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): **December 24, 2013**

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

Delaware
(State or Other Jurisdiction of Incorporation)

000-31553	**76-0307819**
(Commission File Number)	(IRS Employer Identification No.)
475 10th Avenue, 4th Floor, New York, NY (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))

Item 1.01 Entry into a Material Definitive Agreement

On December 24, 2013, Xcel Brands, Inc. (the "Company", IM Brands, LLC., a wholly-owned subsidiary of the Company ("IMB", together with the Company, the "Buyers"), IM Ready-Made, LLC (the "Seller"), Isaac Mizrahi ("Mizrahi") and Marissa Gardini ("Gardini" and, together with Mizrahi, the "Individuals") entered into the Fifth Amendment (the "Amendment") to the Asset Purchase Agreement dated as of May 19, 2011 (the "Agreement"). Pursuant to the Amendment, the Seller and the Individuals acknowledge and agreed that no Earn-Out Shares (as defined in the Agreement) were earned for the twelve month periods ended September 30, 2013 and ending September 30, 2014, regardless of whether the criteria for the issuance of such shares are or shall in the future be satisfied. As partial consideration for the execution of the Amendment, (i) the original promissory note issued pursuant to the agreement (the "Original Note") was amended and restated as described below (the "New Note") and the Voting Agreement entered into in connection with the Agreement was amended and restated (the "Amended and Restated Voting Agreement") as described below.

The New Note is due as to $1,500,000 principal amount on the date of its execution (of which $500,000 was prepaid on September 27, 2013 and the remaining $1,000,000 was paid upon execution); and becomes due as to (i) $750,000 principal amount shall become due and payable on January 31, 2015 (the "First Interim Payment"), (ii) $750,000 principal amount shall become due and payable on January 31, 2016 (the "Second Interim Payment" and together with the "First Interim Payment", the "Interim Payments") and (iii) the remaining unpaid balance shall become due and payable September 30, 2016 (the "Maturity Date") subject to extension to the first business day following September 30, 2018 (the date to which the maturity date of the New Note is extended is referred to as the "Subsequent Maturity Date"). We have the right to make the Interim Payments in cash or in shares of Common Stock (except for $500,000 of the First Interim Payment, which must be paid in cash), provided, that if we receive the consent of our senior lenders to make such payments in cash, we must make such payments in cash.

At any time the New Note is outstanding, we have the right to convert the New Note, in whole or in part, into the number of shares of Common Stock obtained by dividing the principal amount to be converted by the Average Trading Price of the Common stock at the time of the conversion, so long as the Average Trading Price of our Common Stock is at least $4.50. In addition, we have the right to pay the outstanding balance of the New Note at the Maturity Date or Subsequent Maturity Date (if the Maturity Date of the New Note is extended), in shares of Common Stock by dividing the outstanding principal amount of the New Note by the Average Trading Price. "Average Trading Price" means the average per share closing price of the Common Stock for the twenty consecutive trading days ending on the trading day immediately preceding the date of payment.

If we elect to make Interim Payments by issuing shares of Common Stock, the number of shares issuable will be obtained by dividing the principal amount of the New Note then outstanding by the greater of (i) the Average Trading Price on the date such Interim Payment is due, and (ii) $4.50 subject to certain adjustments; provided, however, that if the Average Trading Price is less than $4.50 as adjusted, IM Ready will have the option to extend the date such Interim Payment is due until the Maturity Date. If an Interim Payment is so extended, IM Ready will have the option to convert the Interim Payment that was so extended into a number of shares of Common Stock as determined by dividing the principal amount by the Interim Payment that was so extended by $4.50, subject to certain adjustments.

Pursuant to the Amended and Restated Voting Agreement, each of IM Ready, Mizrahi and Gardini has agreed to appoint a person designated by the board of directors of the Company as their irrevocable proxy and attorney-in-fact with respect to the shares of the Common Stock received and which may be received by IM Ready, Mizrahi and/or Gardini in connection with the Company's September 2011 acquisition of the Isaac Mizrahi Brands (the "IM Brands") (including shares which may be issued in satisfaction of the earn-out payments or the New Note and the shares of common stock to be issued to Mizrahi and Gardini pursuant to the RSAs, as defined below). The proxy holder shall vote in favor of matters recommended or approved by the board of directors. The Board of Directors appointed Robert D'Loren as proxy and attorney-in-fact on such shares.

On December 24, 2013 and effective on the Closing Date, the Company entered into a new employment agreement with a term extending through September 30, 2016 with Mizrahi such that Mizrahi will continue to serve as the Chief Design Officer of the Isaac Mizrahi Brand and providing for Mizrahi to make agreed upon in-store appearances material to the Company's business and agreed upon direct response television appearances. Following the initial term, the agreement will be renewable, at the option of the Company, for two successive one-year periods on the same terms and conditions as those in effect during the third year of the initial term. Thereafter, the agreement will renew automatically for one-year periods, unless either party gives written notice of intent to terminate at least 30 days prior to such termination. Mizrahi's base salary will be $1,000,000 per annum. The Board or the compensation committee may approve increases (but not decreases) in Mr. Mizrahi's base salary from time to time, and it shall be subject to review for potential increases after September 30, 2016, as annual salary reviews are conducted for executive officers of the Company.

Mizrahi is required to devote his full business time and attention to the business and affairs of the Company and its subsidiaries; however, Mizrahi is the principal of IM Ready and Laugh Club, Inc., and accordingly, he may undertake promotional activities related thereto (including the promotion of his name, image, and likeness) through television, video, and other media (and retain any compensation he receives for such activities) (referred to as "Retained Media Rights") so long as such activities (i) do not utilize the IM Trademarks (as defined in the employment agreement) or interfere with his employment duties or (ii) are consented to by the Company. The Company believes that it benefits from Mr. Mizrahi's independent promotional activities by increased brand awareness of the IM Brands and the IM Trademarks.

Mizrahi shall be eligible to receive an annual cash bonus (the "Bonus") of up to $1,000,000 (the "Maximum Bonus") for each calendar year during the Term commencing 2014. The Bonus shall consist of (i) the DRT Revenue Bonus and a Collaboration Bonus. "DRT Revenue Bonus" means an amount equal to 10% of the aggregate DRT Revenue for such year until the Bonus payable for each calendar year equals $500,000 and (ii) thereafter 5% of DRT Revenue, until the Bonus payable for such calendar year equals the Maximum Bonus. "DRT Revenue" means (i) gross royalty revenue in excess of $8,000,000 from net retail sales under the Company's agreement with QVC, Inc. as determined in accordance with U.S. generally accepted accounting principles, multiplied by the percentage of hours of QVC shows featuring the Company's IsaacMizrahiLive products on which Mizrahi appears, plus (ii) royalty revenue, as determined in accordance with U.S. generally accepted accounting principles, received by the Company from The Shopping Channel ("TSC") from sales of IsaacMizrahiLive products directly related to direct response television shows airing on TSC on which Mizrahi appears. "Collaboration Bonus" means 5% of revenue derived from fees relating to material services performed by Mizrahi from collaborations with third-parties to co-market the third-party's products and any of the IM Brands. As soon as practicable, and not later than 60 days after the end of such twelve-month period, the Company shall deliver to Mizrahi: (i) a statement prepared by the Company certifying the net royalty income for the period, (ii) a statement from the Company calculating the amount of the bonus, and (iii) supporting documentation of the determination of the net royalty income amount for the period. The bonus, if any, shall be paid to Mizrahi no later than 30 days after the delivery of the statements described above in (i) and (ii). In addition to, and not in lieu of, the foregoing, Mizrahi has the right to participate in all employee bonus plans offered to other executives and senior management and such other bonus payments as the Board, or the compensation committee of the Board, may approve in its sole discretion.

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

In connection with the execution of the agreements described above, the Company agreed to award to Mizrahi and Gardini 783,750 and 41,250 shares of restricted Common Stock, respectively, on January 1, 2014 pursuant to restated stock agreements (the "RSAs") under the Company's 2011 Stock Equity Plan. The shares awarded to Mizrahi vest as to 522,500 shares on July 01, 2014; 87,400 shares on September 30, 2014; 87,400 shares on September 30, 2015; and 86,450 shares on September 30, 2016. The shares awarded to Gardini vest as to 27,500 shares on July 1, 2014; 4,600 shares on September 30, 2014; 4,600 shares on September 30, 201;5 and 4,550 shares on September 30, 2016. Each of Mizrahi and Gardini has the right to extend the vesting date(s) by six-month increments in his or her discretion prior to the date the restrictions would lapse.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

The Company agreed to award to Gardini 41,250 shares of restricted Common Stock on January 1, 2014. Reference is made to Item 1.01 for a description of the award.

Item 9.01 Financial Statements and Exhibits

Exhibit	Description
No. 9.1	Amended and Restated Voting Agreement dated December 24, 2013 between the Company, IM Ready, LLC., Isaac Mizrahi and Marissa Gardini
No. 10.1	Fifth Amendment dated December 24, 2013 to Asset Purchase Agreement dated as of May 29, 2011, as previously amended
No. 10.2	Promissory Note between the Company and IM Ready, LLC dated December 24, 2013
No. 10.3	Employment Agreement entered into with Isaac Mizrahi dated December 24, 2013

SIGNATURES

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

XCEL BRANDS, INC.
(Registrant)

By: /s/ Seth Burroughs
Name: Seth Burroughs
Title: Executive Vice President

Date: December 24, 2013

AMENDED AND RESTATED VOTING AGREEMENT

THIS AMENDED AND RESTATED VOTING AGREEMENT (this "Agreement"), dated as of December 24, 2013, is made by and among XCel Brands, Inc., a Delaware corporation, and its successors and/or assigns (the "Company"), IM Ready-Made, LLC, a New York limited liability company (the "Seller"), Isaac Mizrahi, an individual ("Mizrahi") and Marisa Gardini, an individual ("MG").

WHEREAS, the Company and IM Brands, LLC ("IM Brands", together with the Company, collectively, the "Buyers") and the Seller entered into that certain Asset Purchase Agreement, dated as of May 19, 2011, as amended (the "Purchase Agreement"), pursuant to which Buyers acquired certain of the assets that relate to the Business (as defined in the Purchase Agreement) of the Seller;

WHEREAS, pursuant to the terms of the Purchase Agreement, the Seller has received, and may in the future be issued, XCel Shares (as defined herein);

WHEREAS, pursuant to the terms of certain Restricted Stock Agreements with the Company, dated the date hereof, each of Mizrahi and MG has received XCel Shares (the "Restricted Stock Agreements");

WHEREAS, the Company and the Seller entered into a Voting Agreement dated as of September 29, 2011 (the "Prior Voting Agreement");

WHEREAS, the undersigned wish to amend and restate the Prior Voting Agreement as set forth herein; and

WHEREAS, on the terms and conditions set forth in the Purchase Agreement and this Agreement, the Holders desire and agree to be bound by the restrictions on transfer, and to vote all XCel Shares issued to them pursuant to the terms of the Purchase Agreement, or otherwise, as set forth herein.

NOW, THEREFORE, in consideration of the promises contained herein and for other good and valuable consideration, the receipt, sufficiency and adequacy of which is hereby acknowledged, the parties hereto agree as follows (with all capitalized terms used and not otherwise defined herein having their respective meanings as set forth in the Purchase Agreement):

1. Definitions. All capitalized terms used but not defined herein shall have the meanings given to such terms in the Purchase Agreement. For the purposes of this Agreement, the following terms shall have the respective meanings set forth below or elsewhere in this Agreement as referred to below:

"Acquisition" means any acquisition by the Company or any of its Affiliates of (i) all or substantially all of the assets, including assets constituting a business, division or product line, of any entity, or (ii) a majority of the equity interests or voting rights of any entity, whether such acquisition occurs through a merger, re-organization or direct purchase of equity interests.

"Common Stock" shall mean common stock, par value $0.001 per share, of the Company.

"Holder" means the Seller, for so long as it owns any XCel Shares, and each of their respective permitted successors, assigns and direct and indirect transferees who become beneficial owners of XCel Shares, and each of (i) Mizrahi, for so long as he owns any XCel Shares, and each of his permitted successors, assigns and direct and indirect transferees who become beneficial owners of XCel Shares and (ii) MG, for so long as she owns any XCel Shares, and each of her permitted successors, assigns and direct and indirect transferees who become beneficial owners of XCel Shares.

"Seller Group" means the seller in an Acquisition, and its stockholders, members, partners, officers, directors and Affiliates.

"Transfer" means to (i) sell, transfer, assign, or otherwise dispose of, or (ii) enter into any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of.

