the Bank, (d) the Borrower will keep the Collateral in good order and repair and will not use the same in violation of law or any policy of insurance thereon, (e) the Borrower will permit the Bank, or its designee, to inspect the Collateral at any reasonable time, wherever located, (f) the Borrower will pay promptly when due all taxes, assessments, governmental charges and levies upon the Collateral or incurred in connection with the use or operation of such Collateral or incurred in connection with this Agreement, (g) the Borrower will continue to operate, its business in compliance with all applicable provisions of the federal Fair Labor Standards Act as amended, and with all applicable provisions of federal, state and local statutes and ordinances dealing with the control, shipment, storage or disposal of hazardous materials or substances, and (h) the Borrower will not sell or otherwise dispose, or offer to sell or otherwise dispose, of the Collateral or any interest therein except for the sale of inventory in the ordinary course of business. In the event of any inconsistency between the covenants made in the Intellectual Property Security Agreement, dated as of the date hereof, between the Borrower and the Bank (as amended, restated, supplemented or otherwise modified from time to time, the "IP Security Agreement"), with respect to the Borrower's Copyrights, Trademarks and Licenses (as such terms are defined in the IP Security Agreement), and those covenants made in this Security Agreement with respect to that portion of the Collateral consisting of such Copyrights, Trademarks and Licenses, the covenants set forth in the IP Security Agreement shall prevail with respect to such inconsistency.

10. **Insurance.**

10.1 **Maintenance of Insurance.** The Borrower will maintain, with financially sound and reputable insurers, insurance with respect to its properties and business against such casualties and contingencies as shall be in accordance with general practices of businesses engaged in similar activities in similar geographic areas. Such insurance shall be in such minimum amounts that the Borrower will not be deemed a co-insurer under applicable insurance laws, regulations and policies and otherwise shall be in such amounts, contain such terms to be in such forms and be for such periods as may be reasonably satisfactory to the Bank. In addition, all such insurance shall be payable to the Bank as lender's loss payee under a "standard" or "New York" lender's loss payee clause. Without limiting the foregoing, the Borrower will (i) keep all of its physical property insured with casualty or physical hazard insurance on an "all risks" basis, with electronic data processing coverage, with a full replacement cost endorsement and an "agreed amount" clause in an amount equal to 100% of the full replacement cost of such property, (ii) maintain all such workers' compensation or similar insurance as may be required by law and (iii) maintain, in amounts and with deductibles equal to those generally maintained by business engaged in similar activities in similar geographic areas, general public liability insurance against claims of bodily injury, death or property damage occurring, on, in or about the properties of the Borrower; business interruption insurance; and product liability insurance.

10.2 **Insurance Proceeds.** The proceeds of any casualty insurance in respect of any casualty loss of any of the Collateral shall, subject to the rights, if any, of other parties with a prior interest in the property covered thereby, (i) so long as no Default or Event of Default has occurred and is continuing and to the extent that the amount of such proceeds is less than \$25,000.00, be disbursed to the Borrower for direct application by the Borrower solely to the repair or replacement of the Borrower's property so damaged or destroyed and (ii) in all other circumstances, be held by the Bank as cash collateral, upon such terms and conditions as the Bank may reasonably prescribe, for direct application by the Borrower solely to the repair or replacement of the Borrower's property so damaged or destroyed, or upon the Borrower's prior written consent, the Bank may apply all or any part of such proceeds to the Obligations with the Commitment (if not then terminated) being reduced by the amount so applied to the Obligations.

10.3 **Notice of Cancellation, etc.** All policies of insurance shall provide for at least 30 days prior written cancellation notice to the Bank. In the event of failure by the Borrower to provide and maintain insurance as herein provided, the Bank may, at its option and upon prior written notice to the Borrower, provide such insurance and charge the amount thereof to the Borrower. The Borrower shall furnish the Bank with certificates of insurance and policies evidencing compliance with the foregoing insurance provision.

11. **Collateral Protection Expenses; Preservation of Collateral.**

11.1 **Expenses Incurred by Bank.** In its discretion and upon prior written notice to the Borrower, the Bank may discharge taxes and other encumbrances at any time levied or placed on any of the Collateral, make repairs thereto and pay any necessary filing fees or, if the debtor fails to do so, insurance premiums. The Borrower agrees to reimburse the Bank on demand for any and all expenditures so made. The Bank shall have no obligation to the Borrower to make any such expenditures, nor shall the making thereof relieve the Borrower of any default.

11.2 **Bank's Obligations and Duties.** Anything herein to the contrary notwithstanding, the Borrower shall remain liable under each contract or agreement comprised in the Collateral to be observed or performed by the Borrower thereunder. The Bank shall not have any obligation or liability under any such contract or agreement by reason of or arising out of this Agreement or the receipt by the Bank of any payment relating to any of the Collateral, nor shall the Bank be obligated in any manner to perform any of the obligations of the Borrower under or pursuant to any such contract or agreement, to make inquiry as to the nature or sufficiency of any payment received by the Bank in respect of the Collateral or as to the sufficiency of any performance by any party under any such contract or agreement, 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 the Bank or to which the Bank may be entitled at any time or times. The Bank's sole duty with respect to the custody, safe keeping and physical preservation of the Collateral in its possession, under Section 9-207 of the Uniform Commercial Code of the State or otherwise, shall be to deal with such Collateral in the same manner as the Bank deals with similar property for its own account.

12. **Securities and Deposits.** The Bank may at any time following and during the continuance of an Event of Default, at its option, transfer to itself or any nominee any securities constituting Collateral, receive any income thereon and hold such income as additional Collateral or apply it to the Obligations. Whether or not any Obligations are due, the Bank may following and during the continuance of an Event of Default demand, sue for, collect, or make any settlement or compromise which it deems desirable with respect to the Collateral. Regardless of the adequacy of Collateral or any other security for the Obligations, any deposits or other sums at any time credited by or due from the Bank to the Borrower may at any time be applied to or set off against any of the Obligations.

13. **Notification to Account Debtors and Other Persons Obligated on Collateral.** If an Event of Default shall have occurred and be continuing, the Borrower shall, at the request of the Bank, notify account debtors and other persons obligated on any of the Collateral of the security interest of the Bank in any account, chattel paper, general intangible, instrument or other Collateral and that payment thereof is to be made directly to the Bank or to any financial institution designated by the Bank as the Bank's agent therefor, and the Bank may itself, if an Event of Default shall have occurred and be continuing, upon prior written notice to the Borrower, so notify account debtors and other persons obligated on Collateral. After the making of such a request or the giving of any such notification, the Borrower shall hold any proceeds of collection of accounts, chattel paper, general intangibles, instruments and other Collateral received by the Borrower as trustee for the Bank without commingling the same with other funds of the Borrower and shall turn the same over to the Bank in the identical form received, together with any necessary endorsements or assignments. The Bank shall apply the proceeds of collection of accounts, chattel paper, general intangibles, instruments and other Collateral received by the Bank to the Obligations, such proceeds to be immediately entered after final payment in cash or other immediately available funds of the items giving rise to them.

14. **Power of Attorney.**

14.1 **Appointment and Powers of Bank.** The Borrower hereby irrevocably constitutes and appoints the Bank and any officer or agent thereof, with full power of substitution, as its true and lawful attorneys-in-fact with full irrevocable power and authority in the place and stead of the Borrower or in the Bank's 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 that may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, hereby gives said attorneys the power and right, on behalf of the Borrower, without notice to or assent by the Borrower, to do the following: upon the occurrence and during the continuance of an Event of Default, generally to sell, transfer, pledge make any agreement with respect to or otherwise deal with any of the Collateral in such manner as is consistent with the Uniform Commercial Code of the State and as fully and completely as though the Bank were the absolute owner thereof for all purposes, and to do at the Borrower's expense, at any time, or from time to time, all acts and things which the Bank deems necessary to protect, preserve or realize upon the Collateral and the Bank's security interest therein, in order to effect the intent of this Agreement, all as fully and effectively as the Borrower might do, including, without limitation, (i) the filing and prosecuting of registration and transfer applications with the appropriate federal or local agencies or authorities with respect to trademarks, copyrights and patentable inventions and processes, (ii) upon written notice to the Borrower, the exercise of voting rights with respect to voting securities, which rights may be exercised, if the Bank so elects, with a view to causing the liquidation in a commercially reasonable manner of assets of the issuer of any such securities and (iii) the execution, delivery and recording, in connection with any sale or other disposition of any Collateral, of the endorsements, assignments or other instruments of conveyance or transfer with respect to such Collateral.

14.2 **Ratification by Borrower.** To the extent permitted by law, the Borrower hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

14.3 **No Duty on Bank.** The power conferred on the Bank hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. The Bank shall be accountable only for the amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to the Borrower for any act or failure to act, except for the Bank's own gross negligence or willful misconduct.

15. **Remedies.** If an Event of Default shall have occurred and be continuing, the Bank may, without notice to or demand upon the Borrower, declare this Agreement to be in default, and the Bank shall thereafter have in any jurisdiction in which enforcement hereof is sought, in addition to all other rights and remedies, the rights and remedies of a secured party under the Uniform Commercial Code of the State or of any jurisdiction in which Collateral is located, including, without limitation, the right to take possession of the Collateral, and for that purpose the Bank may, so far as the Borrower can give authority therefor, enter upon any premises on which the Collateral may be situated and remove the same therefrom. The Bank may in its discretion require the Borrower to assemble all or any part of the Collateral at such location or locations within the jurisdiction(s) of the Borrower's principal office(s) or at such other locations as the Bank may reasonably designate. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Bank shall give to the Borrower at least ten (10) Business Days prior written notice of the time and place of any public sale of Collateral or of the time after which any private sale or any other intended disposition is to be made. The Borrower hereby acknowledges that ten (10) Business Days prior written notice of such sale or sales shall be reasonable notice. In addition, the Borrower waives any and all rights that it may have to a judicial hearing in advance of the enforcement of any of the Bank's rights hereunder, including without limitation, its right following an Event of Default to take immediate possession of the Collateral and to exercise its rights with respect thereto.

16. **[Reserved].**

17. **No Waiver by Bank, etc.** The Bank shall not be deemed to have waived any of its rights upon or under the Obligations or the Collateral unless such waiver shall be in writing and signed by the Bank. No delay or omission on the part of the Bank in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right on any future occasion. All rights and remedies of the Bank with respect to the Obligations or the Collateral, whether evidenced hereby or by any other instrument or papers, shall be cumulative and may be exercised singularly, alternatively, successively or concurrently at such time or at such times as the Bank deems expedient.

18. **Suretyship Waivers by Borrower.** The Borrower waives demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, Collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description. With respect to both the Obligations and the Collateral, the Borrower assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of or failure to perfect any security interest in any Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromising or adjusting of any thereof, all in such manner and at such time or times as the Bank may deem advisable. The Bank shall have no duty as to the collection or protection of the Collateral or any income thereon, nor as to the preservation of rights against prior parties, nor as to the preservation of any rights pertaining thereto beyond the safe custody thereof as set forth in Section 11.2. The Borrower further waives any and all other suretyship defenses.

19. **Marshalling.** The Bank shall not be required to marshal any present or future collateral security (including but not limited to this Agreement and the Collateral) for, or other assurances of payment of, the Obligations or any of them or to resort to such collateral security or other assurances of payment in any particular order, and all of its rights hereunder and in respect of such collateral security and other assurances of payment shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may, the Borrower hereby agrees that it will not invoke any law relating to the marshalling of collateral which might cause delay in or impede the enforcement of the Bank's rights under this Agreement or under any other instrument creating or evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, the Borrower hereby irrevocably waives the benefits of all such laws.

20. **Proceeds of Dispositions; Expenses.** The Borrower shall pay to the Bank on demand any and all expenses, including reasonable attorneys' fees and disbursements, incurred or paid by the Bank in protecting, preserving or enforcing the Bank's rights under or in respect of any of the Obligations or any of the Collateral. After deducting all of said expenses, the residue of any proceeds of collection or sale of the Obligations or Collateral shall, to the extent actually received in cash, be applied to the payment of the Obligations in such order or preference as the Bank may determine, proper allowance and provision being made for any Obligations not then due. Upon the final payment and satisfaction in full of all of the Obligations and after making any payments required by Sections 9-608(a)(1)(C) or 9-615(a)(3) of the Uniform Commercial Code of the State, any excess shall be returned to the Borrower, and the Borrower shall remain liable for any deficiency in the payment of the Obligations.

21. **Overdue Amounts.** Until paid, all amounts due and payable by the Borrower hereunder shall be a debt secured by the Collateral and shall bear, whether before or after judgment, interest at the rate of interest for overdue principal set forth in the Loan Documents.

22. **Governing Law; Consent to Jurisdiction.** THIS AGREEMENT IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT AND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. The Borrower agrees that any suit for the enforcement of this Agreement may be brought in the courts of the State of New York sitting in New York County, or any federal court sitting therein, and consents to the non-exclusive jurisdiction of such courts and to service of process in any such suit being made upon the Borrower, by mail, at the address specified in the initial paragraph of this Agreement, or at any address specified for the Borrower in any Loan Document. The Borrower hereby waives any objection that it may now or hereafter have to the venue of any such suit or any such court or that such suit is brought in an inconvenient court.

23. **Waiver of Jury Trial.** THE BORROWER 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 OR OBLIGATIONS HEREUNDER OR THE PERFORMANCE OF ANY SUCH RIGHTS OR OBLIGATIONS. The Borrower (i) certifies that neither the Bank nor any representative, agent or attorney of the Bank has represented expressly or otherwise, that the Bank would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that, in entering into the Credit Agreement and the other Loan Documents to which the Bank is a party, the Bank is relying upon, among other things, the waiver and certification contained in this Section 23.

24. **Miscellaneous.** The headings of each section of this Agreement are for convenience only and shall not define or limit the provisions thereof. This Agreement and all rights and obligations hereunder shall be binding upon the Borrower and its respective successors and assigns, and shall inure to the benefit of the Bank and its successors and assigns. If any term of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby, and this Agreement shall be construed and not be enforceable as if such invalid, illegal or unenforceable terms had not been included herein. The Borrower acknowledges receipt of a copy of this Agreement.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, intending to be legally bound, the Borrower has caused this Agreement to be duly executed as of the date first above written.

IM BRANDS, LLC

By: Xcel Brands, Inc., Its Manager

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

BANK HAPOALIM B.M.

By: /s/ Mitchell Barnett
Name: Mitchell Barnett
Title: Senior Vice President

By: /s/ Lavea Eisenberg
Name: Lavea Eisenberg Barnett
Title: First Vice President

SIGNATURE PAGE TO
SECURITY AGREEMENT

INTELLECTUAL PROPERTY SECURITY AGREEMENT

THIS INTELLECTUAL PROPERTY SECURITY AGREEMENT is made as of July 31, 2013 (this "IP Security Agreement"), by **IM BRANDS, LLC**, a New York limited liability company ("Grantor"), in favor of **BANK HAPOALIM B.M.** ("Bank").

RECITALS

WHEREAS, the Grantor will enter into credit facilities with the Bank, evidenced by the various loan documents (each, as amended and in effect from time to time, a "Loan Document" and together, as amended and in effect from time to time, the "Loan Documents"), including an additional separate and distinct credit facility with the Bank dated as of this date (as may be amended and in effect from time to time, the "Credit Agreements", which Credit Agreements shall constitute Loan Documents) with the Bank pursuant to which the Bank, subject to the terms and conditions contained therein, is to make loans or otherwise to extend credit to the Grantor; and

WHEREAS, it is a condition precedent to the Bank's making credit available to the Grantor under the Credit Agreements and to make any loans or otherwise extend credit to the Grantor under the Loan Documents, that the Grantor execute and deliver to the Bank an intellectual property security agreement in substantially the form hereof; and

WHEREAS, the Grantor wishes to grant a security interest in favor of the Bank as herein provided.

AGREEMENT

NOW, THEREFORE, in consideration of the promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, Grantor hereby represents, warrants, covenants and agrees with Bank, as follows:

1. **DEFINED TERMS.** When used in this IP Security Agreement the following terms shall have the following meanings (such meanings being equally applicable to both the singular and plural forms of the terms defined):

1.1 "Collateral" shall have the meaning assigned to such term in Section 2 of this IP Security Agreement.

1.2 "Commodity Exchange Act" means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

1.3 "Copyright License" means any written agreement in which Grantor now holds or hereafter acquires any right, title or interest, which agreement grants any right in or to any Copyright or Copyright registration (whether Grantor is the licensee or the licensor thereunder) including, without limitation, licenses pursuant to which Grantor has obtained the exclusive right to use a copyright owned by a third party, a sublicense to use a copyright, a distribution agreement regarding copyrighted works and the right to prepare for sale, sell or advertise for sale, all of the inventory now or hereafter owned by Grantor and now or hereafter covered by such license agreements.

1.4 “Copyrights” means all of the following in which Grantor now holds or hereafter acquires any right, title or interest: (a) all copyrights, whether registered or unregistered, held or existing pursuant to the laws of the United States, any State thereof or any other country; (b) registrations, applications and recordings in the United States Copyright Office or in any similar office or agency of the United States, any State thereof or any other country; (c) any continuations, renewals or extensions of any copyright; (d) any registrations to be issued in any pending applications; (e) any prior versions of works covered by copyright and all works based upon, derived from or incorporating such works; (f) any original embodiments of a work that are necessary for the manufacture or production of a copyrighted work including, without limitation, molds, master tapes, master film reels, master CDs, master DVDs, master disks or other master magnetic or electronic media; (g) any income, royalties, damages, claims and payments now and hereafter due and/or payable with respect to copyrights, including, without limitation, damages, claims and recoveries for past, present or future infringement; (h) any rights to sue for past, present and future infringements of any copyright; and (i) any other rights corresponding to any of the foregoing rights throughout the world.

1.5 “Event of Default” means an event or circumstance defined as an “Event of Default” in any Loan Document, which entitles the Bank to accelerate the payment of the Secured Obligations.