"XCel Shares" shall mean those shares of Common Stock issued to the Seller pursuant to the Purchase Agreement (including any shares of Common Stock issued in connection with the Initial Stock Consideration, the Earn-Out Shares, the QVC Earn-Out Shares or the Promissory Note) and those shares of Common Stock issued to each of Mizrahi and MG pursuant to the Restricted Stock Agreements.

2. Agreement to Vote Shares; Irrevocable Proxy. Each Holder hereby appoints such person as the Board of Directors of the Company may appoint after the date of this Agreement (the "Proxy Holder") its proxy and attorney-in-fact, with full power of substitution and resubstitution, to vote or act by written consent during the term of this Agreement with respect to the XCel Shares and any New Shares (as defined below) (collectively, the "Shares"). Holders shall take such further action or execute such other instruments as may be necessary to effectuate the intent of this proxy and limited power of attorney. The proxy and limited power of attorney granted hereunder by Holders shall be irrevocable during the term of this Agreement, shall be deemed to be coupled with an interest sufficient in law to support an irrevocable proxy and shall revoke any and all prior proxies granted by Holder with respect to the matters contemplated hereunder. The power of attorney granted by Holders herein is a limited durable power of attorney and shall survive the bankruptcy, death or incapacity of the Holders. The proxy and limited power of attorney granted hereunder shall terminate upon the termination of this Agreement. All parties hereto acknowledge and agree that the Proxy Holder shall, and the Holders hereby irrevocably consent to, vote all XCel Shares owned by them in favor of matters recommended or approved by the Board of Directors of the Company, or, if such matters are neither recommended nor approved by the Board of Directors of the Company, then at the direction of the Board of Directors of the Company, in respect of all matters for which stockholder approval is sought or required.

3. No Voting Trusts or Other Arrangements. Each of the Holders agrees that he will not, and will not permit any entity under his or its control to, grant any proxies with respect to the XCel Shares or subject any of the XCel Shares to any arrangement with respect to the voting of the XCel Shares other than this Agreement.

4. Transfer and Encumbrance.

(a) Each of the Holders represents and warrants that (i) the XCel Shares are free and clear of all liens, claims, charges, security interests or other encumbrances, other than those that may be created by the Purchase Agreement, the Lock-Up Agreement, the Promissory Note, and this Agreement, (ii) there are no options, warrants or other rights, agreements, arrangements or commitments of any character to which the Holders are a party relating to the pledge, disposition or voting of the XCel Shares, and there are no voting trusts or voting agreements with respect to the XCel Shares, other than this Agreement, the Purchase Agreement, the Restricted Stock Agreements and applicable trust agreements for estate planning purposes, including but not limited to charitable remainder trusts, (iii) each of the Holders has full power and authority to enter into, execute and deliver this Agreement and to perform fully such Holder's obligations hereunder, and (iv) this Agreement constitutes the legal, valid and binding obligation of the Holders in accordance with its terms.

(b) In the event a Holder desires to Transfer any XCel Shares to one or more partners or members of such Holder, or to an Affiliate of such Holder (in each case, a "Related Party"), such Holder may Transfer such XCel Shares only if, as precondition to such Transfer, the Related Party agrees in writing, reasonably satisfactory in form and substance to the Company and Proxy Holder, to be bound by this Agreement. Except to the extent prohibited under the Lock-Up Agreement and applicable law, a Holder may, at any time and from time to time, Transfer some or all of the XCel Shares held by such Holder to a person or entity who is not a Related Party, and the XCel Shares so Transferred shall be free and clear of any restrictions under this Agreement (including, without limitation, those restrictions contained in Section 2).

5. **New Shares**. Each of the Holders agrees that all XCel Shares received by such Holder as a result of any stock splits, stock dividends or reclassifications of XCel Shares (all such XCel Shares collectively, "New Shares"), shall be subject to the terms of this Agreement to the same extent as if they constituted XCel Shares as of the date hereof.

6. **Most Favored Nation**. In the event that any Seller Group is issued ten percent (10%) or more of the then-outstanding XCel Shares, and such Seller Group has greater voting and/or transfer rights with respect to such XCel Shares than those provided to the Holders under this Agreement, then the terms of this Agreement shall be automatically amended, without the need of any further action, so that the Holders are provided with such greater voting and/or transfer rights.

7. **Specific Performance**. Each party hereto acknowledges that it will be difficult to measure in money the damage to the other party if a party hereto fails to comply with any of the obligations imposed by this Agreement in the event of any such failure, the other party will not have an adequate remedy at law or damages. Accordingly, each party hereto agrees that injunctive relief or other equitable remedy, in addition to remedies at law or damages, is the appropriate remedy for any such failure and will not oppose the granting of such relief on the basis that the other party has an adequate remedy at law. Each party hereto agrees that it will not seek, and agrees to waive any requirement for, the securing or posting of a bond in connection with any other party's seeking or obtaining such equitable relief.

8. **Entire Agreement**. This Agreement supersedes all prior agreements, written or oral, among the parties hereto with respect to the subject matter hereof , including without limitation the Prior Voting Agreement, and contains the entire agreement among the parties with respect to the subject matter hereof. This Agreement may not be amended or supplemented, and no provisions hereof may be modified or waived, except by an instrument in writing signed by all the parties hereto. No waiver of any provisions hereof by any party shall be deemed a waiver of any other provision hereof by any such party, nor shall any such waiver be deemed a continuing waiver of any provision hereof by such party.

9. **Notices**. All notices and other communications pursuant to this Agreement shall be in writing, either hand delivered or sent by certified or registered mail with charges prepaid or by commercial courier guaranteeing next business day delivery, or sent by facsimile, and shall be addressed:

(i) in the case of the Company, to the Company at its principal office set forth in the Purchase Agreement; and

(ii) in the case of a Holder, to the address provided by such Holder to the Company.

Any notice or other communication pursuant to this Agreement shall be deemed to have been duly given or made and to have become effective (i) when delivered in hand to the party to which it was directed, (ii) if sent by facsimile and properly addressed in accordance with the foregoing provisions of this Section 9, when received by the addressee, (iii) if sent by commercial courier guaranteeing next business day delivery, on the business day following the date of delivery to such courier, or (iv) if sent by first-class mail, postage prepaid, and properly addressed in accordance with the foregoing provisions of this Section 9, (A) when received by the addressee, or (B) on the third business day following the day of dispatch thereof, whichever of (A) or (B) shall be the earlier.

10. Miscellaneous.

(a) In addition to other legends that are required, either by agreement or by federal or state securities laws, each certificate representing any of the Shares shall be marked by the Company with a legend substantially in the following form:

"THE SALE, TRANSFER, HYPOTHECATION, NEGOTIATION, PLEDGE, ASSIGNMENT, ENCUMBRANCE, GRANT OF ANY OPTION, WARRANT OR OTHER RIGHT TO PURCHASE, OR OTHER DISPOSITION (COLLECTIVELY, "TRANSFER") OF THE SHARES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS AND A GRANT OF PROXY PURSUANT TO THAT CERTAIN AMENDED AND RESTATED VOTING AGREEMENT BY AND BETWEEN XCEL BRANDS, INC. AND THE HOLDERS NAMED THEREIN, DATED AS OF DECEMBER 24, 2013 (THE "VOTING AGREEMENT"), COPIES OF EACH OF WHICH MAY BE OBTAINED FROM THE SECRETARY OF XCEL BRANDS, INC. NO TRANSFER OF THE SHARES MAY BE MADE UNLESS SPECIFIC CONDITIONS OF THE VOTING AGREEMENT ARE SATISFIED."

(b) **THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN AND IN ALL RESPECTS SHALL BE INTERPRETED, CONSTRUED AND GOVERNED BY AND IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF.** The parties hereby irrevocably submit to the exclusive jurisdiction of the courts of the State of Delaware and the federal courts of the United States of America, in each case sitting in Delaware, solely in respect of the interpretation and enforcement of the provisions of this Agreement and in respect of the transactions contemplated hereby, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement may not be enforced in or by such courts, and the parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such a Delaware State or federal court. The parties hereby consent to and grant any such court jurisdiction over the person of such parties and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 9 or in such other manner as may be permitted by law shall be valid and sufficient service thereof.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, AND (iii) EACH PARTY MAKES THIS WAIVER VOLUNTARILY.

(d) If any provision of this Agreement or the application of such provision to any person or circumstances shall be held invalid or unenforceable by a court of competent jurisdiction, such provision or application shall be unenforceable only to the extent of such invalidity or unenforceability, and the remainder of the provision held invalid or unenforceable and the application of such provision to persons or circumstances, other than the party as to which it is held invalid, and the remainder of this Agreement, shall not be affected.

(e) This Agreement may be executed in one or more counterparts (including by facsimile), each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

(f) This Agreement shall terminate automatically upon the earlier of: (i) the Transfer of all XCel Shares held by the Holders to persons or entities who are not Related Parties of such Holders; and (ii) the date upon which the Holders, collectively, hold less than five percent (5%) of the then-outstanding XCel Shares. For purposes hereof, the term "Affiliate" shall mean any other person or entity who directly, or indirectly through one or more intermediaries, is in control of, is controlled by, or is under common control with, such Holder. For purposes of this definition, control of an entity means the power, directly or indirectly, to direct or cause the direction of the management and policies of such entity whether by contract, securities ownership or otherwise; and the terms "controlling" and "controlled" shall have the respective meanings correlative to the foregoing.

(g) Each party hereto shall execute and deliver such additional documents as may be necessary or desirable to effect the transactions contemplated by this Agreement.

(h) No party to this Agreement may assign any of its rights or obligations under this Agreement without the prior written consent of the other party hereto. Any assignment contrary to the provisions of this Section 10(h) shall be null and void.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Voting Agreement as of the date first written above.

XCEL BRANDS, INC.

By: /s/ Seth Burroughs
Name: Seth Burroughs
Title: Executive Vice President

HOLDERS:

/s/ Isaac Mizrahi
Isaac Mizrahi

/s/ Marisa Gardini
Marisa Gardini

IM READY-MADE, LLC

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

Signature Page to Amended and Restated Voting Agreement

FIFTH AMENDMENT TO THE ASSET PURCHASE AGREEMENT

This Fifth Amendment (the "Amendment") dated as of December 24, 2013 to the Asset Purchase Agreement dated as of May 19, 2011 and as previously amended on July 28, 2011, September 15, 2011, September 21, 2011 and September 29, 2011 (the "Agreement") is being entered into by and among XCel Brands, Inc., a Delaware corporation ("XCel"), IM Brands, LLC, a Delaware limited liability company ("IMB" and, together with XCel, the "Buyers"), IM Ready-Made, LLC, a New York limited liability company ("IM" or "Seller"), Isaac Mizrahi, an individual ("Mizrahi"), and Marisa Gardini, an individual ("MG" and together with Mizrahi, the "Individuals"). The Seller and Buyers are referred to herein each individually as a "Party," and collectively as the "Parties". Any capitalized terms utilized but not defined herein shall have the meaning ascribed to such terms as set forth in the Agreement.

WHEREAS, the Parties and the Individuals have entered into the Agreement and in connection therewith, the Parties and the Individuals desire to make certain amendments to the Agreement and agree as otherwise set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained herein, and for such other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties and the Individuals, intending to be legally bound, hereby agree as follows:

1. The Seller and the Individuals acknowledge and agree that (a) the criteria set forth in Section 3.4(a) of the Agreement for the issuance of Earn-Out Shares in respect of the First Royalty Target Period were not satisfied, (b) notwithstanding anything to the contrary contained in Section 3.4(a) of the Agreement, no Earn-Out Shares may or shall be issued at any time in respect of the Second Royalty Target Period and the Third Royalty Target Period (such periods collectively with the First Royalty Target Period, the "Applicable Earn-Out Periods"), regardless of whether the criteria for the issuance set forth therein are or shall in the future otherwise be satisfied and (c) the Buyers have fully performed in a timely manner all of their obligations under the Agreement through and including the date of this Amendment.

2. Release and Acknowledgments.

(a) Effective as of the date of this Amendment, each of the Seller and the Individuals for themselves and for their past and present agents, officers, directors, employees, attorneys, shareholders, parents, subsidiaries, and each of their affiliated legal or business entities, insurers, successors and assigns, both individually and in their representative capacities (jointly and severally, the "Seller Releasing Parties") hereby, jointly and severally, release and discharge the Buyers, and each of their affiliates, subsidiaries, officers, directors, stockholders, employees, agents, attorneys, accountants and other advisors, and the heirs, executors and administrators, if applicable, and the predecessors, successors or assigns of each of the foregoing (collectively the "Buyer Released Parties") from all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and demands whatsoever, in law or equity, ever had, now have or hereafter can, shall or may have, for, upon, or by reason of any matter, cause or thing whatsoever arising out of or relating to (i) any of the Buyer's obligations under the Agreement through and including the date hereof and (ii) the Buyer's obligations with respect to any consideration or other matters under the Agreement in respect of the issuance of any Earn-Out Shares for any of the Applicable Earn-Out Periods.