1.6 “Excluded Swap Obligation” means, with respect to the Grantor, any Swap Obligation if, and to the extent that, all or a portion of the grant by such Grantor of a security interest to secure such Swap Obligation (or any guaranty thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Grantor’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act and the regulations thereunder at the time the grant of such security interest becomes effective with respect to such Swap Obligation (or guaranty thereof). If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such security interest is or becomes illegal.

1.7 “Letter Agreement” means the line letter agreement, dated as of the date hereof and as may be amended, restated, supplemented or otherwise modified from time to time, between the Grantor and the Bank.

1.8 “License” means any Copyright License, Patent License, Trademark License or other license of trade secrets now held or hereafter acquired by Grantor.

1.9 “Lien” means any mortgage, lien, deed of trust, charge, pledge, security interest or other encumbrance.

1.10 “Litigation” means any suits, actions, proceedings (administrative, judicial or in arbitration, mediation or alternative dispute resolution), claims or counterclaims for infringement, misappropriation, or other violation of any of the Copyrights, Patents, Trademarks and/or Licenses.

1.11 “Patent License” means any written agreement in which Grantor now holds or hereafter acquires any right, title or interest, which agreement grants any right with respect to any Patent (whether Grantor is the licensee or the licensor thereunder) including, without limitation, licenses pursuant to which Grantor has obtained the exclusive right to use a patent owned by a third party, a sublicense to use a patent, a distribution agreement regarding one or more patented products or processes and the right to prepare for sale, sell or advertise for sale, all of the inventory now or hereafter owned by Grantor and now or hereafter covered by such license agreements.

1.12 “Patents” means all of the following in which Grantor now holds or hereafter acquires any right, title or interest: (a) all United States or foreign patents (including, without limitation, utility, design and plant patents), all registrations and recordings thereof and all applications for United States or foreign patents, including, without limitation, registrations, recordings and applications 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; (b) all reissues, divisions, continuations, renewals, continuations in part or extensions of any patent; (c) all petty patents, divisionals and patents of addition; (d) all patents to issue in any such applications; (e) all means of manufacturing patented products, including, without limitation, trade secrets, formulas, customer lists, manufacturing processes, mask works, molds and prototypes, (f) any income, royalties, damages, claims and payments now and hereafter due and/or payable with respect to patents, including, without limitation, damages, claims and recoveries for past, present or future infringement; and (g) any rights to sue for past, present and future infringements of any patent.

1.13 “Secured Obligations” means all of the indebtedness, obligations and liabilities of the Grantor to the Bank, individually or collectively, whether direct or indirect, joint or several, absolute or contingent, due or to become due, now existing or hereafter arising under or in respect of any of the Loan Documents, any promissory notes or other instruments or agreements executed and delivered pursuant thereto or in connection therewith, or pursuant to this IP Security Agreement, *provided* that Secured Obligations shall in no event include Excluded Swap Obligations.

1.14 “Swap Obligation” means, with respect to the Grantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of section 1a(47) of the Commodity Exchange Act.

1.15 “Trademark License” means any written agreement in which Grantor now holds or hereafter acquires any right, title or interest, which agreement grants any license right in and to any Trademark (whether Grantor is the licensee or the licensor thereunder) including, without limitation, licenses pursuant to which Grantor has obtained the exclusive right to use a trademark owned by a third party, a sublicense to use a trademark, a distribution agreement relating to goods or services covered by one or more trademarks and the right to prepare for sale, sell or advertise for sale, all of the inventory now or hereafter owned by Grantor and now or hereafter covered by such license agreements.

1.16 “Trademarks” means any of the following in which Grantor now holds or hereafter acquires any right, title or interest: (a) any United States or foreign trademarks, trade names, corporate names, company names, business names, trade styles, trade dress, service marks, logos, other source or business identifiers, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof and any applications in connection therewith, including, without limitation, registrations, recordings and applications 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 (collectively, the “Marks”); (b) any reissues, extensions or renewals of any Marks, (c) the goodwill of the business symbolized by or associated with the Marks, (d) all domain names, (e) all means of manufacturing goods or offering services covered by the Marks, including, without limitation, trade secrets, formulas, recipes, customer lists, manufacturing processes, molds, designs, plans and prototypes, (f) any income, royalties, damages, claims and payments now and hereafter due and/or payable with respect to the Marks, including, without limitation, payments under all licenses entered into in connection with the Marks and damages, claims, payments and recoveries for past, present or future infringement and (g) any rights to sue for past, present and future infringements of the Marks.

1.17 “UCC” means the Uniform Commercial Code as the same may, from time to time, be in effect in the State of New York; provided, however, in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of Bank’s security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term “UCC” shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions.

1.18 In addition, the following terms shall be defined terms having the meaning set forth for such terms in the UCC: “accounts,” “account debtor,” “deposit account,” “general intangibles,” and “proceeds”. Each of the foregoing defined terms shall include all of such items now owned or existing, or hereafter arising or acquired by Grantor.

1.19 All capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Loan Documents.

2. GRANT OF SECURITY INTEREST. As collateral security for the prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of all the Secured Obligations and in order to induce Bank to enter into the Credit Agreements, Grantor hereby grants to Bank a security interest in all of Grantor’s right, title and interest, if any, in, to and under the following, whether now owned or existing or hereafter arising or acquired and wheresoever located (collectively, the “Collateral”):

2.1 All Copyrights, Patents and Trademarks including, without limitation, the Copyrights, Patents and Trademarks listed in Schedule A, all Licenses including, without limitation, the Licenses listed in Schedule B, and any presently pending Litigation including, without limitation, the Litigation listed in Schedule C;

2.2 All accounts, contract rights and general intangibles arising under or relating to each and every License (including, without limitation, (A) all moneys due and to become due under any License, (B) any damages arising out of or for breach or default in respect of any such License, (C) all other amounts from time to time paid or payable under or in connection with any such License, and (D) the right of Grantor to terminate any such License or to perform and to exercise all remedies thereunder); and

2.3 To the extent not otherwise included, all proceeds of each of the foregoing and all accessions to, substitutions and replacements for and rents, profits and products of each of the foregoing.

Notwithstanding the foregoing, the Collateral shall not include (i) any intent-to-use application for a Trademark to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use application under United States federal law and (ii) any contractual obligation entered into by Grantor that prohibits or requires the consent of any Person other than Grantor and its affiliates which has not been obtained as a condition to the creation by Grantor of a lien on any right, title or interest in such contractual obligation, but only to the extent, and for as long as, such prohibition is not terminated or rendered unenforceable or otherwise deemed ineffective by the UCC; provided, however, any proceeds, products, substitutions or replacements of such items shall constitute Collateral.

3. RIGHTS OF SECURED PARTY; COLLECTION OF ACCOUNTS.

3.1 Notwithstanding anything contained in this IP Security Agreement to the contrary, Grantor expressly agrees that it shall remain liable under each of its Licenses to observe and perform in all material respects all the conditions and obligations to be observed and performed by it thereunder and that it shall perform all of its duties and obligations thereunder, all in accordance with and pursuant to the terms and provisions of each such License. Bank shall not have any obligation or liability under any License by reason of or arising out of this IP Security Agreement or the granting to Bank of a Lien therein or the receipt by Bank of any payment relating to any License pursuant hereto, nor shall Bank be required or obligated in any manner to perform or fulfill any of the obligations of Grantor under or pursuant to any License, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any License, or to present or file any claim, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times. Grantor agrees that any rights granted under this IP Security Agreement to Bank with respect to all of the Collateral shall be worldwide and without any liability for royalties or other related charges from Bank to Grantor.

3.2 Bank authorizes Grantor to, at any time no Event of Default exists, collect its accounts related to the sale, license, settlement, judgment or other disposition of, or otherwise arising from, any of the Collateral, provided that such collection is performed in a commercially reasonable manner, and Bank may, upon the occurrence and during the continuation of any Event of Default and with prior written notice to Grantor, limit or terminate said authority at any time. Upon the occurrence and during the continuation of any Event of Default (beyond any applicable cure period), at the request of Bank, Grantor shall deliver all original and other documents evidencing and relating to such accounts, including, without limitation, all original orders, invoices and shipping receipts.

3.3 Bank may at any time, upon the occurrence and during the continuation of any Event of Default, without prior written notice to Grantor of its intention to do so, notify any account debtors of Grantor or any parties to the Licenses of Grantor that the accounts and the right, title and interest of Grantor in and under such Licenses have been assigned to Bank and that payments shall be made directly to Bank. Upon the request of Bank at any time after the occurrence and during the continuation of an Event of Default, Grantor shall so notify such account debtors and parties to such Licenses. Upon the occurrence and during the continuation of any Event of Default, Bank may, in its name or in the name of others, communicate with such account debtors and parties to such Licenses to verify with such parties, to Bank's reasonable satisfaction, the existence, amount and terms of any such accounts or Licenses.

4. REPRESENTATIONS AND WARRANTIES. Grantor hereby represents and warrants to Bank that:

4.1 Except for the Liens disclosed on Schedule 4.1 and the security interest granted to Bank under this IP Security Agreement, Grantor is the legal and equitable owner of all right, title and interest in and to each item of the Collateral in which it purports to grant a security interest hereunder, having good and marketable title thereto, free and clear of any and all Liens, and will continue to be the legal and equitable owner of all right, title and interest in and to each item of the Collateral, so long as the Copyrights, Patents, Trademarks and Licenses shall continue in force, except to the extent that dispositions are permitted pursuant to the Letter Agreement.

4.2 Except for this IP Security Agreement and for the Liens disclosed on Schedule 4.1, (i) no effective security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Collateral exists, and (ii) Grantor has made no previous assignment, transfer or agreements in conflict herewith or constituting a present or future assignment, transfer or encumbrance on any of the Collateral.

4.3 This IP Security Agreement creates a legal and valid security interest on and in all of the Collateral in which Grantor now has rights. Upon the filing of appropriate financing statements and the filing of a copy of this IP Security Agreement with the United States Copyright Office and the United States Patent and Trademark Office, Bank will have a fully perfected security interest in all of the Collateral in which a security interest can be perfected by the filing of financing statements and the filing of a copy of this IP Security Agreement with the United States Copyright Office and the United States Patent and Trademark Office.

4.4 Except as set forth on Schedule 4.1, so long as any Secured Obligation remains outstanding, Grantor will not execute, and there will not be on file in any public office, any effective financing statement or other document or instrument covering the Collateral.

4.5 On the date hereof, Grantor's chief executive office, principal place of business and the place where Grantor maintains its records concerning the Collateral are located at the address set forth on the signature page hereof on the date hereof, and Grantor's name, type of organization, jurisdiction of organization, and organizational identification number set forth on the signature page hereof on the date hereof are all true and correct.

4.6 Grantor has the full right and power to grant the security interest in the Collateral made hereby.

4.7 All information furnished to Bank concerning the Collateral and proceeds thereof, for the purpose of inducing Bank to enter into the Credit Agreements and the transactions contemplated thereby, is or will be at the time the information is furnished, accurate and correct in all material respects.

4.8 To the best of Grantor's knowledge and belief following diligent inquiry, except as set forth on Schedule 4.8, no infringement, breach or unauthorized use presently is being made of any of the Collateral which has or may reasonably be expected to have, alone or in the aggregate, a material adverse effect on the value or enforceability of, or any rights of Grantor or Bank in, any Collateral. Grantor has advised Bank of the existence of all contractual restrictions on the use of the Collateral, including, without limitation, those set forth on Schedule 4.8 hereto.

4.9 Except as set forth on Schedule 4.8, to the best of Grantor's knowledge and belief following diligent inquiry, (i) there are no obligations to, covenants to or restrictions (other than those disclosed pursuant to Section 4.8) from third parties affecting Grantor's use, disclosure, enforcement, transfer or licensing of the Collateral (other than this IP Security Agreement); (ii) Grantor has taken all actions necessary to maintain and protect all Collateral and no loss of such Collateral is pending, reasonably foreseeable or threatened; (iii) there has been no claim made or threatened by or against Grantor asserting the invalidity, misuse or unenforceability of any item of Collateral or challenging Grantor's right to use or ownership of any item of Collateral, and there are no grounds for any such claim or challenge; (iv) there is not and has not been any actual or threatened infringement, misappropriation, breach or other violation of any Collateral, and there are no facts raising a likelihood of infringement, misappropriation, breach or other violation; (v) the consummation of the transactions contemplated by (A) this IP Security Agreement and (B) the Credit Agreements will not alter, impair or extinguish any rights of Grantor in the Collateral; (vi) Grantor has not infringed, misappropriated or otherwise violated, and Grantor does not infringe, misappropriate, or otherwise violate, any intellectual property or proprietary right of any other person or entity; and (vii) there has been no claim made or, to Grantor's knowledge, threatened against Grantor alleging infringement, misappropriation or other violation of intellectual property.

5. COVENANTS. Grantor covenants and agrees with Bank that from and after the date of this IP Security Agreement and until the Secured Obligations have been performed and paid in full:

5.1 **Disposition of Collateral.** Grantor shall not sell, lease, assign, transfer or otherwise dispose of any of the Collateral, or contract to do so, except as permitted by the Letter Agreement.

5.2 **Relocation of Business or Collateral.** Grantor shall not relocate its chief executive office, principal place of business or its records from such address(es) provided to Bank pursuant to Section 4.5 above without prior written notice to Bank.

5.3 **Limitation on Liens on Collateral.** Except as disclosed on Schedules 4.1 and 4.8, Grantor shall not, directly or indirectly, create, permit or suffer to exist, and shall defend the Collateral against and take such other action as is necessary to remove, any Lien on the Collateral.

5.4 **Maintenance of Records.** Grantor shall keep and maintain at its own cost and expense records of the Collateral that are complete in all material respects.

5.5 **Registration and Maintenance of Intellectual Property Rights.** Except as would not have a materially adverse effect on the value or enforceability of, or any rights of Grantor or Bank in, any Collateral, Grantor shall (i) use commercially reasonable efforts to prosecute any Patent, Trademark or Copyright pending as of the date hereof or thereafter, (ii) promptly make applications for, register or cause to be registered (to the extent not already registered and consistent with good faith business judgment) any Copyright, Copyright License, any Patent, Patent License, any Trademark or Trademark License, which is (a) set forth in Schedule A or Schedule B or (b) is individually or in the aggregate, material to the conduct of Grantor's business, with the United States Copyright Office or Patent and Trademark Office, as applicable, including, without limitation, in all such cases the filing and payment of maintenance, registration and/or renewal fees, the filing of applications for renewal, affidavits of use, affidavits of noncontestability, the filing and diligent prosecution of opposition, interference and cancellation proceedings, and promptly responding to all United States Copyright Office or Patent and Trademark Office requests and inquiries. Except as would not have a material adverse effect on the value or enforceability of, or any rights of Grantor or Bank in, any Collateral, Grantor also agrees to take commercially reasonable steps to preserve and maintain all rights in the Collateral. Any expenses incurred in connection with prosecution, registration and maintenance shall be borne by Grantor. Grantor further agrees to retain experienced patent, trademark and copyright attorneys for the filing and prosecution of all such applications and other proceedings when and if applicable. Except as would not have a material adverse effect on the value or enforceability of, or any rights of Grantor or Bank in, any Collateral, no Grantor shall, without Bank's prior written consent, abandon any rights in or fail to pay any maintenance or renewal fee for any Patent, Trademark or Copyright listed in Schedule A or breach, terminate, fail to renew or extend, or fail to perform any duties or obligations for any License listed in Schedule B. Grantor further agrees that it will not take any action, or permit any action to be taken by any person or entity to the extent that such person or entity is subject to its control, including licensees, or fail to take any action, which would affect the validity, priority, perfection or enforcement of the rights granted to Bank under this IP Security Agreement, and any such action if it shall take place shall be null and void and of no effect whatsoever. If Grantor fails to comply with any of the foregoing provisions of this Section 5.5, Bank shall have the right (but shall not be obligated) to do so on behalf of Grantor to the extent permitted by law, but at Grantor's expense, and Grantor hereby agrees to reimburse Bank in full for all reasonable documented expenses, including the reasonable fees and disbursements of counsel incurred by Bank in procuring, protecting, defending and maintaining the Collateral. In the event that Grantor shall fail to pay when due any fees required to be paid by it hereunder, or shall fail to comply with any other duty under this IP Security Agreement, Bank may, but shall not be required to, pay, satisfy, discharge or bond the same for the account of Grantor, and all monies so paid out shall be Secured Obligations of Grantor repayable on demand, together with interest at the rate in effect pursuant to the Credit Agreements at such time.

5.6 **Notification Regarding Changes in Intellectual Property.** Grantor shall, not less frequently than on a quarterly basis as provided below, advise Bank of any right, title or interest of Grantor obtained after the date hereof in or to any Copyright, Patent, Trademark or License not specified on Schedule A or Schedule B hereto, the provisions of Section 2 above shall automatically apply thereto, and Grantor hereby authorizes and appoints Bank as Grantor's attorney-in-fact solely to the extent necessary to modify or amend such Schedule, as necessary, to reflect any addition or deletion to such ownership rights, and pursuant to Schedule D, to make any additional filings. In addition to any requirements in this IP Security Agreement for notification, Grantor shall also provide Bank with quarterly reports within sixty (60) days of the end of each of the first three (3) calendar quarters and within ninety (90) days of the end of the fourth calendar quarter that identify the status of any new Copyrights, Patents, Trademarks and/or Licenses, any newly filed applications, the status of any pending applications, the status of Litigation and licensing, any threats of Litigation, the identification of any known or suspected infringers and the discovery of any prior art or any other information that may affect the validity or enforceability of the Collateral.

5.7 **Defense of Intellectual Property.** Grantor shall (i) protect, defend and maintain the validity and enforceability of all current and future Copyrights, Patents and Trademarks, (ii) use its commercially reasonable efforts to detect infringements of such Copyrights, Patents and Trademarks and promptly advise Bank in writing of infringements detected and (iii) not allow any Copyrights, Patents or Trademarks to be abandoned, forfeited or dedicated to the public.