(b) Each of the Buyers represents and warrants to the Seller and the Individuals that it has no actual knowledge of any facts or circumstances that could provide the basis for any claim against the Seller or the Individuals under the Agreement. For purposes of this Section 2(b) the term "actual knowledge" means the actual knowledge of the executive officers of XCel, other than IM and MG.

3. The Parties and the Individuals acknowledge and agree that, without limiting the generality of the foregoing, the only Earn-Out Shares which may hereafter be issuable and payable under the Agreement are those which the Seller may be entitled to receive in respect of the Fourth Royalty Target Period if, but only if, the criteria set forth in Section 3.4(a) of the Agreement relating thereto are satisfied. In the event the criteria set forth therein for the Fourth Royalty Target Period are not satisfied, the Seller and the Individuals acknowledge and agree that no compensation or other payments shall otherwise be due and payable in lieu of any Earn-Out Shares not earned.

4. The Seller and the Individuals acknowledge and agree that the Buyers have used their best efforts through the date hereof to increase XCel's royalty revenues. The Sellers and the Individuals hereby covenant, to the maximum extent permitted by applicable law, not to sue or assert a claim against the Buyers or any other Released Parties in connection with any failure of XCel to satisfy the criteria for the issuance of Earn-Out Shares in any of the Applicable Earn-Out Periods, as the case may be, in the absence of fraud or willful misconduct.

5. As partial consideration for the execution of this Agreement, concurrently with the execution and delivery of this Amendment, (i) the original promissory note in the principal amount of $7,377,432 issued by XCel to IM (the "Original Note") shall be amended and restated in its entirety as set forth on Exhibit A attached hereto (the "Amended Note"), with the Original Note surrendered to XCel in exchange for the issuance of the Amended Note to the Seller, and (ii) the Buyers, the Seller and the Individuals shall execute the Amended and Restated Voting Agreement as set forth as Exhibit B hereto. The Seller and the Individuals acknowledge that on September [27], 2013 Xcel prepaid $500,000 principal amount of the Original Note in anticipation and consideration of the execution of this Agreement.

6. Seller agrees that the Buyers shall not be required to obtain or deliver the Earn-Out Reconciliation for the Royalty Target Period ending December 31, 2013 or the Royalty Target Period ending December 31, 2014 or provide supporting documentation of the determination of Net Royalty Income for the Royalty Target Period for such periods as set forth in Section 3.4(b). As of the date hereof, the Buyers believe that the respective criteria for the issuance of Earn-Out Shares in the Second Royalty Target Period will not be satisfied.

7. On January 1, 2014, XCel shall execute and deliver the Restricted Stock Agreements set forth as Exhibit C hereto, and, promptly thereafter, will instruct its transfer agent to issue the respective XCel Shares set forth therein, on and subject to the terms and conditions set forth therein.

8. Except as modified by this Amendment, all of the terms of the Agreement shall remain unchanged and in full force and effect, and shall be the valid and binding agreement of the Parties and the Individuals in accordance with its terms. From and after the date hereof, any reference to the Agreement shall mean the Agreement as modified by this Amendment.

9. This Amendment is made under, and shall be construed and enforced in accordance with, the laws of the State of New York, applicable to agreements made and to be performed solely therein, without giving effect to principles of conflicts of law. In any action between or among any of the parties, whether arising out of this Amendment, any of the agreements contemplated hereby or otherwise, (a) each of the parties irrevocably consents to the exclusive jurisdiction and venue of the federal and state courts located in New York, New York, (b) if any such action is commenced in a state court, then, subject to applicable law, no party shall object to the removal of such action to any federal court located in New York, New York, (c) each of the parties irrevocably waives the right to trial by jury, (d) each of the parties irrevocably agrees to designate a service company located in the United States as its agent for service of process and consents to service of process by first class certified mail, return receipt requested, postage prepaid, to the address at which such party is located, and (e) the prevailing parties shall be entitled to recover their reasonable attorneys' fees, costs and disbursements from the other parties (in addition to any other relief to which the prevailing parties may be entitled).

10. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. Any counterpart may be executed by facsimile signature and such facsimile signature shall be deemed an original.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Amendment as of the day and year first written above.

XCEL BRANDS, INC.

By: /s/ Seth Burroughs
Name: Seth Burroughs
Title: Executive Vice President

IM BRANDS, LLC

By: XCel Brands, Inc., its Managing Member

By: /s/ Seth Burroughs
Name: Seth Burroughs
Title: Seth Burroughs

IM READY-MADE, LLC

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

/s/ Isaac Mizrahi
Isaac Mizrahi

/s/ Marisa Gardini
Marisa Gardini

SUBORDINATED PROMISSORY NOTE

$7,377,432.00 December 24, 2013

FOR VALUE RECEIVED, XCel Brands, Inc. and its successors (the "Company") hereby promise to pay to the order of IM Ready-Made, LLC, a New York limited liability company, or its permitted assigns ("Holder"), the principal sum of Seven Million, Three Hundred Seventy-Seven Thousand Four Hundred Thirty-Two and 00/100 Dollars ($7,377,432.00), in accordance with the provisions of this note ("Note").

This Note amends, restates and supersedes that certain promissory note issued on September 29, 2011 pursuant to that certain Asset Purchase Agreement, dated as of May 19, 2011, as amended, by and among the Company and IM Brands, LLC (collectively the "Buyers") and Holder (the "Purchase Agreement"), pursuant to which Buyers acquired certain assets and licensing operations of Holder (the "Business") and constitutes the "Promissory Note" as defined in the Purchase Agreement. This Note replaces the Original Note and evidences the absolute and unconditional obligation of the Company, subject only to the rights of off set as specified in Section 7 hereof.

1. Scheduled Payments

(i) Principal. Subject to Section 7 of this Note, (i) $1,500,000 principal amount of this Note shall become due and payable on the date hereof (of which, the Holder acknowledges that the Company advanced $500,000 of this payment to the Holder's designee) and shall be due and payable in Immediately Available Funds (as defined in Section 2(a)); (ii) $750,0000 principal amount of this Note (the "First Interim Payment") shall become due and payable on January 31, 2015 (the "First Interim Payment Date"); (iii) $750,000 principal amount of this Note (the "Second Interim Payment" and, together with the First Interim Payment, the "Interim Payments") shall become due and payable on January 31, 2016 (the "Second Interim Payment Date" and together with the First Interim Payment Date, the "Interim Payment Dates"); and (iv) the remaining unpaid principal balance of this Note shall become due and payable in full on September 30, 2016, subject to any optional prepayment under Section 1(c) and any Pending Indemnification Claims pursuant to Section 7 (the "Maturity Date") unless such Maturity Date is extended by Holder to the first Business Day following September 30, 2018 pursuant to Section 2(b) (the "Subsequent Maturity Date"). For the avoidance of doubt, the unpaid principal amount shall refer to the balance of the Note after any reduction of the principal of this Note whether by optional prepayment, partial conversion or offset made in accordance with Section 7 of this Note.

(b) Interest. The Note shall accrue interest, compounded semiannually, at a rate equal to the applicable Federal short-term rate under Section 1274(d) of the Internal Revenue Code of 1986, as amended, and as in effect on the date the Note is issued. Interest shall accrue from the date of this Note to the date upon which the unpaid principal amount is paid in full, at which time such interest shall become due and payable. Upon the occurrence of an Event of Default, the Note shall accrue interest at the rate of fifteen percent (15%) per annum above the current rate of interest. Interest shall be calculated on the basis of the actual number of days elapsed and a year of 365 days. On September 29, 2011, the Company prepaid $122,568.00 in interest to the Holder as satisfaction of all interest payable on the Note absent an Event of Default. In no event shall the Holder have any obligation to return any portion of such prepayment to the Company and in no event (other than upon an Event of Default), shall any other interest become due or payable under this Note.

(c) Optional Prepayments. The Company may at any time prepay, without premium or penalty, all or any portion of the Company's obligations under this Note as provided for under Paragraph 2 herein.

2. Payment of Note

(a) Except to the extent permitted in Section 2(b) and as provided in Section 2(c), all payments and prepayments of principal and interest on this Note shall be made to the Holder in lawful money of the United States of America by wire transfer of immediately available funds ("Immediately Available Funds") to a United States bank account designated in writing by the Holder (or at such other place as the holder hereof shall notify the Company in writing).

(b) Conversion; Prepayment

(i) Prior to the Maturity Date, subject to the restrictions set forth in Section 2(a), the Company shall have the right, in its sole discretion, to prepay the principal amount of the Note, in whole or in part, in shares of common stock of the Company ("Company Shares") or cash; provided, however, that, except to the extent otherwise permitted under Section 2(c), the Company shall make the Interim Payments in cash. If the Company elects to make such payment in Company Shares, the number of Company Shares to be issued shall equal the quotient obtained by dividing (i) the prepaid principal amount of the Note by (ii) the average per share closing price for the Company Shares as reported on the exchange or other interdealer quotation system on which the Company Shares are listed or quoted for the twenty (20) consecutive trading days ending on the trading day immediately preceding the date of payment (the "Average Trading Price"), provided that the Average Trading Price is at least $4.50 (as adjusted for a stock split, stock dividend, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company, which are collectively referred to herein as "Adjustments").

(ii) Ten (10) Business Days prior to the Maturity Date, the Company shall notify the Holder in writing (the "Notice Letter") of the Company's intention to pay the outstanding principal amount of the Note in cash or in Company Shares. If the Company elects to make such payment in Company Shares, the number of Company Shares to be issued shall equal the quotient obtained by dividing (i) the principal amount of this Note then outstanding by (ii) the greater of (x) the Average Trading Price and (y) $4.50 subject to any Adjustments (the greater of the Average Trading Price and $4.50 (subject to any Adjustments) is referred to herein as the "Floor Conversion Price"). If the Average Trading Price in the Notice Letter is below $4.50 (subject to any Adjustments), then the Holder may, in its sole discretion, notify the Company prior to the close of business on the day immediately prior to the Maturity Date, of Holder's intention to extend the Maturity Date to the Subsequent Maturity Date. If the Holder elects to extend the Maturity Date to the Subsequent Maturity Date, the Company's Notice Letter shall be void.

(iii) During the period from the Maturity Date to the Subsequent Maturity Date (the "Extension Period"), the Holder may, at any time and from time to time, in its discretion, convert all or a portion of the outstanding principal amount of the Note into a number of Company Shares obtained by dividing the principal amount of the Floor Conversion Price. Additionally, during the Extension Period, the Company, in its sole discretion, may convert all or a portion of the outstanding principal amount of the Note into a number of Company Shares obtained by dividing the principal amount of the Note to be converted by the Average Trading Price, provided that the Average Trading Price is at least $4.50 (subject to any Adjustments).

(iv) Upon the Subsequent Maturity Date, if any principal amount of the Note is outstanding, the Company shall pay the outstanding principal amount of the Note in Immediately Available Funds or by issuing a number of Company Shares obtained by dividing (i) the outstanding principal amount of the Note by (ii) the Average Trading Price, the method of payment being determined by the Company, in its sole discretion.

(c) Interim Payments

(i) The Company shall (i) pay $500,000 principal amount of the First Interim Payment on the First Interim Payment Date in Immediately Available Funds and, (ii) subject to receipt of approval of the lenders under that certain secured loan facility with Bank Hapoalim B.H. dated as of July 31, 2013 (as such agreement may be amended from time to time, the "Senior Loan Agreement"), pay the remaining balance of the First Interim Payment on the First Interim Payment Date in Immediately Available Funds. Subject to receipt of approval of the lenders under the Senior Loan Agreement, pay the second Interim Payment on the Second Interim Payment Date in Immediately Available Funds. To the extent Company has not received the approval to pay all or a portion of an Interim Payment in Immediately Available Funds (in excess of such $500,000 payment on the First Interim Payment Date) of the lenders under the Senior Loan Agreement, the Company shall, subject to Section 2(a), pay all or such portion of the principal amount of such Interim Payment in Company Shares. If the Company elects to make such payment in Company Shares, the number of Company Shares to be issued shall equal the quotient obtained by dividing (i) the principal amount of the Interim Payment to be paid in Company Shares by (ii) the Average Trading Price, provided that the average trading Price is at least $4.50 (as adjusted for any Adjustments). The Company shall use commercially reasonable efforts to obtain the approvals of the lenders under the Senior Loan Agreement as contemplated by this Section 2(c)(i).

(ii) Ten (10) Business Days prior to the respective Interim Payment Date, the Company shall notify the Holder in writing (the "Interim Payment Notice Letter") of the Company's intention to pay an Interim Payment in cash and/or in Company Shares. To the extent the Company intends to make such payment in Company Shares, the number of Company Shares to be issued shall equal the quotient obtained by dividing (i) the principal amount of the Interim Payment being paid in Company Shares by (ii) the greater of (x) the Average Trading Price and (y) Floor Conversion Price. If the average Trading Price in the Interim Payment Notice Letter is below $4.50 (subject to any Adjustments), then the Holder may, in its discretion, notify the Company prior to the close of business on the day immediately prior to such Interim Payment Date, of Holder's intention to extend such Interim Payment Date with respect to the portion of the Interim Payment the Company intends to pay in Company Shares to the Maturity Date. If the Holder elects to so extend such Interim Payment Date to the Maturity Date, the Company's Interim Payment Notice Letter shall be void with respect to the portion of the Interim Payment the Company intends to pay in Company Shares.

(iii) During the period from an Interim Payment Date to the Maturity Date (the "Interim Extension Period"), the Holder may, at any time and from time to time, in its discretion, convert all or a portion of the outstanding principal amount of the Interim Payment(s) that was so extended into a number of Company Shares obtained by dividing the principal amount of the Interim Payment so extended by the Holder and to be converted by the Floor Conversion Price. Additionally, during the Interim Extension Period, the Company, in its sole discretion, may convert all or a portion of the outstanding principal amount of the Interim Payment so extended by the Holder into a number of Company Shares obtained by dividing the principal amount of the Interim Payment so extended by the Holder and to be converted by the Average Trading Price, provided that the Average Trading Price is at least $4.50 (subject to any Adjustments).

(iv) Upon the Maturity Date, if any principal amount of the Note is outstanding, the Company shall pay the outstanding principal amount of the Note in Immediately Available Funds or by issuing a number of Company Shares obtained by dividing (i) the outstanding principal amount of the Note by (ii) the Average Trading Price, the method of payment being determined by the Company, in its sole discretion.

3. Event of Default; Consequences. Upon the occurrence of any one or more of the following events (each, an "Event of Default"), the Holder may, by notice of default and acceleration given to the Company, accelerate the Maturity Date and declare the entire outstanding principal amount of the Note, together with all accrued and unpaid interest thereon, immediately due and payable.

(a) Subject to the Company's right of off set pursuant to Section 7 below, if the Company fails to pay when due any amount (whether interest, principal or other amount) then payable under the Note;

(b) If, pursuant to or within the meaning of the United States Bankruptcy Code or any other federal or state law relating to insolvency or relief of debtors (each, a "Bankruptcy Law"), the Company shall: (i) commence a voluntary case or proceeding; (ii) consent to the entry of an order for relief against it in an involuntary case; (iii) consent to the appointment of a trustee, receiver, assignee, liquidator or similar official; (iv) make an assignment for the benefit of its creditors; (v) be unable to pay its debts as they become due; or (vi) be insolvent by any other measure.

(c) If a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that: (i) is for relief against the Company in an involuntary case; (ii) appoints a trustee, receiver, assignee, liquidator or similar official of the Company or substantially all of the Company's properties; or (iii) orders the liquidation of the Company, and in each case the order or decree is not dismissed within sixty (60) days;

(d) The liquidation, dissolution or winding up of the Company; and

(e) Any of the following: (i) a merger or consolidation to which the Company is a party (other than one in which the stockholders of the Company prior to the event own a majority of the voting power of the surviving or resulting corporation), (ii) a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company, or (iii) a sale or transfer by the Company's stockholders of voting control, in a single transaction or a series of transactions.

4. Waiver. The rights and remedies of the Holder under the Note shall be cumulative and not alternative. No waiver by the Holder of any right or remedy under the Note shall be effective unless signed by the Holder. No failure or delay of the Holder in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. Except as provided herein, the Company hereby waives presentment for payment, demand, protest, and notice of demand, protest and nonpayment, and any other notice that might be required by law, and consents to any and all renewals or extensions that might be made by the Holder as to the time of payment of the Note from time to time.

5. Replacement and Cancellation.

(a) Replacement of Lost Note. Upon receipt of evidence reasonably satisfactory to the Company (an affidavit of the Holder shall be satisfactory) of the ownership and the loss, theft, destruction or mutilation of the Note and, in the case of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company (provided that, if the holder is a financial institution or other institutional investor, its own agreement shall be satisfactory), or, in the case of any such mutilation, upon the surrender of such Note to the Company at its principal office, the Company shall (at the Holder's expense) execute and deliver, in lieu thereof, a new Note of the same class and representing the same rights represented by such lost, stolen, destroyed or mutilated Note and dated so that there will be no loss of interest on such Note. Any Note in lieu of which any such new Note has been so executed and delivered by the Company shall not be deemed to be an outstanding Note.

(b) Cancellation. After all principal, accrued interest and all other amounts at any time owed on the Note have been paid in full, the Note shall be surrendered to the Company for cancellation.

6. Business Days. If any payment is due, or any time period for giving notice or taking action expires, on a day which is not a business day in the State of New York the payment shall be due and payable on, and the time period shall automatically be extended to, the next business day immediately following, and interest shall continue to accrue at the required rate hereunder until any such payment is made.

7. Indemnification Claims. In the event that on or prior to the Maturity Date a Buyer Indemnified Party is entitled to indemnification from the Seller under Article XI of the Purchase Agreement (a "Resolved Claim"), the Company shall have the right to off-set the amount of the Resolved Claim against the principal balance of the Note, subject to the terms and conditions of Article XI of the Purchase Agreement. If on the Maturity Date, a Buyer Indemnified Party has asserted a claim for indemnification in accordance with Article XI of the Purchase Agreement, but the Seller has not agreed to the validity or amount of the claim (a "Pending Indemnification Claim"), then on the Maturity Date the Company shall: (i) pay all accrued and unpaid interest to the Holder in accordance with Section 2(a) of the Note; (ii) make a principal payment to the Holder pursuant to Section 2 of the Note equal to (x) the outstanding principal amount, less (y) the amount asserted as the Pending Indemnification Claim; and (iii) pay a cash amount equal to the amount asserted as the Pending Indemnification Claim to an escrow agent reasonably acceptable to the Company and the Holder. Upon resolution of the Pending Indemnification Claim in accordance with the Purchase Agreement, the Company and the Holder shall direct the escrow agent to disburse to the Company such amount (if any) to which the Company is entitled to as a result of the Pending Indemnification Claim and to disburse the balance (if any) to the Holder.

8. Purchase Agreement. The Note amends, restates and supersedes the Original Note which was executed and delivered pursuant to and in accordance with the terms and conditions of the Purchase Agreement (as defined herein). Capitalized terms used in the Note without separate definition shall have the respective meanings given to them in the Purchase Agreement.

9. Subordination. The Holder acknowledges and agrees that the payment obligations under the Note shall unconditionally be subordinate to the obligations of the Company or Buyers to its lenders under any loan, convertible debt, or other debt facility (the "Lenders"). This Note is subject to the terms of that certain Subordination Agreement dated July 31, 2013, between the parties hereto and Bank Hapoalim B.M. The Company agrees that it shall not enter into any agreement after the date this Note is issued that will prevent the Company from paying all amounts owing under the Note in cash on the Maturity Date.

10. Governing Law. The Note shall be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

11. Successors and Assigns. The Note may not be assigned or transferred by the Company or the Holder except by operation of law or any assignment by the Holder to its members. The Note may not be pledged, hypothecated or otherwise encumbered by the Holder. Any transfer or assignment in violation of this Section 11 shall be void, and the Company shall not recognize such purported transferee as a holder of the Note.

12. Amendments. No supplement, modification or amendment of any term, provision or condition of the Note shall be binding or enforceable unless executed in writing by the Company and the Holder.

13. Costs and Expenses. The Company agrees to pay on demand any and all costs and expenses (including reasonable counsel fees and expenses) in connection with the enforcement of the Note.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Promissory Note as of the date first written above.

XCEL BRANDS, INC.

By: /s/ Seth Burroughs
Name: Seth Burroughs
Title: Executive Vice President

Accepted and agreed to by:

IM READY-MADE, LLC

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

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made as of December 24, 2013 (the "Effective Date") by and between Xcel Brands, Inc. a Delaware corporation (the "Company"), and Isaac Mizrahi (the "Executive"), each a "Party" and collectively the "Parties." Unless otherwise indicated, capitalized terms used herein are defined in Section 2.1.

WHEREAS, the Executive serves as the Company's Chief Design Officer of the Isaac Mizrahi Brand pursuant to an employment agreement dated as of May 19, 2011 (the "Original Agreement"); and

WHEREAS, the Parties desire to amend the terms of the Executive's employment with the Company.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, as defined below, it is agreed by and between the Executive and the Company as follows:

ARTICLE I
EMPLOYMENT TERMS

1.1. Employment. The Company will employ the Executive, and the Executive accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning on the Effective Date and ending as provided in Section 1.4(a) hereof (the "Employment Period"). The Original Employment Agreement is hereby terminated, other than Sections 1.5, 1.6, 1.7, 1.8 and 1.10 thereof which shall survive and continue full force and effect in accordance with their terms.

1.2. Position and Duties.

(a) Generally. The Executive shall:

(i) serve as the Chief Design Officer of the "Isaac Mizrahi" brand, and in such capacity shall be responsible for providing input to the Company's President of the Isaac Mizrahi brand with respect to the creation of the Company's design vision for the Isaac Mizrahi Brand, shall perform such duties as are customarily performed by an officer with similar title and responsibilities of a company of a similar size (including, without limitation, the performance of Executive's duties and obligations under agreements with the Company's licensees or any other third-party pursuant to which Executive is obligated to perform personal services, but not including Executive's duties under agreements pursuant to the Retained Media Rights) and shall have such power and authority as shall reasonably be required to enable him to perform his duties hereunder; provided, however, that in exercising such power and authority and performing such duties, he shall (x) at all times be subject to the authority, control and direction of the Chairman and CEO of the Company and (y) abide by Product Media and Press Guidelines attached hereto as Exhibit A;

(ii) Make such In-Store Appearances material to the Company's business as reasonably requested by the Company, provided that in no event shall Executive be required to make more than twenty-four (24) In-Store Appearances in any calendar year (exclusive of any travel days), as pro-rated for partial calendar years during the Term, and the Company shall use commercially reasonable efforts to accommodate Executive's schedule with respect to the Retained Media Rights, and provided, further that it is anticipated that the Company will request that the Executive make between 12-24 appearances per year (as pro-rated for partial calendar years during the Term); and

(iii) Make appearances on direct-response television limited to (A) appearances on QVC pursuant to the license agreement between IM Brands, LLC and QVC, Inc. such that the Company will not be in a breach of Section 4 of the QVC Agreement, as in effect on the date hereof, (B) travel to Toronto, Canada for four personal physical appearances per calendar year for The Shopping Channel, subject to the Company and Executive agreeing on travel arrangements for such appearances, and (C) such other appearances as may be mutually agreed in writing by the Company and the Executive. Notwithstanding anything herein to the contrary, Executive agrees that his appearances on QVC shall include two (2) one-hour "static" shows per week (in addition to "hits" before and after, and on the same day as, each such show), provided that after March 1, 2015, if Executive informs the Company in writing and demonstrates to the Company's reasonable satisfaction that he has obligations pertaining to Retained Media Rights that conflict with Executive's schedule on QVC, the Company shall use commercially reasonable efforts to accommodate Executive's schedule with respect to the Retained Media Rights, and Executive shall only be required to appear on QVC for one (1) one-hour show per week (in addition to"hits" before and after, and on the same day as, such show) and "Today's Special Value" programs consistent with past practice and such other appearances consistent with past practices which do not conflict with Executive's schedule with respect to the Retained Media Rights.

(b) Duties and Responsibilities. The Executive shall report to the Chairman and CEO of the Company and shall devote his full business time and attention to the business and affairs of the Company and its Subsidiaries. The Company acknowledges that the Executive has a commitment with respect to the St. Louis Opera and that Executive will be in St. Louis from approximately May 4, 2014 to May 24, 2014 in connection with such commitment. Notwithstanding anything to the contrary herein, the Company acknowledges and agrees that the performance by Executive of such commitment shall not be in breach of any of the terms herein and that Executive shall not be available for appearances as contemplated under Section 1.2(a)(ii) and (iii) during such time period. The Executive shall perform his duties and responsibilities in a diligent, trustworthy, businesslike and efficient manner. The Executive shall not engage in any other business activities that conflict with the Executive's duties, responsibilities and obligations hereunder. During the Employment Period, the Executive shall promptly bring to the Company all investment or business opportunities and creative design ideas relating to the Business, of which the Executive becomes aware.