5.8 **Further Assurances; Pledge of Instruments.** At any time and from time to time, upon the written request of Bank, and at the sole expense of Grantor, Grantor shall promptly and duly execute and deliver any and all such further instruments and documents and take such further action as Bank may reasonably deem necessary or desirable to obtain the full benefits of this IP Security Agreement, including, without limitation, facilitating the filing of UCC-1 Financing Statements in all applicable jurisdictions and this IP Security Agreement (and any amendment hereto) or any other document that Bank may reasonably deem necessary, including, without limitation, any filing described in Schedule D or any other collateral assignment, (and any amendments thereto) with the United States Copyright Office, Patent and Trademark Office and/or, to the extent commercially reasonable, the state or foreign equivalents of these offices, as applicable.

5.9 **Right of Inspection and Audit.** Subject to the limitations set forth in Section 4(s) of the Letter Agreement, upon reasonable notice to Grantor (unless an Event of Default has occurred and is continuing, in which case no notice is necessary), Bank shall at all times have full and free access during normal business hours (or during an Event of Default at any time) to all the books, records, correspondence, office, facilities and operations of Grantor, including, without limitation, Grantor's quality control processes, and Bank or any agents or representatives of Bank may examine the same, take extracts therefrom and make photocopies thereof, and Grantor agrees to render to Bank, at Grantor's cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto, provided, however, that (unless an Event of Default has occurred and is continuing) (a) Grantor shall have the right to be present during Bank's examination and (b) such examination shall not unreasonably interfere with the conduct of Grantor's business.

5.10 **Continuous Perfection.** Grantor shall not change its name, identity, corporate structure, jurisdiction of organization or corporation identification number in any manner which might make any financing or continuation statement filed in connection herewith seriously misleading within the meaning of Section 9-506 of the UCC (or any other then applicable provision of the UCC) unless Grantor gives Bank thirty (30) days prior written notice thereof and takes all action necessary or reasonably requested by Bank to amend such financing statement or continuation statement so that it is not seriously misleading.

5.11 **Power of Attorney.** Grantor hereby irrevocably appoints Bank (and any of Bank's designated officers or employees) as Grantor's true and lawful attorney to in accordance with the terms hereof: (a) send requests for verification of accounts and Licenses or notify account debtors or licensees of Bank's security interest in the accounts and Licenses; (b) endorse Grantor's name on any checks or other forms of payment or security that may come into Bank's possession in connection with the Collateral; (c) sign Grantor's name on any invoice or bill of lading relating to any account, drafts against account debtors, schedules and assignments of accounts and Licenses, verifications of accounts and Licenses, and notices to account debtors and licensees, (d) make, settle and adjust all claims under and decisions with respect to Grantor's policies of insurance relating to the Collateral; (e) settle and adjust disputes and claims respecting the accounts and Licenses directly with account debtors and licensees, for amounts and upon terms which Bank determines to be reasonable; (f) modify, in its sole discretion, any intellectual property security agreement entered into between Grantor and Bank without first obtaining Grantor's approval of or signature to such modification by amending reference to any right, title or interest in any Copyright, Patent, Trademark or License, acquired by Grantor after the execution hereof or to delete any reference to any right, title or interest in any Copyright, Patent, Trademark or License, in which Grantor no longer has or claims any right, title or interest; (g) endorse Grantor's name on all applications, documents, papers and instruments necessary or desirable for Bank in the use of the Collateral, (h) take any other actions with respect to the Collateral as Bank deems in the best interest of Bank (consistent with any enforceable restrictions in Licenses to Grantor); (i) grant or issue any exclusive or non-exclusive license under the Collateral to anyone (consistent with any enforceable restrictions in Licenses to Grantor) or (j) assign, pledge, convey or transfer title in or dispose of the Collateral to anyone, including Bank or a third party to the extent permitted under the UCC, free and clear of any encumbrance upon title thereof (other than any encumbrance created by this IP Security Agreement and consistent with any enforceable restrictions in Licenses to Grantor). Grantor hereby irrevocably appoints Bank (and any of Bank's designated officers or employees) as Grantor's true and lawful attorney to and in accordance with the terms hereof: (x) file, in its sole discretion, one or more financing or continuation statements and amendments thereto, relative to any of the Collateral without the signature of Grantor where permitted by law; and (y) with respect to the Trademarks, file a copy of this IP Security Agreement with the U.S. Patent and Trademark Office. The appointment of Bank as Grantor's attorney in fact, and each and every one of Bank's rights and powers, being coupled with an interest, is irrevocable until all of the Secured Obligations have been fully repaid and performed and Bank's obligation to provide advances hereunder is terminated. Grantor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue of this IP Security Agreement. Notwithstanding the foregoing, Bank agrees not to exercise its rights under the foregoing powers (other than as respects clauses (x) and (y) above) unless an Event of Default has occurred and is continuing.

5.12 **Intent-to-Use Trademark Applications.** To the extent that any of the Trademarks consist of intent-to-use based trademark applications, if at any time Grantor commences using such Trademark in its business, Grantor shall take such actions as may be reasonably requested by Bank to convert, within the time provided by the United States Patent and Trademark Office, such intent-to-use trademark application to a use-based application.

6. RIGHTS AND REMEDIES UPON DEFAULT.

6.1 If any Event of Default shall occur and be continuing, Bank may exercise in addition to all other rights and remedies granted to it under this IP Security Agreement and under any other instrument or agreement securing, evidencing or relating to the Secured Obligations, all rights and remedies of a secured party under the UCC. Without limiting the generality of the foregoing, Grantor expressly agrees that in any such event, and during the existence and continuation of an Event of Default, Bank, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon Grantor or any other Person (all and each of which demands, advertisements and notices are hereby expressly waived to the maximum extent permitted by the UCC and other applicable law), may forthwith maintain, collect, receive, appropriate and realize upon the Collateral, or any part thereof, and may forthwith sell, lease, license, assign, give an option or options to purchase or sell or otherwise dispose of and deliver said Collateral (or contract to do so), or any part thereof (consistent with any enforceable restrictions in Licenses to Grantor), in one or more parcels at public or private sale or sales, at any exchange or broker's board or at any of Bank's offices or elsewhere at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. Bank 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 said Collateral so sold, free of any right or equity of redemption, which equity of redemption Grantor hereby releases. During the period of any Event of Default, all use of the Trademarks by Grantor shall inure to the benefit of Bank. Bank shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale as provided in Section 6.4 hereof, Grantor remaining liable for any deficiency remaining unpaid after such application, and to the extent required by the UCC, only after so paying over such net proceeds and after the payment by Bank of any other amount required by any provision of law, need Bank account for the surplus, if any, to Grantor. To the maximum extent permitted by applicable law, Grantor waives all claims, damages, and demands against Bank arising out of the repossession, retention or sale of the Collateral except such as arise out of the gross negligence or willful misconduct of Bank. Grantor agrees that Bank need not give more than ten (10) days' notice (which notification shall be deemed given when mailed or delivered on an overnight basis, postage prepaid, addressed to Grantor at its address set forth on the signature page hereof) of the time and place of any public sale or of the time after which a private sale may take place and that such notice is reasonable notification of such matters. Grantor shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay all amounts to which Bank is entitled, Grantor also being liable for the reasonable fees of any attorneys employed by Bank to collect such deficiency.

6.2 Grantor also agrees, to pay all documented fees, costs and expenses of Bank, including, without limitation, reasonable attorneys' fees, reasonably incurred in connection with the enforcement of any of its rights and remedies hereunder.

6.3 Grantor hereby waives presentment, demand, protest or any notice (to the maximum extent permitted by applicable law) of any kind in connection with this IP Security Agreement or any Collateral.

6.4 The proceeds of any sale, disposition or other realization upon all or any part of the Collateral shall be distributed by Bank in the following order of priorities:

FIRST, to Bank in an amount sufficient to pay in full the reasonable costs of Bank in connection with such sale, disposition or other realization, including all fees, costs, expenses, liabilities and advances reasonably incurred or made by Bank in connection therewith, including, without limitation, reasonable attorneys' fees;

SECOND, to Bank in an amount equal to the then unpaid Secured Obligations; and

FINALLY, upon payment in full of the Secured Obligations, to Grantor or its representatives, in accordance with the UCC or as a court of competent jurisdiction may direct.

7. **BANK'S RIGHT TO SUE.** From and after the occurrence and during continuation of an Event of Default, Bank shall have a right, but shall in no way be obligated, to bring suit for past, present and future damages in its own name and for its own benefit to enforce the Copyrights, Patents, Trademarks and Licenses, and if Bank commence any such suit, Grantor shall, at the request of Bank, use commercially reasonable efforts to do any and all lawful acts and execute any and all proper documents required by Bank in aid of such enforcement.

8. **LIMITATION ON BANK'S DUTY IN RESPECT OF COLLATERAL.** Bank shall deal with the Collateral in the same manner as it deals with similar property for its own account. Bank shall be deemed to have acted reasonably in the custody, preservation and disposition of any of the Collateral if it takes such action as Grantor requests in writing, but failure of Bank to comply with any such request shall not in itself be deemed a failure to act reasonably and no failure of Bank to do any act not so requested shall be deemed a failure to act reasonably.

9. MISCELLANEOUS.

9.1 **No Waiver; Cumulative Remedies.**

9.1.1 Bank shall not by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder, nor shall any single or partial exercise of any right or remedy hereunder on any one occasion preclude the further exercise thereof or the exercise of any other right or remedy.

9.1.2 The rights and remedies hereunder provided are cumulative and may be exercised singly or concurrently and are not exclusive of any rights and remedies provided by law. Grantor acknowledges and agrees that this IP Security Agreement is not intended to limit or restrict in any way the rights and remedies of Bank but rather is intended to facilitate the exercise of such rights and remedies. Bank shall have, in addition to all other rights and remedies given it by the terms of the Security Agreement, all rights and remedies allowed by law and the rights and remedies of a secured party under the UCC. Recourse to security will not be required at any time.

9.1.3 None of the terms or provisions of this IP Security Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by Grantor and Bank.

9.2 **Releases.**

9.2.1 This IP Security Agreement is made for collateral purposes only. Subject to Section 9.2.2 below, at such time as the Secured Obligations shall have been paid and performed in full and Grantor has no further obligations under or with respect to the Credit Agreements, the Collateral shall be automatically released from the Liens created hereby, and this IP Security Agreement and all obligations of Bank and Grantor hereunder shall automatically terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to Grantor. At the request and sole expense of Grantor following any such termination, Bank shall deliver to Grantor all termination statements, releases or other instruments as may be necessary or proper to re-vest in Grantor (without recourse to or warranty by Bank, except for encumbrances created by Bank, provided that no such recourse or warranty shall apply to any Collateral sold or otherwise disposed of by Bank pursuant to this IP Security Agreement) full title to the Collateral granted in this IP Security Agreement, subject to any acceptance or disposition of Collateral which may have been made by Bank pursuant to this IP Security Agreement.

9.2.2 This IP Security Agreement and the security interests granted herein shall remain in full force and effect and continue to be effective if at any time payment and performance of the Secured Obligations, or any part thereof, is, pursuant to applicable law, avoided, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Secured Obligations, whether as a “voidable preference,” “fraudulent conveyance” or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is avoided, rescinded, reduced, restored or returned, the Secured Obligations and the security interests granted herein shall be reinstated and the Secured Obligations shall be deemed reduced only by such amount paid and not so avoided, rescinded, reduced, restored or returned. The provisions of this Section 9.2.2 shall survive repayment of all of the Secured Obligations, and the termination of this IP Security Agreement in any manner.

9.3 **Successor and Assigns.** This IP Security Agreement and all obligations of Grantor hereunder shall be binding upon the successors and permitted assigns of Grantor, and shall, together with the rights and remedies of Bank hereunder, inure to the benefit of Bank, any future holder of any of the Secured Obligations and their respective successors and assigns. Bank may, without cost or expense to Grantor, assign all or any part of, or any interest (undivided or divided) in, Bank's rights and benefits under this IP Security Agreement including, without limitation, the right, title or interest in and to the Collateral. To the extent of any assignment by Bank, the assignee shall have the same rights and benefits against Grantor hereunder as it would have had if such assignee were Bank. Grantor may not assign this IP Security Agreement without the prior written consent of Bank, which consent may be granted or withheld at the sole discretion of Bank. No sales of participations, other sales, assignments, transfers or other dispositions of any agreement governing or instrument evidencing the Secured Obligations or any portion thereof or interest therein shall in any manner affect the lien granted to Bank hereunder.

9.4 **Notices.** All notifications and other communications permitted or required under this Agreement shall be in writing and shall be delivered in accordance with the terms of the Note.

9.5 **Counterparts.** This IP Security Agreement may be executed in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument.

9.6 **Severability.** If any provision of this IP Security Agreement is held to be unenforceable under applicable law for any reason, it shall be adjusted, if possible, rather than voided in order to achieve the intent of the parties to the extent possible. In any event, all other provisions of this IP Security Agreement shall be deemed valid and enforceable to the fullest extent possible under applicable law.

9.7 **Governing Law; Consent to Jurisdiction.** THIS IP SECURITY AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. The Grantor agrees that any suit for the enforcement of this IP Security Agreement may be brought in the courts of the State of New York sitting in New York County, or any federal court sitting therein, and consents to the non-exclusive jurisdiction of such courts and to service of process in any such suit being made upon the Grantor, by mail, at the address specified on the signature page of this IP Security Agreement, or at any address specified for the Grantor in any Loan Document. The Grantor hereby waives any objection that it may now or hereafter have to the venue of any such suit or any such court or that such suit is brought in an inconvenient court.

9.8 **Waiver of Jury Trial.** EACH PARTY HERETO WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS IP SECURITY AGREEMENT, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THE PERFORMANCE OF ANY SUCH RIGHTS OR OBLIGATIONS. Except as prohibited by law, the Grantor waives any right which it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. The Grantor (i) certifies that neither the Bank nor any representative, agent or attorney of the Bank has represented expressly or otherwise, that the Bank would not, in the event of litigation, seek to enforce the foregoing waivers and (ii) acknowledges that, in entering into the Credit Agreement and the other Loan Documents to which the Bank is a party, the Bank is relying upon, among other things, the waivers and certifications contained in this Section 9.8.

9.9 **Advice of Counsel.** Grantor represents to Bank that Grantor's attorneys have reviewed this IP Security Agreement and that it has discussed this IP Security Agreement with its attorneys.

9.10 **Section and Heading Titles.** The section and heading titles are for convenience and reference only and shall not affect in any way the interpretation of any of the provisions of this IP Security Agreement.

(Remainder of page intentionally left blank)

IN WITNESS WHEREOF, each of the parties hereto has caused this IP Security Agreement to be executed and delivered by its duly authorized officer on the date first set forth above.

IM BRANDS, LLC

**By: XCEL BRANDS, INC.
Its Manager**

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

ADDRESS OF GRANTOR:

Chief Executive Office

475 Tenth Avenue
New York, New York 10018

Principal Accounting Office

475 Tenth Avenue
New York, New York 10018

TYPE OF ORGANIZATION: Limited Liability Company

JURISDICTION OF ORGANIZATION: Delaware

ORGANIZATIONAL ID NUMBER: 4962792

SIGNATURE PAGE TO
IP SECURITY AGREEMENT

ACCEPTED AND ACKNOWLEDGED BY:

BANK HAPOALIM B.M.

By: /s/ Mitchell Barnett
Name: Mitchell Barnett
Title: Senior Vice President

By: /s/ Lavea Eisenberg
Name: Lavea Eisenberg Barnett
Title: First Vice President

ADDRESS:

1177 Avenue of the Americas
New York, New York 10036-2790
Attention: Mitchell Barnett

SIGNATURE PAGE TO
IP SECURITY AGREEMENT

Schedule A To Security Agreement

INTELLECTUAL PROPERTY

Trademarks

I. United States Trademarks

See attached.

II. Foreign

See attached.

Schedule B To Security Agreement

LICENSES

Schedule C To Security Agreement

PENDING LITIGATION

Schedule D To Security Agreement

UCC Filing Jurisdictions

Ø Delaware

Other Filings

1. U.S. Copyright Office

A. Upon the occurrence of an Event of Default that is continuing, Grantor agrees to execute and deliver to Bank an assignment of Copyright Licenses and Copyrights set forth in Schedules A and B hereto and hereby authorizes Bank to file the assignments with the U.S. Patent and Trademark Office (or the appropriate foreign copyright office).

B. Grantor hereby authorizes Bank to file a copy of this IP Security Agreement with the U.S. Copyright Office for each Copyright License and Copyright set forth in Schedules A and B hereto.

2. U.S. Patent and Trademark Office

A. **Patents.** Upon the occurrence of an Event of Default that is continuing, Grantor agrees to execute and deliver to Bank conditional for each Patent License and Patent set forth in Schedule A and B hereto and hereby authorizes Bank to file the conditional assignments with the U.S. Patent and Trademark Office (or the appropriate foreign patent office).

B. Trademarks

1. Upon the occurrence of an Event of Default that is continuing, Grantor agrees to execute and deliver to Bank an assignment of Trademark Licenses and Trademarks set forth in Schedules A and B hereto and hereby authorizes Bank to complete and record with the U.S. Patent and Trademark (or the appropriate foreign or state office).

2. Grantor hereby authorizes Bank to file a copy of this IP Security Agreement with the U.S. Patent and Trademark Office for each Trademark License and Trademark now or hereafter set forth in Schedules A and B hereto.

3. Foreign Filings

Grantor shall promptly and duly execute, deliver and/or file any and all documents and instruments with any foreign recording office with respect to the Collateral and take such further action as Bank may reasonably deem necessary or desirable to perfect its security interest in the Collateral in any foreign jurisdiction, including, without limitation, any foreign patent, trademark and/or copyright office.

Schedule 4.1 To Security Agreement

Existing Liens

Schedule 4.8 To Security Agreement

Restrictions



Schedule A To Security Agreement
INTELLECTUAL PROPERTY
Trademarks
I. United States Trademarks

See attached.