(c) Notwithstanding anything to the contrary in this Section 1.2, Executive may engage in the Retained Media Rights, in each case so long as such activity does not have a materially negative impact upon or materially conflict with the Executive's duties hereunder.

(d) Principal Office. The principal place of performance by the Executive of his duties hereunder shall be at the Company's principal executive offices in Manhattan, New York, although, subject to the terms hereof, the Executive may be required to travel, upon reasonable advance notice, outside of the area where the Company's principal executive offices are located in connection with the business of the Company. Except as set forth herein, all required travel shall be in accordance with the Company's travel policy.

1.3. Compensation.

(a) Base Salary. The Executive's base salary shall be $1,000,000 per annum (the "Base Salary"). The Base Salary will be payable to the Executive by the Company in regular installments in accordance with the Company's general payroll practices. The Executive shall receive such increases (but not decreases) in his Base Salary as the Board of Directors of the Company (the "Board"), or the compensation committee of the Board, may approve in its sole discretion from time to time. The Executive's Base Salary will be reviewed for potential upwards adjustments at such times, after September 30, 2016, as annual salary reviews are conducted for executives of the Company.

(b) Bonus. The Executive shall be eligible to receive an annual cash bonus (the "Bonus") of up to $1,000,000 (the "Maximum Bonus") for each calendar year commencing in 2014 (subject to Section 1.4 hereof) during the Term (or any partial calendar year during the Term) in accordance with this Section 1.3(b). The Bonus, if any, shall consist of the DRT Revenue Bonus, if any, and the Collaboration Bonus, if any, as determined in accordance with the below:

(1) DRT Revenue Bonus

The DRT Revenue Bonus (the "DRT Revenue Bonus") for any calendar year shall be equal to (i) 10% of the aggregate of DRT Revenue, until the Bonus payable for such calendar year equals $500,000 and (ii) thereafter, 5% of DRT Revenue, until the Bonus payable for such calendar year equals the Maximum Bonus.

(2) Collaboration Bonus

The Collaboration Bonus (the "Collaboration Bonus") for any calendar year shall be equal to 5% of IM Collaboration Revenue. As soon as practicable after the end of after the applicable calendar year, but in no event later than sixty (60) days following the end of such calendar year, the Company shall deliver to the Executive (i) a statement prepared by the Company of the calculation of the amount of the DRT Revenue Bonus and Collaboration Bonus; and (ii) supporting documentation of such calculations for the applicable period (collectively, (i) and (ii), the "Reconciliation"). The Bonus, if any, shall be paid to the Executive not later than thirty (30) days after delivery of the Reconciliation to the Executive. In addition to, and not in lieu of, the foregoing, the Executive shall have the right to participate in all employee bonus plans offered to other employees, and such other bonus payments as the Board, or the compensation committee of the Board, may approve in its sole discretion. Such bonus payments, if any, shall be paid at the same time paid to other recipients but in no event later than sixty (60) days after the end of the applicable calendar year or fiscal period. All bonuses payable under this Section 1.3(b) shall be, collectively, referred to herein as "Bonus."

(c) Withholding. All payments made under this Agreement (including Base Salary, Bonus payments, and other amounts) shall be subject to withholding for income taxes, payroll taxes and other legally required deductions.

(d) Automobile Allowance. The Company will reimburse the Executive an amount up to $750.00 per month relating to the use of an automobile, plus gas and tolls for travel between the Executive's home and the QVC studio for appearances pursuant to Section 1(a)(iii).

(e) Expenses. The Company will reimburse the Executive for all reasonable expenses incurred by him in the course of performing his duties under this Agreement that are consistent with the Company's policies in effect at that time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses. All expense reimbursement payments for documented expenses shall be made in accordance with the Company expense reimbursement policy. In addition, the Company shall reimburse the Executive for up to $110,000 of non-accountable expenses each calendar year (pro-rated for any partial calendar year during the Employment Period), without regard to whether such expenses would be reimbursable under the Company's expense reimbursement policy. All expense reimbursement payments for non-accountable expenses shall be made within thirty (30) days after the date that the Executive notifies the Company of such expense; provided, however, that the Executive shall notify the Company of such expenses no later than six (6) months after the end of the calendar year in which such expenses were incurred.

(f) Vacation; Holiday Pay and Sick Leave. The Executive shall be entitled to four (4) weeks' paid vacation in each calendar year, which if and to the extent not taken during any year may be carried forward to any subsequent year. Executive shall receive holiday pay and paid sick leave as provided to other executive employees of the Company.

(g) Additional Benefits. During the Employment Period, the Executive shall be entitled to participate (for himself and, as applicable, his dependents) in the group medical, life, 401(k) and other insurance programs, equity and equity-based incentive plans, employee benefit plans and perquisites which may be adopted by the Board, or the compensation committee of the Board, from time to time, for participation by the Company's senior management or executives, as well as dental, life and disability insurance coverage, with payment of, or reimbursement for, such insurance premiums by the Company, subject to, in all cases, the terms and conditions established by the Board with respect to such plans (collectively, the "Benefits"); provided, however, that the Board, in its reasonable discretion, may revise the terms of any Benefits so long as such revision does not have a disproportionately negative impact on the Executive vis-à-vis other Company employees to the extent applicable.

(h) Indemnification. The Executive shall be entitled to indemnification by the Company in the same circumstances and to the same extent as the other executive officers and directors of the Company, which indemnification shall in no event be less favorable to the Executive than the fullest scope of indemnification permitted by applicable Delaware law (or any such greater scope of indemnification provided by agreement or by the terms of the Company's Certificate of Incorporation or By-Laws to any executive officer or director of the Company).

(i) D&O Insurance. The Company shall acquire and maintain Directors' and Officers' insurance for the Company's directors and officers (including the Executive), with coverage in amounts reasonably sufficient to protect the Company's directors and officers, but in all events with coverage in amounts no less than such amounts customarily maintained by similarly situated companies. Upon a Change of Control, the Company shall purchase, or cause to be purchased, a tail policy for the period of one year in an amount reasonably sufficient to protect the Company's former directors and officers, but in all events with coverage in amounts no less than such amounts obtained by similarly situated companies in similar events.

(j) Other Benefits. During the Employment Period, the Company shall: (i) employ a full-time executive assistant for the Executive (whose salary shall be consistent with other staff of the Company at similar levels); (ii) reimburse Executive for up to Five Thousand Dollars ($5,000) per year for Executive to acquire and maintain a life insurance policy on the Executive; (iii) allow the Executive to participate in the Company's disability insurance policy (the "Disability Policy", which shall name the Executive as loss payee; (iv) pay for directly, or reimburse the Executive, for the Executive's cell phone and internet expenses, home office supplies and computer maintenance; and (v) provide for first class airfare for the Executive and economy (or coach) class airfare for a "show stylist" and luxury accommodations for the Executive and accommodations pursuant to the Company's travel policy for such "show stylist", or such other travel arrangements with respect to appearances made by Executive pursuant to Section 1.2(a)(iii)(B).

1.4. Term and Termination.

(a) Duration. This Agreement shall be effective upon the Closing (as defined in the Purchase Agreement). The Employment Period shall commence on the Effective Date and the initial term shall terminate on September 30, 2016 (the "Initial Term"), unless earlier terminated by the Company or the Executive as set forth in this Section 1.4. After the Initial Term, the Company shall have the option to renew this Agreement for two successive one-year periods (each a "Renewal Period") on the same terms and conditions as those in effect during the third year of the Initial Term. The Initial Term plus any Renewal Period exercised by the Company is referred to herein as the "Term". Thereafter, the Term shall renew automatically for one-year periods, unless either party gives the other party written notice of its intention not to renew the Agreement no later than 30 days prior to the expiration of the then current Term. The Employment Period shall be terminated prior to the then-applicable expiration of the Term upon the first to occur of (i) termination of the Executive's employment by the Company for Cause, (ii) termination of the Executive's employment by the Company without Cause, (iii) the Executive's resignation with Good Reason, (iv) the Executive's resignation other than for Good Reason, or (v) the Executive's death or Disability. The Executive shall not terminate the Employment Period, with or without Good Reason, unless he gives the Company written notice that he intends to terminate the Employment Period at least 30 days prior to the Executive's proposed Termination Date. As a condition to Executive receiving any payments or benefits under Section 1.4(b)(2) and (3) or Section 1.4(c) (except amounts payable pursuant to Section 1.4(b)(1)), the Executive shall execute and deliver to the Company the General Release of claims relating solely to the Executive's employment with the Company within 60 days after the Termination Date in the form attached hereto as Exhibit B. If the Executive does not execute and deliver the General Release within that time period then the amounts otherwise payable pursuant to Section 1.4(b)(2) shall be forfeited. The first payment under this Section 1.4 shall include any amounts payable under this Section 1.4 for periods prior to execution of such General Release.

(b) Severance Upon Termination Without Cause, Upon Resignation by the Executive For Good Reason or Failure to Renew Term. If the Employment Period is terminated by the Company without Cause or if the Executive resigns for Good Reason, or if the Company fails to renew the Term (in which case termination of the Executive's employment shall be effective at the expiration of the then-current Term), then the Executive will be entitled to receive (1) any unpaid Base Salary through and including the date of termination or resignation and any other amounts, including any amounts due for Bonus, or other entitlements then due and owing to the Executive as of the Termination Date; (2) an amount equal to the Executive's Base Salary (at the rate that would have been effect pursuant to Section 1.3(a) had such employment not been terminated) for the longer of (x) six (6) months from the Termination Date, and (y) the remainder of the then-current Term, but in no event exceeding eighteen (18) months (as the case may be, the "Severance Period"), payable in substantially equal installments over the Severance Period in accordance with the Company's normal payroll practices; provided, however, that prior to the date that is six months and one day after the Termination Date, no payments would be made that exceed the lesser of two times: (i) the sum of (A) the Executive's Base Salary (at the rate in effect on the date of termination), (B) the Bonus paid to Executive pursuant to Section 1.3(b) in the prior calendar year, and (C) any other taxable compensation paid to the Executive in the prior calendar year; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to section 401(a)(17) for the year in which the Executive has a termination of employment; and any amount in excess of the applicable limits shall be paid on the date that is six months and one day after the Termination Date; and (3) continue to participate in the Company's group medical plan on the same basis as he previously participated or, if such participation would violate the provisions of Section 409A of the Code or applicable nondiscrimination regulations under the Patient Protection and Affordable Care Act (PPACA), receive reimbursement for, COBRA premiums (or, if COBRA coverage is not available, reimbursement of premiums paid for other medical insurance in an amount not to exceed the COBRA premium) for the Severance Period; provided that if the Executive is provided with health insurance coverage by a successor employer, any such coverage by the Company under subclause (3) shall cease (each of (1), (2) and (3) referred to as the "Severance Payment"). The Executive also shall be entitled to receive payment for (i) all reimbursable expenses or other entitlements then due and owing to the Executive as of the Termination Date under Section 1.3(d) (other than non-accountable expenses which shall be reimbursed pursuant to clause (ii) below), which payments shall be made in accordance with the Company expense reimbursement policy; provided, however, in no event shall any expense reimbursements by the Company be made later than the last day of the calendar year after the calendar year in which the expense was incurred, and (ii) all non-accountable expenses incurred prior to the Termination Date that are reimbursable under Section 1.3(d), which payments shall be made in accordance with the terms of Section 1.3(d). If the Executive breaches his obligations under Section 1.6, 1.7, 1.8 or 1.9 of this Agreement, the Company's obligation to make any Severance Payments and provide any Benefits shall cease as of the date of such breach; provided, that if the Executive cures such breach within 10 days of receiving written notice from the Company of such breach (which notice the Company shall provide promptly to the Executive after learning of such breach), the Company shall promptly pay all Severance Payments not made during such period of dispute and resume making Severance Payments and providing Benefits promptly following such cure.