Schedule A To Security Agreement
INTELLECTUAL PROPERTY
Trademarks

I. United States Trademarks



Mark	Country	(Application Number) Registration Number	(Application date) Registration Date	Class(es)	Goods/Services	Current Owner
FABTECH *	USA	(85/644,459)	(06/06/12)	25	men's and women's clothing, namely, bathing suits, belts, coats, jackets, jeans, jumpsuits, pants, parkas, shirts, shorts, sleepwear and loungewear, suits, sweaters, t-shirts, vests, socks, sweatshirts, tops, trousers, bottoms, hooded shirts and sweatshirts; women's clothing, namely, dresses, hosiery, leggings, skirts, tights, knee highs, panty hose; women's intimate apparel, namely, bras, slips, camisoles, and panties; shapewear, namely, girdles, body shapers, bodysuits, lingerie, and hosiery; men's clothing, namely, dress shirts and neckwear; men's and women's footwear	IM Brands, LLC
FABULOUS ISAAC MIZRAHI *	USA	(85/753,799)	(10/15/2012)	9	Shower gels; anti-bacterial soaps; anti-bacterial bath gels; body oils; perfumed bath and body soaps; skin cleansers; skin lotions and moisturizers; skin creams; fragrances and scented body lotions, shower gels, after shaves, deodorants for personal use, and body creams, skin cleansing creams and non-medicated skin creams; perfumed powders; potpourris; scented room and linen sprays; perfume	IM Brands, LLC

<p>I (STYLIZED) *</p> 	USA	(85/539,139)	(02/10/12)	9, 18, 25	<p>9) eyewear; eyeglasses; sunglasses; eyeglass frames; opera glasses; spectacles; eyeglass, sunglass and spectacle cases; eyeglass, sunglass and spectacle straps; eyeglass, sunglass and spectacle chains; related accessories, namely, hard cases for eyewear, soft pouches for eyewear and lens cloths; parts and fittings for eyeglasses, sunglasses and spectacles</p> <p>18) leather and imitations of leather, and goods made of these materials and not included in other classes, namely, handbags, carrying cases and wallets; all-purpose sports and athletic bags; beach, book, carry-on, duffel, diaper, gym, leather shopping, shoulder, tote and travel bags; fanny packs and waist packs; backpacks; knapsacks; purses; garment bags for travel; satchels; luggage; luggage tags; trunks; suitcases; hat boxes for travel not of paper or cardboard; cosmetic cases and bags sold empty; toiletry and vanity cases sold empty; tool bags sold empty; attaché cases; briefcases; briefcase-type portfolios; document cases; men's clutches; business cases; business card cases; calling and credit card cases; key cases; leather key chains; wallets; banknote holders; billfolds; umbrellas; parasols; walking sticks</p> <p>25) clothing, namely, belts, jackets, gloves, dresses, coats, sweaters, tights, leggings, socks, shirts and neckties; footwear; headgear, namely, hats and caps</p>	IM Brands, LLC
<p>IM & DESIGN *</p> 	USA	3,928,761	03/08/11	25	<p>Women's Clothing, namely, suits, coats, jackets, pants, slacks, trousers, dresses, gowns, jumpsuits, blouses, skirts, hosiery, tights, stockings, jeans, shorts, shirts, sweaters, vests, t-shirts, overalls, swimsuits, socks and underwear in the nature of briefs and tops, bras and panties, lingerie, hats, scarves and gloves</p>	IM Brands, LLC
ISAAC MIZRAHI*	USA	3,942,020	04/05011	35	Retail store and on-line retail store services featuring apparel, accessories, fragrances and cosmetics	IM Brands, LLC
ISAAC MIZRAHI*	USA	3,938,988	03/29/11	17	Costume jewelry; jewelry	IM Brands, LLC
ISAAC MIZRAHI*	USA	(77/738086)	(05/15/09)	3	Cosmetics; Cosmetics and make-up; Cosmetics in general, including perfumes	IM Brands, LLC


ISAAC MIZRAHI*	USA	(85/649206)	(06/12/12)	3	hair shampoos and conditioners, hair care preparations, hair sprays and hair gels, hair straightening preparations, hair styling preparations	IM Brands, LLC
ISAAC MIZRAHI*	USA	(85/597421)	(04/13/12)	3, 4, 8, 9, 11, 18, 20, 21, 22, 24, 25, 27, & 31	<p>3) shower gels; anti-bacterial soaps; anti-bacterial gels; body oils; perfumed bath and body soaps; skin cleansers; lotions and moisturizers; creams; fragrances and scented body lotions, shower gels, after shaves, deodorants, and creams; perfumed powders; potpourris; scented room and linen sprays</p> <p>4) scented candles</p> <p>8) flatware, namely, knives, forks, and spoons</p> <p>9) battery and car chargers; carrying cases, holders, protective cases and stands featuring power supply connectors, adaptors, speakers and battery charging devices, specially adapted for use with handheld electronic devices, namely, electronic readers, smart phones, tablets, and laptops; digital cameras; ear buds; eyewear; headphones; micro speakers; power supply connectors and adaptors for use with personal electronic devices, namely, electronic readers, smart phones, tablets, and laptops; protective covers specially adapted for personal electronic devices, namely, electronic readers, smart phones, tablets, and laptops; reading glasses; solar recharging devices; USB storage devices; video and cam recorders</p> <p>11) chandeliers; dispensing units for air fresheners, namely, diffusers, plug-ins, and stick-ups; table and floor lamps</p> <p>14) timepieces; women's and men's cuff bracelets</p> <p>16) blank journals; hard and soft storage boxes; disposable paper products, namely, paper napkins and paper towels; guest books; hat boxes; lunch bags; lunch bags made of textile; paper weights; wedding albums</p>	IM Brands, LLC



				<p>18) backpacks, knapsacks, business totes, cooler bags, tote bags, cross-body bags, flat bags, diaper bags, duffle bags, gym bags, handbags, luggage, messenger bags, shopping totes, grocery totes, tote bags, travel bags and matching cosmetic bags and cases sold empty; small leather goods, namely, key cases, pouches, and business and credit card holders; collars for pets; pet collar accessories, namely, bells, silencers, safety lights and blinkers, pendants, charms, and tags; pet products, namely, pet restraining devices consisting of leashes, collars, harnesses, restraining straps, and leashes with locking devices; pet leashes; leather leashes; pet beds</p> <p>20) accent furniture; bath accessories, namely, shower curtain hooks; baby changing mats; decorative pillows; decorative window hardware; hangers for cloths and coats; hanging shoe and other closet hanging rack devices; picture frames; sleeping pillows</p> <p>21) bakeware; bath accessories, namely, cotton ball jars, lotion pumps, soap dishes, toothbrush holders, wastebaskets; cookware; dinnerware, namely, accessories and mugs; disposable paper products, namely, serving ware, platters, plates, cups; drinking glasses, namely, tumblers; glassware for beverages; ironing board covers; kitchen utensils; laundry hampers for household use; lint rollers; napkin rings; paper towel holders; plates, bowls, cups, and serving platters made of melamine; thermally insulated bags and containers for food and beverage; towel drying racks; utensils for barbecues, namely, forks, tongs, and turners; reusable plastic, glass, and aluminum water bottles sold empty; plastic cups, plates, and silverware, namely, knives, forks, and spoons; household storage containers for pet food</p> <p>22) laundry bags</p> <p>24) bath accessories, namely, shower curtains; bath sheets; bath towels; beach towels; bed sheets; blankets; comforters; coverlets; duvet covers; fingertip towels; hand towels; kitchen curtains; kitchen towels; newborn and infant accessories, namely, blankets and washcloths; oven mitts; pillowcases; pot holders; quilts; shams; table linens and table cloths made of textile, namely, table cloths, fabric table napkins, placemats, and fabric table runners; throws; towels; washcloths; window curtains; window scarves; window treatments in the nature of window panels; window valences</p>	
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					25) aprons; bibs; bridal apparel and accessories; children's and infant's apparel; footwear not for sports; men's and women's belts; men's dress shirts; men's neckwear; shapewear, namely, girdles, body shapers, bodysuits, lingerie, and hosiery; men's and women's sleepwear and loungewear; wedding gowns; women's day and evening dresses; women's footless and footed tights, stockings, leggings, knee highs, and hosiery; men's and women's hooded shirts and sweatshirts; women's intimate apparel, namely, bras, slips, camisoles, and panties; men's and women's jackets; men's and women's knit bottoms, tops, and trousers; men's and women's woven bottoms, tops, and trousers; men's and women's outerwear; men's and women's socks; men's and women's soft and tailored suits; men's and women's sweatshirts 27) bath mats; rugs 31) pet food	
ISAAC MIZRAHI*	USA	3,293,902	09/18/07	18	Leather goods, namely, hand bags, attaché cases, briefcases, tote bags, luggage, knapsacks, wallets, change purses, business and credit card cases	IM Brands, LLC
ISAAC MIZRAHI*	USA	3,293,901	09/18/07	25	Clothing, namely, jeans, parkas, belts, hosiery, and leggings; footwear, shoes, sandals, and boots	IM Brands, LLC
ISAAC MIZRAHI*	USA	2,150,771	04/14/98	9, 25	9) eye glass frames and sunglasses 25) clothing, namely, bathing suits, boots, coats, dresses, jackets, jeans, jumpsuits, leggings, pants, parkas, sandals, shirts, shoes, shorts, skirts, suits, sweaters, T-shirts and vests	IM Brands, LLC
ISAACMIZRAHILIVE*	USA	4,079,221	01/03/12	35	On-line retail store services featuring clothing and shoes, home products, jewelry and accessories	IM Brands, LLC
ISAACMIZRAHILIVE*	USA	3,935,410	03/22/11	25	Belts for clothing; Blouses; Coats; Denim jackets; Denims; Dress suits; Dresses; Footwear; Gloves; Hats; Jeans; Lingerie; Nightwear; Pants; Scarves; Shirts; Shoes; Skirts; Sweaters; Swimwear; Wedding dresses	IM Brands, LLC
ISAACMIZRAHILIVE*	USA	(85/207090)	(12/29/10)	18	(Based on Use in Commerce) Clutch bags; Handbags, purses and wallets; Tote bags (Based on Intent to Use) Briefcases and attaché cases; Luggage	IM Brands, LLC
ISAACMIZRAHILIVE*	USA	4,079,210	01/03/12	24	Bath linen; Bed and table linen; Bed blankets; Bed covers; Bed skirts; Bed spreads; Bed throws; Dining linens; Household linen, including face towels; Table linen	IM Brands, LLC

ISAACMIZRAHILIVE*	USA	4,079,216	01/03/12	21	Coffee cups, tea cups and mugs; Coffee pots not of precious metal; Containers for household or kitchen use not of precious metal; Cookware, namely, pots and pans; Dishes and plates; Glass beverageware; Glass bowls; Tea pots not of precious metal	IM Brands, LLC
ISAAC MIZRAHI LIVE & DESIGN* 	USA	3,948,520	04/19/11	41	Entertainment in the nature of on-going television programs in the field of fashion, cooking, home care, entertaining, decorating, entertainment and human interest	IM Brands, LLC
ISAAC MIZRAHI LIVE & DESIGN* 	USA	(77/786031)	(07/21/09)	18, 25	18) briefcases; carry-all bags; clutch bags; handbags, purses and wallets; luggage; umbrellas 25) aprons; beachwear; belts; coats; dresses; footwear; foundation garments; fur coats and jackets; gloves; hats; hosiery; jackets; jeans; men's and women's jackets, coats, trousers, vests; neckwear; pants; shirts; skirts; suits; undergarments	IM Brands, LLC

ISAAC JEANS*	MIZRAHI	USA	(85/644459) should be 85644456 this serial number is for the trademark FABTECH not ISAAC MIZRAHI JEANS	(06/06/12)	9, 18, 25	<p>9) eyewear; eyeglasses; sunglasses; eyeglass frames; opera glasses; spectacles; eyeglass, sunglass and spectacle cases; eyeglass, sunglass and spectacle straps; eyeglass, sunglass and spectacle chains; related accessories, parts and fittings for eyewear</p> <p>18) backpacks, knapsacks, business totes, cooler bags, tote bags, cross-body bags, flat bags, diaper bags, duffle bags, gym bags, handbags, luggage, messenger bags, shopping totes, grocery totes, tote bags, travel bags and matching cosmetic bags and cases sold empty; small leather goods, namely, key cases, pouches, and business and credit card holders</p> <p>25) men's and women's clothing, namely, bathing suits, belts, coats, jackets, jeans, jumpsuits, pants, parkas, shirts, shorts, sleepwear and loungewear, suits, sweaters, t-shirts, vests, socks, sweatshirts, tops, trousers, bottoms, hooded shirts and sweatshirts; women's clothing, namely, dresses, hosiery, leggings, skirts, tights, knee highs, panty hose; women's intimate apparel, namely, bras, slips, camisoles, and panties; shapewear, namely, girdles, body shapers, bodysuits, lingerie, and hosiery; men's clothing, namely, dress shirts and neckwear; men's and women's footwear</p>	IM Brands, LLC
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<p>ISAAC MIZRAHI NEW YORK*</p>	<p>USA</p>	<p>(85/539136)</p>	<p>(02/10/12)</p>	<p>9, 18, 25</p>	<p>9) eyewear; eyeglasses; sunglasses; eyeglass frames; opera glasses; spectacles; eyeglass, sunglass and spectacle cases; eyeglass, sunglass and spectacle straps; eyeglass, sunglass and spectacle chains; related accessories, namely, hard cases for eyewear, soft pouches for eyewear and lens cloths; parts and fittings for eyeglasses, sunglasses and spectacles</p> <p>18) leather and imitations of leather, and goods made of these materials and not included in other classes, namely, handbags, carrying cases and wallets; all-purpose sports and athletic bags; beach, book, carry-on, duffel, diaper, gym, leather shopping, shoulder, tote and travel bags; fanny packs and waist packs; backpacks; knapsacks; purses; garment bags for travel; satchels; luggage; luggage tags; trunks; suitcases; hat boxes for travel not of paper or cardboard; cosmetic cases and bags sold empty; toiletry and vanity cases sold empty; tool bags sold empty; attaché cases; briefcases; briefcase-type portfolios; document cases; men's clutches; business cases; business card cases; calling and credit card cases; key cases; leather key chains; wallets; banknote holders; billfolds; umbrellas; parasols; walking sticks</p> <p>25) clothing, namely, belts, jackets, gloves, dresses, coats, sweaters, tights, leggings, socks, shirts and neckties; footwear; headgear, namely, hats and caps</p>	<p>IM Brands, LLC</p>
<p>MISCELLANEOUS DESIGN*</p> 	<p>USA</p>	<p>3,354,162</p>	<p>12/11/07</p>	<p>18</p>	<p>Shoulder, tote and travel bags; purses; satchels</p>	<p>IM Brands, LLC</p>

MISCELLANEOUS DESIGN* 	USA	3,931,846	03/15/11	25	belts for clothing; coats; denims; dress suits; dresses; fur coats; men's and women's jackets, coats, trousers, vests; pants; shirts; shoes; skirts; t-shirts	IM Brands, LLC
MISCELLANEOUS DESIGN* 	USA	(85/247619)	(02/21/11)	18	(Based on Use in Commerce) Handbags, purses and wallets(Based on Intent to Use) Luggage; Tote bags	IM Brands, LLC

<p>MISCELLANEOUS DESIGN*</p> 	USA	(85/539141)	(02/10/12)	9, 18, 25	<p>9) eyewear; eyeglasses; sunglasses; eyeglass frames; opera glasses; spectacles; eyeglass, sunglass and spectacle cases; eyeglass, sunglass and spectacle straps; eyeglass, sunglass and spectacle chains; related accessories, namely, hard cases for eyewear, soft pouches for eyewear and lens cloths; parts and fittings for eyeglasses, sunglasses and spectacles</p> <p>18) leather and imitations of leather, and goods made of these materials and not included in other classes, namely, handbags, carrying cases and wallets; all-purpose sports and athletic bags; beach, book, carry-on, duffel, diaper, gym, leather shopping, shoulder, tote and travel bags; fanny packs and waist packs; backpacks; knapsacks; purses; garment bags for travel; satchels; luggage; luggage tags; trunks; suitcases; hat boxes for travel not of paper or cardboard; cosmetic cases and bags sold empty; toiletry and vanity cases sold empty; tool bags sold empty; attaché cases; briefcases; briefcase-type portfolios; document cases; men's clutches; business cases; business card cases; calling and credit card cases; key cases; leather key chains; wallets; banknote holders; billfolds; umbrellas; parasols; walking sticks</p> <p>25) clothing, namely, belts, jackets, gloves, dresses, coats, sweaters, tights, leggings, socks, shirts and neckties; footwear; headgear, namely, hats and caps</p>	IM Brands, LLC
STYLOCRACY*	USA	(85/701615)	(8/13/2012)	25	<p>men's and women's clothing, namely, bathing suits, belts, coats, jackets, jeans, jumpsuits, pants, parkas, shirts, shorts, sleepwear and loungewear, suits, sweaters, t-shirts, vests, socks, sweatshirts, tops, trousers, bottoms, hooded shirts and sweatshirts; women's clothing, namely, dresses, hosiery, leggings, skirts, tights, knee highs, panty hose; women's intimate apparel, namely, bras, slips, camisoles, and panties; shapewear, namely, girdles, body shapers, bodysuits, lingerie, and hosiery; men's clothing, namely, dress shirts and neckwear; men's and women's footwear</p>	IM Brands, LLC

II. Foreign

See attached.