(c) Severance upon a Change of Control. Anything contained herein to the contrary notwithstanding, in the event the Executive's employment hereunder is terminated within six (6) months following a Change of Control by the Company without Cause or by the Executive with Good Reason, the Executive shall be entitled to receive the Severance Payment as described in sub-section (b) above; provided, however, that in lieu of the calculation contained in Section 1.4(b)(2), Executive shall be entitled to receive a lump sum amount within 60 days after the Termination Date equal to two times the sum of (i) the Executive's Base Salary (at the average rate that would have been effect pursuant to Section 1.3(a) during the two years following the Termination Date) and (ii) the Bonus paid or due to the Executive pursuant to Section 1.3(b) in the year prior to such Change of Control, if any; provided, however, that prior to the date that is six months and one day after the Termination Date, no payment would be made that exceeds the lesser of two times: (i) the sum of (A) the Executive's Base Salary (at the rate in effect on the date of termination), (B) the Bonus paid to Executive pursuant to Section 1.3(b) in the prior calendar year, and (C) any other taxable compensation paid to the Executive in the prior calendar year, or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which the Executive has a termination of employment, and any amount in excess of such limits shall be paid on the date that is six months and one day after the Termination Date; and further provided, however, that if such lump sum severance payment, either alone or together with other payments or benefits, either cash or non-cash, that the Executive has the right to receive from the Company, including, but not limited to, accelerated vesting or payment of any deferred compensation, options, stock appreciation rights or any benefits payable to the Executive under any plan for the benefit of employees, would constitute an "excess parachute payment" (as defined in Section 280G of the Code), then such lump sum severance payment or other benefit shall be reduced to the largest amount that will not result in receipt by the Executive of an "excess parachute payment." The determination of the amount of the payment described in this subsection shall be made by the Company's independent auditors at the sole expense of the Company. For purposes of clarification the value of any options described above will be determined by the Company's independent auditors using a Black-Scholes valuation methodology.

(d) Death and Disability. In the event of the Company terminates this Agreement due to the death of the Executive, the Company shall pay the Executive his Base Salary through the date of termination, at the rate then in effect, and all expenses or accrued Benefits arising prior to such termination which are payable to the Executive pursuant to this Agreement through the date of termination. Any other rights and benefits the Executive may have under employee benefit plans and programs of the Company generally in the event of the Executive's Disability shall be determined in accordance with the terms of such plans and programs. In the event of Executive's death, any rights and benefits that the Executive's estate or any other person may have under employee benefit plans and programs of the Company generally in the event of the Executive's death shall be determined in accordance with the terms of such plans and programs.

(e) Salary and Other Payments Through Termination. If the Executive's employment with the Company is terminated during the Term (i) by the Company for Cause or (ii) by the Executive other than for Good Reason, the Executive will be entitled to receive his Base Salary through the Termination Date, but will not be entitled to receive any Severance Payments or Benefits after the Termination Date. The Executive shall also be entitled to receive payment for (i) all reimbursable expenses or other entitlements then due and owing to the Executive as of the Termination Date under Section 1.3(d) (other than non-accountable expenses which shall be reimbursed pursuant to clause (ii) below), which payments shall be made in accordance with the Company expense reimbursement policy; provided, however, in no event shall any expense reimbursements by the Company be made later than the last day of the calendar year after the calendar year in which the expense was incurred, and (ii) all non-accountable expenses incurred prior to the Termination Date that are reimbursable under Section 1.3(d), which payments shall be made in accordance with the terms of Section 1.3(d).

(f) Other Rights. Except as set forth in this Section 1.4, all of the Executive's rights to receive Base Salary, Benefits and annual bonuses hereunder (if any) which accrue or become payable after the termination of the Employment Period shall cease upon such termination.

(g) Continuing Benefits. Notwithstanding Section 1.4(f), termination pursuant to this Section 1.4 shall not modify or affect in any way whatsoever any vested right of the Executive to benefits payable under any retirement or pension plan or under any other employee benefit plan of the Company, and all such benefits shall continue, in accordance with, and subject to, the terms and conditions of such plans, to be payable in full to, or on account of, the Executive after such termination.

(h) No Duty of Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Article I by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for under Article I be reduced by any compensation earned by Executive after the Termination Date.

(i) Acceleration of Vesting. If the Company shall terminate the Executive's employment without Cause or the Executive terminates his employment with Good Reason, then notwithstanding the vesting and exercisability schedule in any stock option or other grant agreement between the Company and the Executive, all unvested stock options, shares of restricted stock and other equity awards granted by the Company to the Executive pursuant to any such agreement shall immediately vest, and all such stock options shall become exercisable and shall remain exercisable for the remaining term of the applicable option. In the event of conflict between any stock option or other grant agreement between the Company and the Executive and this Agreement, the stock option or other grant agreement shall control.

1.5. Confidential Information.

(a) The Executive shall not disclose or, directly or indirectly, use at any time, during the Employment Period or thereafter, any Confidential Information (as defined below) of which the Executive is or becomes aware, whether or not such information is developed by him, alone or with others, except to the extent that (i) such disclosure or use is required by the Executive's performance of the duties assigned to the Executive by the Board, (ii) the Executive is required by subpoena or similar process to disclose or discuss any Confidential Information, provided, that in such case, the Executive shall promptly inform the Company in writing of such event, shall reasonably cooperate with the Company in attempting to obtain a protective order or to otherwise limit or restrict such disclosure to the greatest extent possible, and shall disclose only that portion of the Confidential Information as is strictly required, or (iii) such Confidential Information is or becomes generally known to and available for use by the public, other than as a result of any action or inaction directly or indirectly by the Executive. At the Company's expense, the Executive shall take all reasonable steps to safeguard Confidential Information in his possession and to protect it against disclosure, misuse, espionage, loss and theft. The Executive acknowledges that the Confidential Information obtained by him during the course of his employment with the Company is the sole and exclusive property of the Company and its Subsidiaries, as applicable.

(b) The Executive understands that the Company and its Subsidiaries will receive from third parties confidential or proprietary information ("Third Party Information") subject to a duty on the part of the Company and its Subsidiaries to maintain the confidentiality of such information and to use it only for certain limited purposes. During the Employment Period and in the period specified in such confidentiality agreements, and without in any way limiting the provisions of Section 1.5(a) above, the Executive will hold Third Party Information in confidence, consistent with the obligations applicable to Confidential Information of the Company generally, and will not disclose to anyone (other than personnel and agents of the Company or its Subsidiaries who need to know such information in connection with their work for the Company or its Subsidiaries) or use, except in connection with his work for the Company or its Subsidiaries, Third Party Information unless expressly authorized by the Board in writing.

(c) As used in this Agreement, the term "Confidential Information" means information that is not generally known to the public and that is related in any way to the actual or anticipated business of the Company, its Subsidiaries, its Affiliates or any of their respective predecessors in interest, including but not limited to (i) business development, growth and other strategic business plans, (ii) properties available for acquisition, financing development or sale, (iii) accounting and business methods, (iv) services or products and the marketing of such services and products, (v) fees, costs and pricing structures, (vi) designs, (vii) analysis, (viii) drawings, photographs and reports, (ix) computer software, including operating systems, applications and program listings, (x) flow charts, manuals and documentation, (xi) data bases, (xii) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xiii) copyrightable works, (xiv) all technology and trade secrets, (xv) confidential terms of material agreements and customer relationships, and (xvi) all similar and related information in whatever form or medium. Confidential Information shall not include any information that has become generally available to the public prior to the date the Executive proposes to disclose or use such information or general know-how of the Executive.

1.6. Inventions and Patents. Executive acknowledges that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, products, methods, processes, techniques, programs, designs, analyses, drawings, reports, patents, copyrightable works and mask works (whether or not including any Confidential Information) and all issuances, registrations or applications related thereto, all other proprietary information or intellectual property and all similar or related information (whether or not patentable)(collectively, "Intellectual Property") conceived, developed, contributed to, made, or reduced to practice by Executive (either alone or with others) while employed by Company or any of its Subsidiaries or Affiliates or using the materials, facilities or resources of the Company or any of its Subsidiaries or Affiliates (collectively, "Company Works") is the sole and exclusive property of the Company and its Subsidiaries; provided, however, that the term Company Works shall not include, and the Executive shall exclusively own, (i) all Intellectual Property conceived, developed, contributed to, made, or reduced to practice by Executive in connection with the performance of the Retained Media Rights, and (ii) the Original Physical Sketch Rights, provided that, with respect to any original physical sketch retained by the Executive, the Executive delivers a high resolution copy thereof to the Company; and provided, further, that, notwithstanding the foregoing, no present or future Intellectual Property Rights purchased by the Buyer under the Purchase Agreement shall be owned by Executive pursuant to this Section 1.6. Executive hereby assigns all right, title and interest in and to all Company Works to the Company and its Subsidiaries and waives any moral rights he may have therein, without further obligation or consideration. Any copyrightable work constituting Company Works prepared in whole or in part by the Executive will be deemed "a work made for hire" under Section 201(b) of the 1976 Copyright Act, and the Company and its Subsidiaries shall own all of the rights comprised in the copyright therein. The Executive shall promptly and fully disclose in writing all Company Works to the Company and shall cooperate with the Company and its Subsidiaries to protect, maintain and enforce the Company's and its Subsidiaries' interests in and rights to such Company Works (including, without limitation, providing reasonable assistance in securing patent protection and copyright registrations and executing all affidavits, assignments, powers-of-attorney and other documents as reasonably requested by the Company, whether such requests occur prior to or after termination of the Executive's employment with the Company).

1.7. Delivery of Materials Upon Termination of Employment. As requested by the Company from time to time and in any event upon the termination of the Executive's employment with the Company, the Executive shall promptly deliver to the Company, or at the Company's election destroy, all copies and embodiments, in whatever form or medium, of all Confidential Information, Company Works and other property and assets of the Company and its Subsidiaries in the Executive's possession or within his control (including, but not limited to, office keys, access cards, written records, notes, photographs, manuals, notebooks, documentation, program listings, flow charts, magnetic media, disks, diskettes, tapes, computers and handheld devices (including all software, files and documents thereon) and any other materials containing any Confidential Information or Company Works) irrespective of the location or form of such material and, if requested by the Company, shall provide the Company with written confirmation that all such materials have been delivered to the Company or destroyed, as applicable.

1.8. Non-Compete and Non-Solicitation Covenants.

(a) The Executive acknowledges and agrees that the Executive's services to the Company and its Subsidiaries are unique in nature and that the Company and its Subsidiaries would be irreparably damaged if the Executive were to violate his obligations under this Section 1.8. The Executive further acknowledges that, in the course of his employment with the Company, he will become familiar with the Company's and its Subsidiaries' trade secrets and with other Confidential Information. During the Employment Period, he shall not, directly or indirectly, whether for himself or for any other Person, permit his name to be used by or participate in any business or enterprise (including, without limitation, any division, group or franchise of a larger organization) that engages or proposes to engage in the Business in the Restricted Territories, other than the Company and its Subsidiaries or except as otherwise directed or authorized by the Board. During the one year period following the Termination Date, unless the Executive's employment hereunder was terminated without Cause or was terminated by the Executive for Good Reason, the Executive shall not, directly or indirectly, whether for himself or for any other Person, permit his name to be used by or participate in any business or enterprise (including, without limitation, any division, group or franchise of a larger organization) that engages or proposes to engage in the IM Business in the Restricted Territories, other than the Company and its Subsidiaries or except as otherwise directed or authorized by the Board. For purposes of this Agreement, the term "participate in" shall include, without limitation, having any direct or indirect interest in any Person, whether as a sole proprietor, owner, stockholder, partner, member, joint venturer, creditor or otherwise, or rendering any direct or indirect service or assistance to any Person (whether as a director, officer, supervisor, employee, agent, consultant or otherwise). Nothing herein will prohibit the Executive from (i) mere passive ownership of not more than three percent (3%) of the outstanding stock of any class of a publicly held corporation whose stock is traded on a national securities exchange or in the over-the-counter market, and (ii) engaging in the exploitation of the Retained Media Rights, subject, during the Employment Period, to the restrictions in Section 1.2(c) hereof. As used herein, the phrase "mere passive ownership" shall include voting or otherwise granting any consents or approvals required to be obtained from such Person as an owner of stock or other ownership interests in any entity pursuant to the charter or other organizational documents of such entity, but shall not include, without limitation, any involvement in the day-to-day operations of such entity.

(b) During the Nonsolicitation Period, the Executive will not directly, or indirectly through another Person, solicit, induce or attempt to induce any customer, supplier, licensee, or other business relation of the Company or any of its Subsidiaries to cease doing business with the Company or any of its Subsidiaries, or solicit, induce or attempt to induce any person who is, or was during the then-most recent 12-month period, a corporate officer, general manager or other employee of the Company or any of its Subsidiaries to terminate such employee's employment with the Company or any of its Subsidiaries, or hire any such person unless such person's employment was terminated by the Company or any of its Subsidiaries, or in any way interfere with the relationship between any such customer, supplier, licensee, employee or business relation and the Company or any of its Subsidiaries. The Executive acknowledges and agrees that the Company and its Subsidiaries would be irreparably damaged if the Executive were to breach any of the provisions contained in this Section 1.8(b).