II. Foreign Trademarks

ISAAC MIZRAHI *	Canada	TMA419,374	11/12/93	N/A	Clothing, namely suits, coats, jackets, pants, slacks, trousers, dresses, gowns, jumpsuits, blouses, skirts, hosiery, panty hose, tights, stockings, jeans, shorts, shirts, sweaters, vests, t-shirts, overalls, swimsuits, socks, underwear briefs and tops, bras and panties, lingerie, hats, scarves and gloves	IM Brands, LLC
ISAAC MIZRAHI	Canada	(062215801)	(03/21/12)	N/A	<p>Eyewear; eyeglasses; sunglasses; eyeglass frames; opera glasses; spectacles; eyeglass, sunglass and spectacle cases; eyeglass, sunglass and spectacle straps; eyeglass, sunglass and spectacle chains; related accessories, parts and fittings included in this class for all the aforesaid goods</p> <p>Leather and imitations of leather, and goods made of these materials and not included in other classes; all-purpose sports and athletic bags; beach, book, carry-on, duffel, diaper, gym, leather shopping, shoulder, tote, shopping, grocery, and travel bags; fanny packs and waist packs; backpacks; knapsacks; messenger bags; cross-body and flat bags; purses; garment bags for travel; diaper bags; satchels; luggage; luggage tags; travel bags and related/matching cosmetic bags and cases; trunks; suitcases; hat boxes for travel not of paper or cardboard; cosmetic cases and bags sold empty; toiletry and vanity cases sold empty; tool bags sold empty; attaché cases; briefcases; briefcase-type portfolios; document cases; men's clutches; business cases; business card cases; calling and credit card cases; key cases; leather key chains; wallets; banknote holders; billfolds; umbrellas; parasols; walking sticks</p> <p>Thermally insulated bags, including lunch bags, cooler bags, and tote bags; insulated water bottles; hydration products including water bottles.</p> <p>Diaper changing mat/pad</p>	IM Brands, LLC

ISAAC MIZRAHI	Chile	1,027,657	(10/2/2012)	9, 18, 25	<p>9) eyewear; eyeglasses; sunglasses; eyeglass frames; opera glasses; spectacles; eyeglass, sunglass and spectacle cases; eyeglass, sunglass and spectacle straps; eyeglass, sunglass and spectacle chains; related accessories, parts and fittings included in this class for all the aforesaid goods</p> <p>18) leather and imitations of leather, and goods made of these materials and not included in other classes; all-purpose sports and athletic bags; beach, book, carry-on, duffel, diaper, gym, leather shopping, shoulder, tote and travel bags; fanny packs and waist packs; backpacks; knapsacks; purses; garment bags for travel; satchels; luggage; luggage tags; trunks; suitcases; hat boxes for travel not of paper or cardboard; cosmetic cases and bags sold empty; toiletry and vanity cases sold empty; tool bags sold empty; attaché cases; briefcases; briefcase-type portfolios; document cases; men's clutches; business cases; business card cases; calling and credit card cases; key cases; leather key chains; wallets; banknote holders; billfolds; umbrellas; parasols; walking sticks</p> <p>25) clothing, footwear, headgear</p>	IM Brands, LLC
ISAAC MIZRAHI	China	(A0029834)	(05/15/12)	9, 18, 25	<p>9) eye glass frames and sunglasses</p> <p>18) Leather goods, namely, hand bags, attaché cases, briefcases, tote bags, luggage, knapsacks, wallets, change purses, business and credit card cases</p> <p>25) Leather goods, namely, hand bags, attaché cases, briefcases, tote bags, luggage, knapsacks, wallets, change purses, business and credit card cases</p>	IM Brands, LLC

ISAAC MIZRAHI	CTM	5,248,638	07/20/07	9, 18, 25	<p>9) Eyewear; eyeglasses; sunglasses; eyeglass frames; opera glasses; spectacles; eyeglass, sunglass and spectacle cases; eyeglass, sunglass and spectacle straps; eyeglass, sunglass and spectacle chains; related accessories, parts and fittings included in this class for all the aforesaid goods</p> <p>18) Leather and imitations of leather, and goods made of these materials and not included in other classes; all-purpose sports and athletic bags; beach, book, carry-on, duffel, diaper, gym, leather shopping, shoulder, tote and travel bags; fanny packs and waist packs; backpacks; knapsacks; purses; garment bags for travel; satchels; luggage; luggage tags; trunks; suitcases; hat boxes for travel not of paper or cardboard; cosmetic cases and bags sold empty; toiletry and vanity cases sold empty; tool bags sold empty; attaché cases; briefcases; briefcase-type portfolios; document cases; men's clutches; business cases; business card cases; calling and credit card cases; key cases; leather key chains; wallets; banknote holders; billfolds; umbrellas; parasols; walking sticks</p> <p>25) Clothing, footwear, headgear</p>	Im Ready-Made, LLC
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ISAAC MIZRAHI	Hong Kong	(302192869)	(03/16/12)	9, 18, 25	<p>9) Eyewear; eyeglasses; sunglasses; eyeglass frames; opera glasses; spectacles; eyeglass, sunglass and spectacle cases; eyeglass, sunglass and spectacle straps; eyeglass, sunglass and spectacle chains; related accessories, parts and fittings included in this class for all the aforesaid goods</p> <p>18) Leather and imitations of leather, and goods made of these materials and not included in other classes; all-purpose sports and athletic bags; beach, book, carry-on, duffel, diaper, gym, leather shopping, shoulder, tote and travel bags; fanny packs and waist packs; backpacks; knapsacks; purses; garment bags for travel; satchels; luggage; luggage tags; trunks; suitcases; hat boxes for travel not of paper or cardboard; cosmetic cases and bags sold empty; toiletry and vanity cases sold empty; tool bags sold empty; attaché cases; briefcases; briefcase-type portfolios; document cases; men's clutches; business cases; business card cases; calling and credit card cases; key cases; leather key chains; wallets; banknote holders; billfolds; umbrellas; parasols; walking sticks</p> <p>25) Clothing, footwear, headgear</p>	IM Brands, LLC
ISAAC MIZRAHI	International	1,122,994	(05/15/12)	9, 18, 25	<p>9) eye glass frames and sunglasses</p> <p>18) Leather goods, namely, hand bags, attaché cases, briefcases, tote bags, luggage, knapsacks, wallets, change purses, business and credit card cases</p> <p>25) Leather goods, namely, hand bags, attaché cases, briefcases, tote bags, luggage, knapsacks, wallets, change purses, business and credit card cases</p>	IM Brands, LLC

ISAAC MIZRAHI	Japan	5,114,834	02/29/2008	9, 18, 25	<p>9) Eyewear; eyeglasses; sunglasses; eyeglass frames; opera glasses; spectacles; eyeglass, sunglass and spectacle cases; eyeglass, sunglass and spectacle straps; eyeglass, sunglass and spectacle chains; related accessories, parts and fittings included in this class for all the aforesaid goods</p> <p>18) Leather and imitations of leather, and goods made of these materials and not included in other classes; all-purpose sports and athletic bags; beach, book, carry-on, duffel, diaper, gym, leather shopping, shoulder, tote and travel bags; fanny packs and waist packs; backpacks; knapsacks; purses; garment bags for travel; satchels; luggage; luggage tags; trunks; suitcases; hat boxes for travel not of paper or cardboard; cosmetic cases and bags sold empty; toiletry and vanity cases sold empty; tool bags sold empty; attaché cases; briefcases; briefcase-type portfolios; document cases; men's clutches; business cases; business card cases; calling and credit card cases; key cases; leather key chains; wallets; banknote holders; billfolds; umbrellas; parasols; walking sticks</p> <p>25) Clothing, footwear, headgear</p>	Isaac Mizrahi & Co., L.P.
ISAAC MIZRAHI	South Korea	(A0029834)	(05/15/12)	9, 18, 25	<p>9) eye glass frames and sunglasses</p> <p>18) Leather goods, namely, hand bags, attaché cases, briefcases, tote bags, luggage, knapsacks, wallets, change purses, business and credit card cases</p> <p>25) Leather goods, namely, hand bags, attaché cases, briefcases, tote bags, luggage, knapsacks, wallets, change purses, business and credit card cases</p>	IM Brands, LLC
ISAAC MIZRAHI	South Korea	40-0254273-0000	04/09/03	18		Isaac Mizrahi & Co., L.P.
ISAAC MIZRAHI	Mexico	(1249173)	(02/14/12)	9	eyeglasses, and goggles; spectacles; sunglasses; frames lens, opera glasses, goggles [optical] eyeglass cases, sunglasses and goggles; laces and belts lens, sunglasses and goggles; chains lens, sunglasses and eyeglasses	IM Brands, LLC

ISAAC MIZRAHI	Mexico	(1249172)	(02/14/12)	18	leather and imitations of leather, goods made from these materials, not included in other classes; bags multi sports and athletics, beach bags for books, bags, canvas, diaper, gym, shopping for leather, loaded for shoulder, and travel of asa; cangureras bags and hung on the waist, backpacks, backpacks hung on the shoulders; purses; garment; portfolios; suitcases; identifiers for luggage, traveling trunks, valises; leather travel milliners; tester for cosmetics, sold empty, toiletry cases sold empty, tool bags sold empty, attaché cases, briefcases; glove case type, briefcases, handbags for man; cases business; card cases (holding) for business cards; tarjetereos (holding) phone card and credit, key cases, portfolios, wallets; umbrellas, parasols, walking sticks	IM Brands, LLC
ISAAC MIZRAHI	Mexico	(1249171)	(02/14/12)	25	Apparel, footwear, headgear	IM Brands, LLC

Schedule B To Security Agreement**LICENSES**

Licensor	Licensee	Agreement Date
IM Brands, LLC	QVC, Inc.	06/05/09
IM Brands, LLC	QVC, Inc. and Fifth & Pacific	10/07/09
IM Brands, LLC	QVC, Inc.	01/28/10
IM Brands, LLC	Accessory Exchange LLC	06/01/11
IM Brands, LLC	B. Robinson Optical Inc.	07/11/11
IM Brands, LLC	Bijou International Corporation	12/15/11
IM Brands, LLC	bon bebe Inc. (International Intimates d/b/a)	07/15/11
IM Brands, LLC	Burma Bibas, Inc.	11/03/11
IM Brands, LLC	Cloudbreak Group, LLC	09/26/11
IM Brands, LLC	Clover II Corporation	12/22/11
IM Brands, LLC	Fisher Footwear	07/26/11
IM Brands, LLC	Fleet Street, Ltd.	12/12/11
IM Brands, LLC	Gibson Overseas Inc.	07/06/11
IM Brands, LLC	International Intimates, Inc.	06/30/11
IM Brands, LLC	Jay Franco & Sons	07/01/11
IM Brands, LLC	Kleinfeld Bridal Corp.	10/12/11
IM Brands, LLC	MZ Berger & Company	06/01/11
IM Brands, LLC	Regal Home Collections, Inc.	07/01/11
IM Brands, LLC	United Legwear Company, LLC	06/01/11
IM Brands, LLC	Huhtamaki Inc.	01/18/12
IM Brands, LLC	Collection Jeans Licensing, LLC	02/09/12
IM Brands, LLC	IM Clothing, LLC (Jump)	02/10/12
IM Brands, LLC	Zeikos, Inc.	02/14/12
IM Brands, LLC	Weingeroff	02/24/12
IM Brands, LLC	Safavieh	02/24/12
IM Brands, LLC	Eccolo, Ltd.	03/20/12
IM Brands, LLC	Roma Industries, LLC	04/02/12
IM Brands, LLC	Kennedy International Inc.	03/30/12
IM Brands, LLC	Elite Brands, Inc.	04/05/12
IM Brands, LLC	PetEdge, Inc.	05/29/12
IM Brands, LLC	Marietta Corporation	04/21/12
IM Brands, LLC	Glove It, LLC	07/18/12
IM Brands, LLC	Bardwil Industries, Inc.	07/24/12
IM Brands, LLC	Jerry Leigh of California, Inc.	08/08/12
IM Brands, LLC	Xile Beauty Group, LLC	08/08/12
IM Brands, LLC	Roma Industries, LLC	08/27/12
IM Brands, LLC	RFA Group, LLC	10/12/12
IM Brands, LLC	Chefworks, Inc.	12/17/12
IM Brands, LLC	Gin & Tonic, LLC (Ezrasons)	12/18/12
IM Brands, LLC	Panmoda Corporation	01/01/13
IM Brands, LLC	Synclaire Brands, Inc.	01/28/13
IM Brands, LLC	American Exchange Apparel Group	02/18/13

Licensor	Licensee	Agreement Date
IM Brands, LLC	The Fancy (Thing Daemon Inc.)	02/04/13
IM Brands, LLC	Tweezerman International LLC	03/14/13
IM Brands, LLC	Dodocase, Inc.	03/18/13
IM Brands, LLC	Universal Yarns, Inc. d/b/a Premier Yarns	04/10/13
IM Brands, LLC	Fabricut (S. Harris)	02/04/05
IM Brands, LLC	KLL Dolls, LLC d/b/a Alexander Doll Company	05/06/13
IM Brands, LLC	Revive Designer Bathrooms, LLC	05/23/13
IM Brands, LLC	Johnson & Johnson Consumer Products Company	05/30/13
IM Brands, LLC	Thomasville Furniture Industries, Inc.	06/04/13
IM Brands, LLC	SBIM LLC (Signal Products)	06/10/13
IM Brands, LLC	The Gem Group Inc. d/b/a Gemline	07/16/13
IM Brands, LLC	Kimberly-Clark Global Sales LLC	07/18/13

GUARANTY

Introductory Note. This Guaranty may be used for one or more Guarantors or with respect to one or more Debtors. If there is only one Guarantor or only one Debtor, then any reference herein to “the Guarantors”, “any Guarantor”, “each Guarantor” or the like, or to “the Debtors”, “any Debtor”, “each Debtor” or the like, shall be understood to refer to the Guarantor or to the Debtor, respectively. All capitalized terms in this Guaranty are defined in Section 19.

Preamble. Each of the undersigned (each a “Guarantor” and collectively the “Guarantors”) expects to derive direct and/or indirect benefits from the Bank’s giving or continuing financial accommodations to any of the Debtors. The Bank is unwilling to give or continue financial accommodations to the Debtors without the guaranty of payment of each of the Guarantors as set forth in this Guaranty. It is a condition precedent to the Bank’s giving or continuing these financial accommodations to any of the Debtors that the Guarantors shall have executed and delivered this Guaranty to the Bank. In consideration of the premises and in consideration of financial accommodations given or to be given or continued to any of the Debtors by the Bank, and in order to induce the Bank to give or continue financial accommodations to any of the Debtors, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the Guarantors, the Guarantors hereby jointly and severally represent and warrant to, and covenant and agree with, the Bank as follows:

1. **Guaranty.** The Guarantors hereby jointly and severally, irrevocably and unconditionally (a) guarantee to the Bank the full and punctual payment when due (whether at stated maturity, by acceleration or otherwise) by the Debtors of all Obligations, and (b) agree to pay to the Bank all Additional Liabilities immediately when due or on demand. This Guaranty is the unlimited or limited (as set forth on the signature page below), primary obligation of the Guarantors. The Bank may enforce this Guaranty against any Guarantor and/or any Credit Enhancement provided by any Guarantor without any prior or contemporaneous enforcement of any of the Obligations against any other Obligated Party or Credit Enhancement.

2. **Guaranty Absolute.** This Guaranty is a continuing, absolute and unconditional guaranty of payment and not of collection, and shall remain in full force and effect until payment in full of all amounts payable under this Guaranty, notwithstanding that at any time and from time to time (i) the Debtors may be free from any Obligations or (ii) the Obligations may exceed the amount of the Liabilities of the Guarantors hereunder, and regardless of how long before or after the date hereof any of the Obligations were or are incurred, and regardless of whether any financial accommodation resulting in an Obligation was or shall be given or continued by the Bank in contemplation of this Guaranty. Each Guarantor waives all Defenses and Claims with respect to this Guaranty and/or any Credit Enhancement provided by such Guarantor. All Obligations shall be conclusively presumed to have been created in reliance hereon.

Without limiting any other provisions hereof, none of the following (whether occurring prior to, simultaneously with or subsequent to the date hereof) shall give rise to a Defense or Claim with respect to this Guaranty and/or any Credit Enhancement provided by any Guarantor, and each Guarantor waives all such Defenses and Claims that might otherwise arise therefrom, and the joint and several liability of each Guarantor under this Guaranty shall be absolute and unconditional irrespective of:

(a) the death, incompetence or disability of any Obligated Party, or any law (including, to the fullest extent permitted by law, any statute of limitations), regulation, order, stay, injunction or prohibition now or hereafter in effect in any jurisdiction that would give rise to a Defense or Claim available to any Obligated Party, or any other fact or circumstance that may result in or constitute a Defense or Claim available to any Obligated Party;

(b) any lack of genuineness, validity, legality, regularity or enforceability of any of the Liabilities or of any Document (including but not limited to any determination that any Obligated Party (i) was not a duly organized and validly existing Entity or (ii) lacked the authorization or capacity to incur any of the Liabilities);

(c) any payment made by, or amount received or collected by the Bank from, any other Person in respect of any of the Liabilities or of any other Debt of any Debtor;

(d) any revocation, early termination, rejection, disaffirmance, cessation, impairment or suspension for any cause whatsoever of (i) any of the Liabilities or (ii) the validity, binding effect or enforceability of any of the Liabilities or of any Document, except that any Guarantor may deliver to the Bank a written notice of revocation signed by such Guarantor, which may revoke such Guarantor’s Liabilities (but not of any other Guarantor) under this Guaranty, provided that such notice shall not affect such Guarantor’s Liabilities with respect to any Nonrevocable Obligations, and such Guarantor waives all rights to revoke any Liabilities with respect to any Nonrevocable Obligations and shall remain fully liable with respect thereto;

(e) any loss or non-perfection of, or any inability to foreclose or otherwise realize on, any Credit Enhancement;

(f) if a Guarantor is a partnership or joint venture, the death, incompetence, retirement or withdrawal of one or more partners or joint venturers, or the accession of one or more new partners or joint venturers, or the dissolution (by operation of law or otherwise) of such Guarantor;

(g) any Transfer or purported Transfer by any Guarantor of any of the Liabilities;

(h) any action or omission referred to in Section 4 or Section 5;

(i) any event or events, whether with or without the consent of, or notice to, any of the Guarantors (even if known to the Bank or any of its Agents and not known to any of the Guarantors), which result or results in any change, whether or not material, in (i) the business, assets, liability or financial condition of any of the Debtors, (ii) the identity of any of the Debtors (whether by consolidation, merger, reorganization, change in form or structure, change in membership, change in control, change in management, or otherwise), (iii) any relationship (whether business, financial, personal or otherwise) between any of the Debtors and any of the Guarantors or (iv) the degree of risk assumed by any of the Guarantors hereunder.