(c) Executive acknowledges that this Agreement, and specifically, this Section 1.8, does not preclude Executive from earning a livelihood, nor does it unreasonably impose limitations on Executive's ability to earn a living. In addition, Executive agrees and acknowledges that the potential harm to the Company of its non-enforcement outweighs any harm to Executive of its enforcement by injunction or otherwise.

1.9. Enforcement. If, at the time of enforcement of Section 1.5, 1.6, 1.7, 1.8 or 1.10, a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the Parties agree that, to the extent permitted by applicable law, the maximum period, scope or geographical area reasonable under such circumstances will be substituted for the period, scope or area. Because the Executive's services are unique and because the Executive has access to Confidential Information and Company Works, the Parties agree that money damages would be an inadequate remedy for any breach of Section 1.5, 1.6, 1.7, 1.8 or 1.10. Therefore, in the event of a breach or threatened breach of Section 1.5, 1.6, 1.7, 1.8 or 1.10, the Company or any of its Subsidiaries or any of their respective successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security). The Parties hereby acknowledge and agree that (a) performance of the services of the Executive hereunder may occur in jurisdictions other than the jurisdiction whose law the Parties have agreed shall govern the construction, validity and interpretation of this Agreement, (b) the law of the State of New York shall govern construction, validity and interpretation of this Agreement to the fullest extent possible, and (c) Section 1.5, 1.6, 1.7, 1.8 or 1.10 shall restrict the Executive only to the extent permitted by applicable law.

1.10. Survival. Sections 1.4, 1.5, 1.6, 1.7, 1.8 and 1.10 will survive and continue in full force in accordance with their terms notwithstanding any termination of the Employment Period.

ARTICLE II
DEFINED TERMS

2.1. Definitions. All capitalized terms used but not defined herein shall have the meanings given to such terms in the Purchase Agreement. For purposes of this Agreement, the following terms will have the following meanings:

"Business" means the business of acquiring and licensing consumer brands worldwide.

"Cause" means with respect to the Executive, the occurrence of one or more of the following: (i) conviction of, or entry of a plea of guilty or nolo contendere to, a felony involving moral turpitude, misappropriation of Company property, embezzlement of Company funds, violation of the securities laws or material dishonesty with respect to the Company; (ii) persistent and repeated refusal to comply with no less than three written lawful directives of the Chairman and CEO or Board with respect to an item material to the business prospects and/or operations of the Company, other than such directives requiring the Executive in his reasonable judgment after consultation with counsel, to act in a manner inconsistent with his fiduciary obligations or those inconsistent with the Executive's position as Chief Design Officer; (iii) reporting to work under the influence of alcohol or illegal drugs, or the use of illegal drugs (whether or not at the workplace), or (iv) any willful breach of Section 1.6, 1.7, 1.8 or 1.9 of this Agreement. Notwithstanding the foregoing, termination by the Company for Cause (other than pursuant to clause (i) above) shall not be effective until and unless (i) Executive fails to cure such alleged act or circumstance within 30 days of receipt of notice thereof, to the satisfaction of the Board in the exercise of its reasonable judgment (or, if within such 30-day period the Executive commences and proceeds to take all reasonable actions to effect such cure, within such reasonable additional time period (no longer than 60 days) as may be necessary), and (ii) notice of intention to terminate for Cause has been given by the Company within forty-five (45) days after the Board learns of the act, failure or event constituting "Cause," and (iii) the Board has voted (at a meeting of the Board duly called and held as to which termination of Executive is an agenda item) by a vote of at least a two-thirds of the members of the Board (other than Executive) to terminate Executive for Cause after Executive has been given notice of the particular acts or circumstances which are the basis for the termination for Cause and has been afforded an opportunity to appear with counsel and present his positions at such meeting and to present his case thereat, and (iv) the Board has given notice of termination to Executive within five days after such meeting voting in favor of termination.

"Change of Control" means the occurrence of any of the following (i) a merger or consolidation to which the Company is a party (other than one in which the stockholders of the Company prior to the event own a majority of the voting power of the surviving or resulting corporation) (ii) a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company, or (iii) a sale or transfer by the Company's stockholders of voting control, in a single transaction or a series of transactions.

"Code" means the Internal Revenue Code of 1986 and the Treasury regulations thereunder, each as amended from time to time.

"Collaboration" shall mean a project undertaken by the Company with one or more third-parties to co-market the third-party's products and any of the Isaac Mizrahi brands but excluding other agreements relating to the design and licensing of "IsaacMizrahiLIVE!" brand and/or IML Products with respect to projects in which the Executive is not directly involved in such design services.

"Disability" shall have the meaning set forth in a policy or policies of long term disability insurance, if any, the Company obtains for the benefit of itself and/or its employees. If there is no definition of "disability" applicable under any such policy or policies, if any, then the Executive shall be considered disabled due to mental or physical impairment or disability despite reasonable accommodations by the Company and its Subsidiaries, to perform his customary or other comparable duties with the Company or its Subsidiaries immediately prior to such disability for a period of at least 120 consecutive days or for at least 180 non-consecutive days in any 12 month period.

"DRT Revenue" means Excess QVC DRT Revenue and TSC DRT Revenue.

"Effective Date" means the Closing Date (as defined in the Purchase Agreement).

"Excess QVC DRT Revenue" for a calendar year means (i) Gross Royalty Revenue in excess of $8,000,000 from Net Retail Sales (as each term is defined in the QVC Agreement) under the QVC Agreement for such calendar year, as determined in accordance with U.S. generally accepted accounting principles multiplied by (ii) a fraction, (a) the numerator of which is the number of hours during which the Executive appears on QVC Shows during such calendar year divided by (b) the total hours of QVC Shows during such calendar year.

"Fiscal Year" means the fiscal year of the Company and its Subsidiaries.

"Good Reason" means the occurrence, without the Executive's written consent, of one or more of the following events: (i) the Company reduces the amount of Executive's Base Salary, (ii) the Company requires that the Executive relocate his principal place of employment to a site that is more than 15 miles from the Company's offices in Manhattan, New York, or if the Company changes the location of its headquarters with the consent of Executive to a location that is more than 15 miles from such location, (iii) the Company materially reduces the Executive's responsibilities or removes the Executive from the position of Chief Design Officer – Isaac Mizrahi Brand other than pursuant to a termination of his employment for Cause, or upon the Executive's death or Disability, (iv) the failure or unreasonable delay of the Company to provide the Executive any of the payments contemplated hereby, or (v) the Company otherwise materially breaches the terms of this Agreement; provided that no such event shall constitute Good Reason hereunder unless (a) the Executive shall have given written notice to the Company of the Executive's intent to resign for Good Reason within 30 days after the Executive becomes aware of the occurrence of any such event, which notice shall describe in reasonable detail the event or events constitution the basis for the Executive's intention to resign for Good Reason and (b) such event or occurrence, if a breach susceptible to cure, shall not have been cured or otherwise shall not have been resolved to the Executive's reasonable satisfaction, in each case within 30 days of the Company's receipt of such notice; provided, however, except in the case of a failure to make a timely payment that is caused by a third party payroll service provider, in which case the Company shall have ten (10) Business Days to cure, as to any breach by the Company of its obligation to make any payment to Executive when due, the Executive shall have no notice obligation and the Company shall have no right to cure. In such case the Executive's resignation shall become effective on the 31st day after the Company's receipt of the aforementioned notice.

"IM Business" means the licensing, promotion via any form of media, and marketing of the IM Brands or the Isaac Mizrahi image and likeness for any commercial use relating to the manufacture, sale and/or distribution of clothing, related accessories, home goods (i.e., home furnishings, home décor, tabletop, cookware and kitchen prep items), food products and any and all other goods and services; provided, however, notwithstanding anything to the contrary herein, the Business shall not include the Retained Media Rights.

"IM Collaboration Revenue" shall mean revenue derived from fees relating to Material Services performed by the Executive from Collaborations, net of payments to licensing agents, and calculated in accordance with GAAP, but excluding fees paid to the Company related to licensing its trademarks or providing design services related to such Collaborations. In the event any Collaboration includes (i) licensing or design services provided by the Company and (ii) Material Services performed by the Executive on behalf of the Company, then the Collaboration Revenue shall equal fifty percent (50%) of the revenues from such Collaboration, or such other allocation as the parties may agree in writing.

"IML Products" means any products under the "IsaacMizrahiLIVE!" brand or a sub-brand that are sold through direct-response television networks.

"In-store Appearances" means the Executive's personal physical presence at department stores and/or other retail stores to promote Isaac Mizrahi branded products on behalf of the Company and/or its licensees as requested by the Company, but does not include any such appearances relating to Collaborations for which the Executive is eligible to receive a Collaboration Bonus pursuant to Section 1.3(b)(2) or non-physical presence participation, such as appearances through web casting, social media, video conferencing or conference calls.

"Material Services" means services of Executive that require one or more service days of Executive including photography, filming of videos, appearances, design work by Executive, or other services but excluding social media efforts and In-store Appearances by or on behalf of Executive.

"Nonsolicitation Period" means the Employment Period and 12 months thereafter.

"Original Physical Sketch Rights" means the right of the Executive to retain any physical original sketches created by the Executive (alone or with others), and the right to display them from time to time in museums, exhibits and other non-retail forums, provided that, except for the foregoing rights, such term does not include any rights to Intellectual Property associated with such sketches, nor does it include the right to exploit, present or publicly display such sketches in connection with the sale or promotion of goods and services or to otherwise use them for the purpose of developing competing goods, products or services.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or the United States of America any other nation, any state or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"Purchase Agreement" means the Asset Purchase Agreement, dated May 19, 2011, by and among the Company, IM Ready-Made, LLC and certain other parties thereto.

"QVC Agreement" means the Second Amended and Restated Agreement and Consent to Assignment by and among QVC, Inc., IM Brands, LLC, IM Ready Made, LLC, XCel Brands, Inc. and the Executive dated September 28, 2011, as amended to date and from time to time.

"QVC Shows" means direct-response television shows airing on the QVC, Inc. shopping channel on which IML Products are featured and sold.

"Restricted Territories" means the United States and the rest of the world.

"Retained Media Rights" shall have the meaning ascribed to such term in the Purchase Agreement.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association, or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association, or other business entity gains or losses or shall be or control any managing director or general partner of such limited liability company, partnership, association, or other business entity. For purposes hereof, references to a "Subsidiary" of any Person shall be given effect only at such times that such Person has one or more Subsidiaries, and, unless otherwise indicated, the term "Subsidiary" refers to a Subsidiary of the Company.

"Termination Date" means the effective date of the Executive's termination of employment with the Company.

"TSC DRT Revenue" for a calendar year means net royalty revenue for such calendar year, as determined in accordance with U.S. generally accepted accounting principles, received by the Company from The Shopping Channel from sales of IML Products directly related to direct response television shows airing on The Shopping Channel on which the Executive appeared during such calendar year.

2.2. Other Definitional Provisions.

(a) Section references contained in this Agreement are references to sections in this Agreement, unless otherwise specified. Each defined term used in this Agreement has a comparable meaning when used in its plural or singular form. Each gender-specific term used in this Agreement has a comparable meaning whether used in a masculine, feminine or gender-neutral form.

(b) Whenever the term "including" (whether or not that term is followed by the phrase "but not limited to" or "without limitation" or words of similar effect) is used in this Agreement in connection with a listing of items within a particular classification, that listing will be interpreted to be illustrative only and will not be interpreted as a limitation on, or an exclusive listing of, the items within that classification.

ARTICLE III
MISCELLANEOUS TERMS

3.1. Defense of Claims. The Executive agrees that, during the Employment Period, and for a period of six months after termination of the Executive's employment, upon request by the Company, the Executive shall reasonably cooperate with the Company in connection with any matters the Executive worked on during his employment with the Company and any related transitional matters. In addition, during the Employment Period and thereafter, the Executive agrees to reasonably cooperate with the Company in the defense of any claims or actions that may be made by or against the Company that affect the Executive's prior areas of responsibility or involve matters about which the Executive has knowledge, except if the Executive's reasonable interests are adverse to the Company in such claim or action and provided that after the Employment Period such level of cooperation shall be reasonable and shall take due account of the Executive's work and personal commitments. The Company agrees to promptly reimburse the Executive for all of the Executive's reasonable travel and other direct expenses incurred, or to be reasonably incurred, to comply with the Executive's obligations under this Section 3.1.

3.2. Nondisparagement. The Executive agrees to refrain from making any false or disparaging statements, in public or private, which is reasonably likely to materially impair the reputation, goodwill or commercial interest of the Company. The Company agrees to refrain from making any false or disparaging statements, in public or private, which is reasonably likely to materially impair the reputation, goodwill or commercial interest of the Executive. Notwithstanding anything to the contrary contained herein, nothing in this Agreement shall prohibit or restrict either party from, truthfully and in good faith: (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by, any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company's or the Executive's designated legal, compliance or human resources officers; or (iii) filing, testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal, state or municipal law relating to fraud, or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

3.3. Morals Clause. Executive shall not commit any act or do anything which might reasonably be considered: (i) to be immoral, deceptive, scandalous or obscene; or (ii) to injure, tarnish, damage or otherwise negatively affect the reputation and goodwill associated with the Company or the IM Brands.

3.4. Source of Payments. All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise and except as otherwise provided herein, shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets shall be made, to assure payment. The Executive shall have no right, title or interest whatsoever in or to any investments which the Company or its Subsidiaries may make to aid the Company in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

3.5. Notices. Any notice provided for in this Agreement must be in writing and must be either personally delivered, mailed by first class mail (postage prepaid and return receipt requested), sent by reputable overnight courier service (charges prepaid) or sent by facsimile (with receipt confirmed) to the recipient at the address or facsimile number indicated below:

To the Company:

475 Tenth Avenue
4th Floor
New York, New York 10018

With a copy (which shall not constitute notice) to:

Blank Rome
The Chrysler Building
405 Lexington Avenue
New York, NY 10174-0208
Attn: Robert Mittman, Esquire
Facsimile: (212) 885-5557

To the Executive:

Isaac Mizrahi
475 Tenth Avenue, 4th Floor
New York, NY 10018

With a copy (which shall not constitute notice) to:

Robinson & Cole LLP
666 Third Avenue, 20th Floor
New York, NY 10017
Attention: Eric J. Dale, Esq.
Facsimile: 212-451-2999

or such other address or to the attention of such other Person as the recipient Party will have specified by prior written notice to the sending Party. Any notice under this Agreement will be deemed to have been given when so delivered or sent or, if mailed, five days after deposit in the U.S. mail.

3.6. Severability. Subject to the express provisions of Section 1.10 relating to certain specified changes, whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

3.7. Complete Agreement. This Agreement embodies the complete agreement and understanding among the Parties with regard to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the Parties, written or oral, which may have related to the subject matter hereof in any way. To the extent that this Agreement provides greater benefits to the Executive than available under the Company's employee handbook or other corporate policies, then this Agreement shall prevail.

3.8. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

3.9. Assignment. Without the Executive's consent, the Company may not assign its rights and obligations under this Agreement except (i) to a "Successor" (as defined below) or (ii) to an entity that is formed and controlled by the Company or any of its Subsidiaries, provided that in the case of (ii) the Company shall remain liable for all of its obligations hereunder. This Agreement is personal to the Executive, and the Executive shall not have the right to assign the Executive's interest in this Agreement, any rights under this Agreement or any duties imposed under this Agreement, nor shall the Executive have the right to pledge, hypothecate, transfer, assign or otherwise encumber the Executive's right to receive any form of compensation hereunder without the prior written consent of the Board. As used in this Section 3.9, "*Successor*" shall include any Person that at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets of, or ownership interests in, the Company and its Subsidiaries.

3.10. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by the Company, the Executive, and their respective heirs, successors and permitted assigns.

3.11. Choice of Law. This Agreement and the performance of the parties hereunder shall be governed by the internal laws (and not the law of conflicts) of the State of New York. Any claim or controversy arising out of or in connection with this Agreement, or the breach thereof, shall be adjudicated exclusively by the Supreme Court, New York County, State of New York, or by a federal court sitting in Manhattan in New York City, State of New York. The parties hereto agree to the personal jurisdiction of such courts and agree to accept process by regular mail in connection with any such dispute.

3.12. Waiver of Jury Trial. AS A SPECIFICALLY BARGAINED FOR INDUCEMENT FOR EACH OF THE PARTIES HERETO TO ENTER INTO THIS AGREEMENT (AFTER HAVING THE OPPORTUNITY TO CONSULT WITH COUNSEL), EACH PARTY HERETO EXPRESSLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY LAWSUIT OR PROCEEDING RELATING TO OR ARISING IN ANY WAY FROM THIS AGREEMENT OR THE MATTERS CONTEMPLATED HEREBY.

3.13. Legal Fees and Court Costs. In the event that any action, suit or other proceeding in law or in equity is brought to enforce the provisions of this Agreement, and such action results in the award of a judgment for money damages or in the granting of any injunction in favor of the Company, all expenses (including reasonable attorneys' fees) of the Company in such action, suit or other proceeding shall be paid by the Executive. In the event that any action, suit or other proceeding in law or in equity is brought to enforce the provisions of this Agreement, and such action results in the award of a judgment for money damages or in the granting of any injunction in favor of the Executive, all expenses (including reasonable attorneys' fees and travel expenses) of the Executive in such action, suit or other proceeding shall be paid by the Company.

3.14. Remedies. Subject to the provisions of Section 3.1, each Party will be entitled to enforce its rights under this Agreement specifically, to recover damages and costs caused by any breach of any provision of this Agreement and to exercise all other rights existing in its favor. Nothing herein shall prohibit any arbitrator or judicial authority from awarding attorneys' fees or costs to a prevailing Party in any arbitration or other proceeding to the extent that such arbitrator or authority may lawfully do so.

3.15. Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company and the Executive, and no course of conduct or failure or delay in enforcing the provisions of this Agreement will affect the validity, binding effect or enforceability of this Agreement.

3.16. Third Party Beneficiaries. This Agreement will not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns and other than, in the event of the Executive's death, his estate, to which all of Executive's rights and remedies set forth herein shall accrue

3.17. The Executive's Representations. The Executive hereby represents and warrants to the Company that (a) the execution, delivery and performance of this Agreement by the Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Executive is a party or by which he is bound, (b) the Executive is not a party to or bound by any employment agreement, noncompete agreement or confidentiality agreement with any other Person (or other agreement with any other person containing a restriction on the Executive's right to do business or obligating him to do business with any other Person on a priority or preferential basis), (c) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of the Executive, enforceable in accordance with its terms and (d) upon the execution and delivery of this Agreement by the Company, Executive shall not be in violation of clause (i) set forth in the definition of Cause and shall not be disabled.

3.18. Amendment to Comply with Section 409A of the Code. To the extent that this Agreement or any part thereof is deemed to be a nonqualified deferred compensation plan subject to Section 409A of the Code and the Treasury Regulations (including proposed regulations) and guidance promulgated thereunder, (a) the provisions of this Agreement shall be interpreted in a manner to the maximum extent possible to comply in good faith with Code Section 409A and (b) the parties hereto agree to amend this Agreement for purposes of complying with Code Section 409A promptly upon issuance of any Treasury regulations or guidance thereunder, provided, that any such amendment shall not materially change the present value of the benefits payable to the Executive hereunder or otherwise materially adversely affect the Executive, the Company, or any affiliate of the Company, without the consent of such party.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Employment Agreement as of the date first written above.

XCEL BRANDS, INC.

By: /s/ Seth Burroughs
Name: Seth Burroughs
Title: Executive Vice President

/s/ Isaac Mizrahi
Isaac Mizrahi

[Signature Page to Employment Agreement]

EXHIBIT A

IML PRODUCT MEDIA AND PRESS GUIDELINES

Guidelines

During Executive's employment with the Company, responses to all media inquiries by Executive will be limited to statements regarding the fact of his employment by the Company and the title of his position, and the Talking Points below. Any other questions will be directed to the Company to address. Executive shall not make any statements to the Media and Press that (i) disparage the Company, the Isaac Mizrahi Business (including products sold as part of the Isaac Mizrahi Business) or licensees and other partners of the Company, or (ii) substantially deviate from the Talking Points herein.

Talking Points

- Xcel acquired the Isaac Mizrahi brand in September 2011.
- Per company policy, all requests for comments or statements should be made to Xcel's public relations department.
- No comment.

EXHIBIT B

FORM OF RELEASE

I, Isaac Mizrahi, on behalf of myself and my heirs, successors and assigns, in consideration of the performance by Xcel Brands, Inc., a Delaware Corporation (together with its Subsidiaries, the "*Company*"), of its material obligations under the Employment Agreement, dated as of May 19, 2011 (the "Agreement"), do hereby release and forever discharge as of the date hereof the Company, its Affiliates, each such Person's respective successors and assigns and each of the foregoing Persons' respective present and former directors, officers, partners, stockholders, members, managers, agents, representatives, employees (and each such Person's respective successors and assigns) (collectively, the "Released Parties") to the extent provided below.

1. I understand that any payments or benefits paid or granted to me under Section 1.4(b) of the Agreement represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive the payments and benefits specified in Section 1.4(b) of the Agreement unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter or breach this General Release. This General Release shall be deemed rescinded in the event that the Company does not make such payments and make available such benefits in accordance with Section 1.4(b) of the Agreement.

2. I knowingly and voluntarily release and forever discharge the Company and the other Released Parties from any and all claims, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities whatsoever in law and in equity, both past and present (through the date of this General Release), whether under the laws of the United States or another jurisdiction and whether known or unknown, suspected or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, have or may have, solely to the extent that such claims, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities arise out of or are connected with my employment with, or my separation from, the Company (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Civil Rights Act of 1866, as amended; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, or defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims"); provided, however, that nothing contained in this General Release shall apply to, or release the Company from, (i) any obligation of the Company contained in the Agreement to be performed after the date hereof and amounts claimed under the Agreement pursuant to a good faith and pending dispute as of the date hereof, (ii) any vested or accrued benefits pursuant to any employee benefit plan, program or policy of the Company, (iii) any rights to indemnification from the Company under the Company's Certificate of Incorporation, Bylaws, any indemnification agreement and/or applicable law; and (iv) any right to insurance proceeds related to my position as an officer and/or director of the Company or any of its Affiliates; (v) any rights as a stockholder of the Company of any Affiliates of, or successor to, the Company; (vi) any rights under the Asset Purchase Agreement dated May 19, 2011, by and among the Company, IM Ready-Made, LLC and certain other parties thereto (as amended, the "Purchase Agreement") and any Related Agreement (as defined in the Purchase Agreement).

3. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 2 above.

4. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this General Release. I acknowledge and agree that my separation from employment with the Company in compliance with the terms of the Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

5. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to the terms of the Agreement. I covenant that I shall not directly or indirectly, commence, maintain or prosecute or sue any of the Released Persons either affirmatively or by way of cross-complaint, indemnity claim, defense or counterclaim or in any other manner or at all on any Claim covered by this General Release. I further agree that in the event I should bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims. I further agree that I am not aware of any pending charge or complaint of the type described in paragraph 2 as of the execution of this General Release.

6. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

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7. I agree that this General Release is confidential and agree not to disclose any information regarding the terms of this General Release, except to my immediate family and any tax, legal or other counsel I have consulted regarding the meaning or effect hereof or as required by law, and I will instruct each of the foregoing not to disclose the same to anyone.

8. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. or any other self-regulatory organization or governmental entity.

9. Without limitation of any provision of the Agreement, I hereby expressly re-affirm my obligations under Sections 1.5, 1.6, 1.8, 1.10 and 3.1.

10. Whenever possible, each provision of this General Release shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

"Affiliate" means, with respect to any Person, any Person that controls, is controlled by or is under common control with such Person or an Affiliate of such Person.

"Person" means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, investment fund, any other business entity and a governmental entity or any department, agency or political subdivision thereof.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association, or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association, or other business entity gains or losses or shall be or control any managing director or general partner of such limited liability company, partnership, association, or other business entity.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

(a) I HAVE READ IT CAREFULLY;

(b) I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

(c) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

(d) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY (VIA THE AGREEMENT AND THIS RELEASE) BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION, I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

(e) I HAVE HAD AT LEAST 21 DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE SUBSTANTIALLY IN ITS FINAL FORM ON _____ __, _____ TO CONSIDER IT AND THE CHANGES MADE SINCE THE _____ __, _____ VERSION OF THIS RELEASE ARE NOT MATERIAL AND WILL NOT RESTART THE REQUIRED 21-DAY PERIOD;

(f) THE CHANGES TO THE AGREEMENT SINCE _____ ___, _____ EITHER ARE NOT MATERIAL OR WERE MADE AT MY REQUEST.

(g) I UNDERSTAND THAT I HAVE SEVEN DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE EIGHTH DAY FOLLOWING EXECUTION OF THE AGREEMENT;

(h) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND

(i) I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

DATE: _____ __, _____

/s/ Isaac Mizrahi
Isaac Mizrahi

Acknowledged and agreed as of the date first written above:

Xcel Brands, Inc.

By: /s/ Seth Burroughs
Name: Seth Burroughs
Title: Executive Vice President