3. **Payment.** Any payment made under this Guaranty shall be paid to the Bank at its offices in New York City, or at such other place as the Bank may designate in writing, in immediately available funds in the Currency in which the applicable Liabilities are denominated.

4. **Waiver.** Without limiting any other provisions of this Guaranty, each Guarantor hereby waives (a) notice of acceptance of this Guaranty, (b) notice of any Obligation to which this Guaranty may apply, (c) notice or proof of reliance by the Bank upon this Guaranty, (d) promptness, (e) diligence, (f) presentment, (g) demand for payment, (h) notice of dishonor or nonpayment of, or with respect to, any of the Obligations, (i) notice of any legal action or proceeding or any demand or any other action against, or any other notice to, any Obligated Party, and (j) any requirement that the Bank exhaust any right or take any action against or with respect to any other Obligated Party or any Credit Enhancement.

5. **Permitted Bank Actions and Omissions.** As to each Guarantor, the Bank and its Agents may, without giving rise to any Defense or Claim, at any time upon or without any terms or conditions, in whole or in part, and without the consent of, or notice to, any Obligated Party:

(a) change the Currency, time, manner or place of payment or performance (whether before or after maturity) or extend, renew, change, alter, amend, modify or waive any of the terms of any of the Liabilities or any Document;

(b) increase or decrease any of the Liabilities, including but not limited to the amount of principal or the amount or rate of any interest, fees, charges or other amount payable;

(c) (i) sell, exchange, realize upon, foreclose, release or surrender, or fail so to do with respect to, or (ii) impair or fail to take any steps necessary to care for, preserve, protect, secure, insure or obtain, or (iii) impair or fail to take any steps necessary to perfect (including any failure to make any filing or recording, or the making or any improper filing or recording of) any security interest or other rights in; or (iv) otherwise deal or fail to deal with, any Credit Enhancement or Subrogation Rights in any manner and in any order; or (v) exercise or refrain from exercising any rights against any other Obligated Party or any other Person or otherwise act or refrain from acting;

(d) (i) discharge, release, settle with or compromise with any other Obligated Party or other Person and/or (ii) consent to or waive any breach of, any departure from, or any act, omission or default under, any Document; or (iii) fail to notify any of the Guarantors or any other Person (even if known to the Bank or any of its Agents and not known to any of the Guarantors) of any change, whether or not material, relating to any of the Debtors or of any other Person, including but not limited to any of the matters set forth in Section 2(i).

6. **Bank Statements.** Any statement, certificate, notice or the like submitted by the Bank to any of the Debtors and/or to any of the Guarantors, setting forth the amount or amounts of any or all of the Obligations and/or Liabilities, shall be prima face evidence thereof, and each Guarantor agrees to be bound thereby absent manifest error.

7. **Expenses; Currency; Interest.** Each of the obligations set forth in this Section shall be a separate obligation payable on demand, with respect to which the Guarantors shall be jointly and severally liable to the Bank as an alternative or additional cause of action or claim.

(a) The Guarantors shall indemnify and hold the Bank harmless against all Expenses.

(b) If the Bank does not receive payment of any of the Liabilities in any amount of Currency when due, the Guarantors shall pay the equivalent of such amount in the Currency (including but not limited to the lawful Currency of the United States) in which such Liabilities were originally due, *provided* that the Bank may, at its option, accept payment of an equivalent amount (computed at the Bank's selling rate for such Currency at the place where such amount is payable as at the time such payment is made) in any other Currency. The receipt by the Bank of any amount in respect of any of the Liabilities in a Currency other than that in which such amount was originally due, whether pursuant to a judgment or arbitration award or pursuant to the provisions of this Guaranty or any Agreement or otherwise, shall not discharge the Guarantors with respect to any of such Liabilities except to the extent that on the first day on which the Bank is open for business immediately following such receipt, the Bank shall be able, in accordance with normal banking practice, to purchase the Currency in which such amount was due with the Currency received. Notwithstanding any such judgment or arbitration award, the Guarantors shall in any event indemnify the Bank against all losses sustained and all costs incurred by it in making any such purchase of Currency.

(c) Any amount payable hereunder shall bear interest from the date due until payment is received or recovered by the Bank in the Currency in which such amount was due at the place at which it was payable, at the Applicable Interest Rate.

8. Representations and Warranties. Each Guarantor represents and warrants to the Bank that each of the following is true, accurate and complete as of the date of such Guarantor's execution of this Guaranty, and acknowledges that the Bank's giving or continuing of financial accommodations to any of the Debtors is made in reliance thereon.

(a) If such Guarantor is a natural person, he or she has the legal capacity to execute and deliver this Guaranty and is doing so in his or her capacity as an individual and not in any representative capacity on behalf of any other Person, notwithstanding any reference to any office, title or the like next to such Guarantor's signature on this Guaranty.

(b) If such Guarantor is an Entity, it is an Entity duly organized, legally existing and in good standing under the laws of the jurisdiction in which it has been organized.

(c) Such Guarantor has full right, power and authority to enter into, execute and deliver this Guaranty and to perform all matters required to be performed by such Guarantor hereunder; the execution and delivery of this Guaranty by or on behalf of such Guarantor to the Bank is fully and unconditionally authorized; such Guarantor has duly executed and delivered this Guaranty pursuant to lawful authority; and this Guaranty constitutes such Guarantor's legal, valid and binding obligation enforceable in accordance with its terms.

(d) Such Guarantor is duly licensed or qualified to do business in all states and jurisdictions where such licensing or qualification is necessary unless the failure to so obtain such license or qualification could not reasonably be expected to have a material adverse effect on such Guarantor's financial condition or the ability of such Guarantor to perform its obligations under this Guaranty.

(e) The execution and delivery by such Guarantor of this Guaranty is not, and the performance by such Guarantor of any such Guarantor's obligations hereunder will not be, in contravention of, or cause any breach or default pursuant to, any provision of law or any charter or by-law provision or any material covenant, indenture or Agreement of or affecting such Guarantor or any of such Guarantor's assets.

(f) No consent of any Person and no consent, license, permit approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority is required in connection with the execution, delivery, performance, validity or enforceability of this Guaranty (including, without limitation, the payment to the Bank at the applicable place in the applicable Currency).

(g) No registration tax, stamp duty or similar tax or duty imposed by any governmental authority arises in connection with the execution, delivery and performance of this Guaranty by such Guarantor.

(h) No litigation, arbitration, investigation or proceeding of or before any court, arbitrator or administrative or governmental authority is currently pending or, to the knowledge of such Guarantor, threatened (i) with respect to this Guaranty or any of the transactions contemplated hereby, or (ii) against or affecting such Guarantor, or any of such Guarantor's assets, or (iii) which could affect the business operations, assets, liabilities or condition, financial or otherwise, of such Guarantor or such Guarantor's ability to enter into, execute or deliver this Guaranty or prejudice in a material manner such Guarantor's ability to fulfill such Guarantor's obligations pursuant to this Guaranty.

(i) The financial statements of such Guarantor which have been furnished to the Bank have been prepared in accordance with generally accepted accounting principles consistently applied, and fairly present the correct financial condition of such Guarantor as of their respective dates; and there has been no subsequent material adverse change in the business, operations, assets, liabilities or condition, financial or otherwise, of such Guarantor.

(j) There is no fact that such Guarantor has not disclosed to the Bank in writing that could materially and adversely affect such Guarantor's business, operations, assets, liabilities or condition, financial or otherwise, or such Guarantor's ability to perform under this Guaranty.

(k) Such Guarantor is not, and upon such Guarantor's execution and delivery of this Guaranty to the Bank such Guarantor will not be, Insolvent; in exchange for executing and delivering this Guaranty to the Bank, such Guarantor has received or will have received Reasonably Equivalent Value; such Guarantor's execution and delivery of this Guaranty does not constitute a Fraudulent Transfer; such Guarantor's execution and delivery of this Guaranty is not made with intent to hinder, delay or defraud any Creditor; and this Guaranty cannot be set aside, avoided or rendered unenforceable in whole or in part by virtue of any Fraudulent Transfer Law.

(l) Such Guarantor has not provided any Credit Support with respect to the Debt of any Person other than this Guaranty.

(m) Such Guarantor believes that (i) the Guarantors do not have any Defense or Claim with respect to this Guaranty, any Credit Enhancement or any of the Liabilities, and (ii) there do not exist any facts and circumstances that could result in or constitute any such Defense or Claim.

(n) Such Guarantor has independently investigated, without reliance on the Bank, and is fully familiar with, (i) the identity, status and financial condition of each Debtor, (ii) all relationships, if any (whether business, financial, personal or otherwise), between and/or among any and all of the Debtors and any and all of the Guarantors, and (iii) the degree of risk assumed by such Guarantor hereunder.

(o) Such Guarantor has not relied upon and has not been induced to execute and deliver this Guaranty or to purchase any interest in any of the Debtors or any other Person or to take or refrain from taking any other action as a result of any Agreement, representation, warranty, statement, recommendation or information made or purportedly made by or on behalf of the Bank or any of its Agents, whether express or implied, written or oral, direct or indirect, and whether prior to or simultaneously with the date hereof.

(p) Neither the Bank nor any of its Agents has represented or indicated that the Bank will not enforce any provision of any Document.

9. Contribution; Subordination; Subrogation.

(a) If and to the extent that any Guarantor (the "Paying Guarantor") makes payment in respect of this Guaranty, then in furtherance and not limitation of any rights that the Paying Guarantor may have in law or equity, each other Guarantor shall have an obligation, upon demand by the Paying Guarantor, to pay to the Paying Guarantor an amount equal to the quotient of (x) the amount so paid by the Paying Guarantor, divided by (y) the total number of Guarantors.

(b) All direct or indirect claims and rights (whether for moneys advanced, services performed or assets sold and delivered or on account of any Subrogation Rights, whether for an indeterminate amount, a sum certain or a contingent claim), now existing or hereafter arising which any Guarantor may have against any other Obligated Party shall be subject and subordinate to the prior payment in full to the Bank of all of the Liabilities. Each Guarantor hereby assigns and transfers to the Bank, effective upon demand by the Bank for payment by such Guarantor of any amount hereunder, all such claims and rights and any proceeds thereof, and agrees that the Bank may, in its discretion, make and present in any bankruptcy or other proceeding such proofs or claims with respect thereto as the Bank may deem expedient or proper and may vote such proofs or claims in any such proceeding. Each Guarantor shall deliver upon demand by the Bank such additional documents as the Bank may request to evidence such subordination, assignment and transfer, including without limitation duly executed assignments. At any time when all the Liabilities shall not have been paid in full, each Guarantor shall (i) as trustee for the Bank, enforce all claims and rights against any other Obligated Party or any Credit Enhancement and collect all sums due from any other Obligated Party or any Credit Enhancement or with respect to any of the Liabilities, (ii) hold any amounts received on account thereof in trust for the benefit of the Bank, and (iii) pay all such amounts immediately to the Bank to be applied to the Liabilities, together with interest on all such amounts from the date of such receipt until paid to the Bank at the Applicable Interest Rate, without reducing or affecting in any manner the liability of such Guarantor under the other provisions of this Guaranty.

(c) Until all of the Liabilities shall have been paid in full, each Guarantor shall have no Subrogation Rights, and waives any right to enforce any right or remedy which the Bank has or may hereafter have against any other Obligated Party or in or against any Credit Enhancement.

10. **Reinstatement.** If (a) claim is ever made on the Bank for repayment or recovery of any amount received in payment or on account of any of the Obligations, and (b) the Bank repays all or part of such amount by reason of (i) any judgment, decree, order or award of any court, administrative body, arbitration panel or the like or (ii) any settlement or compromise of any such claim effected by the Bank with any such claimant (including any Obligated Party), then any such judgment, decree, order, award, settlement or compromise shall be binding upon all of the Guarantors, notwithstanding the release or cancellation of any Document, and the Guarantors shall be and remain liable hereunder for the amount so repaid or recovered to the same extent as if such amount had never originally been received by the Bank.

11. **Agreements, Representations, Amendments and Waivers.** No Agreement or representation by the Bank, and no amendment or waiver of any provision of this Guaranty nor consent to any departure therefrom by any of the Guarantors shall be effective unless in writing and duly signed by at least two duly authorized officers of the Bank, and any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of the Bank to exercise, and no delay in exercising, any right under any Document or otherwise, shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. In the case of any Agreement (including but not limited to any Commitment) given or made by the Bank to any Person or Persons (which may or may not include one or more of the Guarantors), (a) such Agreement shall not inure to the benefit of any of the Guarantors to whom such Agreement was not given or made by the Bank (the "Other Guarantor" or "Other Guarantors"), (b) none of the Other Guarantors shall be deemed to be a third party beneficiary thereof, (c) the Bank shall have absolutely no responsibility or liability to any of the Other Guarantors with respect to any breach thereof or failure by the Bank to abide by, or comply with, any such Agreement, and (d) each of the Other Guarantors waives and gives up any rights that each such Other Guarantor may have, on account of any such Agreement or any such breach or failure, to assert any Defense or Claim against the Bank.

12. **Cumulative Rights; Reservation of Rights; Arms' Length Transaction.** The rights and remedies herein provided to the Bank are in addition to, and are not exclusive or in substitution for, any rights or remedies available to the Bank at law or in equity or under any other Agreement or other document which any Person (including but not limited to any Guarantor) may have executed or may hereafter execute in favor of or for the benefit of the Bank, all of which are cumulative and may be exercised by the Bank in whole or in part from time to time. The Bank shall be deemed to have reserved its rights against each Guarantor in connection with any settlement, compromise, discharge or release of any other Obligated Party or any Document. The joint and several liabilities of the Guarantors hereunder shall not be reduced or limited by reason of any similar or dissimilar guaranty or other Document executed in favor of the Bank by any Person, and this Guaranty shall be enforceable against each of the Guarantors jointly and severally without regard thereto. This Guaranty represents an arms' length transaction between the Guarantors and the Bank. Each Guarantor agrees and consents that this Guaranty shall not be, and waives any right to require that this Guaranty be, construed against the Bank on the ground that the Bank has prepared it.

13. **Covenants.** Subject to any other written Agreement between the Bank and any Person relating to the same subject matter, each Guarantor shall:

(a) furnish to the Bank copies of such Guarantor's financial statements and such other information relating to such Guarantor's business, operations, assets, liabilities and condition, financial or otherwise, promptly when, and in such form as, reasonably required or requested by the Bank. Without limiting the foregoing, it shall be deemed reasonable for the Bank to require or request that as soon as available but in any event (i) within one hundred twenty (120) days of the end of each fiscal year of such Guarantor, such Guarantor shall furnish a copy of such Guarantor's audited financial statements as of the end of the fiscal year, certified without qualification as complying with generally accepted accounting principles by independent certified public accountants not unacceptable to the Bank, substantially in the same form and with the same detail as the financial information heretofore furnished by such Guarantor to the Bank, and (ii) within 45 days of the end of each of the first three fiscal quarters of a Guarantor that is an Entity, such Guarantor shall furnish a copy of its unaudited financial statements as of the end of the fiscal quarter, certified by its chief executive, operating or financial officer;

(b) permit any of the Bank's Agents to visit such Guarantor's premises upon not less than two (2) Business Days' prior notice during normal business hours and to examine and make photographs, copies and extracts of such Guarantor's property and of its books and records;

(c) take or cause to be taken any and all action that may be necessary or appropriate (to the extent legally permissible) to cause or permit the Debtors to perform all of the Obligations, and shall not take or cause to be taken any action that may prevent or interfere with any Debtor's performance thereof; and

(d) not enter into any Agreement or purchase any interest in any of the Debtors or other Persons or take or refrain from taking any other action as a result of or in reliance upon any Agreement, representation, warranty, statement, recommendation or information made or purportedly made by or on behalf of the Bank or any of its Agents, whether express or implied, written or oral, direct or indirect, or prior to, simultaneously with or subsequent to the date hereof.

14. **Transfers; Successors and Assigns.**

(a) No Guarantor shall effect or attempt a Transfer of any of the Liabilities without the Bank's prior written consent. Notwithstanding the foregoing, this Guaranty shall be binding upon each Guarantor and upon each Guarantor's executors, administrators, successors, assigns and Transferees (each of which shall be a "Guarantor" hereunder).

(b) This Guaranty shall inure to the benefit of and be enforceable by the Bank and its successors, assigns and Transferees. Without limiting the foregoing, the Bank may make a Transfer of any and all of the Liabilities and Documents to any other Person without notice to or the consent of any of the Guarantors, and the Transferee shall thereupon become vested with all of the Bank's rights in respect thereof. The Bank is authorized to disclose to any prospective or actual Transferee any information that the Bank may have or acquire about any Obligated Party and any information about any other Person submitted to the Bank by or on behalf of any Obligated Party. Each Guarantor waives all defenses (except such defenses as may be asserted against a holder in due course of a negotiable instrument) which each Guarantor may have or acquire against any Transferee who receives a Transfer of this Guaranty, or any complete or partial interest in it, for value, in good faith and without notice that it is overdue or has been dishonored or of any defense against or claim to it on the part of any Person.

15. **Intentionally Omitted.**

16. **Notices.** All notices and other communications provided for hereunder shall be in writing and, if to the Guarantors, mailed or faxed or delivered to the address set forth on the signature page below, and if to the Bank, mailed or delivered to 1177 Avenue of the Americas, New York, New York 10036, to the attention of the Department, or as to each party at such other address as shall be designated by such party in a written notice to the other party or parties, as the case may be. All such notices and other communications to the Guarantors shall be effective when deposited in the mail, sent by fax or delivered, addressed as aforesaid, and all such notices and other communications to the Bank shall be effective when actually received by the Department.

17. **Litigation.** This Guaranty shall be governed by, and construed in accordance with, the laws of the State of New York applicable to agreements made and to be performed in the State of New York without regard to conflict or choice of law rules. Any legal action or proceeding with respect to this Guaranty may be brought in any court of record of the State of New York, County of New York, or of the United States of America for the Southern District of New York. By execution and delivery of this Guaranty, the Guarantors hereby accept, consent and submit to, generally and unconditionally, the jurisdiction of the aforesaid courts over the Guarantors and their property. Each Guarantor agrees not to, and hereby irrevocably waives the right to, commence a legal action or proceeding against the Bank in any jurisdiction worldwide other than the aforesaid courts, unless the Bank specifically consents thereto in writing. In connection with any action or proceeding between any of the Guarantors and the Bank, each Guarantor agrees not to, and hereby irrevocably waives the right to, interpose (i) any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens, which such Guarantor may now or hereafter have to the bringing of any such action or proceeding in such jurisdiction and/or (ii) any claim for consequential, special or punitive damages and/or (iii) any setoff, counterclaim or cross-claim. The Guarantors irrevocably consent to the service of process on each Guarantor in any such action or proceeding by the mailing of copies thereof by certified or registered mail, postage prepaid, to the Guarantors at the address set forth on the signature page below. Nothing herein shall affect the right of the Bank to serve process in any other manner permitted by law or to commence any legal action or proceeding or otherwise proceed against any of the Guarantors in any jurisdiction worldwide.

18. **Counterparts.** This Guaranty may be signed in any number of counterparts. Any counterpart signed by any Guarantor (a "Signing Guarantor") shall constitute a full original Guaranty of such Guarantor for all purposes, regardless of whether any counterpart is signed by any other Guarantor. Any reference herein to the execution of this Guaranty shall include the execution of any counterpart. The obligations of any Signing Guarantor hereunder are not conditioned on any other Guarantor's execution of this Guaranty.

19. **Definitions.** As used herein, the following terms have the meanings indicated:

Agent: any director, officer, employee, agent or representative.

Additional Liabilities: The liabilities under Sections 7 and 9.

Agreement: an agreement, commitment, covenant, instrument, note, representation, understanding or warranty (including but not limited to any Commitment, Credit Support or Document) given or made to or with any Person.

Applicable Interest Rate: the highest lawful rate then permitted by applicable law in the State of New York, or if no such rate exists, the highest lawful rate permitted under such other applicable law as the Bank may choose in its discretion.

Bank: Bank Hapoalim B.M.

Bankruptcy Code: the U.S. Bankruptcy Code as in effect and as amended from time to time and any successor thereto.

Claim: any right of setoff, claim, counterclaim or cross-claim of any Obligated Party against the Bank and/or any of its Agents.

Commitment: an Agreement, commitment or obligation of the Bank, whether or not in writing, whether express or implied, and whether or not by operation of law, given to any Person (including but not limited to any Obligated Party) to give or to continue any financial accommodations to any of the Debtors or to change, alter, amend, modify, renew, extend the time of payment of, increase or decrease any of the Obligations.

Commodity Exchange Act: the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

Credit Enhancement: any Credit Support with respect to any of the Obligations. Any reference herein to "any Credit Enhancement" shall be understood to include but not be limited to this Guaranty.

Creditor: any Person to whom any Guarantor owed or owes any Debt or otherwise was, became, is or becomes indebted, and any other creditor within the meaning under or as defined in each respective Fraudulent Transfer Law.

Credit Support: any collateral, security interest, mortgage, pledge, lien, security, margin, guaranty, insurance, letter of credit, indemnity, subordination, comfort letter, risk participation, repurchase agreement, put, option, banker's lien, setoff, right of offset or netting agreement, or any Agreement pursuant to which a Person agrees to be contingently liable with respect to any Debt of any other Person or Persons, or any other credit support with respect to any Debt of any Person or Persons.

Currency: the lawful currency of any country or the eurocurrency.

Debt: an obligation of any sort for the payment of money in any Currency in any jurisdiction worldwide, and however evidenced, whether (a) principal or otherwise, (b) absolute or contingent, (c) secured or unsecured, (d) joint, several or independent, (e) now or hereafter existing, and (f) created directly or acquired by Transfer or otherwise.

Debtor, Debtors: as specified on the signature page below.

Defense: any fact or circumstance (a) that may affect, suspend, impair, discharge, release, cancel, modify, limit or be a defense (including but not limited to any suretyship defense) to any of the Liabilities of any Obligated Party or any Document or of any of the Bank's rights or remedies with respect thereto, or (b) that may bar enforcement thereof by the Bank.

Department: the department of the Bank responsible for administering the Bank's relationship with the Debtors with respect to the Obligations.

Document: an Agreement of any Obligated Party relating to any of the Obligations and/or Liabilities. Any reference herein to "any Document" shall be understood to include but not be limited to any Credit Enhancement.

Effective Revocation Time: the close of business on the day that the Department receives written notice of revocation signed by any of the Guarantors.

Entity: any Person other than a natural person.

Excluded Swap Obligations: with respect to any Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the guaranty hereunder of such Guarantor of such Swap Obligation (or any guaranty thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Guarantor's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act and the regulations thereunder at the time the guaranty of such Guarantor becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such guaranty hereunder or security interest is or becomes illegal.

Expenses: (a) except as set forth in clause (b), all reasonable documented costs and expenses (including but not limited to reasonable fees and disbursements of counsel) incurred by the Bank in connection with this Guaranty or any of the Liabilities including, but not limited to, (i) any amendment, modification, extension or waiver with respect to any of the Liabilities, and/or (ii) any deduction, withholding, registration tax, stamp tax or similar tax or duty applicable to any payment of any of the Liabilities. and (b) all documented costs and expenses (including but not limited to reasonable fees and disbursements of counsel) incurred by the Bank in connection with the enforcement of this Guaranty or any of the Liabilities including but not limited to those for (i) any action taken, whether or not by litigation, to collect, or to protect rights or interests with respect to, any of the Liabilities, or to preserve, protect, secure, insure, obtain or perfect any Credit Enhancement, (ii) compliance with any legal process or any order or directive of any governmental authority with respect to any Obligated Party, and (ii) any litigation, arbitration or administrative proceeding relating to any Obligated Party.

Fraudulent Transfer: a "fraudulent transfer", "fraudulent conveyance" or similar term within the meaning under or as defined in each respective Fraudulent Transfer Law.

Fraudulent Transfer Law: the Bankruptcy Code, the New York Debtor and Creditor Law, or the law of any jurisdiction (domestic or foreign) as in effect and as amended from time to time and all successors thereto relating to fraudulent transfers, fraudulent conveyances and/or similar matters.

Guarantor, Guarantors: as specified on the signature page below, and as further defined in Section 14(a).

Guaranty: this Guaranty.

Insolvent as to a Person: (a) insolvent or (b) engaged or about to be engaged in a business or a transaction for which any property remaining with the Person is an unreasonably small capital, or (c) intending to incur or believing that the Person will incur debts that would be beyond the Person's ability to pay as such debts mature, all within the meaning under or as defined in each Fraudulent Transfer Law.

Liabilities: (a) all Obligations and (b) all obligations (including those incurred hereunder) of all Obligated Parties incurred directly or indirectly in respect of any of the Obligations and/or in respect of any Document *provided* that the term Liabilities shall not include Excluded Swap Obligations.

Nonprincipal Obligations: all Obligations, whether interest, fees, expenses or otherwise, other than principal.

Nonrevocable Obligation: any Obligation (including any extension or rollover thereof and any Nonprincipal Obligations accruing thereon after the Effective Revocation Time) that (i) is, or (ii) relates to a contingent liability of the Bank or to a Commitment that in either case was, outstanding on or prior to the Effective Revocation Time.

Obligated Party: (a) each Debtor; (b) each Guarantor; (c) any other Person directly or contingently liable for any of the Obligations, including but not limited to any maker, co-maker, endorser, accommodation party, guarantor, surety or indemnitor with respect to any of the Obligations; (d) any Person providing or issuing any Credit Enhancement with respect to any of the Obligations; or (e) if any Obligated Party is a partnership or joint venture, any general partner or joint venturer therein. Without limiting the foregoing, any reference herein to "any Obligated Party" shall include but not be limited to all of the Debtors and all of the Guarantors, and as to each Guarantor any reference herein to "any other Obligated Party" shall include but not be limited to all of the Debtors and all of the Guarantors other than such Guarantor.

Obligation: any Debt of any Debtor and of any successor, assign or Transferee thereof (including any successor of a Debtor that is a partnership or joint venture), whether (a) due or to become due to, or held or to be held by, the Bank, and (b) for the Bank's own account or as agent for another or others *provided* that the term Obligation shall not include Excluded Swap Obligations..

Person: any natural person, firm, partnership, joint venture, company, corporation, limited liability company, unincorporated organization or association, trust, estate, governmental authority or any other entity. Without limiting the foregoing, any reference herein to "any Person" shall include but not be limited to any Obligated Party, and as to each Guarantor any reference herein to "any other Person" shall include but not be limited to any other Obligated Party.

Reasonably Equivalent Value: "reasonably equivalent value", "fair consideration" or similar term within the meaning under or as defined in each respective Fraudulent Transfer Law.

Subrogation Rights: all legal and equitable rights and claims arising from the existence or performance of this Guaranty that any of the Guarantors may now or hereafter have, including without limitation all rights of subrogation, indemnity, reimbursement, exoneration and/or contribution, and including without limitation any such right or claim against or with respect to any property (including without limitation any Credit Enhancement) of any Obligated Party.

Swap Obligation: with respect to any Guarantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act.

Transfer: any negotiation, assignment, participation, conveyance, grant of security interest, lease, delegation, or any other direct or indirect transfer of complete or partial, legal, beneficial, economic or other interest or obligation.

Transferee: any Person to whom a Transfer is made.

SIGNATURE PAGE

Each of the Guarantors makes this Guaranty in favor of the Bank, and each agrees to be bound jointly and severally by the terms and conditions of this Guaranty, both the general terms and conditions set forth above and the specific terms and conditions set forth below.

a) **Debtor(s) [print full name(s)]:**

IM Brands, LLC

b) **Type of Guaranty:**

Unlimited

Limited as to the aggregate principal sum of \$, plus a prorated amount of the Nonprincipal Obligations.

c) **OPPORTUNITY TO CONSULT WITH COUNSEL.** Each Guarantor acknowledges having had the opportunity to consult with legal counsel prior to executing this Guaranty.

d) **JURY TRIAL WAIVER.** Both the Bank and the Guarantors waive and give up the right to a jury trial with respect to any dispute, action or proceeding relating to this Guaranty or any of the Obligations or Liabilities; any legal action or proceeding relating to this Guaranty or any of the Obligations or Liabilities shall take place without a jury.

Date: July __, 2013

SIGNATURE PAGE TO
GUARANTY

SIGNATURE(S) AND IDENTIFICATION:

XCEL BRANDS, INC.

By: /s/ James F. Haran

Print Name: James F. Haran

Title: Chief Financial Officer

Guarantors' address and fax number for purposes of notice:

Address: 475 Tenth Avenue #4
New York, New York 10018

Fax: 1 727-347-2479

Email: jharan@xcelbrands.com

SIGNATURE PAGE TO
GUARANTY

MEMBERSHIP PLEDGE AGREEMENT

THIS MEMBERSHIP PLEDGE AGREEMENT (this “**Pledge Agreement**”), dated as of July 31, 2013 is made by and between **Xcel Brands, Inc.**, a Delaware corporation (“**Pledgor**”), and **Bank Hapoalim B.M.** (“**Lender**”).

BACKGROUND

IM Brands, LLC, a Delaware limited liability company (“**Borrower**”) delivered to Lender a Promissory Note dated as of the date hereof (as the same may be amended or otherwise modified from time to time, the “**Note**”) pursuant to which Lender will make a \$13,000,000 loan (the “**Loan**”) to Borrower.

Pledgor is the legal and beneficial owner of the Pledged Interests (as hereinafter defined).

In order to induce Lender to make the Loan evidenced by the Note, Pledgor has agreed to execute and deliver this Pledge Agreement.

NOW, THEREFORE, in consideration of the premises and to induce Lender to make the Loan, Pledgor hereby agrees with Lender as follows:

1. Defined Terms.

(a) The following terms which are defined in the Code (as defined below) are used herein as so defined: Accounts, Chattel Paper, General Intangibles and Instruments.

(b) Capitalized terms used herein which are not defined in this Pledge Agreement shall have the meanings given to them in the Note.

(c) The following terms shall have the following meanings:

“**Code**”: the Uniform Commercial Code from time to time in effect in the State of New York.

“**Collateral**”: (i) the Pledged Interests, (ii) all General Intangibles arising out of the Operating Agreement in respect of the Pledged Interests, (iii) all Accounts arising out of the Operating Agreement in respect of the Pledged Interests, and (iv) to the extent not otherwise included, all Proceeds of any and all of the foregoing.

“**Commodity Exchange Act**”: the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

“**Event of Default**”: as defined in Section 8.

“Excluded Swap Obligation”: with respect to Pledgor, any Swap Obligation if, and to the extent that, all or a portion of the grant by Pledgor of a security interest to secure such Swap Obligation (or any guaranty thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of Pledgor’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act and the regulations thereunder at the time the grant of such security interest becomes effective with respect to such Swap Obligation (or guaranty thereof). If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such security interest is or becomes illegal.

“Guaranty” means the Guaranty of even date herewith made by Pledgor in favor of Lender, as the same may be amended or otherwise modified from time to time.

“Operating Agreement”: the Operating Agreement of Borrower dated as of April 1, 2011, as amended, restated, supplemented and otherwise modified from time to time in accordance with the terms thereof.

“Person” means an individual, a partnership, a corporation (including a business trust), a joint stock company, a trust, an unincorporated association, a joint venture, a limited liability company, a limited liability partnership or other entity, or a government or any agency, instrumentality or political subdivision thereof.

“Pledged Interests”: all of the limited liability interest in Borrower, including, without limitation, all of Pledgor’s right, title and interest to participate in the operation or management of Borrower, if any, and all of Pledgor’s rights to properties, assets, membership interests and distributions under the Operating Agreement, if any, together with all certificates, options or rights of any nature whatsoever that may be issued or granted by Borrower to Pledgor in respect of Pledged Interests and any other limited liability company interest obtained by Pledgor in Borrower during the term hereof.

“Proceeds”: all “proceeds” as such term is defined in Section 9-102(a)(64) of the Code and, in any event, shall include, without limitation, all dividends or other income from the Pledged Interests, collections thereon or distributions with respect thereto.

“Secured Obligations”: all of the indebtedness, obligations and liabilities of Borrower to Lender, individually or collectively, whether direct or indirect, joint or several, absolute or contingent, due or to become due, now existing or hereafter arising under or in respect of any of the Loan Documents, all Obligations under and as defined in the Guaranty and all of Pledgor’s obligations under this Pledge Agreement provided that Secured Obligations shall in no event include Excluded Swap Obligations.

“Swap Obligation”: with respect to Pledgor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of section 1a(47) of the Commodity Exchange Act.

2. **Pledge; Grant of Security Interest**. As collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations, Pledgor hereby transfers and assigns to Lender all of the Pledged Interests and hereby grants to Lender a first priority security interest in the Collateral.

3. Delivery to Lender.

(a) Pledgor shall deliver to Lender (i) promptly (but in any event within three (3) Business Days of receipt thereof by Pledgor) following delivery of such certificates to Pledgor from its existing lenders, all certificates representing the Pledged Interests and (ii) promptly upon the receipt thereof by or on behalf of Pledgor, all other certificates and instruments constituting Collateral. Prior to delivery to Lender, all such certificates and instruments constituting Collateral shall be held in trust by Pledgor for the benefit of Lender pursuant hereto. All such certificates shall be delivered in suitable form for transfer by delivery or shall be accompanied by duly executed instruments of transfer or assignment in blank, substantially in the form provided in Schedule 1 attached hereto.

(b) If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any promissory note, other Instrument or Chattel Paper, such note, Instrument or Chattel Paper shall be immediately delivered to Lender, duly endorsed in a manner reasonably satisfactory to Lender, to be held as Collateral pursuant to this Pledge Agreement.

(c) Pledgor authorizes Lender to file such UCC or other applicable financing statements as may be required by Lender in order to perfect and protect the security interest created hereby in the Collateral.

(d) Pledgor agrees to execute and deliver to Lender such other consents, acknowledgments, agreements, instruments and documentation as Lender may reasonably request from time to time to effectuate the conveyance, transfer, assignment and grant to Lender of all of such Pledgor's right, title and interest in and to the Collateral and any distributions with respect thereto.

4. Representations and Warranties. Pledgor represents and warrants to Lender that, as of the date hereof:

(a) The Pledged Interests constitute all of Pledgor's limited liability company interests or other beneficial interests of any kind in Borrower and accurately reflects the ownership interest of Pledgor in Borrower.

(b) All required equity contributions to Borrower by Pledgor have been made in connection with the Pledged Interests.

(c) Pledgor is the record and beneficial owner of, and has good and marketable title to, the Pledged Interests, free of any and all Liens or options in favor of, or claims of, any other Person, except for the security interest created by this Pledge Agreement.

(d) So long as done in accordance with laws affecting the offering and sale of securities and the Uniform Commercial Code in the applicable jurisdiction, the exercise by Lender of its rights and remedies hereunder will not violate any material contractual restriction or, to the best of Pledgor's knowledge, any law or governmental regulation, in each case, binding on or affecting Pledgor or any of its property.

(e) No authorization, approval or action by, and no notice of filing with Borrower is required either (i) for the pledge made by Pledgor or for the granting of the security interest by Pledgor pursuant to this Pledge Agreement or (ii) to the best of Pledgor's knowledge, for the exercise by Lender of its rights and remedies hereunder (except as may be required by the Uniform Commercial Code in the applicable jurisdiction or laws affecting the offering and sale of securities).

5. Covenants. Pledgor covenants and agrees with Lender that:

(a) If Pledgor shall, as a result of its ownership of the Pledged Interests, 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, whether in addition to, in substitution of, as a conversion of, or in exchange for any shares of the Pledged Interests, or otherwise in respect thereof, Pledgor shall accept the same as the agent of Lender, hold the same in trust for Lender and deliver the same forthwith to Lender in the exact form received, duly endorsed by Pledgor to Lender, if required, together with duly executed instruments of transfer or assignments in blank, substantially in the form provided Schedule 1 attached hereto to be held by Lender, subject to the terms hereof, as additional collateral security for the Secured Obligations. Any sums paid upon or in respect of the Pledged Interests as a dividend or other distribution or upon the liquidation or dissolution of Borrower shall be paid over to Lender to be held by it hereunder as additional collateral security for the Secured Obligations, and in case any distribution of capital shall be made on or in respect of the Pledged Interests or any property shall be distributed upon or with respect to the Pledged Interests pursuant to any recapitalization, reclassification or reorganization of Borrower, the property so distributed shall be delivered to Lender to be held by it hereunder as additional collateral security for the Secured Obligations. If any sums of money or property so paid or distributed in respect of the Pledged Interests shall be received by Pledgor, Pledgor shall, until such money or property is paid or delivered to Lender, hold such money or property in trust for Lenders, segregated from other funds of Pledgor, as additional collateral security for the Secured Obligations.

(b) Pledgor will not (1) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Collateral or any portion thereof, (2) create, incur or permit to exist any security interest, encumbrance, lien or option in favor of, or any claim of any Person with respect to, any of the Collateral, or any interest therein, except for the security interests created by this Pledge Agreement or (3) enter into any agreement or undertaking restricting the right or ability of Pledgor to sell, assign or transfer any of the Collateral.

(c) Pledgor shall warrant and defend title to and ownership of the Collateral at his own expense against the claims and demands of all other parties claiming an interest therein, shall maintain the security interest created by this Pledge Agreement as a first priority security interest and shall defend such security interest against claims and demands of all Persons whomsoever. At any time and from time to time, upon the written request of Lender, Pledgor will promptly and duly execute and deliver such further instruments and documents and take such further actions at his expense as Lender may reasonably request for the purposes of obtaining or preserving the full benefits of this Pledge Agreement and of the rights and powers herein granted.

(d) Pledgor shall not amend the Operating Agreement.

6. Voting Rights. Unless an Event of Default shall have occurred and be continuing, Pledgor shall be permitted to exercise all voting and company rights with respect to the Pledged Interests; provided, however, that no vote shall be cast or company right exercised or other action taken which, in Lender's reasonable judgment, would impair the Collateral or which would be inconsistent with or result in any violation of any provision of the Loan Documents.

7. Rights of Lender. If an Event of Default shall occur and be continuing, at Lender's option, (1) Lender shall have the right to receive any and all cash dividends or other distributions paid in respect of the Pledged Interests and to make application thereof as provided in Section 9(a), and (2) the Pledged Interests shall be registered in the name of Lender or its nominee, and Lender or its nominee may thereafter exercise (A) all voting and other rights pertaining to the Pledged Interests at any meeting of owners of Borrower or otherwise and (B) any and all rights of conversion, exchange, subscription and any other rights, privileges or options pertaining to the Pledged Interests as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of the Pledged Interests upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the company structure of Borrower, or upon the exercise by Pledgor or Lender of any right, privilege or option pertaining to the Pledged Interests, and in connection therewith, the right to deposit and deliver any and all of the Pledged Interests with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as Lender may determine), all without liability except to account for property actually received by it, but Lender shall have no duty to Pledgor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

8. Events of Default: An Event of Default (as defined in the Loan Documents or any other Loan Document) shall constitute an Event of Default hereunder.

9. Remedies.

(a) If an Event of Default shall have occurred and be continuing, at any time at Lender's election, Lender may apply all or any part of Proceeds held by Lender in payment of the Secured Obligations in such order as Lender may elect.

(b) If an Event of Default shall have occurred and be continuing, Lender may exercise, in addition to all other rights and remedies granted in this Pledge Agreement and in any other instrument or agreement securing, evidencing or relating to the Secured Obligations, all rights and remedies of a secured party under the Code. Without limiting the generality of the foregoing, Lender, without resort to any other collateral or remedy under any Loan Document or 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 Pledgor or any other Person (including without limitation Borrower) (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, assign, give an 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, in the over-the-counter market, at any exchange, broker's board or office of Lender 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. Lender shall apply any Proceeds from time to time held by it and the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred in respect thereof or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or its rights hereunder, including, without limitation, actual and reasonable attorneys' fees and disbursements of counsel to Lender, to the payment in whole or in part of the Secured Obligations, in such order as Lender may elect, and only after such application and after the payment by Lender of any other amount required by any provision of law, including, without limitation, Section 9-615 of the Code, need Lender account for the surplus, if any, to Pledgor. To the extent permitted by applicable law, Pledgor waives all claims, damages and demands it may acquire against Lender arising out of the exercise by it of any rights hereunder except for any claim, damage or demand arising from the gross negligence or willful misconduct of Lender. 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 in writing at least ten (10) days before such sale or other disposition. Pledgor shall remain liable for any deficiency if the proceeds of any sale or other disposition of Collateral are insufficient to pay the Secured Obligations and the reasonable fees and disbursements of any attorneys employed by Lender to collect such deficiency.

10. Irrevocable Authorization and Instruction to Borrower. Pledgor hereby authorizes and instructs Borrower to comply with any instruction received by Pledgor from Lender in writing that (a) states that an Event of Default has occurred and (b) is otherwise in accordance with the terms of this Pledge Agreement, without any other or further instructions from Pledgor, and Pledgor agrees that Borrower shall be fully protected in so complying.

11. Appointment as Attorney-in-Fact.

(a) Pledgor hereby irrevocably constitutes and appoints Lender and any officer or agent of Lender, with full power of substitution, as his true and lawful limited attorney-in-fact with full irrevocable power and authority in the place and stead of Pledgor and in the name of Pledgor and in Lender's own name 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 Pledge Agreement, including, without limitation, any financing statements, endorsement, assignment or other instruments of transfer, but Lender may act pursuant to this power-of-attorney only if an Event of Default is continuing.

(b) All powers, authorizations and agencies contained in this Pledge Agreement are coupled with an interest and are irrevocable until this Pledge Agreement is terminated and the security interests created hereby are released.

12. Duty of Lender. Lender's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the Code or otherwise, shall be to deal with it in the same manner as Lender deals with similar securities and property for its own account. Neither Lender nor any of its directors, officers, employees or agent shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of Pledgor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof.

13. Execution of Financing Statements. Pledgor authorizes Lender to file financing statements with respect to the Collateral without the signature of Pledgor in such form and in such filing offices as Lender reasonably determines necessary to perfect the security interests of Lender under this Pledge Agreement.

14. Indemnification. Pledgor hereby agrees to indemnify, defend and hold Lender and its successors and assigns, harmless from and against any and all actual damages (and not special, consequential, exemplary or punitive damages), losses, claims, costs or expenses (including reasonable attorneys' fees) and any other liabilities whatsoever that Lender or its successors or assigns may incur by reason of this Pledge Agreement or by reason of any assignment of Pledgor's right, title and interest in and to any or all of the Collateral, except for damages, losses, claims, costs or expenses (including reasonable attorneys' fees) or other liabilities arising out the gross negligence or willful misconduct of Lender.

15. Consent and Waiver. Pledgor agrees that, without the prior written consent of Lender, Pledgor shall not take any action that would operate to dilute the interest of Pledgor in Borrower. Pledgor further hereby expressly waives any and all rights under the Operating Agreement which, whether exercised by Pledgor or not, would prevent, inhibit or interfere with the granting of a security interest in the Collateral, the foreclosure of such security interest in the Collateral by Lender or the full realization by Lender of any of its other rights under this Pledge Agreement. Pledgor agrees that any assignee of the Pledged Interests shall not be liable for the obligations and liabilities of Pledgor with respect to Borrower arising before such assignee's admission to Borrower, except to the extent required by law.

16. Notices. All notices, requests and demands and other communications hereunder, shall be in writing and shall be deemed to have been sufficiently given when received (whether by delivery or deposit in the mail), addressed as follows:

if to Pledgor:

Xcel Brands, Inc.
475 Tenth Avenue
New York, New York 10018
Attention: James Haran
Facsimile No.: (347) 436-9178

with copies to:

Blank Rome LLP
The Chrysler Building
405 Lexington Avenue
New York, New York 10174-0208
Attention: Robert Mittman, Esq.
Facsimile No.: (917) 332-3711

and, if to Lender, as follows:

Bank Hapoalim B.M.
1177 Avenue of the Americans
New York, New York 10036
Attention: Mitchell Barnett
Facsimile No.: (212) 782-2345

With copies to:

Loeb & Loeb LLP
345 Park Avenue
New York, New York 10154
Attn: Miriam L. Cohen, Esq.
Facsimile No.: (212) 401-4717

Either party may change the persons to whom notices are to be sent or its/his address to other locations by notice to the other party, provided, however, that in no event shall more than two copies of any notice be required to be sent.

17. Severability. Any provision of this Pledge 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.

18. Amendments in Writing; No Waiver; Cumulative Remedies.

(a) None of the terms or provisions of this Pledge Agreement may be waived, amended, restated, supplemented or otherwise modified except by a written instrument executed by Pledgor and Lender, provided that any provision of this Pledge Agreement may be waived by Lender in a letter or agreement executed by Lender or by facsimile transmission from Lender.

(b) Lender shall not by any act (except by a written instrument pursuant to Section 18(a) hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising on the part of Lender, 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 Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which Lender would otherwise have on any future occasion.

(c) 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.

19. Section Headings. The section headings used in this Pledge Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

20. Successors and Assigns. This Pledge Agreement shall be binding upon the heirs, administrators, successors and permitted assigns of Pledgor and shall inure to the benefit of Lender and its successors and permitted assigns, provided that Pledgor may not assign his rights or obligations under this Pledge Agreement and any such purported assignment shall be null and void.

21. Governing Law. THIS PLEDGE AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO CONFLICTS OF LAWS RULES.

22. Submission to Jurisdiction; Waiver of Jury Trial. EACH OF PLEDGOR AND LENDER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS PLEDGE AGREEMENT AND EACH OF PLEDGOR AND LENDER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF LENDER TO BRING PROCEEDINGS WITH RESPECT TO THE COLLATERAL AGAINST PLEDGOR IN THE COURTS OF ANY OTHER JURISDICTION TO THE EXTENT NECESSARY TO EXERCISE RIGHTS AND REMEDIES WITH RESPECT TO THE COLLATERAL. PLEDGOR AND LENDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS PLEDGE AGREEMENT OR THE RELATIONSHIPS ESTABLISHED THEREUNDER.

23. Venue. The parties hereto hereby irrevocably waive any objection which they may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Pledge Agreement brought in the courts referred to in Section 23 above and hereby further irrevocably waive and agree not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

24. Termination. This Pledge Agreement, and the assignments, pledges and security interests created or granted hereby, shall automatically terminate when all Secured Obligations shall have been paid in full. Notwithstanding the foregoing, Pledgor agrees that if any payment made and applied to the Secured Obligations is at any time annulled, avoided, set aside, rescinded, invalidated, declared to be fraudulent or preferential or otherwise required to be refunded or repaid, or the proceeds of Collateral are required to be returned by Lender to Pledgor or any other Person under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or repayment, any lien or other collateral securing such liability shall be and remain in full force and effect, as fully as if such payment had never been made or, if prior thereto the lien granted hereby or other Collateral securing such liability hereunder shall have been released or terminated by virtue of such cancellation or surrender, such lien or other Collateral shall be reinstated in full force and effect, and such prior cancellation or surrender shall not diminish, release, discharge, impair or otherwise affect any lien or other Collateral securing the obligations of Pledgor in respect of the amount of such payment.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the undersigned have caused this Pledge Agreement to be duly executed and delivered as of the date first above written.

XCEL BRANDS, INC.

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

BANK HAPOALIM B.M.

By: /s/ Mitchell Barnett
Name: Mitchell Barnett
Title: Senior Vice President

By: /s/ Lavea Eisenberg
Name: Lavea Eisenberg Barnett
Title: First Vice President

SIGNATURE PAGE TO
MEMBERSHIP PLEDGE AGREEMENT

SCHEDULE 1

IRREVOCABLE TRANSFER POWER

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers to _____ the following equity interest in IM Brands, LLC, a Delaware limited liability company.

Certificate No.

No. of Units/Interests

and irrevocably appoints

his agent and attorney-in-fact to transfer all or any part of such equity interest and to take all necessary and appropriate action to effect any such transfer. The agent and attorney-in-fact may substitute and appoint one or more persons to act for him. The effectiveness of a transfer pursuant to this transfer power shall be subject to any and all transfer restrictions referenced on the face of the certificates evidencing such interest or in the operating agreement of the subject limited liability company, to the extent they may from time to time exist.

Date: _____

XCEL BRANDS, INC.

Witness by: _____

By: _____

Name:

Title:

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT is dated as of July 31, 2013 (this "Agreement"), among BANK HAPOALIM B.M. (the "Lender"), 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, the Buyers have acquired certain assets and assumed 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 accepted 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, 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;

WHEREAS, pursuant to that certain Promissory Note in the original principal amount of \$13,500,000 dated as of the date hereof executed by IMB in favor of Lender (as amended, modified, restated and supplemented from time to time, the "Lender Note") and that letter agreement dated the date hereof between IMB and Lender, Lender will be providing financial accommodations to IMB (as amended, modified and supplemented from time to time, the "Line Letter");

WHEREAS, XCel has guaranteed the payment and performance of the obligations of IMB to Lender pursuant to the terms of the Guaranty dated as of the date hereof (as amended, modified, restated and supplemented from time to time, the "Guaranty"); and

WHEREAS, the Holder is willing to subordinate the Subordinated Obligations (as defined below) to the Lender 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 leases 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 Lender under (a) the Line Letter, the Note, the Guaranty or any other Loan Documents and (b) 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 tortious, 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 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.

“Person” means any individual, partnership, corporation (including a business trust and a public benefit corporation), joint stock company, estate association, firm, enterprise, trust, limited liability company, unincorporated association, joint venture and any other entity or governmental authority.

“Permitted Payments” means as long as no Event of Default has occurred or is continuing immediately prior to or after giving effect thereto, one or more cash payments of principal in respect of the Subordinated Note in an aggregate principal amount not to exceed \$2,000,000.

“Subordinated Obligations” means all Liabilities of any Buyer to the Holder, WHETHER NOW EXISTING OR HEREAFTER ARISING, under the Subordinated Note and the Earn-Out Payment provided, that such Liabilities shall not include any payments to be made by the issuance of XCel Shares.

Capitalized terms used, and not otherwise defined, herein shall have the meanings ascribed thereto in the Line Letter.

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 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 Lender 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 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 and one or more Permitted Payments. Notwithstanding anything to the contrary herein, the Buyers may, 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 Lender 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 Lender 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 Lender's own names or in the name of the Holder, or otherwise, as the Lender 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 Lender to collect the Subordinated Obligations held by it for the account of the Lender and/or to file appropriate proofs of claim in respect to the Subordinated Obligations, and to execute and deliver to the Lender 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 Lender in order to enable the Lender 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 Lender 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 Lender 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 Lender. In the event of the failure of the Holder to make any such endorsement or assignment, the Lender, or any of its officers or employees, is hereby irrevocably authorized to make the same.

(d) If requested by the Lender, 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 Lender hereunder. Promptly following the date hereof, the Holder will at all times cause the following legend to be conspicuously marked on each document or instrument evidencing the Subordinated Obligations (other than the Asset Purchase Agreement): "THE RIGHTS OF THE HOLDER HEREUNDER ARE SUBJECT TO THE TERMS AND CONDITIONS OF THE SUBORDINATION AGREEMENT DATED AS OF JULY 31, 2013 AMONG BANK HAPOALIM B.M., 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 Lender, in bringing any proceedings against any Buyer 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 Lender 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 Lender may reasonably request in order to give effect to the provisions of this Agreement.

2.5 Subordination Not Affected. The Lender 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 Lender 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 Line Letter, the Note, the Guaranty 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 Line Letter, the Note, the Guaranty 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 Lender 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 Lender, 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; provided that the Holder shall be permitted to amend (1) the Subordinated Note to (i) modify the manner, calculations or mechanics by which amounts under the Subordinated Note are payable in XCel Shares and (ii) extend the maturity of all or any portion of the indebtedness evidenced thereby and (2) the Asset Purchase Agreement to modify the manner, calculations or mechanics by which Earn-Put Payments are payable in XCel Shares.

(b) The Holder shall not sell, assign or otherwise transfer, in whole or in part, any Subordinated Obligations or any interest therein, including any right to receive any Earn-Out Payment unless the transferee or assignee thereof shall execute such documents as the Lender 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 Lender of the subordination and other provisions of this Agreement, and expressly waives proof of reliance by the Lender upon the subordination and other agreements herein set forth. The Lender 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 Lender, 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 Line Letter. 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 Lender 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 Lender: Bank Hapoalim B.M.
1177 Avenue of the Americas
New York, New York 10036
Attn: Mitchell Barnett
Telecopy: (212) 782-2345
Telephone: (212) 782-2131

With a copy to: Loeb & Loeb LLP
345 Park Avenue
New York, New York 10154
Attn: Miriam L. Cohen, Esq.
Telecopy: (212) 401-4717
Telephone: (212) 407-4103

To Holder: 1M 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.

[Signature Pages to Subordination Agreement Follows]

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto as of the day and year first above written.

LENDER:

BANK HAPOALIM B.M.

By: /s/ Mitchell Barnett

Name: Mitchell Barnett

Title: Senior Vice President

By: /s/ Lavea Eisenberg

Name: Lavea Eisenberg Barnett

Title: First Vice President

SIGNATURE PAGE TO
SUBORDINATION AGREEMENT

HOLDER:

IM READY-MADE, LLC

By: /s/ Marisa Gardini
Name: Marisa Gardini
Title: Member

SIGNATURE PAGE TO
SUBORDINATION AGREEMENT

BUYERS:

XCEL BRANDS, INC.

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

IM BRANDS, LLC

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

SIGNATURE PAGE TO
SUBORDINATION AGREEMENT

Joinder to the 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 July 31, 2013, among Bank Hapoalim B.M., 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:
