UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended: December 31, 2021
OR
☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Commission File Number: 001-37527

XCEL BRANDS, INC.

(Exact name of Registrant as specified in its charter)

Delaware	76-0307819
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1333 Broadway, 10th Floor, New York, NY 10018
(Address of Principal Executive Offices)

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.001 par value per share	XELB	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter was $32,782,040 based upon the closing price of such common stock on June 30, 2021.

The number of shares of the issuer's common stock issued and outstanding as of March 30, 2022 was 19,571,119 shares.

Documents Incorporated By Reference: None

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PART I

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties. All statements other than statements of historical fact contained in this Annual Report, including statements regarding future events, our future financial performance, business strategy and plans and objectives of management for future operations, are forward-looking statements. We have attempted to identify forward-looking statements by terminology including “anticipates,” “believes,” “can,” “continue,” “ongoing,” “could,” “estimates,” “expects,” “intends,” “may,” “appears,” “suggests,” “future,” “likely,” “goal,” “plans,” “potential,” “projects,” “predicts,” “seeks,” “should,” “would,” “guidance,” “confident” or “will” or the negative of these terms or other comparable terminology. These forward-looking statements include, but are not limited to, statements regarding our anticipated revenue, expenses, profitability, strategic plans and capital needs. These statements are based on information available to us on the date hereof and our current expectations, estimates and projections and are not guarantees of future performance. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors, including, without limitation, the risks outlined under “Risk Factors” or elsewhere in this Annual Report, as well as adverse effects on us, our licensees and customers due to natural disasters, pandemic disease and other unexpected events, which may cause our or our industry’s actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for us to predict all risk factors, nor can we address the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause our actual results to differ materially from those contained in any forward-looking statements. You should not place undue reliance on any forward-looking statements. Except as expressly required by the federal securities laws, we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

The "Isaac Mizrahi New York®," “Isaac Mizrahi®," "IsaacMizrahiLIVE®," "Isaac Mizrahi Jeans™," "Isaac Mizrahi CRAFT ™," "Judith Ripka LTD™," "LOGO by Lori Goldstein™," "Judith Ripka Collection™," "Judith Ripka Legacy™," "Judith Ripka®,” "Judith Ripka Sterling™," "Halston," "Halston Heritage," "H by Halston®," "H Halston™," "Roy Frowick," "C. Wonder™," and "C. Wonder Limited™" brands and all related logos and other trademarks or service marks of the Company appearing in this Annual Report are the property of the Company. Brands and all related logos and other trademarks or service marks of other entities (for example, QVC, HSN, etc.) are the property of those respective entities.

Item 1. Business

Overview

Xcel Brands, Inc. (the “Company,” “Xcel,” or “We”) is a media and consumer products company engaged in the design, production, marketing, live streaming, wholesale distribution, and direct-to-consumer sales of branded apparel, footwear, accessories, fine jewelry, home goods and other consumer products, and the acquisition of dynamic consumer lifestyle brands.

Xcel was founded in 2011 with a vision to reimagine shopping, entertainment, and social media as one thing. Xcel owns the Isaac Mizrahi brand (the “Isaac Mizrahi Brand”), the LOGO by Lori Goldstein brand (the “LOGO by Lori Goldstein Brand”), the Halston brand (the “Halston Brand”), the Judith Ripka brand (the “Ripka Brand”), the C Wonder brand (the “C Wonder Brand”), and the Longaberger brand (the “Longaberger Brand”), pioneering a true omni-channel sales strategy which includes the promotion and sale of products under its brands through interactive television, digital live-stream shopping, brick-and-mortar retail, wholesale, and e-commerce channels, to be everywhere its customers shop. The Company’s brands have generated over $3 billion in retail sales via live streaming in interactive television and digital channels alone.

Our objective is to build a diversified portfolio of lifestyle consumer products brands through organic growth and the strategic acquisition of new brands. To grow our brands, we are focused on the following primary strategies:

- Distribution and/or licensing of our brands for sale through interactive television (i.e., QVC, HSN, The Shopping Channel, TVSN, CJO, etc.);
- wholesale distribution of our brands to retailers that sell to the end consumer;
- direct-to-consumer distribution of our brands through e-commerce and live streaming;
- licensing our brands to manufacturers and retailers for promotion and distribution through e-commerce, social commerce, and traditional brick-and-mortar retail channels whereby we provide certain design services; and
- acquiring additional consumer brands and integrating them into our operating platform and leveraging our operating infrastructure and distribution relationships.

We believe that Xcel offers a unique value proposition to our retail and direct-to-consumer customers, and our licensees for the following reasons:

- our management team, including our officers' and directors' experience in, and relationships within the industry;
- our deep knowledge and expertise in live streaming;
- our design, production, sales, marketing, and supply chain and integrated technology platform that enables us to design and distribute trend-right product; and
- our significant media and internet presence and distribution.

Our design, production and supply chain platform was developed to shorten the supply chain cycle by utilizing state-of-the-art supply chain management technology, trend analytics, and data science to actively monitor fashion trends and read and react to customer demands.

Recent Highlights

In April 2021, we acquired the Lori Goldstein brands, including LOGO by Lori Goldstein, a sophisticated lifestyle brand designed to bring style to the masses and that speaks to everyday women. The acquisition focuses on growing the popular brand through our omni-channel approach including live streaming, e-commerce, and interactive television, and expanding the brand into new products and categories.

Company History and Corporate Information

The Company was incorporated on August 31, 1989 in the State of Delaware under the name Houston Operating Company. On April 19, 2005, we changed our name to NetFabric Holdings, Inc. On September 29, 2011, Xcel Brands, Inc., a privately-held Delaware corporation (which we refer to as Old Xcel), Netfabric Acquisition Corp., a Delaware corporation and wholly owned subsidiary of the Company, and certain stockholders of the Company entered into an agreement of merger and plan of reorganization pursuant to which Netfabric Acquisition Corp. was merged with and into Old Xcel, with Old Xcel surviving as a wholly owned subsidiary of the Company. On September 29, 2011, we changed our name to Xcel Brands, Inc.

Our principal office is located at 1333 Broadway, New York, NY 10018. Our telephone number is (347) 727-2474.

Additionally, we maintain websites for our respective brands and an e-commerce site for our Judith Ripka brand at www.isaacmizrahi.com, www.halston.com, www.cwonder.com, www.longaberger.com, www.lorigoldstein.com, and www.judithripka.com. Our corporate website is www.xcelbrands.com. None of the content on our websites is incorporated by reference into this Annual Report on Form 10-K.

Our Brand Portfolio

Currently, our brand portfolio consists of the Isaac Mizrahi, Judith Ripka, Halston, C Wonder, Lori Goldstein, and Longaberger Brands, and the various labels under these brands. We acquired the Lori Goldstein brands in April 2021.

Isaac Mizrahi

Isaac Mizrahi is an iconic American brand that stands for timeless, cosmopolitan style. Isaac Mizrahi, the designer, launched his eponymous label in 1987 to critical acclaim, including four Council of Fashion Designers of America (CFDA) awards. Since then, this brand has become known and beloved around the world for its colorful and stylish designs. As a true lifestyle brand, under Xcel's ownership it has expanded into over 150 different product categories including sportswear, footwear, handbags, watches, eyewear, tech accessories, home, and other merchandise. Under our omni-channel retail sales strategy, the brand is available across various distribution channels to reach customers wherever they shop: better department stores, such as Saks and Hudson's Bay; interactive television, including QVC and The Shopping Channel; and national specialty retailers. The brand is also sold in various global locations, including Canada, Italy, the United Kingdom, and Japan. We acquired the Isaac Mizrahi brand in September 2011.

Judith Ripka

Judith Ripka is a luxury jewelry brand founded by Judith Ripka in 1977. This brand has become known worldwide for its distinctive designs featuring intricate metalwork, vibrant colors, and distinctive use of texture. The Judith Ripka Fine Jewelry collection consists of pieces in 18 karat gold and sterling silver with precious colored jewels and diamonds, and is currently available in fine jewelry stores, luxury retailers, and via e-commerce. Ms. Ripka launched an innovative collection of fine jewelry on QVC under the Judith Ripka Brand in 1996, where the brand offers customers fine jewelry, watches, and accessories at more accessible price points, including precious and semi-precious stones and multi-faceted diamonique stones made exclusively for QVC. We acquired the Ripka brand in April 2014. In December 2017, we launched our Judith Ripka Fine Jewelry e-commerce operations and in January 2018, we launched the Judith Ripka Fine Jewelry wholesale operations. In June 2021, we opened a retail store for Judith Ripka Fine Jewelry in Westchester, New York; we subsequently closed the store in 2022 and we are currently in the process of negotiating the termination of the related lease.

Halston

The Halston brand was founded by Roy Halston Frowick in the 1960s, and quickly became one of the most important American fashion brands in the world, becoming synonymous with glamour, sophistication, and femininity. Halston's groundbreaking designs and visionary style still influence designers around the world today. We acquired the H Halston brands in December 2014, and since our acquisition of the Halston Heritage brands in February 2019, we own all Halston labels under our brands. The brand is available across various distribution channels including premium and better department stores, e-commerce, interactive television, and national specialty retailers.

C Wonder

The C Wonder brand was founded by J. Christopher Burch in 2011 to offer a wide-ranging assortment of beautiful, versatile, and spirited products that are designed to transport its customers to a place they have never been. C Wonder offers women's clothing, footwear, jewelry and accessories, and delightful surprises at every turn. We acquired the C Wonder Brand in July 2015, and the brand is available at mass merchant retailers, clubs, and certain off-price retailers.

Longaberger

Longaberger is an iconic American heritage home and collectibles brand that began making baskets in 1896 and launched a direct sales company in 1973 by the Longaberger family. The brand is best known for its distinctive handwoven baskets.

We acquired a 50% ownership interest in this brand through a business venture with Hilco Global in November 2019, and are actively managing this brand to build on its history and bring it into the future as a digital first live-streaming and social commerce business. We launched our Longaberger e-commerce and live-streaming operations in February 2020.

Lori Goldstein

Lori Goldstein helped the fashion industry recognize the value and influence of a visionary stylist by telling powerful, transformative, and authentic stories through the static image. After 35 years behind the camera, Lori ventured in front of it in 2009 when she launched LOGO by Lori Goldstein, an exclusive collection for QVC. LOGO was born from Lori's lifelong passion for layering clothes and her "anything goes with everything" approach to fashion, and is a sophisticated lifestyle brand that embraces Lori's aesthetic and speaks to everyday women. LOGO draws inspiration from the beauty of women of all ages and sizes and gives them the tools and fashion pieces to be their most fabulous selves. We acquired the Lori Goldstein brands, including LOGO by Lori Goldstein, in April 2021, and the brand is currently available through the QVC channel.

Growth Strategy

Our vision is intended to reimagine shopping, entertainment, and social media as one thing. To fulfill this vision, we plan to continue to grow the reach of our brand portfolio by leveraging our technology and live-streaming platforms, design expertise, our integrated design, production and supply chain technology platforms, marketing expertise, and our relationships with our retail and direct-to-consumer customers, key licensees, manufacturers, and retailers. We also continue to market our brands through our innovative true omni-channel retail sales strategy. Our strategy includes distribution through interactive television, e-commerce, live streaming, and traditional brick-and-mortar retail channels. By leveraging the reach and consumer engagement of our media partners, and by developing rich online video and social media content under our brands, our strategy is to drive increased customer engagement and generate sales across our channels of distribution. Key elements of our strategy include:

- *Expand and Leverage our Live-Streaming Platform.* In 2020 we launched our live-streaming platform through our Longaberger brand social commerce technology platform with the goal to build the world’s largest digital marketplace powered by live-streaming and micro-influencers for home and other related products designed to create a better lifestyle. We plan to leverage this technology across our other brands.

- *Expand and Leverage Design, Production and Supply Chain Platform.* Our design, production and supply chain platform shortens the supply chain cycle by utilizing state-of-the-art product lifecycle management (“PLM”) and Enterprise Resource Planning (“ERP”) systems, proprietary merchandising strategies, 3D design, trend analytics, data science and consumer insight testing to actively monitor fashion trends, while leveraging our experience and know-how to quickly design, test, market, produce, and source high-quality goods. Given some of the challenges facing the department store industry today, including declining customer traffic, aggressive mark-down cadence, and inability to respond quickly to customer demands, we developed this design, production and supply chain platform to address these challenges and deliver a 360-degree solution to our retail partners, including design, marketing, production, and sourcing services. We intend to leverage the platform across additional brands and retailers, and we believe that it provides us with a value-added service that differentiates us from our competitors and competing brands.

- *Continue to Develop our Integrated Technologies Platform.* We are developing and investing in integrated technologies including live-streaming and direct sales, e-commerce, customer relationship management, 3D design, trend analytics, data science, and consumer insight testing as a refinement of our marketing, design, production and supply chain capabilities in order to market, design, plan, and distribute our products more efficiently and intelligently. Driven by short-lead marketing, such as live streaming, social media, and new direct-to-consumer business models, consumers now expect more from brands and retailers, and we believe that the solution is to deliver to the customer what they want, when they want it, at a price that is fair. Advances in 3D design technologies and software allow us to design more efficiently, seamlessly communicate technical aspects of designs with our manufacturing partners, and produce better, more consistent products. Additionally, photo-realistic images generated by the current generation of 3D design software can be used to perform consumer insight testing on products, to determine demand and plan quantities for production even before a sample is made. Trend analytics including advanced algorithms focused on internet searches, social media, and inventory trends provide a forward-looking view of consumer design preferences and allow us to design into trends early-on, while data analytics will allow us to review performance and respond quickly in our read-and-react design, production and supply chain model. Live streaming and customer relationship management systems enable us to better demonstrate our products and foster high engagement with our customers. We will also seek to utilize machine learning and artificial intelligence to automate at least a portion of these functions.

We believe that our investment into these technologies position us to provide unique solutions to a rapidly changing environment. More importantly, we believe that it will help us continue to grow our business across our brands, and the integrated technologies platform itself should develop more significant value as we continue to build and develop it.

- *Expand Other Retail Partnerships.* We have entered into promotional collaborations and/or marketing agreements with large global companies such as Sesame Street, Crayola, Hewlett Packard, Revlon, Johnson & Johnson, and Kleenex, and have developed exclusive programs through certain licensees for specialty retailers such as Best Buy and Bed Bath & Beyond. We plan to continue to develop strategic relationships under our brands that can leverage our media reach through interactive television and social media to drive traffic and sales for our brands and retail partners and enhance the visibility of our brands.

- *Expand Wholesale License Relationships.* We have entered into numerous license agreements for various product categories under our brands. We have expanded the presence of our brands at department stores and have launched additional categories in the department store channel, including footwear, handbags, dresses, costume jewelry, and sunglasses. We continue to seek opportunities to expand the businesses of our licensees, as well as entering into licenses for new categories under each of our brands where the category is authentic to the brand, for both our existing brands as well as brands that we may acquire and/or develop in the future.

- *Deliver Quality Product Offerings.* We employ a professional team to provide best in class design, production and distribution to ensure that our products adhere to stringent quality standards and design specifications that we have developed. We intend to continue to invest in our design and marketing capabilities in order to differentiate our services to our customers and licensees and our brands in the marketplace.

- *Acquire, Develop or Partner with Brands.* We plan to continue to pursue the acquisition and/or development of additional brands or the rights to brands which we believe are synergistic and complementary to our overall strategy. Our brand acquisition and development strategy are focused on dynamic brands that we believe:

    - are synergistic to our existing portfolio of brands;
    - are strategic to our growth in a channel of distribution; and
    - are expected to be accretive to our earnings.

Licensing Design, Production and Marketing

Interactive TV

Qurate Retail Group ("Qurate") is an important strategic partner in our interactive television business, and is our largest licensee for our Mizrahi, Lori Goldstein, and Ripka brands. Qurate's business model is to promote and sell products through its interactive television programs featured on QVC and HSN and related e-commerce and mobile platforms. We employ and manage on-air spokespersons under each of these brands in order to promote products under our brands on QVC and HSN. According to Qurate, Qurate had global revenues of approximately $14.0 billion in 2021, of which e-commerce sales represented approximately $8.8 billion, and Qurate's programming currently reaches over 200 million homes worldwide. Our agreements with Qurate allow our on-air spokespersons to promote our non-Qurate product lines and strategic partnerships under the Mizrahi, Ripka, and Halston brands through QVC's and HSN's programs, subject to certain parameters including the payment of a portion of our non-Qurate revenues to Qurate. We believe that our ability to continue to leverage Qurate's media platform, reach, and attractive customer base to cross-promote products in and drive traffic to our other channels of distribution provides us a unique advantage.

The licensing business model allows us to focus on our core competencies of design, production, marketing, and brand management without much of the investment requirements in inventory associated with traditional consumer product companies. The Isaac Mizrahi Brand is licensed through our wholly owned subsidiary, IM Brands, LLC ("IM Brands"), the LOGO by Lori Goldstein Brand is licensed through our wholly owned subsidiary, Gold Licensing, LLC ("Gold Licensing"), the Ripka Brand is licensed through our wholly owned subsidiary, JR Licensing, LLC ("JR Licensing") and the Halston Brand is licensed through our wholly owned subsidiaries, H Licensing, LLC ("H Licensing") and H Heritage Licensing, LLC ("H Heritage Licensing"), and the Longaberger brand is licensed through Longaberger Licensing, LLC ("Longaberger Licensing").

Qurate Agreements

Through our wholly owned subsidiaries, we have entered into direct-to-retail license agreements with Qurate Retail Group ("Qurate"), pursuant to which we design, and Qurate sources and sells, various products under our IsaacMizrahiLIVE brand, the LOGO by Lori Goldstein brand, the Judith Ripka brands, the H Halston brand, and the Longaberger brand. These agreements include, respectively, the Qurate Agreement for the Mizrahi Brand (the "IM Qurate Agreement"), the Qurate Agreement for the LOGO by Lori Goldstein Brand (the "LOGO Qurate Agreement"), the Qurate Agreement for the Ripka Brand (the "Ripka Qurate Agreement"), the Qurate Agreement for the H Halston Brand (the "H Qurate Agreement"), and the Qurate Agreement for the Longaberger Brand (the "Longaberger Qurate Agreement") (collectively, the "Qurate Agreements"). Qurate owns the rights to all designs produced under these agreements, and the agreements include the sale of products across various categories through Qurate's television media and related internet sites.

Pursuant to these agreements, we have granted to Qurate and its affiliates the exclusive, worldwide right to promote our branded products, and the right to use and publish the related trademarks, service marks, copyrights, designs, logos, and other intellectual property rights owned, used, licensed and/or developed by us, for varying terms as set forth below. The agreements include automatic renewal periods as detailed below unless terminated by either party.

Agreement	Current Term Expiry	Automatic Renewal	Xcel Commenced Brand with QVC	QVC Product Launch
IM Qurate Agreement	September 30, 2022	one-year period	September 2011	2010
LOGO Qurate Agreement	November 1, 2022	one-year period	April 2021	2009
Ripka Qurate Agreement	March 31, 2022 *	one-year period	April 2014	1999
H Qurate Agreement	December 31, 2022	three-year period	January 2015	2015
Longaberger Qurate Agreement	October 31, 2023	two-year period	November 2019	2019

* On March 31, 2022, the Ripka Qurate Agreement was automatically renewed for a one-year period, and the new term expiry is March 31, 2023.

In connection with the foregoing and during the same periods, Qurate and its subsidiaries have the exclusive, worldwide right to use the names, likenesses, images, voices, and performances of our spokespersons to promote the respective products. Under the IM Qurate Agreement, IM Brands has also granted to Qurate and its affiliates, during the same period, exclusive, worldwide rights to promote third party vendor co-branded products that, in addition to bearing and being marketed in connection with the trademarks and logos of such third-party vendors, also bear or are marketed in connection with the IsaacMizrahiLIVE trademark and related logo.

Under the Qurate Agreements, Qurate is obligated to make payments to us on a quarterly basis, based upon the net retail sales of the specified branded products. Net retail sales are defined as the aggregate amount of all revenue generated through the sale of the specified branded products by Qurate and its subsidiaries under the Qurate Agreements, net of customer returns, and excluding freight, shipping and handling charges, and sales, use, or other taxes.

Notwithstanding our grant of worldwide promotion rights to Qurate, we may, with the permission of Qurate, sell the respective branded products (i) to better or prestige retailers, but excluding discount divisions of such companies and mass merchants, (ii) via specifically branded brick-and-mortar retail stores, and (iii) via company websites, in exchange for making reverse royalty payments to Qurate based on the net retail sales of such products through such channels – with the exception of the Longaberger Brand, for which no reverse royalty payments are required to be made to Qurate under the terms of the applicable agreement.

Also, under the Qurate Agreements, except for the Longaberger Qurate Agreement, we are required for a period of time to pay a royalty participation fee to Qurate on revenue earned from the sale, license, consignment, or any other form of distribution of any products, bearing, marketed in connection with or otherwise associated with the specified trademarks and brands. Such royalty participation fees are recorded as a reduction to net licensing revenue.

Under the Qurate Agreements, we are generally restricted from selling products under the specified respective brands or trademarks (including the trademarks, copyrights, designs, logos, and related intellectual property themselves) to certain mass merchants. The Qurate Agreements generally prohibit us from selling products under the specified respective brands or any of our other trademarks and brands to a direct competitor of Qurate (generally defined as any entity other than Qurate whose primary means of deriving revenue is the transmission of interactive television programs) without Qurate's consent. In addition, during the terms of the IM Qurate Agreement and the Ripka Qurate Agreement, and for one year thereafter, the respective subsidiary may not, without Qurate's consent, promote, advertise, endorse, or sell (i) the specified branded products through any means or (ii) any products through interactive television. During the term of the H Qurate Agreement, and for one year thereafter, H Licensing may not, without Qurate's consent, promote, advertise, endorse, or sell any products, including the H by Halston brands, through interactive television.

In addition to the foregoing, certain of the agreements permit us to promote brick-and-mortar collections on Qurate's television programs subject to certain terms and restrictions.

For the years ended December 31, 2021 and 2020, net licensing revenue from Qurate collectively accounted for 50% and 60%, respectively, of the total net revenue of the Company.

In the fourth quarter of 2020, the Company transitioned and discontinued licensing of the H Halston brand to Qurate. The Company began wholesale supply sales of the H Halston products under arrangements with HSN and certain Qurate global affiliates and other unrelated interactive television networks.

Other Licensing Agreements

We have entered into numerous other licensing agreements for sales and distribution through e-commerce and traditional brick-and-mortar retailers. Authorized distribution channels include department stores, mass merchant retailers, clubs, and national specialty retailers. Under our other licenses, a supplier is granted rights, typically on an exclusive basis, to a single or small group of related product categories for sale to multiple accounts within an approved channel of distribution and territory. Our other license agreements typically provide the licensee with the exclusive rights for a certain product category in a specified territory and/or distribution channel under a specific brand or brands. Our other license agreements cover various categories, including but not limited to women's apparel, footwear, and accessories; bath and body; jewelry; home products; men's apparel and accessories; children's and infant apparel, footwear, and accessories; and electronics cases and accessories. The terms of the agreements generally range from three to six years with renewal options.

We are in discussions with other potential licensees and strategic partners to license and/or co-brand our brand portfolio for additional categories. In certain cases, we have engaged licensing agents to assist in the procurement of such licenses for which we or our licensees pay such agents' fees based upon a percentage of the net sales of licensed products by such licensees, or a percentage of the royalty payments that we receive from such licensees. While many of the new and proposed licensing agreements will likely require us to provide seasonal design services, most of our new and prospective licensing partners have their own design staff, and we therefore expect low incremental overhead costs related to expanding our licensing business. We will endeavor, where possible, to require licensees to provide guaranteed minimum royalties under their license agreements.

Our licensees currently sell our branded licensed products through brick-and-mortar retailers, e-commerce, and in certain cases supply products to interactive television companies for sale through their television programs and/or through their internet websites. We generally recognize revenues from our other licenses based on a percentage of the sales of products under our brands, but excluding (i) sales of products to interactive television networks, where we receive a retail royalty directly from the interactive television licensee, and (ii) sales of products through e-commerce sites operated by us. Additionally, based upon guaranteed minimum royalty provisions required under many of the license agreements, we are able to recognize revenue related to certain other licenses based on the greater of the sales-based royalty or the guaranteed minimum royalty.

Wholesale and e-Commerce

In February 2020, we added our Longaberger brand to our e-commerce and live-streaming operations. We continue to expand our wholesale business by adding new domestic accounts, expanding in international markets, and pursuing independent retailers for our jewelry business. Our strategy is to continue to grow our direct-to-consumer and live-streaming businesses into a significant portion of our overall business.

Collaborations

In certain cases, the Company collaborates with and provides promotional services to other brands or companies, which arrangements may include the use of our brands for the promotion of such company or brands through the internet, television, or other digital content, print media, or other marketing campaigns featuring in-person appearances by our celebrity spokespersons, the development of limited collections of products (which may include co-branded products) for such company, or other services as determined on a case-by-case basis. These have included promotions with Sesame Street, Crayola, Hewlett Packard, Revlon, Johnson & Johnson, and Kleenex.

We also provide certain technology services to our retail partners and certain of our licensees under our proprietary integrated technology platform.

Marketing

Marketing is a critical element to maximize brand value to our licensees and our Company. We employ live streaming, social media, and other marketing and public relations support for our brands.

Given our true omni-channel retail sales strategy focusing on the sale of branded products through various distribution channels (including live-streaming, e-commerce, interactive television, and traditional brick-and-mortar sales channels), our marketing efforts currently focus on leveraging micro and mega-influencers, entertainment tie-ins, PR and editorial, social media campaigns, personal appearances, and digital content in order to drive retail sales of product and consumer awareness across our various sales distribution channels. We seek to create the intersection where shopping, entertainment, and social media meet. As such, our marketing is currently conducted primarily through live-streaming and social media, videos, images, and other digital content that are all updated regularly and are amplified by micro and mega-influencers and entertainment tie-ins. Our efforts also include promoting namesakes of our brands and our personalities through various media including live-streaming, television, design for performances, and other events. We also work with our retail partners to leverage their marketing resources, including e-commerce platforms and related digital marketing campaigns, social media platforms, direct mail pieces, and public relations efforts.

Our agreements with Qurate allow our brand spokespersons to promote our non-Qurate product lines and strategic partnerships under our brands through Qurate's programs, subject to certain parameters including the payment of a portion of our non-Qurate revenues to Qurate. We believe that this provides us with the ability to leverage Qurate's media platform (including television, e-commerce, and social media) and Qurate's customer base of more than 200 million households worldwide to cross-promote products in and drive traffic to our other channels of distribution. Many of our licensees make advertising and marketing contributions to the Company under their license agreements which are used to fund marketing-related expenses and further promote our brands as we deem appropriate. Certain of the wholesale licenses contain requirements to provide advertising or marketing for our brands under their respective license agreements.

We also market the Mizrahi brand through www.isaacmizrahi.com, the Judith Ripka Fine Jewelry brand through www.judithripka.com, Halston Brand through www.halston.com, the C Wonder brand through www.cwonder.com, the

Lori Goldstein brand through www.lorigoldstein.com, and the Longaberger brand through www.longaberger.com. Through our websites, we are able to present the products under our brands to customers with branding that reflects each brand's heritage and unique point of view.

Our e-commerce businesses' growth is dependent on live-streaming and other marketing to drive traffic to our websites and converting our visitors into customers.

Competition

Each of our current brands has and any future acquired brand will likely have many competitors within each of its specific distribution channels that span a broad variety of product categories, including the apparel, footwear, accessories, jewelry, home furnishings and décor, food products, and sporting goods industries. These competitors have the ability to compete with the Company and our licensees in terms of fashion, quality, price, products, and/or marketing, and ultimately retail floor space and consumer spending.

Because many of our competitors have significantly greater cash, revenues, and resources than we do, we must work to differentiate ourselves from our direct and indirect competitors to successfully compete for market share with the brands we own and for future acquisitions. We believe that the following factors help differentiate our Company in an increasingly crowded competitive landscape:

- our management team, including our officers' and directors' historical track records and relationships within the industry;
- our brand management platform, which has a strong focus on design, product, marketing, and technology; and
- our operating strategies of wholesale and direct-to consumer sales and licensing brands with significant media presence and driving sales through our true omni-channel retail sales strategy across interactive television, brick-and-mortar, live streaming, and e-commerce distribution channels.

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

Trademarks

The Company, through its subsidiaries, owns and exploits the Mizrahi brands, which include the trademarks and brands Isaac Mizrahi, Isaac Mizrahi New York, IMNYC Isaac Mizrahi, and IsaacMizrahiLIVE; the Ripka brands, which include the trademarks and brands Judith Ripka LTD, Judith Ripka Collection, Judith Ripka Legacy, Judith Ripka, and Judith Ripka Sterling; all Halston brands and trademarks, namely, Halston, Halston Heritage, Roy Frowick, H by Halston, and H Halston; the C Wonder brands, which include the trademarks and brands C Wonder and C Wonder Limited; and the Lori Goldstein brands, which include the trademarks and brands LOGO by Lori Goldstein, LOGO, LOGO Links, LOGO Lounge, LOGO Layers, and LOGO Luna. We also manage and have a 50% ownership interest in the brands and trademarks of the Longaberger brand through our business venture with Hilco Global.

Where laws limit our ability to record in our name trademarks that we have purchased, we have obtained by way of license all necessary rights to operate our business. Certain of these trademarks and associated marks are registered or pending registration with the U.S. Patent and Trademark Office in block letter and/or logo formats, as well as in combination with a variety of ancillary designs for use in connection with a variety of product categories, such as apparel, footwear and various other goods and services including, in some cases, home furnishings and decor. The Company intends to renew and maintain registrations as appropriate prior to expiration and it makes efforts to diligently prosecute all pending applications consistent with the Company's business goals. In addition, the Company registers its trademarks in certain other countries and regions around the world as it deems appropriate.

The Company and its licensees do not presently earn a material amount of revenue from either the licensing of our trademarks internationally or the sale of products under our trademarks internationally. However, the Company has registered its trademarks in certain territories where it expects that it may do business in the foreseeable future. If the Company or a licensee intends to make use of the trademarks in international territories, the Company will seek to register its trademarks in such international territories as it deems appropriate based upon factors including the revenue potential, prospective market, and trademark laws in such territory or territories.

Generally, the Company is primarily responsible for monitoring and protecting its trademarks around the world. The Company seeks to require its licensing partners to advise the Company of any violations of its trademark rights of which its licensing partners become aware and relies primarily upon a combination of federal, state, and local laws, as well as contractual restrictions to protect its intellectual property rights both domestically and internationally.

Human Capital

Our employees' knowledge, social, and personality attributes enable our company to achieve its goals, develop our business, and remain innovative. As of December 31, 2021, we had 84 full-time employees and nine part-time employees. We value our employees and are committed to providing a healthy and safe work environment. For certain key employees, including our executives, brand ambassadors, and spokespersons, we typically enter into multi-year employment agreements. Overall, we believe that our relationship with our employees is good. None of our employees are represented by a labor union.

Government Regulation

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

Item 1A. Risk Factors

In addition to the other information contained herein or incorporated herein by reference, the risks and uncertainties and other factors described below could have a material adverse effect on our business, financial condition, results of operations and share price and could also cause our future business, financial condition and results of operations to differ materially from the results contemplated by any forward-looking statement we may make herein, in any other document we file with the Securities and Exchange Commission ("SEC"), or in any press release or other written or oral statement we may make. Please also see "Forward-Looking Statements" on page 3 for additional information regarding Forward-Looking Statements.

Summary of Risk Factors

Our business is subject to a number of risks, which include, but are not limited to, risks related to:

- our limited amount of cash and our significant debt obligations;
- our concentration of revenue with a limited number of licensees;
- restrictions related to certain key licensing agreements;

- our dependency on our Chief Executive Officer and on the promotional services of certain key spokespersons;
- the operational performance and/or strategic initiatives of our licensees and retail partners;
- continued market acceptance of our brands and products;
- execution of our growth strategy, including the acquisition of new brands;
- intense competition in the apparel, fashion, and jewelry industries, and within our licensees' markets;
- product sourcing, including our arrangements with foreign suppliers, supply and logistics considerations, and our dependency on independent manufacturers;
- protection of our trademarks and other intellectual property rights;

An investment in our securities is subject to a number of risks, which include, but are not limited to, risks related to:

- management's significant control over matters requiring shareholder approval;
- the fact that our common stock has historically been thinly traded;
- declines of and volatility in the market price of our common stock;
- the potential issuance of a substantial number of shares of common stock upon exercise of warrants and options and to satisfy and earn-out obligation if certain conditions are met;
- our intent to not pay any cash dividends for the foreseeable future;
- provisions of our corporate charter documents which could delay or prevent change of control;

We are also subject to general risks, which include, but are not limited to, risks related to:

- a pandemic or outbreak of disease or similar public health threat, or fear of such an event;
- the Ukrainian-Russian conflict;
- a decline in general economic conditions or consumer spending levels;
- potential impairment of our trademarks and other intangible assets under accounting guidelines;
- changes in our effective tax rates or adverse outcomes resulting from examination of our tax returns;
- maintenance and security of our information technology systems;
- changes in laws and regulations;
- maintaining an effective system of internal control;
- limitations on liabilities of our directors and executive officers;
- the potential impact of SEC "penny stock" rules on trading of our shares of our common stock; and

- the potential impact of Rule 144 restrictions on our shares of common stock as a former shell company.

Risks Related to Our Business

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

As of December 31, 2021, we had cash and cash equivalents of approximately $4.5 million. Although we believe that our existing cash and our anticipated cash flow from operations will be sufficient to sustain our operations at our current expense levels for at least 12 months subsequent to the date of the filing of this Annual Report on Form 10-K, we may require significant additional cash to satisfy our working capital requirements, expand our operations or acquire additional brands, although historically we have funded acquisitions with debt and equity financing. Our inability to finance our growth, either internally through our operations or externally, may limit our growth potential and our ability to execute our business strategy successfully. If we issue securities to raise capital to finance operations and/or pay down or restructure our debt, our existing stockholders may experience dilution. In addition, the new securities may have rights senior to those of our common stock.

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

On December 30, 2021, we entered into a loan and security agreement with FEAC Agent LLC and the financial institutions party thereto. We currently have an outstanding balance of $29.0 million under this credit facility. We may also assume or incur additional debt, including secured debt, in the future in connection with, or to fund, future acquisitions or for other operating needs.

Our debt obligations:

- could impair our liquidity;
- could make it more difficult for us to satisfy our other obligations;
- are secured by substantially all of our assets;
- require us to dedicate a substantial portion of our cash flow to payments on our debt obligations, which reduces the availability of our cash flow to fund working capital, capital expenditures and other corporate requirements;
- could impede us from obtaining additional financing in the future for working capital, capital expenditures, acquisitions and general corporate purposes;
- impose restrictions on us with respect to the use of our available cash, including in connection with future transactions;
- could limit our ability to execute on our acquisition strategy; and
- make us more vulnerable in the event of a downturn in our business prospects and could limit our flexibility to plan for, or react to, changes in our sales and licensing channels.

In the event that we fail in the future to make any required payment under the agreements governing our indebtedness or if we fail to comply with the financial and operating covenants contained in those agreements, we would be in default with respect to that indebtedness and the lenders could declare such indebtedness to be immediately due and payable. In the past, we have received waivers and/or amendments from prior lenders under the various loan agreements for compliance with certain financial covenants. The impact the COVID-19 pandemic could continue to have on our operating results could result in our inability to comply with certain debt covenants and require the lenders under the loan agreement to waive compliance with or agree to amend any such covenant to avoid a default. There can be no assurance that the lenders will amend or grant waivers to the loan agreement to adjust or eliminate covenants or waive our non-compliance or breach of a financial or other covenant in the future. Termination of any of the Qurate Agreements would also result in a default under our loan agreement. A debt default could significantly diminish the market value and marketability of our common stock and could result in the acceleration of the payment obligations under all or a portion of our indebtedness, or a renegotiation of our loan agreement with more onerous terms and/or additional equity dilution. Since substantially all of our debt obligations are secured by our assets, upon a default, our lenders may be able to foreclose on our assets.

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

A substantial portion of our net licensing revenue has been paid by Qurate, through the respective agreements with Qurate through QVC and HSN. During the years ended December 31, 2021 and 2020, Qurate accounted for approximately 50% and 60%, respectively, of our total net revenue. Because we are dependent on these agreements with Qurate for a significant portion of our revenues, if Qurate were to have financial difficulties, or if Qurate decides not to renew or extend its existing agreements with us, our revenue and cash flows could be reduced substantially. Our cash flow would also be significantly impacted if there were significant delays in our collection of receivables from Qurate. Additionally, we have limited control over the programming that Qurate devotes to our brands or its promotional sales with our brands (such as “Today’s Special Value” sales). Qurate has reduced the programming time it devotes to jewelry and, accordingly, also to our Ripka brand, and if Qurate further reduces or modifies its programming or promotional sales related to our brands, our revenues and cash flows could be reduced substantially. In order to increase sales of a brand through Qurate, we generally require additional television programming time dedicated to the brand by Qurate. Qurate is not required to devote any minimum amount of programming time for any of our brands.

While our business with Qurate has grown since the IsaacMizrahiLIVE brand was launched through December 31, 2017, our 2018 Qurate revenues were flat compared to 2017, and Qurate revenues declined from 2018 to 2020. Although Qurate revenues increased from 2020 to 2021, there can be no guarantee that our Qurate revenues will continue to grow in the future or that they will not decline. Additionally, there can be no assurance that our other licensees will be able to generate sales of products under our brands or grow their existing sales of products under our brands, and if they do generate sales, there is no guarantee that they will not cause a decline in sales of products being sold through Qurate.

Our agreements with Qurate restrict us from selling products under our brands with certain retailers, or branded products we sell on Qurate to any other retailer except certain interactive television channels in other territories approved by Qurate, and provides Qurate with a right to terminate the respective agreement if we breach these provisions.

Although most of our licenses and our Qurate Agreements prohibit the sale of products under our brands to retailers who are restricted by Qurate, and our license agreements with other interactive television companies prohibit such licensees from selling products to retailers restricted by Qurate under the brands we sell on Qurate outside of certain approved territories, one or more of our licensees could sell to a restricted retailer or territory, putting us in breach of our agreements with Qurate and exposing us to potential termination by Qurate. A breach of any of these agreements could also result in Qurate seeking monetary damages, seeking an injunction against us and our other licensees, reducing the programming time allocated to our brands, and/or terminating the respective agreement, which could have a material adverse effect on our net income and cash flows. Termination of any one of our agreements with Qurate would result in a default under our credit facility and would also enable our creditors to foreclose on our assets, including our membership interests in our subsidiaries, which combined currently hold all of our trademarks and other intangible assets.

We are dependent upon the promotional services of Isaac Mizrahi as they relate to the Mizrahi brands.

If we lose the services of Isaac Mizrahi, we may not be able to fully comply with the terms of our agreement with Qurate, and it may result in significant reductions in the value of the Mizrahi brands and our prospects, revenues, and cash flows. Isaac Mizrahi is a key individual in our continued promotion of the Mizrahi brands and the principal salesperson of the

Mizrahi brands on Qurate. Failure of Isaac Mizrahi to provide services to Qurate could result in a termination of the IM Qurate Agreement, which could trigger an event of default under our credit facility. Although we have entered into the IM employment agreement with Mr. Mizrahi and he is a significant stockholder of Xcel, there is no guarantee that we will not lose his services. To the extent that any of Mr. Mizrahi's services become unavailable to us, we will likely need to find a replacement for Mr. Mizrahi to promote the Mizrahi brands. Competition for skilled designers and high-profile brand promoters is intense, and compensation levels may be high, and there is no guarantee that we would be able to identify and attract a qualified replacement, or if Mr. Mizrahi's services are not available to us, that we would be able to promote the Mizrahi brands as well as we are able to with Mr. Mizrahi. This could significantly affect the value of the Mizrahi brands and our ability to market the brands, and could impede our ability to fully implement our business plan and future growth strategy, which would harm our business and prospects. Additionally, while we acquired all trademarks, image, and likeness of Isaac Mizrahi, pursuant to the acquisition of the Mizrahi business and his employment agreement, Mr. Mizrahi has retained certain rights to participate in outside business activities, including hosting and appearing in television shows, movies and theater productions, and writing and publishing books and other publications. Mr. Mizrahi's participation in these personal business ventures could limit his availability to us and affect his ability to perform under this employment agreement. Finally, there is no guarantee that Mr. Mizrahi will not take an action that consumers view as negative, which may harm the Mizrahi brands as well as our business and prospects.

We are dependent upon the promotional services of Lori Goldstein as they relate to the Lori Goldstein brands.

If we lose the services of Lori Goldstein, we may not be able to fully comply with the terms of our agreement with Qurate, and it may result in significant reductions in the value of the LOGO by Lori Goldstein brand and our prospects, revenues, and cash flows. Lori Goldstein is a key individual in our continued promotion of the LOGO by Lori Goldstein brand and the principal salesperson of the LOGO by Lori Goldstein brand on Qurate. Failure of Lori Goldstein to provide services to Qurate could result in a termination of related agreements with Qurate, which could trigger an event of default under our credit facility. Although we have entered into an employment agreement with Ms. Goldstein, there is no guarantee that we will not lose her services. To the extent that any of Ms. Goldstein's services become unavailable to us, we will likely need to find a replacement for Ms. Goldstein to promote the LOGO by Lori Goldstein brand. Competition for skilled designers and high-profile brand promoters is intense, and compensation levels may be high, and there is no guarantee that we would be able to identify and attract a qualified replacement, or if Ms. Goldstein's services are not available to us, that we would be able to promote the LOGO by Lori Goldstein brand as well as we are able to with Ms. Goldstein. This could significantly affect the value of the LOGO by Lori Goldstein brand and our ability to market the brand, and could impede our ability to fully implement our business plan and future growth strategy, which would harm our business and prospects. Additionally, while we acquired all trademarks, image, and likeness of Lori Goldstein, pursuant to the acquisition of the LOGO by Lori Goldstein assets and her employment agreement, Ms. Goldstein has retained certain rights to participate in outside business activities, including hosting and appearing in television shows, movies and theater productions, and writing and publishing books and other publications. Ms. Goldstein's participation in these personal business ventures could limit her availability to us and affect her ability to perform under this employment agreement. Finally, there is no guarantee that Ms. Goldstein will not take an action that consumers view as negative, which may harm the LOGO by Lori Goldstein brand as well as our business and prospects.

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

Our success is largely dependent upon the efforts of Robert W. D'Loren, our Chief Executive Officer and Chairman of our board of directors. Our continued success is largely dependent upon his continued efforts and those of our other key executives. Although we entered into an employment agreement with Mr. D'Loren, as well as employment agreements with other executives and key employees, including Isaac Mizrahi and Lori Goldstein, such persons can terminate their employment with us at their option, and there is no guarantee that we will not lose the services of our executive officers or key employees. To the extent that any of their services become unavailable to us, we will be required to hire other qualified executives, and we may not be successful in finding or hiring adequate replacements. This could impede our ability to fully implement our business plan and future growth strategy, which would harm our business and prospects.

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

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

If our customers change their buying patterns, request additional allowances, develop their own private label brands or enter into agreements with national brand manufacturers to sell their products on an exclusive basis, our sales to these customers could be materially adversely affected.

Our customers' buying patterns, as well as the need to provide additional allowances to customers, could have a material adverse effect on our business, results of operations and financial condition. Customers' strategic initiatives, including developing their own private labels brands, selling national brands on an exclusive basis, reducing the number of vendors they purchase from, or reducing the floor space dedicated to our brands could also impact our sales to these customers. There is a trend among major retailers to concentrate purchasing among a narrowing group of vendors. To the extent that any key customer reduces the number of its vendors or allocates less floor space for our products and, as a result, reduces or eliminates purchases from us, there could be a material adverse effect on us.

Our business is dependent on continued market acceptance of our brands and any future brands we acquire and the products of our licensees.

Although certain of our licensees guarantee minimum net sales and minimum royalties to us, some of our licensees are not yet selling licensed products or currently have limited distribution of licensed products, and a failure of our brands or of products bearing our brands to achieve or maintain broad market acceptance could cause a reduction of our licensing revenues and could further cause existing licensees not to renew their agreements. Such failure could also cause the devaluation of our trademarks, which are our primary assets, making it more difficult for us to renew our current licenses upon their expiration or enter into new or additional licenses for our trademarks. In addition, if such devaluation of our trademarks were to occur, a material impairment in the carrying value of one or more of our trademarks could also occur and be charged as an expense to our operating results. Continued market acceptance of our brands and our licensees' products, as well as market acceptance of any future products bearing any future brands we may acquire, is subject to a high degree of uncertainty and constantly changing consumer tastes, preferences, and purchasing patterns. Creating and maintaining market acceptance of our licensees' products and creating market acceptance of new products and categories of products bearing our marks may require substantial marketing efforts, which may, from time to time, also include our expenditure of significant additional funds to keep pace with changing consumer demands, which funds may or may not be available on a timely basis, on acceptable terms or at all. Additional marketing efforts and expenditures may not, however, result in either increased market acceptance of, or additional licenses for, our trademarks or increased market acceptance, or sales, of our licensees' products. Furthermore, we do not actually design or manufacture all of the products bearing our marks, and therefore, have less control over such products' quality and design than a traditional product manufacturer might have. The failure of our licensees to maintain the quality of their products could harm the reputation and marketability of our brands, which would adversely impact our business.

Negative claims or publicity regarding Xcel, our brands or our products could adversely affect our reputation and sales regardless of whether such claims are accurate. Social media, which accelerates the dissemination of information, can increase the challenges of responding to negative claims. In the past, many apparel companies have experienced periods of rapid growth in sales and earnings followed by periods of declining sales and losses. Our businesses may be similarly affected in the future.

We expect to achieve growth based upon our plans to expand our business under our existing brands. If we fail to manage our expected future growth, our business and operating results could be materially harmed.

We expect to achieve growth in our existing brands through expansion of our wholesale business and e-commerce platforms. Revenue growth is expected to come from new wholesale accounts and increased traffic to our e-commerce sites. We continue to seek new opportunities and international expansion through interactive television and licensing arrangements. The success of our company, however, will still remain largely dependent on our ability to build and maintain broad market acceptance of our brands, to contract with and retain key licensees and on our licensees' ability to accurately predict upcoming fashion and design trends within customer bases and fulfill the product requirements of retail channels within the global marketplace.

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

Also, there can be no assurance that we will be able to achieve and sustain meaningful growth. Our growth may be limited by a number of factors including increased competition among branded products at brick-and-mortar, internet and interactive retailers, decreased airtime on QVC, competition for retail licenses and brand acquisitions, and insufficient capitalization for future transactions.

We are subject to the risks associated with our Judith Ripka brand's wholesale and direct-to-consumer model.

We commenced e-commerce sales and wholesale distribution of our Judith Ripka brand in 2017 and 2018, respectively. In 2019, we completed the transition of our non-interactive television operations of our Judith Ripka brand from a licensing model to a wholesale and direct-to-consumer model. We opened a brick-and-mortar retail store for the Judith Ripka brand in 2021, which we subsequently closed in 2022. As a result, we do not have a well-established history of conducting these operations.

We produce product for our Judith Ripka brands to hold as inventory for sales through our website and wholesale accounts. If we misjudge the market for our Judith Ripka products, we may be faced with significant excess inventory for some products and missed opportunities for other products. In addition, weak sales and mark downs by our retailers or our need to liquidate excess inventory could adversely affect our results of operations. If we are not successful in managing our inventory balances, our cash flows and operating results may be adversely affected.

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

While we are focused on growing our existing brands, we intend to selectively seek to acquire additional intellectual property. However, as our competitors continue to pursue a brand management model, acquisitions may become more expensive and suitable acquisition candidates could become more difficult to find. In addition, even if we successfully acquire additional intellectual property or the rights to use additional intellectual property, we may not be able to achieve or maintain profitability levels that justify our investment in, or realize planned benefits with respect to, those additional brands.

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

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

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

Acquiring additional intellectual property could also have a significant effect on our financial position and could cause substantial fluctuations in our quarterly and yearly operating results. Acquisitions could result in the recording of significant goodwill and intangible assets on our financial statements, the amortization or impairment of which would reduce our reported earnings in subsequent years. No assurance can be given with respect to the timing, likelihood or financial or business effect of any possible transaction. Moreover, our ability to grow through the acquisition of additional intellectual property will also depend on the availability of capital to complete the necessary acquisition arrangements. In the event that we are unable to obtain debt financing on acceptable terms for a particular acquisition, we may elect to pursue the acquisition through the issuance by us of shares of our common stock (and, in certain cases, convertible securities) as equity consideration, which could dilute our common stock and reduce our earnings per share, and any such dilution could reduce the market price of our common stock unless and until we were able to achieve revenue growth or cost savings and other business economies sufficient to offset the effect of such an issuance. Acquisitions of additional brands may also involve challenges related to integration into our existing operations, merging diverse cultures, and retaining key employees. Any failure to integrate additional brands successfully in the future may adversely impact our reputation and business.

As a result, there is no guarantee that our stockholders will achieve greater returns as a result of any future acquisitions we complete.

Intense competition in the apparel, fashion, and jewelry industries could reduce our sales and profitability.

As a fashion company, we face intense competition from other domestic and foreign apparel, footwear, accessories, and jewelry manufacturers and retailers. Competition has and may continue to result in pricing pressures, reduced profit margins, lost market share, or failure to grow our market share, any of which could substantially harm our business and results of operations. Competition is based on many factors including, without limitation, the following:

- establishing and maintaining favorable brand recognition;
- developing products that appeal to consumers;
- pricing products appropriately;
- determining and maintaining product quality;
- obtaining access to sufficient floor space in retail locations;
- providing appropriate services and support to retailers;
- maintaining and growing market share;
- developing and maintaining a competitive e-commerce site;
- hiring and retaining key employees; and
- protecting intellectual property.

Competition in the apparel, fashion and jewelry industries is intense and is dominated by a number of very large brands, many of which have longer operating histories, larger customer bases, more established relationships with a broader set of suppliers, greater brand recognition, and greater financial, research and development, marketing, distribution, and other resources than we do. These capabilities of our competitors may allow them to better withstand downturns in the economy or apparel, fashion and jewelry industries. Any increased competition, or our failure to adequately address any of these competitive factors which we have seen from time to time, could result in reduced sales, which could adversely affect our business, financial condition, and operating results.

Competition, along with such other factors as consolidation within the retail industry and changes in consumer spending patterns, could also result in significant pricing pressure and cause the sales environment to be more promotional, as it has been in recent years, impacting our financial results. If promotional pressure remains intense, either through actions of our competitors or through customer expectations, this may cause a further reduction in our sales and gross margins and could have a material adverse effect on our business, financial condition, and operating results.

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

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

If our competition for licenses increases, or any of our current licensees elect not to renew their licenses or renew on terms less favorable than today, our growth plans could be slowed and our business, financial condition and results of operations would be adversely affected.

To the extent we seek to acquire additional brands, we will face competition to retain licenses and to complete such acquisitions. The ownership, licensing, and management of brands is becoming a more widely utilized method of managing consumer brands as production continues to become commoditized and manufacturing capacity increases worldwide. We face competition from numerous direct competitors, both publicly and privately-held, including traditional apparel and consumer brand companies, other brand management companies and private equity groups. Companies that traditionally focused on wholesale manufacturing and sourcing models are now exploring licensing as a way of growing their businesses through strategic licensing partners and direct-to-retail contractual arrangements. Furthermore, our current or potential licensees may decide to develop or purchase brands rather than renew or enter into contractual agreements with us. In addition, this increased competition could result in lower sales of products offered by our licensees under our brands. If our competition for licenses increases, it may take us longer to procure additional licenses, which could slow our growth rate.

The extent of our foreign sourcing may adversely affect our business.

We and our licensees work with several manufacturers overseas, primarily located in China and Thailand. A manufacturing contractor's failure to ship products to us in a timely manner or to meet the required quality standards could cause us to miss the delivery date requirements of our customers for those items. The failure to make timely deliveries may cause customers to cancel orders, refuse to accept deliveries or demand reduced prices, any of which could have a material adverse effect on us. As a result of the magnitude of our foreign sourcing, our business is subject to the following risks:

- political and economic instability in countries or regions, especially Asia, including heightened terrorism and other security concerns, which could subject imported or exported goods to additional or more frequent inspections, leading to delays in deliveries or impoundment of goods;
- imposition of regulations, quotas and other trade restrictions relating to imports, including quotas imposed by bilateral textile agreements between the U.S. and foreign countries;
- currency exchange rates;
- imposition of increased duties, taxes and other charges on imports;
- pandemics and disease outbreaks such as COVID-19;
- labor union strikes at ports through which our products enter the U.S.;
- labor shortages in countries where contractors and suppliers are located;

- restrictions on the transfer of funds to or from foreign countries;
- disease epidemics and health-related concerns, which could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas;
- the migration and development of manufacturing contractors, which could affect where our products are or are planned to be produced;
- increases in the costs of fuel, travel and transportation;
- reduced manufacturing flexibility because of geographic distance between our foreign manufacturers and us, increasing the risk that we may have to mark down unsold inventory as a result of misjudging the market for a foreign-made product; and
- violations by foreign contractors of labor and wage standards and resulting adverse publicity.

If these risks limit or prevent us from manufacturing products in any significant international market, prevent us from acquiring products from foreign suppliers, or significantly increase the cost of our products, our operations could be seriously disrupted until alternative suppliers are found or alternative markets are developed, which could negatively impact our business.

Fluctuations in the price, availability and quality of raw materials could cause delays and increase costs and cause our operating results and financial condition to suffer.

Fluctuations in the price, availability and quality of the fabrics or other raw materials, particularly cotton, silk, leather and synthetics used in our manufactured apparel, and gold, silver and other precious and semi-precious metals and gem stones used in our jewelry, could have a material adverse effect on cost of sales or our ability to meet customer demands. The prices of fabrics, precious and semi-precious metals and gemstones depend largely on the market prices of the raw materials used to produce them. The price and availability of the raw materials and, in turn, the fabrics, precious and semi-precious metals and gem stones used in our apparel and jewelry may fluctuate significantly, depending on many factors, including crop yields, weather patterns, labor costs and changes in oil prices. We may not be able to create suitable design solutions that utilize raw materials with attractive prices or, alternatively, to pass higher raw materials prices and related transportation costs on to our customers. We are not always successful in our efforts to protect our business from the volatility of the market price of raw materials, and our business can be materially affected by dramatic movements in prices of raw materials. The ultimate effect of this change on our earnings cannot be quantified, as the effect of movements in raw materials prices on industry selling prices are uncertain, but any significant increase in these prices could have a material adverse effect on our business, financial condition and operating results.

In addition, the global shipping industry is currently experiencing challenges related to port delays and tight availability for carriers and containers. This situation has negatively impacted our supply chain partners, including third party manufacturers, logistics providers, and other vendors, as well as the supply chains of our licensees, and has resulted in increased cost of supply and freight costs. Such higher costs for us and our licensees are currently expected to continue for at least some portion of 2022.

Our reliance on independent manufacturers could cause delays or quality issues which could damage customer relationships.

We use approximately eight independent manufacturers to assemble or produce all of our products. We are dependent on the ability of these independent manufacturers to adequately finance the production of goods ordered and maintain sufficient manufacturing capacity. The use of independent manufacturers to produce finished goods and the resulting lack of direct control could subject us to difficulty in obtaining timely delivery of products of acceptable quality. We generally do not have long-term written agreements with any independent manufacturers. As a result, any single manufacturing contractor could unilaterally terminate its relationship with us at any time. Supply disruptions from these manufacturers (or any of our other manufacturers) could have a material adverse effect on our ability to meet customer demands, if we are unable to source suitable replacement materials at acceptable prices or at all. Moreover, alternative manufacturers, if available, may not be able to provide us with products or services of a comparable quality, at an acceptable price or on a timely basis. We may also, from time to time, make a decision to enter into a relationship with a new manufacturer. Identifying a suitable supplier is an involved process that requires us to become satisfied with their quality control, responsiveness and service, financial stability and labor and other ethical practices. There can be no assurance that there will not be a disruption in the supply of our products from independent manufacturers or that any new manufacturer will be successful in producing our products in a manner we expected. The failure of any independent manufacturer to perform or the loss of any independent manufacturer could have a material adverse effect on our business, results of operations and financial condition.

If our independent manufacturers fail to use ethical business practices and comply with applicable laws and regulations, our brand image could be harmed due to negative publicity.

We have established and currently maintain operating guidelines which promote ethical business practices such as fair wage practices, compliance with child labor laws and other local laws. While we monitor compliance with those guidelines, we do not control our independent manufacturers or their business practices. Accordingly, we cannot guarantee their compliance with our guidelines. A lack of demonstrated compliance could lead us to seek alternative suppliers, which could increase our costs and result in delayed delivery of our products, product shortages or other disruptions of our operations.

Violation of labor or other laws by our independent manufacturers or the divergence of an independent manufacturer's labor or other practices from those generally accepted as ethical in the U.S. or other markets in which we do business could also attract negative publicity for us and our brand. From time to time, our audit results have revealed a lack of compliance in certain respects, including with respect to local labor, safety and environmental laws. Other fashion companies have faced criticism after highly-publicized incidents or compliance issues have occurred or been exposed at factories producing their products. To the extent our manufacturers do not bring their operations into compliance with such laws or resolve material issues identified in any of our audit results, we may face similar criticism and negative publicity. This could diminish the value of our brand image and reduce demand for our merchandise. In addition, other fashion companies have encountered organized boycotts of their products in such situations. If we, or other companies in our industry, encounter similar problems in the future, it could harm our brand image, stock price and results of operations.

Monitoring compliance by independent manufacturers is complicated by the fact that expectations of ethical business practices continually evolve, may be substantially more demanding than applicable legal requirements and are driven in part by legal developments and by diverse groups active in publicizing and organizing public responses to perceived ethical shortcomings. Accordingly, we cannot predict how such expectations might develop in the future and cannot be certain that our guidelines would satisfy all parties who are active in monitoring and publicizing perceived shortcomings in labor and other business practices worldwide.

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

We own, through our wholly owned subsidiaries, various U.S. federal trademark registrations and foreign trademark registrations for our brands, together with pending applications for registration, which are vital to the success and further growth of our business and which we believe have significant value. We rely primarily upon a combination of trademarks, copyrights, and contractual restrictions to protect and enforce our intellectual property rights domestically and internationally. We believe that such measures afford only limited protection and, accordingly, there can be no assurance that the actions taken by us to establish, protect, and enforce our trademarks and other proprietary rights will prevent infringement of our intellectual property rights by others, or prevent the loss of licensing revenue or other damages caused therefrom.

For instance, despite our efforts to protect and enforce our intellectual property rights, unauthorized parties may attempt to copy aspects of our intellectual property, which could harm the reputation of our brands, decrease their value, and/or cause a decline in our licensees' sales and thus our revenues. Further, we and our licensees may not be able to detect infringement of our intellectual property rights quickly or at all, and at times, we or our licensees may not be successful in combating counterfeit, infringing, or knockoff products, thereby damaging our competitive position. In addition, we depend upon the laws of the countries where our licensees' products are sold to protect our intellectual property. Intellectual property rights may be unavailable or limited in some countries because standards of registration and ownership vary internationally. Consequently, in certain foreign jurisdictions, we have elected or may elect not to apply for trademark registrations.

While we generally apply for trademarks in most countries where we license or intend to license our trademarks, we may not accurately predict all of the countries where trademark protection will ultimately be desirable. If we fail to timely file a trademark application in any such country, we may be precluded from obtaining a trademark registration in such country at a later date. Failure to adequately pursue and enforce our trademark rights could damage our brands, enable others to compete with our brands and impair our ability to compete effectively.

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

Risks Related to an Investment in Our Securities

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

Pursuant to a voting agreement, IM Ready-Made, LLC, Isaac Mizrahi, and Marisa Gardini agreed to appoint a person designated by our board of directors as their collective irrevocable proxy and attorney-in-fact with respect to the shares of the common stock received by them. The proxy holder will vote in favor of matters recommended or approved by the board of directors. The board of directors has designated Robert W. D'Loren as proxy. Also, pursuant to separate voting agreements, each of Judith Ripka and the H Company IP, LLC and certain other parties have agreed to appoint Mr. D'Loren as their respective irrevocable proxy and attorney-in-fact with respect to the shares of the common stock issued to them by us. The proxy holder shall vote in favor of matters recommended or approved by the board of directors.

The combined voting power of the common stock ownership of our officers, directors, and key employees is approximately 68% of our voting securities as of March 10, 2022. As a result, our management and key employees through such stock ownership will exercise significant influence over all matters requiring shareholder approval, including the election of our directors and approval of significant corporate transactions. This concentration of ownership in management and key employees may also have the effect of delaying or preventing a change in control of us that may be otherwise viewed as beneficial by stockholders other than management. There is also a risk that our existing management and a limited number of stockholders may have interests which are different from certain stockholders and that they will pursue an agenda which is beneficial to themselves at the expense of other stockholders.

Our common stock has historically been thinly traded, and you may be unable to sell at or near ask prices or at all if you need to sell or liquidate a substantial number of shares at one time.

Although our common stock is listed on the NASDAQ Global Market, our common stock has historically been traded at relatively low volumes. As a result, the number of persons interested in purchasing our common stock at or near bid prices at any given time may be relatively small. This situation is attributable to a number of factors, including that we are currently a small company which is still relatively unknown to securities analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we become more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot provide any assurance that a broader or more active public trading market for our common stock will develop or be sustained, or that trading levels will be sustained.

The market price of our common stock has declined over the past several years and may be volatile, which could reduce the market price of our common stock.

Currently the publicly traded shares of our common stock are not widely held, and do not have significant trading volume, and, therefore, may experience significant price and volume fluctuations. Although our common stock is quoted on the NASDAQ Global Market, this does not assure that a meaningful, consistent trading market will develop or that the volatility will decline. This market volatility could reduce the market price of the common stock, regardless of our operating performance. In addition, the trading price of the common stock has been volatile over the past several years and could change significantly over short periods of time in response to actual or anticipated variations in our quarterly operating results, announcements by us, our licensees or our respective competitors, factors affecting our licensees' markets generally and/or changes in national or regional economic conditions, making it more difficult for shares of the common stock to be sold at a favorable price or at all. The market price of the common stock could also be reduced by general market price declines or market volatility in the future or future declines or volatility in the prices of stocks for companies in the trademark licensing business or companies in the industries in which our licensees compete.

We may issue a substantial number of shares of common stock upon exercise of outstanding warrants and options and to satisfy obligations to the H Company IP, LLC (the "Halston Heritage Earn-Out") if certain conditions, including royalty revenue targets, are met.

As of December 31, 2021, we had outstanding warrants and options to purchase 5,747,035 shares of our common stock. The holders of warrants and options will likely exercise such securities at a time when the market price of our common stock exceeds the exercise price. Therefore, exercises of warrants and options will result in a decrease in the net tangible book value per share of our common stock and such decrease could be material. In addition, we may issue up to an aggregate of $6.0 million of shares of our common stock to satisfy obligations related to the Halston Heritage Earn-Out in 2023 if certain conditions, including royalty revenue targets, are met.

The issuance of shares to satisfy such obligations and upon exercise of outstanding warrants and options will dilute our then-existing stockholders' percentage ownership of our company, and such dilution could be substantial. In addition, our growth strategy includes the acquisition of additional brands, and we may issue shares of our common stock as consideration for acquisitions. Sales or the potential for sale of a substantial number of such shares could adversely affect the market price of our common stock, particularly if our common stock remains thinly traded at such time.

As of December 31, 2021, we had an aggregate of 4,000,000 shares of common stock available for grants under our 2021 Equity Incentive Plan (the "2021 Plan") to our directors, executive officers, employees, and consultants. Issuances of common stock pursuant to the exercise of stock options or other stock grants or awards which may be granted under our 2021 Plan will dilute your interest in us.

We do not anticipate paying cash dividends on our common stock.

You should not rely on an investment in our common stock to provide dividend income, as we have not paid dividends on our common stock, and we do not plan to pay any dividends in the foreseeable future. Instead, we plan to retain any earnings to maintain and expand our existing licensing operations, further develop our trademarks, and finance the acquisition of additional trademarks. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any return on their investment. In addition, our credit facility limits the amount of cash dividends we may pay while amounts under the credit facility are outstanding.

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

Our certificate of incorporation authorizes our board of directors to issue up to 1,000,000 shares of preferred stock without stockholder approval, in one or more series, and to fix the dividend rights, terms, conversion rights, voting rights, redemption rights and terms, liquidation preferences, and any other rights, preferences, privileges, and restrictions applicable to each new series of preferred stock. The designation of preferred stock in the future could make it difficult for third parties to gain control of our company, prevent or substantially delay a change in control, discourage bids for the common stock at a premium, or otherwise adversely affect the market price of the common stock.

General Risks

A pandemic outbreak of disease or similar public health threat, or fear of such an event, could have a material adverse impact on the Company's business, operating results and financial condition.

A pandemic or outbreak of disease or similar public health threat, such as the COVID-19 pandemic, or fear of such an event, could have a material adverse impact on our business, operating results, and financial condition. The current COVID-19 pandemic has caused a disruption to our business, beginning in March 2020. The impacts of the current COVID-19 pandemic are broad reaching and are having an impact on our licensing and wholesale businesses. The global pandemic is impacting our supply chain as most of our products are manufactured in China, Thailand, and other places around the world affected by this event. Temporary factory closures and the pace of workers returning to work have impacted our contract manufacturers’ ability to source certain raw materials and to produce finished goods in a timely manner. The pandemic is also impacting distribution and logistics providers' ability to operate in the normal course of business. In addition, COVID-19 resulted in a sudden and continuing decrease in sales for many of our products, resulting in order cancellations, and our total revenues remain below pre-COVID-19 levels. Further, the pandemic has affected the financial health of certain of our customers, and the bankruptcy of certain other customers, including Lord & Taylor and Le Tote, Stein Mart, and Century 21, from which we had an aggregate of approximately $1.4 million of accounts receivable due at December 31, 2021. As a result, we have recognized an allowance for doubtful accounts of approximately $1.1 million as of December 31, 2021, and may be required to make additional adjustments for doubtful accounts which would increase our operating expenses in future periods and negatively impact our operating results, and could result in our failure to meet financial covenants under our credit facility. Financial impacts associated with the COVID-19 pandemic include, but are not limited to, lower net sales, adjustments to allowances for doubtful accounts due to customer bankruptcy or other inability to pay their amounts due to vendors, the delay of inventory production and fulfillment, potentially further impacting net sales, and potential incremental costs associated with mitigating the effects of the pandemic, including increased freight and logistics costs and other expenses. We expect that the impact the COVID-19 pandemic may have on our operating results could result in our inability to comply with certain debt covenants and require our creditors to waive compliance with, or agree to amend, any such covenant to avoid a default. The COVID-19 global pandemic is ongoing, and its dynamic nature, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the pandemic, and actions that would be taken by governmental authorities to contain the pandemic or to treat its impact, makes it difficult to forecast any effects on our 2022 results. However, as of the date of this filing, we expect our results for some portion of 2022 to be negatively affected.

The Ukrainian-Russian conflict could have a material adverse impact on our business.

The Ukrainian-Russian conflict, the responses thereto, such as sanctions imposed by the United States and other western democracies, and any expansion thereof is likely to have unpredictable and wide-ranging effects on the domestic and global economy and financial markets, which could have an adverse effect on our business and results of operations. Already the conflict has caused market volatility, a sharp increase in certain commodity prices, such as wheat and oil, and an increasing number and frequency of cybersecurity threats. So far, we have not experienced any direct impact from the conflict and, as our business is conducted exclusively in the United States, we are probably less vulnerable than companies with international operations. Nevertheless, we will continue to monitor the situation carefully and, if necessary, take action to protect our business, operations, and financial condition.

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

The success of our operations depends on consumer spending. Consumer spending is impacted by a number of factors which are beyond our control, including actual and perceived economic conditions affecting disposable consumer income (such as unemployment, wages, energy costs and consumer debt levels), customer traffic within shopping and selling environments, business conditions, interest rates and availability of credit and tax rates in the general economy and in the international, regional and local markets in which our products are sold and the impact of natural disasters and pandemics and disease outbreaks such as the COVID-19 pandemic. Global economic conditions historically included significant recessionary pressures and declines in employment levels, disposable income and actual and/or perceived wealth and further declines in consumer confidence and economic growth. A depressed economic environment is often characterized by a decline in consumer discretionary spending and has disproportionately affected retailers and sellers of consumer goods, particularly those whose goods are viewed as discretionary or luxury purchases, including fashion apparel and accessories such as ours. Such factors as well as another shift towards recessionary conditions have in the past, and could in the future, devalue our brands, which could result in an impairment in its carrying value, which could be material, create downward pricing pressure on the products carrying our brands, and adversely impact our sales volumes and overall profitability. Further, economic and political volatility and declines in the value of foreign currencies could negatively impact the global economy as a whole and have a material adverse effect on the profitability and liquidity of our operations, as well as hinder our ability to grow through expansion in the international markets. In addition, domestic and international political situations also affect consumer confidence, including the threat, outbreak or escalation of terrorism, military conflicts or other hostilities around the world. Furthermore, changes in the credit and capital markets, including market disruptions, limited liquidity, and interest rate fluctuations, may increase the cost of financing or restrict our access to potential sources of capital for future acquisitions.

The risks associated with our business are more acute during periods of economic slowdown or recession. Accordingly, any prolonged economic slowdown or a lengthy or severe recession with respect to either the U.S. or the global economy is likely to have a material adverse effect on our results of operations, financial condition, and business prospects.

Our trademarks and other intangible assets are subject to impairment charges under accounting guidelines.

Intangible assets including our trademarks represent a substantial portion of our assets. Under accounting principles generally accepted in the United States of America (“GAAP”), indefinite lived intangible assets, including our trademarks, are not amortized, but must be tested for impairment annually or more frequently if events or circumstances indicate the asset may be impaired. The estimated useful life of an intangible asset must be evaluated each reporting period to determine whether events and circumstances continue to support an indefinite useful life. Finite lived intangible assets are amortized over their estimated useful lives. Non-renewal of license agreements or other factors affecting our market segments or brands could result in significantly reduced revenue for a brand, which could result in a devaluation of the affected trademark. If such devaluations of our trademarks were to occur, a material impairment in the carrying value of one or more of our trademarks could also occur and be charged as a non-cash expense to our operating results, which could be material. For the year ended December 31, 2020, we recorded a $13.0 million impairment charge related to the Ripka Brand trademarks, driven by delays and uncertainty in implementing the brick-and-mortar retail store strategy for a portion of the brand, primarily as a result of the COVID-19 pandemic. Any further write-down of intangible assets resulting from future periodic evaluations would, as applicable, either decrease our net income or increase our net loss and those decreases or increases could be material.

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

Our future effective tax rates could be adversely affected by changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws or by a change in allocation of state and local jurisdictions, or interpretations thereof. The Company currently files U.S. federal tax returns and various state tax returns. Tax years that remain open for assessment for federal and state purposes include years ended December 31, 2018 through December 31, 2021. We regularly assess the likelihood of recovering the amount of deferred tax assets recorded on the balance sheet and the likelihood of adverse outcomes resulting from examinations by various taxing authorities in order to determine the adequacy of our provision for income taxes. Although under the 2017 Tax Cuts and Jobs Act Federal tax rates are lower, certain expenses will be either reduced or eliminated, causing the Company to have increased taxable income, which may have an adverse effect on our future income tax obligations. We cannot guarantee that the outcomes of these evaluations and continuous examinations will not harm our reported operating results and financial condition.

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

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

System security risk issues as well as other major system failures could disrupt our internal operations or information technology services, and any such disruption could negatively impact our net sales, increase our expenses and harm our reputation.

Experienced computer programmers and hackers, and even internal users, may be able to penetrate our network security and misappropriate our confidential information or that of third parties, including our customers, enter into or facilitate fraudulent transactions, create system disruptions or cause shutdowns. In addition, employee error, malfeasance or other errors in the storage, use or transmission of any such information could result in a disclosure to third parties outside of our network. As a result, we could incur significant expenses addressing problems created by any such inadvertent disclosure or any security breaches of our network. In addition, we rely on third parties for the operation of our websites, and for the various social media tools and websites we use as part of our marketing strategy.

Consumers are increasingly concerned over the security of personal information transmitted over the internet, consumer identity theft and user privacy, and any compromise of customer information could subject us to customer or government litigation and harm our reputation, which could adversely affect our business and growth. Moreover, we could incur significant expenses or disruptions of our operations in connection with system failures or breaches. In addition, sophisticated hardware and operating system software and applications that we procure from third parties may contain defects in design or manufacture, including “bugs” and other problems that could unexpectedly interfere with the operation of our systems. The costs to us to eliminate or alleviate security problems, viruses and bugs, or any problems associated with our newly transitioned systems or outsourced services could be significant, and the efforts to address these problems could result in interruptions, delays or cessation of service that may impede our sales, distribution or other critical functions. In addition to taking the necessary precautions ourselves, we require that third-party service providers implement reasonable security measures to protect our customers’ identity and privacy as well as credit card information. We do not, however, control these third-party service providers and cannot guarantee that no electronic or physical computer break-ins and security breaches will occur in the future. We could also incur significant costs in complying with the multitude of state, federal and foreign laws regarding the use and unauthorized disclosure of personal information, to the extent they are applicable. In the case of a disaster affecting our information technology systems, we may experience delays in recovery of data, inability to perform vital corporate functions, tardiness in required reporting and compliance, failures to adequately support our operations and other breakdowns in normal communication and operating procedures that could materially and adversely affect our financial condition and results of operations.

Changes in laws could make conducting our business more expensive or otherwise change the way we do business.

We are subject to numerous domestic and international regulations, including labor and employment, customs, truth-in-advertising, consumer protection, data protection, and zoning and occupancy laws and ordinances that regulate retailers generally or govern the importation, promotion and sale of merchandise and the operation of stores and warehouse facilities. If these regulations were to change or were violated by our management, employees, vendors, independent manufacturers or partners, the costs of certain goods could increase, or we could experience delays in shipments of our products, be subject to fines or penalties, or suffer reputational harm, which could reduce demand for our merchandise and hurt our business and results of operations.

In addition to increased regulatory compliance requirements, changes in laws could make ordinary conduct of business more expensive or require us to change the way we do business. Laws related to employee benefits and treatment of employees, including laws related to limitations on employee hours, supervisory status, leaves of absence, mandated health benefits, overtime pay, unemployment tax rates and citizenship requirements, could negatively impact us, by increasing compensation and benefits costs, which would in turn reduce our profitability.

Moreover, changes in product safety or other consumer protection laws could lead to increased costs to us for certain merchandise, or additional labor costs associated with readying merchandise for sale. It is often difficult for us to plan and prepare for potential changes to applicable laws and future actions or payments related to such changes could be material to us.

If we fail to maintain an effective system of internal control, we may not be able to report our financial results accurately or in a timely fashion, and we may not be able to prevent fraud. In such case, our stockholders could lose confidence in our financial reporting, which would harm our business and could negatively impact the price of our stock.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to include in our Annual Report on Form 10-K our assessment of the effectiveness of our internal control over financial reporting. We have dedicated a significant amount of time and resources to ensure compliance with this legislation for the years ended December 31, 2021 and 2020, and will continue to do so for future fiscal periods. We cannot be certain that future material changes to our internal control over financial reporting will be effective. If we cannot adequately maintain the effectiveness of our internal control over financial reporting, we may be subject to sanctions or investigation by regulatory authorities, such as the SEC. Any such action could adversely affect our financial results and the market price of our common stock. Moreover, if we discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in our financial statements and harm our stock price.

Our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting until we are no longer a "smaller reporting company." At such time that an attestation is required, our independent registered public accounting firm may issue a report that is adverse or qualified in the event that they are not satisfied with the level at which our controls are documented, designed or operating. Our remediation efforts may not enable us to avoid a material weakness or significant deficiency in the future.

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

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

Our common stock may be subject to the penny stock rules adopted by the SEC that require brokers to provide extensive disclosure to their customers prior to executing trades in penny stocks. These disclosure requirements may cause a reduction in the trading activity of our common stock, which could make it more difficult for our stockholders to sell their securities.

Rule 3a51-1 of the Exchange Act establishes the definition of a "penny stock," for purposes relevant to us, as any equity security that has a minimum bid price of less than $5.00 per share, subject to a limited number of exceptions, including for having securities registered on certain national securities exchanges. If our common stock were delisted from the NASDAQ, market liquidity for our common stock could be severely and adversely affected.

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

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

- the basis on which the broker or dealer made the suitability determination; and
- that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

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

Because of these regulations, broker-dealers may not wish to engage in the above-referenced necessary paperwork and disclosures and/or may encounter difficulties in their attempt to sell shares of our common stock, which may affect the ability of selling stockholders or other holders to sell their shares in any secondary market and have the effect of reducing the level of trading activity in any secondary market. These additional sales practice and disclosure requirements could impede the sale of our common stock even if and when our common stock becomes listed on the NASDAQ Global Market. In addition, the liquidity for our common stock may decrease, with a corresponding decrease in the price of our common stock.

Although our common stock closed at $1.64 per share on March 30, 2022, no assurance can be given that the per share price of our common stock will maintain such levels or that our stock will not be subject to these “penny stock” rules in the future.

Investors should be aware that, according to Commission Release No. 34-29093, the market for “penny stocks” has suffered in recent years from patterns of fraud and abuse. Such patterns include: (1) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (2) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (3) boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (4) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and (5) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. The occurrence of these patterns or practices could increase the future volatility of our share price.

Holders of our common stock may be subject to restrictions on the use of Rule 144 by shell companies or former shell companies.

Historically, the SEC has taken the position that Rule 144 under the Securities Act of 1933, as amended, or the Securities Act, is not available for the resale of securities initially issued by companies that are, or previously were, shell companies (we were considered a shell company on and prior to September 29, 2011), to their promoters or affiliates despite technical compliance with the requirements of Rule 144. The SEC prohibits the use of Rule 144 for resale of securities issued by shell companies (other than business transaction related shell companies) or issuers that have been at any time previously a shell company. The SEC has provided an important exception to this prohibition, however, if the following conditions are met: the issuer of the securities that was formerly a shell company has ceased to be a shell company; the issuer of the securities is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act; the issuer of the securities has filed all Exchange Act reports and material required to be filed, as applicable, during the preceding 12 months (or such shorter period that the issuer was required to file such reports and materials), other than Form 8-K reports; and at least one year has elapsed from the time that the issuer filed current Form 10 type information with the SEC reflecting its status as an entity that is not a shell company. As such, due to the fact that we had been a shell company prior to September 2011, holders of “restricted securities” within the meaning of Rule 144, when reselling their shares pursuant to Rule 144, shall be subject to the conditions set forth herein.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We currently lease and maintain our corporate offices and operations facility located at 1333 Broadway, 10th floor, New York, New York. We entered into a lease agreement on July 8, 2015 for such offices of approximately 29,600 square feet of office space. This lease commenced on March 1, 2016 and shall expire on October 30, 2027.

We previously leased approximately 18,500 square feet of office space at 475 Tenth Avenue, 4th Floor, New York, New York; this location represented our former corporate offices and operations facility. We subleased the office space at 475 Tenth Avenue to a third-party subtenant through February 27, 2022, and our lease of this office space expired by its terms on February 28, 2022.

We also lease approximately 1,300 square feet of retail space for a retail store location in Westchester, New York. This lease shall expire on January 31, 2029; however, we are currently in the process of negotiating the termination of this lease.

Item 3. Legal Proceedings

In the ordinary course of business, from time to time we become involved in legal claims and litigation. In the opinion of management, based on consultations with legal counsel, the disposition of litigation currently pending against us is unlikely to have, individually or in the aggregate, a materially adverse effect on our business, financial position, results of operations, or cash flows.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is listed on the NASDAQ Global Market, under the trading symbol "XELB."

The table below sets forth the range of quarterly high and low sales prices for our common stock in 2021 and 2020:

December 31, 2021		High		Low
First Quarter	$	2.47	$	1.19
Second Quarter	$	2.99	$	1.56
Third Quarter	$	2.77	$	1.49
Fourth Quarter	$	1.98	$	1.06
December 31, 2020				
First Quarter	$	1.60	$	0.40
Second Quarter	$	1.70	$	0.50
Third Quarter	$	1.04	$	0.65
Fourth Quarter	$	1.32	$	0.74

Holders

As of December 31, 2021, the number of our stockholders of record was 566 (excluding beneficial owners and any shares held in street name or by nominees).

Dividends

We have never declared or paid any cash dividends on our common stock. In addition, our credit facility limits the amount of cash dividends we may pay while amounts under the credit facility are outstanding. Furthermore, we expect to retain future earnings to finance our operations and expansion. The payment of cash dividends in the future will be at the discretion of our board of directors and will depend upon our earnings levels, capital requirements, any restrictive loan covenants, and other factors the board of directors considers relevant.

Securities authorized for issuance under equity compensation plans

2021 Equity Incentive Plan

Our 2021 Equity Incentive Plan, which we refer to as the 2021 Plan, is designed and utilized to enable the Company to offer its employees, officers, directors, consultants, and others whose past, present, and/or potential contributions to the Company have been, are, or will be important to the success of the Company, an opportunity to acquire a proprietary interest in the Company. The following is a description of the 2021 Plan.

- The 2021 Plan provides for the grant of stock options, restricted stock, restricted stock units, performance awards, or cash awards (any grant under the 2021 Plan, an "Award"). The stock options may be incentive stock options or non-qualified stock options.

- A total of 4,000,000 shares of common stock are eligible for issuance under the 2021 Plan.

- The 2021 Plan may be administered by the Board of Directors (the "Board") or a committee consisting of two or more members of the Board of Directors appointed by the Board (for purposes of this description, any such committee, a "Committee").

- Officers and other employees of our Company or any parent or subsidiary of our Company who are at the time of the grant of an Award employed by us or any parent or subsidiary of our Company are eligible to be granted options or other Awards under the 2021 Plan. In addition, non-qualified stock options and other Awards may be granted under the 2021 Plan to any person, including, but not limited to, directors, independent agents, consultants, and attorneys who the Board or the Committee, as the case may be, believes has contributed or will contribute to our success.

- With respect to incentive stock options granted to an eligible employee owning stock possessing more than 10% of the total combined voting power of all classes of our stock or the stock of a parent or subsidiary of our Company immediately before the grant (each, a "10% Stockholder"), such incentive stock option shall not be exercisable more than 5 years from the date of grant.

- The exercise price of a stock option will not be less than the fair market value of the shares underlying the option on the date the option is granted, provided, however, that the exercise price of a stock option granted to a 10% Stockholder may not be less than 110% of such fair market value.

- Restricted stock awards give the recipient the right to receive a specified number of shares of common stock, subject to such terms, conditions and restrictions as the Board or the Committee, as the case may be, deems appropriate. Restrictions may include limitations on the right to transfer the stock until the expiration of a specified period of time and forfeiture of the stock upon the occurrence of certain events such as the termination of employment prior to expiration of a specified period of time.

- Restricted stock unit awards will be settled in cash or shares of common stock, in an amount based on the fair market value of our common stock on the settlement date. The RSUs will be subject to forfeiture and restrictions on transferability as set forth in the 2021 Plan and the applicable award agreement and as may be otherwise determined by the Board or the Committee. There were no RSUs outstanding as of December 31, 2021.

- Certain Awards made under the Plan may be granted so that they qualify as "performance-based compensation" (as this term is used in Internal Revenue Code Section 162(m) and the regulations thereunder) and are exempt from the deduction limitation imposed by Code Section 162(m) (these Awards are referred to as "Performance-Based Awards"). Under Internal Revenue Code Section 162(m), our tax deduction may be limited to the extent total compensation paid to the chief executive officer, or any of the four most highly compensated executive officers (other than the chief executive officer) exceeds $1 million in any one tax year. In accordance with the 2017 Tax Cuts and Jobs Act, the tax deductibility for each of these executives will be limited to $1,000,000 of compensation annually, including any performance-based compensation. Among other criteria, Awards only qualify as performance-based awards if at the time of grant the compensation committee is comprised solely of two or more "outside directors" (as this term is used in Internal Revenue Code Section 162(m) and the regulations thereunder). In addition, we must obtain stockholder approval of material terms of performance goals for such "performance-based compensation."

- All stock options and certain stock awards, performance awards, and stock units granted under the Plan, and the compensation attributable to such Awards, are intended to (i) qualify as performance-based awards or (ii) be otherwise exempt from the deduction limitation imposed by Internal Revenue Code Section 162(m).

- Cash awards may be issued under the 2021 Plan either alone or in addition to or in tandem with other Awards granted under the 2021 Plan or other payments made to a participant not under the 2021 Plan. The Board or Committee shall determine the eligible persons to whom, and the time or times at which, cash awards will be made, the amount that is subject to the cash award, the circumstances and conditions under which such amount shall be paid, in whole or in part, the time of payment, and all other terms and conditions of the Awards. Each cash award shall be confirmed by, and shall be subject to the terms of, an agreement executed

- No Awards may be granted on or after the tenth anniversary of the effective date of the 2021 Plan.

From time to time, the Company issues stock-based compensation to its officers, directors, employees, and consultants. The maximum term of options granted is generally five years and generally options vest over a period of six months to two years. However, the Board may approve other vesting schedules. Options may be exercised in whole or in part. The exercise price of stock options granted is generally the fair market value of the Company's common stock on the date of grant.

The fair value of each stock option award is estimated using the Black-Scholes option pricing model based on certain assumptions. The assumption for expected term is based on evaluations of expected future employee exercise behavior. Because of a lack of historical information related to exercise activity, we use the simplified method to determine the expected term. The risk-free interest rate is based on the U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected term at the grant date. The historical volatility of our common stock is used as the basis for the volatility assumption. The Company has never paid cash dividends, and does not currently intend to pay cash dividends, and thus assumes a 0% dividend yield.

The following table sets forth information as of December 31, 2021 regarding compensation plans under which our equity securities are authorized for issuance:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation Plans (1)	5,747,035	$ 2.27	4,000,000

(1) Pursuant to our 2011 and 2021 Equity Incentive Plans.

Recent Sales of Unregistered Securities

There were no sales of unregistered or registered securities during the years ended December 2021 and 2020.

Purchases of equity securities by the issuer and affiliated purchasers

The following table provides information with respect to common stock repurchased by us during the years ended December 31, 2021 and 2020:

Period	Total Number of Shares of Common Stock Purchased	Average Price per Share	Total Number of Shares of Common Stock Purchased as Part of a Publicly Announced Plan or Program
October 1, 2021 to October 31, 2021 (i)	9,187	1.73	—
Total year ended December 31, 2021	9,187	$ 1.73	—
March 1, 2020 to March 31, 2020 (i)	155,556	0.65	—
May 1, 2020 to May 31, 2020 (i)	87,249	0.98	—
December 1, 2020 to December 31, 2020 (i)	2,478	1.14	—
Total year ended December 31, 2020	245,283	$ 0.77	—

(i) The shares were exchanged from employees and directors in connection with the income tax withholding obligations on behalf of such employees and directors from the vesting of restricted stock or the receipt of stock awards.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read together with our consolidated financial statements and the notes thereto, included in Item 8 of this Annual Report on Form 10-K. This discussion summarizes the significant factors affecting our consolidated operating results, financial condition and liquidity and cash flows for the years ended December 31, 2021 and 2020. Except for historical information, the matters discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations are forward-looking statements that involve risks and uncertainties and are based upon judgments concerning factors that are beyond our control.

Overview

Xcel Brands is a media and consumer products company engaged in the design, production, marketing, live streaming, wholesale distribution, and direct-to-consumer sales of branded apparel, footwear, accessories, fine jewelry, home goods and other consumer products, and the acquisition of dynamic consumer lifestyle brands. The Company's brands have generated over $3 billion in retail sales via live streaming in interactive television and digital channels alone.

Xcel was founded in 2011 with a vision to reimagine shopping, entertainment, and social media as one thing. Xcel owns the Isaac Mizrahi, LOGO by Lori Goldstein, Judith Ripka, Halston, C Wonder, and Longaberger brands, pioneering a true omni-channel sales strategy which includes the promotion and sale of products under its brands through interactive television, digital live-stream shopping, brick-and-mortar retail,wholesale, and e-commerce channels.

To grow our brands, we are focused on the following primary strategies:

- expanding and leveraging our live-streaming platform. We recently launched our live-streaming platform through our Longaberger brand technology platform with the goal to build the world's largest digital marketplace powered by live-streaming and micro-influencers for home and other related products, designed to create a better lifestyle. We plan to leverage this technology across our other brands.
- wholesale distribution of our brands to retailers that sell to the end consumer;
- wholesale sales and/or licensing our brands for sale through interactive television (i.e., QVC, HSN, The Shopping Channel, TVSN, etc.);
- licensing our brands to manufacturers and retailers for promotion and distribution through e-commerce, social commerce, and traditional brick-and-mortar retail channels whereby we provide certain design services;
- distribution of our brands through e-commerce directly to the end consumer; and
- acquiring additional consumer brands and integrating them into our operating platform and leveraging our operating infrastructure and distribution relationships.

We believe that we offer a unique value proposition to our retail and direct-to-consumer customers, and our licensees for the following reasons:

- our management team, including our officers' and directors' experience in, and relationships within, the industry;
- our deep knowledge and expertise in live-streaming sales;
- our design, production, sales, marketing, and supply chain and integrated technology platform enables us to design, market, and distribute trend-right product; and

- our operating strategy, significant media and internet presence and distribution network.

Our vision is intended to reimagine shopping, entertainment, and social media as one thing. By leveraging live streaming, digital, and social media content across all distribution channels, we seek to drive consumer engagement and generate retail sales across our brands. Our strong relationships with leading retailers, interactive television companies, and streaming networks enable us to reach consumers in over 200 million homes worldwide and hundreds of millions of social media followers.

We believe our design, production, and supply chain platform provides significant competitive advantages compared with traditional wholesale consumer products companies that design, manufacture, and distribute products. We focus on our core competencies of live streaming, marking, design, integrated technologies, production and supply chain platform, and brand development. We believe that we offer a 360-degree solution to our retail partners that addresses many of the challenges facing the retail industry today. We believe our platform is highly scalable. Additionally, we believe we can acquire additional brands into our platform in order to leverage our operating infrastructure, marketing capabilities, and distribution network.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Critical accounting policies are those that are the most important to the portrayal of our financial condition and results of operations, and that require our most difficult, subjective, and complex judgments as a result of the need to make estimates about the effect of matters that are inherently uncertain. Critical accounting estimates are those that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations. While our significant accounting policies and estimates are described in more detail in the notes to our consolidated financial statements, our most critical accounting policies and estimates, discussed below, pertain to revenue recognition, trademarks and other intangible assets, leases, and income taxes. These include but are not limited to the estimation of the useful lives of our trademarks, the estimation of the future cash flows related to our trademarks, and the estimation of our incremental borrowing rate (for purposes of accounting for leases). In applying such policies, we must use some amounts that are based upon our informed judgments and best estimates. Estimates, by their nature, are based upon judgments and available information. The estimates that we make are based upon historical factors, current circumstances, and the experience and judgment of management. We evaluate our assumptions and estimates on an ongoing basis.

Revenue Recognition

Licensing

In connection with our licensing model, we follow Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606-10-55-65, by which we recognize net licensing revenue at the later of when (1) the subsequent sale or usage occurs or (2) the performance obligation to which some or all of the sales- or usage-based royalty has been allocated is satisfied (in whole or in part). More specifically, we separately identify:

(i) Contracts for which, based on experience, royalties are expected to exceed any applicable minimum guaranteed payments, and to which an output-based measure of progress based on the "right to invoice" practical expedient is applied because the royalties due for each period correlate directly with the value to the customer of our performance in each period (this approach is identified as "View A" by the FASB Revenue Recognition Transition Resource Group, "TRG"); and

(ii) Contracts for which revenue is recognized based on minimum guaranteed payments using an appropriate measure of progress, in which minimum guaranteed payments are straight-lined over the term of the contract and recognized ratably based on the passage of time, and to which the royalty recognition constraint to the sales-based royalties in excess of minimum guaranteed is applied and such sales-based royalties are recognized to distinct period only when the minimum guaranteed is exceeded on a cumulative basis (this approach is identified as “View C” by the TRG).

Wholesale Sales

We generate revenue through sale of branded jewelry and apparel to both domestic and international customers who, in turn, sell the products to their consumers. We recognize revenue when performance obligations identified under the terms of contracts with our customers are satisfied, which occurs upon the transfer of control of the merchandise in accordance with the contractual terms and conditions of the sale. Shipping to customers is accounted for as a fulfillment activity and is recorded within other selling, general and administrative expenses.

Direct to Consumer Sales

Our revenue associated with our e-commerce jewelry operations and the Longaberger brand is recognized at a point in time when product is shipped to the customer. Shipping to customers is accounted for as a fulfillment activity and is recorded within other selling, general and administrative expenses. Revenue associated with our fine jewelry brick-and-mortar retail store is recognized at the point of sale.

Trademarks and Other Intangible Assets

We follow ASC Topic 350, “Intangibles - Goodwill and Other.” Under this standard, goodwill and indefinite-lived intangible assets are not amortized, but are required to be assessed for impairment at least annually. Our finite-lived intangible assets are amortized over their estimated useful lives. We estimate the useful lives of our intangible assets based principally on our expected use and strategic plans for each asset, our own historical experience with similar assets, and our expectations related to demand, competition, and other economic factors.

We perform our annual quantitative analysis of our indefinite-lived intangible asset as of December 31 each year. There were no impairment charges recorded for our indefinite-lived intangible asset for the years ended December 31, 2021 and 2020.

During the year ended December 31, 2020, delays and uncertainty in implementing the brick-and-mortar retail store strategy for a portion of the Ripka Brand, primarily as a result of the novel coronavirus disease pandemic, indicated that the carrying value of the Ripka Brand trademarks may not be recoverable. Therefore, we performed an impairment test of the related finite-lived intangible assets, and as a result, recorded a $13.0 million impairment charge related to the Ripka Brand trademarks.

No other impairment charges were recorded for intangible assets for the years ended December 31, 2021 and 2020.

Indefinite-Lived Intangible Asset

We test our indefinite-lived intangible asset for recovery in accordance with ASC 820-10-55-3F, which states that the income approach (“Income Approach”) converts future amounts (for example, cash flows) into a single current (that is, discounted) amount. When the Income Approach is used, fair value measurement reflects current market expectations about those future amounts. The Income Approach is based on the present value of future earnings expected to be generated by a business or asset. Income projections for a future period are discounted at a rate commensurate with the degree of risk associated with future proceeds. A residual or terminal value is also added to the present value of the income to quantify the value of the business beyond the projection period. As such, recoverability of such assets is measured by a comparison of the carrying amount of the asset to its expected future discounted net cash flows. If the carrying amount of such assets is considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the recoverability of the assets.

We also re-evaluate on an annual basis whether events and circumstances continue to support an indefinite useful life.

Finite-Lived Intangibles

Our finite-lived intangible assets, including Trademarks, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized if the carrying amount of a finite-lived intangible asset is not recoverable and its carrying amount exceeds its fair value.

With reference to our finite-lived intangible assets' impairment process, we group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the sum of undiscounted future cash flows. If the undiscounted cash flows do not indicate the carrying amount of the asset is recoverable, an impairment charge is measured as the amount by which the carrying amount of the asset group exceeds its fair value based on discounted cash flows analysis or appraisals.

Leases

We determine if an arrangement is a lease at the inception of the arrangement. At commencement of a lease (i.e., the date on which the lessor makes the underlying asset available for use), we recognize an operating lease right-of-use ("ROU") asset, representing our right to use the underlying leased asset for the lease term, and a lease liability, representing our obligation to make future lease payments, based on the present value of the remaining lease payments over the lease term. As generally our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. We may use the implicit rate when readily determinable. Operating lease ROU assets also include scheduled lease payments made and initial direct costs, and exclude lease incentives and accrued rent. Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for operating lease payments is generally recognized on a straight-line basis over the lease term.

For real estate leases, we account for the lease and non-lease components as a single lease component. Variable lease payments that do not depend on an index or rate (such as real estate taxes and building insurance and lessee's shares thereof), if any, are excluded from lease payments at lease commencement date for initial measurement. Subsequent to initial measurement, these variable payments are recognized when the event determining the amount of variable consideration to be paid occurs.

For leases with a term of 12 months or less, we do not recognize lease liabilities and ROU assets, but recognize the lease payments in net income on a straight-line basis over the respective lease terms.

We recognize income from subleases (in which we are the sublessor) on a straight-line basis over the term of the sublease, as a reduction to lease expense.

Income Taxes

Income tax expense is the tax payable for the period and the change during the period in deferred tax assets and liabilities. Deferred income taxes are determined based on the temporary difference between the financial reporting and tax bases of assets and liabilities using enacted rates in effect during the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. ASC Topic 740, "Accounting for Income Taxes" clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. Tax positions shall initially be recognized in the financial statements when it is more likely than not that the position will be sustained upon examination by the tax authorities. Such tax positions shall initially and subsequently be measured as the largest amount of tax benefit that has a probability of fifty percent or greater of being realized upon ultimate settlement with the tax authority, assuming full knowledge of the position and all relevant facts. Tax years that remain open for assessment for federal and state tax purposes include the years ended December 31, 2018 through December 31, 2021.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which was subsequently amended in November 2018 through ASU No. 2018-19. This ASU will require entities to estimate lifetime expected credit losses for financial instruments, including trade and other receivables, which will result in earlier recognition of credit losses. In November 2019, the FASB issued ASU No. 2019-10, which, among other things, deferred the application of the new guidance on credit losses for smaller reporting companies to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. We are currently evaluating the new guidance to determine the impact the adoption of this guidance will have on our results of operations, cash flows, and financial condition.

In November 2021, the FASB issued ASU No. 2021-10, “Government Assistance (Topic 823): Disclosures by Business Entities about Government Assistance.” This ASU will require certain financial statement disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. This guidance is effective for financial statements issued for annual periods beginning after December 15, 2021. As this ASU only affects financial statement disclosures, the adoption of this guidance will not have any impact on our results of operations, cash flows, or financial condition.

Recently Adopted Accounting Pronouncements

We adopted ASU No. 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes” effective January 1, 2021. This ASU removes certain exceptions to the general principles in Topic 740, including, but not limited to, intraperiod tax allocations and interim period tax calculations. The ASU also provides additional clarification and guidance related to recognition of franchise taxes and changes in tax laws. The adoption of this new guidance did not have any impact on our results of operations, cash flows, or financial condition.

We adopted ASU No. 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement” effective January 1, 2020. This ASU adds, modifies, and removes several disclosure requirements relative to the three levels of inputs used to measure fair value in accordance with Topic 820, “Fair Value Measurement.” The adoption of this new guidance did not have any impact on our results of operations, cash flows, or financial condition.

Summary of Operating Results

The consolidated financial statements and related notes included elsewhere in this Form 10-K are as of or for the year ended December 31, 2021 (the “Current Year”), and the year ended December 31, 2020 (the “Prior Year”).

Revenues

Current Year net revenue increased approximately $8.5 million to $37.9 million from $29.4 million for the Prior Year.

Net licensing revenue increased by $1.6 million in the Current Year to approximately $21.8 million, compared with approximately $20.2 million in the Prior Year. This increase in licensing revenue was primarily attributable to the acquisition of the Lori Goldstein brand on April 1, 2021, as well as continued revenue growth under licensing agreements for the Isaac Mizrahi brand, partially offset by a decline in licensing revenue related to the transition of the H Halston brand to a wholesale supply model.

Net sales increased by $6.9 million in the Current Year to $16.1 million, compared with $9.2 million in the Prior Year. Net sales of jewelry – primarily through wholesale distribution, and to a lesser extent through e-commerce and brick-and-mortar retail – comprised nearly half of the overall increase in net product sales. Sales of Longaberger branded products through e-commerce, social commerce, and livestreaming grew by over 270% year-over-year. In addition, wholesale apparel sales contributed significantly to the year-over-year increase in net product sales, as retail sales were severely negatively impacted in the Prior Year period during the initial outbreak of the COVID-19 pandemic.

Cost of Goods Sold

Current Year cost of goods sold was $10.7 million, compared with $5.5 million for the Prior Year due to the higher volumes of product sales in the Current Year. Gross profit (net revenue less cost of goods sold) increased approximately $3.3 million to $27.3 million from $24.0 million in the Prior Year, driven by the combination of the aforementioned increases in both net licensing revenue and net product sales. Gross profit margin from product sales (net sales less cost of goods sold, divided by net sales) declined from approximately 41% in the Prior Year to approximately 34% in the Current Year, primarily due to increased freight costs and other supply costs to source products.

Operating Costs and Expenses

Operating costs and expenses decreased approximately $0.6 million from $40.4 million in the Prior Year to $39.8 million in the Current Year.

This decrease in operating costs and expenses was mainly driven by lower non-cash impairment charges of $13.1 million recorded in the Prior Year (primarily related to the Ripka Brand trademarks) compared with $1.4 million in the Current Year (related to our brick-and-mortar fine jewelry retail store, which we subsequently closed in 2022). This decrease was partially offset by the combination of (i) a $4.5 million increase in selling, general and administrative expenses, which was primarily attributable to increased marketing, advertising and public relations expenses, and higher warehouse and logistics costs, partially offset by lower bad debt expense; (ii) a $3.5 million increase in salaries, benefits and employment taxes, which was primarily attributable to the combination of post-COVID normalized salary costs and costs associated with the Lori Goldstein brand; and (iii) the Prior Year benefit of government assistance received through the Paycheck Protection Program in 2020, for which the Company recognized $1.8 million as a reduction to Prior Year operating costs and expenses. Also significantly offsetting the aforementioned decrease in operating costs and expenses was a $1.3 million increase in depreciation and amortization expense, primarily related to the Lori Goldstein brand trademarks acquired on April 1, 2021.

Other Income

During the Prior Year, we recognized a $0.05 million net gain on the sale of certain assets related to the Longaberger brand.

Interest and Finance Expense

Interest and finance expense for the Current Year was $3.6 million, compared with $1.2 million for the Prior Year.

This increase of approximately $2.4 million was primarily attributable to $1.5 million of losses on the extinguishment of debt recognized in the Current Year as a result of the new term loan financing agreements entered into on April 14, 2021 and December 30, 2021. The increase in interest and finance expense was also partially attributable to the fact that the new term loan agreements entered into during the Current Year resulted in a higher outstanding principal balance at a higher interest rate as compared with the previous loan agreement.

Income Tax Benefit

The effective income tax benefit rate for the Current Year was approximately 19.3% resulting in a $3.1 million income tax benefit. During the Current Year, the effective tax rate was impacted by the impact of stock-based compensation, which decreased the effective rate by approximately 5.6%. The effective tax rate was also impacted by recurring permanent differences; the largest such recurring permanent differences were state and local tax provisions, which increased the effective rate in 2021 by approximately 4.6%, and disallowed excess compensation, which decreased the effective rate in 2021 by approximately 0.7%.

The effective income tax benefit rate for the Prior Year was approximately 25.9% resulting in a $4.5 million income tax benefit. During the Prior Year, the effective tax rate was impacted by the vesting of restricted shares of common stock. The excess tax deficiencies were treated as a discrete item in the determination of the tax provision, and decreased the effective rate by approximately 1.9%. The effective tax rate was also impacted by recurring permanent differences, which, based on the amount of income before income taxes compared to the permanent differences, increased the effective rate in 2020 by approximately 4.0%. The largest such recurring permanent differences were state and local tax provisions, which increased the effective rate in 2020 by approximately 4.5%, and disallowed excess compensation, which decreased the effective rate in 2020 by approximately 0.5%. Also impacting the effective rate for 2020 was the addback impact of the Paycheck Protection Program, which increased the effective rate by approximately 2.2%.

Net Loss

We had a net loss of approximately $13.0 million for the Current Year, compared with a net loss of approximately $13.1 million for the Prior Year, as a result of the factors discussed above.

Non-GAAP Net Income, Non-GAAP Diluted EPS and Adjusted EBITDA

We had a non-GAAP net loss of $6.2 million or $(0.32) per share ("non-GAAP diluted EPS") based on 19,455,987 weighted average shares outstanding for the Current Year, compared with non-GAAP net income of $1.8 million, or $0.10 per share based on 19,152,569 weighted average shares outstanding for the Prior Year. Non-GAAP net income is a non-GAAP unaudited term, which we define as net income (loss) attributable to Xcel Brands, Inc. stockholders, exclusive of amortization of trademarks, stock-based compensation, loss on extinguishment of debt, gain on sales of assets, costs (recoveries) in connection with potential acquisitions, certain adjustments to the provision for doubtful accounts related to the bankruptcy of and economic impact on certain retail customers due to the COVID-19 pandemic, asset impairments, and deferred income taxes. Non-GAAP net income and non-GAAP diluted EPS measures do not include the tax effect of the aforementioned adjusting items, due to the nature of these items and the Company's tax strategy.

We had Adjusted EBITDA of approximately $(2.5) million for the Current Year, compared with Adjusted EBITDA of approximately $4.1 million for the Prior Year. Adjusted EBITDA is a non-GAAP unaudited measure, which we define as net income (loss) attributable to Xcel Brands, Inc. stockholders before depreciation and amortization, interest and finance expenses (including loss on extinguishment of debt, if any), income taxes, other state and local franchise taxes, stock-based compensation, gain on sale of assets, costs (recoveries) in connection with potential acquisitions, asset impairments, and certain adjustments to the provision for doubtful accounts related to the bankruptcy of and economic impact on certain retail customers due to the COVID-19 pandemic.

Management uses non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA as measures of operating performance to assist in comparing performance from period to period on a consistent basis and to identify business trends relating to the Company's results of operations. Management believes non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA are also useful because these measures adjust for certain costs and other events that management believes are not representative of our core business operating results, and thus these non-GAAP measures provide supplemental information to assist investors in evaluating the Company's financial results. The Company incurred certain costs in the Prior Year which it could have eliminated but elected not to do so in light of government assistance received through the Paycheck Protection Program under the CARES Act (the "PPP Benefit"), which represents a cash benefit directly related to the Company's operating expenses incurred. Accordingly, the PPP Benefit is not considered a reconciling item for purposes of the computation of non-GAAP net income and Adjusted EBITDA. Adjusted EBITDA is the measure used to calculate compliance with the EBITDA covenant under our term loan agreement.

Non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA should not be considered in isolation or as alternatives to net income, earnings per share, or any other measure of financial performance calculated and presented in accordance with GAAP. Given that non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA are financial measures not deemed to be in accordance with GAAP and are susceptible to varying calculations, our non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA may not be comparable to similarly titled measures of other companies, including companies in our industry, because other companies may calculate these measures in a different manner than we do.

In evaluating non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA, you should be aware that in the future we may or may not incur expenses similar to some of the adjustments in this report. Our presentation of non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA does not imply that our future results will be unaffected by these expenses or any unusual or non-recurring items. When evaluating our performance, you should consider non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA alongside other financial performance measures, including our net income and other GAAP results, and not rely on any single financial measure.

The following table is a reconciliation of net loss attributable to Xcel Brands, Inc. stockholders (our most directly comparable financial measure presented in accordance with GAAP) to non-GAAP net (loss) income:

($ in thousands)	Year Ended December 31, 2021	2020
Net loss attributable to Xcel Brands, Inc. stockholders	$ (12,184)	$ (12,936)
Asset impairments	1,372	13,113
Amortization of trademarks	5,435	4,432
Stock-based compensation	720	850
Loss on extinguishment of debt	1,516	—
(Recovery of) costs in connection with potential acquisition	—	(158)
Certain adjustments to provision for doubtful accounts	132	971
Gain on sale of assets	—	(46)
Deferred income tax benefit	(3,192)	(4,382)
Non-GAAP net (loss) income	$ (6,201)	$ 1,844

The following table is a reconciliation of diluted (loss) earnings per share to non-GAAP diluted EPS:

	Year Ended December 31, 2021	2020
Diluted loss per share attributable to Xcel Brands, Inc. stockholders	$ (0.63)	$ (0.68)
Asset impairments	0.07	0.69
Amortization of trademarks	0.28	0.23
Stock-based compensation	0.04	0.04
Loss on extinguishment of debt	0.08	—
(Recovery of) costs in connection with potential acquisition	—	(0.01)
Certain adjustments to provision for doubtful accounts	0.01	0.05
Gain on sale of assets	—	0.00
Deferred income tax benefit	(0.17)	(0.22)
Non-GAAP diluted EPS	$ (0.32)	$ 0.10
Diluted weighted average shares outstanding	19,455,987	19,152,569

The following table is a reconciliation of basic weighted average shares outstanding to non-GAAP diluted weighted average shares outstanding:

	Year Ended December 31, 2021	2020
Basic weighted average shares	19,455,987	19,117,460
Effect of exercising warrants	—	490
Effect of exercising stock options	—	34,619
Non-GAAP diluted weighted average shares outstanding	19,455,987	19,152,569

As a result of the non-GAAP net loss for the Current Year, the non-GAAP diluted weighted average shares outstanding for the Current Year excludes the effect of exercising warrants and stock options, as such effect would be anti-dilutive.

The following table is a reconciliation of net loss attributable to Xcel Brands, Inc. stockholders (our most directly comparable financial measure presented in accordance with GAAP) to Adjusted EBITDA:

	Year Ended December 31,	
($ in thousands)	**2021**	**2020**
Net loss attributable to Xcel Brands, Inc. stockholders	$ (12,184)	$ (12,936)
Asset impairments	1,372	13,113
Depreciation and amortization	6,830	5,497
Interest and finance expense	3,579	1,193
Income tax benefit	(3,106)	(4,518)
State and local franchise taxes	142	145
Stock-based compensation	720	850
(Recovery of) costs in connection with potential acquisition	—	(158)
Certain adjustments to provision for doubtful accounts	132	971
Gain on sale of assets	—	(46)
Adjusted EBITDA	$ (2,515)	$ 4,111

Liquidity and Capital Resources

General

As of December 31, 2021 and 2020, our cash and cash equivalents were $4.5 million and $5.0 million, respectively. Restricted cash at December 31, 2021 and 2020 consisted of $0.7 million and $1.1 million, respectively, of cash deposited as collateral for an irrevocable standby letter of credit associated with the lease of our current corporate office and operating facility.

Our principal capital requirements have been to fund working capital needs, acquire new brands, and to a lesser extent, capital expenditures. Notwithstanding our recent investments in our ERP system and our brick-and-mortal retail store, our business operating model generally does not require material capital expenditures, and as of December 31, 2021, we have no significant commitments for future capital expenditures. Material cash requirements from known contractual and other obligations are discussed under “Obligations and Commitments” below.

We expect that existing cash and operating cash flows will be adequate to meet our operating needs, term debt service obligations, and capital expenditure needs, for at least the twelve months subsequent to the filing date of this Annual Report on Form 10-K. We believe that cash from future operations, including growth opportunities and future business development, as well as currently available cash, will be sufficient to satisfy our anticipated long-term operating needs, including our debt service requirements and making necessary investments in our infrastructure and technology, for the foreseeable future beyond the next twelve months.

Working Capital

Our working capital (current assets less current liabilities, excluding the current portion of lease obligations and any contingent liabilities payable in common stock) was $7.9 million as of both December 31, 2021 and 2020. Commentary on components of our cash flows for the Current Year compared with the Prior Year is set forth below.

Operating Activities

Net cash (used in) provided by operating activities was approximately $(6.6) million and $3.2 million in the Current Year and Prior Year, respectively.

The Current Year’s cash used in operating activities was primarily attributable to the combination of the net loss of $(13.0) million plus non-cash expenses of approximately $7.7 million, and a net change in operating assets and liabilities of approximately $(1.2) million. Non-cash net expenses were primarily comprised of $6.8 million of depreciation and amortization, $1.4 million of asset impairment charges, $0.3 million of amortization of deferred finance costs, a $1.5

million loss on extinguishment of debt, $0.7 million of stock-based compensation, and $(3.2) million of deferred income tax benefit. The net change in operating assets and liabilities notably included a decrease in accounts receivable of $1.1 million, an increase in inventory of $(2.2) million, an increase in prepaid expenses and other assets of $(0.8) million, and an increase in accounts payable, accrued expenses and other current liabilities of $1.2 million. The changes in accounts receivable and payable were primarily related to the timing of collections and payments, while the change in inventory is primarily related to expected increases in wholesales, including our drop-ship programs, and an increase in our direct-to-consumer businesses.

The Prior Year's cash provided by operating activities was primarily attributable to the combination of the net loss of $(13.1) million plus non-cash expenses of approximately $16.2 million, and a net change in operating assets and liabilities of approximately $0.1 million. The net loss of $(13.1) million included $1.8 million of government assistance received through the PPP under the CARES Act, which was recognized as a reduction to Current Year expenses for which the program was intended to compensate. Non-cash net expenses were primarily comprised of a $13.0 million intangible asset impairment charge, $5.5 million of depreciation and amortization, $1.0 million of bad debt expense, $0.9 million of stock-based compensation, and $(4.4) million of deferred income tax benefit. The net change in operating assets and liabilities included a decrease in accounts receivable of $0.7 million, an increase in inventory of $(0.3) million, a decrease in prepaid expenses and other assets of $0.6 million, and a decrease in accounts payable, accrued expenses and other current liabilities of $(0.5) million, all of which are primarily due to timing of collections and payments, and cash paid in excess of rent expense of $(0.4) million.

Investing Activities

Net cash used in investing activities for the Current Year was approximately $4.8 million, which was primarily attributable to the acquisition of the Lori Goldstein brand on April 1, 2021, and, to a lesser extent, to capital expenditures relating to the fit-out and furnishing of our new Judith Ripka fine jewelry retail store.

Net cash used in investing activities for the Prior Year was approximately $0.7 million, primarily attributable to capital expenditures, a substantial portion of which related to the implementation of our ERP system.

Financing Activities

Net cash provided by financing activities for the Current Year was approximately $10.5 million, and was primarily attributable to a net increase in debt obligations of $13.5 million, due to debt refinancing transactions entered into on April 14, 2021 and December 30, 2021, as well as cash contributions received from the non-controlling interest holder in Longaberger Licensing, LLC of $1.0 million. These sources of cash were partially offset by deferred finance costs and other fees paid in connection with the aforementioned debt refinancing transactions of $(2.7) million, and principal payments made on term loan debt of $(1.3) million during the year.

Net cash used in financing activities for the Prior Year was approximately $(2.2) million, and was primarily attributable to payments made on long-term debt obligations of $(2.3) million, cash contributions received from the non-controlling interest holder in Longaberger Licensing, LLC of $0.3 million, and $(0.2) million of shares repurchased related to vested restricted stock in exchange for withholding taxes.

Obligations and Commitments

Term Loan Debt and Revolving Loan Debt

Previous Term Loan Debt

On February 11, 2019, the Company entered into an amended loan agreement with Bank Hapoalim B.M. ("BHI"), which amended and restated a prior term loan with BHI. Under that amended loan agreement, the aggregate amount of all the term loans extended by BHI to Xcel was $22.0 million, which amount was divided into two term loans: (1) a term loan in the amount of $7.3 million and (2) a term loan in the amount of $14.7 million. These two term loans bore interest at a fixed rate of 5.1% and 6.25% per annum, respectively. Such loan agreement was subsequently amended on April 13, 2020 and again on August 18, 2020; such amendments changed the timing and amount of quarterly installment payments, but did not change the total principal balance, interest rate, or maturity date. These amendments during 2020 were accounted for as debt modifications and, accordingly, no gain or loss was recorded.

April 2021 Term Loan Debt

On April 14, 2021, Xcel, as Borrower, and its wholly-owned subsidiaries entered into a Loan and Security Agreement (the "Loan Agreement") with BHI as administrative agent and collateral agent, FEAC Agent, LLC ("FEAC") as co-collateral agent, and the financial institutions party thereto as lenders. Pursuant to the Loan Agreement, the lenders made two term loans: (1) a term loan in the amount of $10.0 million ("Term Loan A") and (2) a term loan in the amount of $15.0 million ("Term Loan B" and, together with Term Loan A, the "Term Loans").

The Loan Agreement also provided that the lenders make available to Xcel a revolving loan facility in an amount up to $4.0 million on a discretionary basis, but not to exceed 85% of the amount of eligible accounts receivable, as defined.

Management assessed and determined that this new agreement resulted in an extinguishment of the previous term loan debt, and accordingly recognized a loss of approximately $0.82 million (consisting of $0.09 million of unamortized deferred finance costs and $0.73 million of breakage fees owed to the old lender under the terms of the previous debt agreement) during the Current Year. Approximately $367,000 of such aforementioned breakage fees were paid at time of extinguishment, with the remaining $367,000 of such fees payable in three equal payments on each of May 1, 2022, 2023, and 2024.

Upon entering into the Loan Agreement, Xcel paid a 2.5% closing fee in the amount of $0.625 million to the administrative agent for the benefit of each lender having a term loan commitment; the Company also paid approximately $0.6 million of various legal and other fees in connection with the execution of the Loan Agreement. These fees and costs totaling approximately $1.2 million were deferred on the Company's balance sheet as a reduction of the carrying value of the Term Loans, to be subsequently amortized to interest expense over the term of the Term Loans using the effective interest method.

The Term Loans were to mature on April 14, 2025, with principal payable in 16 quarterly installments of $625,000 on each of March 31, June 30, September 30, and December 31 of each year, commencing on June 30, 2021 and ending on March 31, 2025, with a final payment of $15.0 million on the maturity date of April 14, 2025. The Company made the required principal payments on June 30, 2021 and September 30, 2021 (totaling $1.25 million) as scheduled.

Interest on Term Loan A accrued at LIBOR plus 4.0% per annum, and interest on the Term Loan B accrued at LIBOR plus 8.0% per annum. Interest on the Loans was paid on the last business day of each calendar month. Base Rate was defined in the Loan Agreement as the greater of (a) BHI's stated prime rate or (b) 2.00% per annum plus the overnight federal funds rate published by the Federal Reserve Bank of New York. LIBOR was defined in the Loan Agreement as the greater of (a) the rate of interest per annum for deposits in dollars for an interest period equal to one month as published by ICE Benchmark Administration Limited or a comparable or successor quoting service at approximately 11:00 a.m. (London time) on such date of determination or (b) 1.0% per annum.

The Loan Agreement also contained customary covenants, including reporting requirements, trademark preservation, and financial covenants (on a consolidated basis with Xcel and its wholly-owned subsidiaries).

The Company, BHI, FEAC, and the lenders subsequently amended the Loan Agreement multiple times during 2021 – on August 12, 2021, September 29, 2021, and November 12, 2021. While these amendments modified financial covenants and/or adjusted the maximum amount available under the revolving loan facility, there were no changes made to the total principal balance, interest rate, maturity date, or any other terms of the Loan Agreement.

Also, under the terms of the April 2021 Loan Agreement, the lenders made a revolving loan facility available to Xcel. On June 24, 2021, we borrowed $1.5 million under the aforementioned revolving loan facility, and on September 30, 2021, we borrowed $998,000 under the revolving loan facility. We repaid the outstanding balance in full on December 30, 2021. The revolving loan facility bore interest at a rate of 4.75% per annum, and we incurred related interest expense of approximately $0.05 million for the Current Year. As of December 31, 2021, we no longer had access to a revolving loan facility under the terms of the new loan agreement entered into on December 30, 2021 (as described below).

December 2021 Term Loan Debt

On December 30, 2021, Xcel, as Borrower, and its wholly-owned subsidiaries, IM Brands, LLC, JR Licensing, LLC, H Licensing, LLC, C Wonder Licensing, LLC, Xcel Design Group, LLC, Judith Ripka Fine Jewelry, LLC, H Heritage Licensing, LLC, Xcel-CT MFG, LLC and Gold Licensing, LLC, as Guarantors (each a "Guarantor" and collectively, the "Guarantors"), entered into a Loan and Security Agreement (the "New Loan Agreement") with FEAC, as lead arranger and as administrative agent and collateral agent for the lenders party to the New Loan Agreement, and the financial institutions party thereto as lenders (the "Lenders"). Pursuant to the New Loan Agreement, the Lenders made a term loan in the aggregate amount of $29.0 million (the "New Term Loan"). The proceeds of the New Term Loan were used for the purpose of refinancing existing indebtedness (i.e., the April 2021 Term Loan debt), to pay fees, costs, and expenses incurred in connection with entering into the New Loan Agreement, and for working capital purposes.

The New Loan Agreement also provides that Xcel may request the Lenders make incremental term loans of up to $25.0 million (the "Incremental Term Loans"). The terms and conditions of the Incremental Term Loans will be agreed in an amendment to the New Loan Agreement prior to the funding by the Incremental Term Loans.

Management assessed and determined that the New Loan Agreement resulted in an extinguishment of the April 2021 Term Loan debt, and accordingly recognized a loss of approximately $0.74 million (consisting of $0.92 million of unamortized deferred finance costs and $(0.18) of net fees owed to BHI less refunds of certain costs related to the April 2021 Term Loan debt) during the Current Year.

Upon entering into the New Loan Agreement, Xcel paid a 1.75% closing fee to FEAC for the benefit of the Lenders; the Company also paid approximately $0.5 million of various legal and other fees in connection with the execution of the New Loan Agreement. These fees and costs totaling approximately $1.0 million have been deferred on the Company's balance sheet as of December 31, 2021 as a reduction of the carrying value of the New Term Loan, to be subsequently amortized to interest expense over the term of the New Term Loan using the effective interest method.

The New Term Loan matures on April 14, 2025. Principal on the New Term Loan is payable in quarterly installments of $625,000 on each of March 31, June 30, September 30 and December 31 of each year, commencing on March 31, 2022 and ending on March 31, 2025, with a final payment of $20,875,000 on the maturity date of April 14, 2025.

Thus, the aggregate remaining annual principal payments under the New Term Loan at December 31, 2021 were as follows:

($ in thousands) **Year Ending December 31,**	**Amount of Principal Payment**
2022	$ 2,500
2023	2,500
2024	2,500
2025	21,500
Total	$ 29,000

Xcel has the right upon thirty (30) days prior written notice to prepay all or any portion of the New Term Loan or Incremental Term Loans and accrued and unpaid interest thereon; provided that any prepayment shall be applied first to prepay the New Term Loan in full and second to the Incremental Term Loans.

If the New Term Loan is prepaid in whole or in part on or prior to the second anniversary of the closing date (including as a result of an event of default), Xcel shall pay a prepayment premium as follows: an amount equal to the principal amount of the New Term Loan prepaid multiplied by: (i) five percent (5.00%) if such prepayment occurs on or before the first anniversary of the closing date; (ii) two percent (2.00%) if such prepayment occurs at any time after the first anniversary of the closing date and on or prior to the second anniversary of the closing date; and (iii) one percent (1.00%) if such prepayment occurs at any time after the second anniversary of the closing date.

Xcel's obligations under the New Loan Agreement are guaranteed by the Guarantors and secured by all of the assets of Xcel and the Guarantors (as well as any subsidiary formed or acquired that becomes a credit party to the Loan Agreement) and, subject to certain limitations contained in the New Loan Agreement, equity interests of the Guarantors (as well as any subsidiary formed or acquired that becomes a credit party to the New Loan Agreement).

Xcel also granted the Lenders a right of first offer to finance any acquisition for which the consideration therefore will be paid other than by cash of Xcel or the Guarantors, the issuance of equity interest of Xcel or the issuance of notes to the applicable seller.

The New Loan Agreement contains customary covenants, including reporting requirements, trademark preservation, and the following financial covenants of Xcel (on a consolidated basis with the Guarantors and any subsidiaries subsequently formed or acquired that become a credit party under the Loan Agreement):

- liquid assets of at least (i) $2.5 million during the first fiscal month of each fiscal quarter if cash payments from revenue licenses during the immediately succeeding 30 days are expected to be at least $4.0 million, and (ii) $3.0 million at all other times;

- a fixed charge coverage ratio of not less than 1.00 to 1.00 for the fiscal quarter ending September 30, 2022, and for the twelve fiscal month period ending at the end of each fiscal quarter commencing with the fiscal quarter ending December 31, 2022;

- a loan to value ratio not to exceed 50% at all times;

- minimum revenues as set forth below:

Fiscal Period	Minimum Revenue
April 1, 2021 - December 31, 2021	$ 16,445,000
For the trailing twelve month period ending March 31, 2022	$ 23,500,000
For the trailing twelve month period ending June 30, 2022	$ 24,491,000
For the trailing twelve month periods ending September 30, 2022 and each fiscal quarter end thereafter	$ 25,000,000

- the sum of (i) the eligible inventory plus (ii) eligible cash on hand to the extent not used to satisfy the Minimum Accounts Amount (as defined below) plus (iii) the eligible accounts to the extent not used to satisfy the Minimum Accounts Amount (as defined below) of at least $1.25 million at all times ("Minimum Inventory Amount"), and the sum of (i) the eligible accounts plus (ii) eligible cash on hand to the extent not used to satisfy the Minimum Inventory Amount of at least $1.5 million at all times ("Minimum Accounts Amount"); and

- Adjusted EBITDA of at least $2.0 million for the 6 fiscal month period ending June 30, 2022.

The Company was in compliance with all applicable covenants under the Loan Agreement as of and for the fiscal year ended December 31, 2021.

Interest on the New Term Loan accrues at "LIBOR" plus 7.5% per annum, and is payable on the last business day of each calendar month. "LIBOR" is defined in the New Loan Agreement as the greater of (a) the rate of interest per annum for deposits in dollars for an interest period equal to three months as published by Bloomberg or a comparable or successor quoting service at approximately 11:00 a.m. (London time) two business days prior to the last business day of each calendar month and (b) 1.0% per annum.

For the Current Year and Prior Year, the Company incurred interest expense of approximately $1.9 million and $1.2 million, respectively, related to term loan debt. The effective interest rate related to term loan debt was approximately 8.7% and 6.7% for the Current Year and Prior Year, respectively.

Contingent Obligations – Halston Heritage Earn-Out

In connection with the February 11, 2019 purchase of the Halston Heritage trademarks from the H Company IP, LLC (“HIP”), the Company agreed to pay HIP additional consideration (the “Halston Heritage Earn-Out”) of up to $6.0 million, based on royalties earned through December 31, 2022. The Halston Heritage Earn-Out of $0.9 million is recorded as a long-term liability as of December 31, 2021 and 2020 in the accompanying consolidated balance sheets, based on the difference at the date of acquisition between the fair value of the acquired assets of the Halston Heritage Trademarks and the total consideration paid.

The Halston Heritage Earn-Out is generally required to be paid in shares of our common stock, subject to certain limitations. Payment of this obligation in stock would not affect our liquidity.

Contingent Obligation – Lori Goldstein Earn-Out

In connection with the April 1, 2021 purchase of the Lori Goldstein trademarks (see Note 3 of the financial statements for additional information), the Company agreed to pay the seller additional cash consideration of up to $12.5 million, based on royalties earned during the six calendar year period commencing in 2021. The Lori Goldstein Earn-Out of $6.6 million is recorded as a long-term liability at December 31, 2021 in the accompanying consolidated balance sheet, based on the difference at the date of acquisition between the fair value of the acquired assets of the Lori Goldstein brand and the total consideration paid.

Real Estate Leases

As described in Item 2 of this Annual Report on Form 10-K, as of December 31, 2021 we had real estate leases for our current office, former office, and a retail store location, with remaining lease terms between approximately two months to seven years. We recorded an impairment charge related to the right-of-use asset for the retail store as of December 31, 2021, subsequently closed the retail store in 2022, and are currently in the process of negotiating the termination of the retail store lease; however, the lease liability for the retail store remains on our consolidated balance sheet as a liability and is included in the future payment obligations set forth below.

Future payments under our real estate leases are expected to be approximately $1.7 million for the year ending December 31, 2022, $1.7 million for each of the years ending December 31, 2023 – 2026, and $2.0 million thereafter.

Employment Contracts

We have entered into contracts with certain executives and key employees. The future minimum payments under these contracts is expected to be approximately $2.4 million and is expected to be paid in 2022.

Other Factors

We continue to seek to expand and diversify the types of licensed products being produced under our brands. We plan to continue to diversify the distribution channels within which licensed products are sold, in an effort to reduce dependence on any particular retailer, consumer, or market sector within each of our brands. The Mizrahi brand, Lori Goldstein brand, Halston brand, and C Wonder brand have a core business in fashion apparel and accessories. The Ripka brand is a fine jewelry business, and the Longaberger brand focuses on home good products, which we believe helps diversify our industry focus while at the same time complements our business operations and relationships.

We continue to work towards expanding our wholesale and e-commerce businesses, and complement these operations with our licensing business.

In addition, we continue to seek new opportunities, including expansion through interactive television, our design, production and supply chain platform, additional domestic and international licensing arrangements, and acquiring additional brands. In April 2021, we acquired the Lori Goldstein brand, which is currently available and sold to consumers through Qurate's QVC channel.

However, the impacts of the ongoing COVID-19 pandemic are broad reaching and are having an impact on our licensing and wholesale businesses. This global pandemic is impacting our supply chain, and temporary factory closures and the pace of workers returning to work have impacted our contract manufacturers' ability to source certain raw materials and to produce finished goods in a timely manner. The pandemic is also impacting distribution and logistics providers' ability to operate in the normal course of business. In addition, COVID-19 has resulted in a sudden and continuing decrease in sales for many of our products, resulting in order cancellations. Further, the global pandemic has affected the financial health of certain of our customers, and the bankruptcy of certain other customers, including Lord & Taylor and Le Tote, Stein Mart, and Century 21, from which we had an aggregate of approximately $1.4 million of accounts receivable due at December 31, 2021. As a result, we have recognized an allowance for doubtful accounts of approximately $1.1 million as of December 31, 2021, and may be required to make additional adjustments for doubtful accounts which would increase our operating expenses in future periods and negatively impact our operating results, and could result in our failure to meet financial covenants under our credit facility. Financial impacts associated with the COVID-19 pandemic include, but are not limited to, lower net sales, adjustments to allowances for doubtful accounts due to customer bankruptcy or other inability to pay their amounts due to vendors, the delay of inventory production and fulfillment, potentially further impacting net sales, and potential incremental costs associated with mitigating the effects of the pandemic, including increased freight and logistics costs and other expenses. The impact of the COVID-19 pandemic is expected to continue to have an adverse effect on our operating results, which could result in our inability to comply with certain debt covenants and require our lenders to waive compliance with, or agree to amend, any such covenant to avoid a default. The COVID-19 global pandemic is ongoing, and its dynamic nature, including uncertainties relating to the severity and duration of the pandemic, as well as actions that would be taken by governmental authorities to contain the pandemic or to treat its impact, makes it difficult to forecast any effects on our 2022 results. However, as of the date of this filing, we expect our results for some portion of 2022 to be affected.

In addition, the global shipping industry is currently experiencing challenges related to port delays and tight availability for carriers and containers. This situation has negatively impacted our supply chain partners, including third party manufacturers, logistics providers, and other vendors, as well as the supply chains of our licensees, and has resulted in increased cost of supply and freight costs for us and our licensees. Such higher costs are currently expected to continue for at least some portion of 2022.

Our long-term success, however, will still remain largely dependent on our ability to build and maintain our brands' awareness and continue to attract wholesale and direct-to-consumer customers, and contract with and retain key licensees, as well as our and our licensees' ability to accurately predict upcoming fashion and design trends within their respective customer bases and fulfill the product requirements of the particular retail channels within the global marketplace. Unanticipated changes in consumer fashion preferences and purchasing patterns, slowdowns in the U.S. economy, changes in the prices of supplies, consolidation of retail establishments, and other factors noted in "Risk Factors" could adversely affect our licensees' ability to meet and/or exceed their contractual commitments to us and thereby adversely affect our future operating results.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, results of operations or liquidity.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of
Xcel Brands, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Xcel Brands, Inc. and Subsidiaries (the "Company") as of December 31, 2021, the related consolidated statements of operations, stockholders' equity and cash flows for the year ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the year ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Tradename Impairment Testing – Refer to Note 2 and Note 4 to the Consolidated Financial Statements

Description of the Matter
The Company evaluates indefinite-lived intangible assets for impairment annually by comparing the carrying values to their estimated fair values as of the evaluation dates unless an interim evaluation is required due to the presence of indictors that the tradenames may be impaired. The Company uses the income approach using a discounted cash flow model to value the indefinite-lived tradename, comparing its fair value to carrying value to determine impairment. If the carrying value of this asset is considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds fair value.

As of December 31, 2021, the Company had one indefinite-lived tradename (Isaac Mizrahi Brand) with a carrying value of $44,500,000.

We identified the Company's indefinite-lived tradename impairment evaluation as a critical audit matter. Auditing the Company's tradename impairment evaluation was complex and subjective due to the significant estimation required to determine the forecasted cash flows used in the Company's evaluation. Specifically, the forecasted cash flows are sensitive to significant assumptions such as revenue growth rates, including the terminal growth rates, margins, expenses, and discount rates, all of which are affected by expected future market or economic conditions, including the effects of the global pandemic. In addition, our audit effort involved the use of professionals within our firm with specialized skill and knowledge in valuation methods and models.

How We Addressed the Matter in our Audit
The primary procedures we performed, with the assistance of professionals within our firm with specialized skills and knowledge in valuation methods and models, where necessary, to address this critical audit matter included the following, among others. (1) We evaluated the Company's forecasted revenue (2) Evaluated the guideline companies used that operated in similar industries. (3) The Company used the appropriate modified capital asset pricing model and a weighted average cost of capital. (4) We performed independent calculations to evaluate the sensitivity of the key assumptions used by management.

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2021.

New York, NY

April 14, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Xcel Brands, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Xcel Brands, Inc. and Subsidiaries (the "Company") as of December 31, 2020, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgements. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Tradename Impairment Testing

As disclosed in Note 2 to the consolidated financial statements, indefinite-lived tradenames are tested for impairment annually in the fourth quarter of each year unless an interim test is required due to the presence of indictors that the tradenames may be impaired. The Company uses the income approach using a discounted cash flow model to value the indefinite-lived tradename, comparing its fair value to carrying value to determine impairment. If the carrying value of such assets is considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds fair value.

Finite-lived tradenames are reviewed for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. The Company uses the income approach using an undiscounted cash flow model to assess the recoverability of the finite-lived tradename, comparing its undiscounted cash flows to its carrying value. If the carrying value exceeds undiscounted cash flows, the Company will use a discounted cash flow model to determine the fair value, and an impairment loss is recognized if the carrying amount of finite-lived intangible asset exceeds fair value.

As of December 31, 2020, the Company had one indefinite-lived tradename (Isaac Mizrahi Brand) with a carrying value of $44,500,000.

As of December 31, 2020, the Company had four finite-lived tradenames (Ripka Brand, Halston Brand, C Wonder Brand and Longaberger Brand) with an aggregate carrying value of $48,748,000.

We identified the Company's tradename impairment testing as a critical audit matter. Auditing the Company's tradename impairment testing was complex and subjective due to the significant estimation required to determine the forecasted cash flows used in the Company's testing. Specifically, the forecasted cash flows are sensitive to significant assumptions such as revenue growth rates, including the terminal growth rates, margins, expenses, and discount rates, all of which are affected by expected future market or economic conditions, including the effects of the global pandemic. In addition, our audit effort involved the use of professionals within our firm with specialized skill and knowledge in valuation methods and models.

The primary procedures we performed to address this critical audit matter included the following.

- We obtained an understanding of and evaluated the Company's process to estimate future cashflows, including methods, data, and significant assumptions used in developing the discounted cashflow analysis as well as the completeness and accuracy of the underlying data used by the Company in its analysis.

- We evaluated the reasonableness of the Company's forecasted revenues, operating results, and cash flows by comparing those forecasts to the underlying business strategies and growth plans, including existing license arrangements. In addition, we performed a sensitivity analysis related to the key inputs to forecasted cash flows, including revenue growth rates, margins, and discount rates, to evaluate whether the changes in the assumptions would result in a material change in fair value of the tradenames.

- We evaluated management's ability to estimate future cash flows by comparing the Company's historical forecasted sales, operating results, and cash flow forecasts to actual results. We also considered management's ability to estimate license renewals by examining historical renewal rates.

- With the assistance of our firm's valuation professionals, we evaluated the reasonableness of the Company's discounted cash flow models, including the terminal value and discount rates assumptions.

Going Concern

As disclosed in Note 10 to the consolidated financial statements, in March 2020, the World Health Organization declared the outbreak of a novel coronavirus disease ("COVID-19") as a pandemic, negatively and materially impacting the Company's financial results and liquidity. Specifically, licensing and wholesale revenues decreased primarily due to lower customer sales by its licensees and wholesale customers as a result of government-ordered retail store closures as well as an overall slowdown in economic activity related to the COVID-19 pandemic. This resulted in significant uncertainty surrounding the potential impact on the Company's future results of operations and cash flows.

We identified the evaluation of whether the Company has the ability to continue as a going concern due to liquidity impacted by COVID-19 as a critical audit matter. Auditing management's going concern analysis was complex and highly subjective due to the significant estimation required to forecast future operations and cash flows that are affected by expected future market conditions, including the effects of global pandemic.

The primary procedures we performed to address this critical audit matter included the following.

- We obtained an understanding of and tested the company's process to identify events and circumstances that would raise substantial doubt about the Company's ability to continue as a going concern and process to estimate future cashflows, including methods, data, and significant assumptions used in developing the future cashflows, as well as the completeness and accuracy of the underlying data used by the Company in its analyses.

- We evaluated the reasonableness of the following significant assumptions made by management, including:

    - The Company's forecasted revenues and cash flows by comparing those forecasts to the underlying business strategies and growth plans, including existing license arrangements;

    - Management's ability to estimate future cash flows, including forecasted revenues, by comparing the Company's historical cash flow forecasts to actual results. We also considered management's ability to estimate license renewals by examining historical renewal rates.; and

    - We performed a sensitivity analysis related to the key inputs to forecasted cash flows, including revenue growth rates and cost saving measures, to evaluate the impact of COVID-19 on the Company's future cash flows and how the Company's strategy mitigates the impact.

/s/ CohnReznick LLP

New York, New York

April 14, 2022

Xcel Brands, Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except share and per share data)

	December 31, 2021	December 31, 2020
Assets		
Current Assets:		
Cash and cash equivalents	$ 4,483	$ 4,957
Accounts receivable, net of allowances of $1,090 and $1,151, respectively	7,640	8,889
Inventory	3,375	1,216
Prepaid expenses and other current assets	1,681	1,085
Total current assets	17,179	16,147
Non-current Assets:		
Property and equipment, net	2,549	3,367
Operating lease right-of-use assets	6,314	8,668
Trademarks and other intangibles, net	98,304	93,535
Restricted cash	739	1,109
Deferred tax assets, net	141	—
Other assets	555	228
Total non-current assets	108,602	106,907
Total Assets	**$ 125,781**	**$ 123,054**
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable, accrued expenses and other current liabilities	$ 6,233	$ 4,442
Accrued payroll	577	973
Current portion of operating lease obligations	1,207	2,101
Current portion of long-term debt	2,500	2,800
Total current liabilities	10,517	10,316
Long-Term Liabilities:		
Long-term portion of operating lease obligations	7,252	8,469
Long-term debt, net, less current portion	25,531	13,838
Contingent obligations	7,539	900
Deferred tax liabilities, net	—	3,052
Other long-term liabilities	—	224
Total long-term liabilities	40,322	26,483
Total Liabilities	50,839	36,799
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, $.001 par value, 1,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $.001 par value, 50,000,000 shares authorized, and 19,571,119 and 19,260,862 shares issued and outstanding at December 31, 2021 and 2020, respectively	20	19
Paid-in capital	103,039	102,324
Accumulated deficit	(28,779)	(16,595)
Total Xcel Brands, Inc. stockholders' equity	74,280	85,748
Noncontrolling interest	662	507
Total Stockholders' Equity	74,942	86,255
Total Liabilities and Stockholders' Equity	**$ 125,781**	**$ 123,054**

See accompanying Notes to Consolidated Financial Statements.

Xcel Brands, Inc. and Subsidiaries
Consolidated Statements of Operations
(in thousands, except share and per share data)

	For the Year Ended December 31, 2021	2020
Revenues		
Net licensing revenue	$ 21,876	$ 20,255
Net sales	16,056	9,193
Net revenue	37,932	29,448
Cost of goods sold	10,667	5,456
Gross profit	27,265	23,992
Operating costs and expenses		
Salaries, benefits and employment taxes	16,535	13,061
Other selling, general and administrative expenses	14,364	9,743
Stock-based compensation	720	850
Depreciation and amortization	6,830	5,497
Government assistance - Paycheck Protection Program and other	—	(1,816)
Asset impairment charges	1,372	13,113
Total operating costs and expenses	39,821	40,448
Other income	—	46
Operating loss	(12,556)	(16,410)
Interest and finance expense		
Interest expense - term loan debt	1,916	1,220
Other interest and finance charges (income), net	147	(27)
Loss on extinguishment of debt	1,516	—
Total interest and finance expense	3,579	1,193
Loss before income taxes	(16,135)	(17,603)
Income tax benefit	(3,106)	(4,518)
Net loss	**(13,029)**	**(13,085)**
Less: Net loss attributable to noncontrolling interest	(845)	(149)
Net loss attributable to Xcel Brands, Inc. stockholders	**$ (12,184)**	**$ (12,936)**
Loss per common share attributable to Xcel Brands, Inc. stockholders:		
Basic and diluted net loss per share	$ (0.63)	$ (0.68)
Weighted average number of common shares outstanding:		
Basic and diluted weighted average common shares outstanding	19,455,987	19,117,460

See accompanying Notes to Consolidated Financial Statements.

Xcel Brands, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(in thousands, except share data)

	Xcel Brands, Inc. Stockholders					
	Common Stock		Paid-in	Accumulated	Noncontrolling	
	Shares	Amount	Capital	Deficit	Interest	Total
Balance as of January 1, 2020	18,866,417	$ 19	$ 101,736	$ (3,659)	$ 356	$ 98,452
Compensation expense in connection with stock options and restricted stock	—	—	257	—	—	257
Shares issued to executive in connection with stock grants for bonus payments	336,700	—	220	—	—	220
Shares issued to other employees in connection with stock grants	303,028	—	301	—	—	301
Shares repurchased from employees in exchange for withholding taxes	(245,283)	—	(190)	—	—	(190)
Additional investment in Longaberger Licensing, LLC by non-controlling interest	—	—	—	—	300	300
Net loss for the year ended December 31, 2020	—	—	—	(12,936)	(149)	(13,085)
Balance as of December 31, 2020	19,260,862	19	102,324	(16,595)	507	86,255
Compensation expense in connection with stock options and restricted stock	—	—	343	—	—	343
Shares issued to executive in connection with stock grants for bonus payments	181,179	1	282	—	—	283
Shares issued to directors in connection with restricted stock grants	50,000	—	—	—	—	—
Shares issued to consultants in connection with restricted stock grants	40,336	—	75	—	—	75
Shares issued to employee in connection with contractual agreement	21,676	—	31	—	—	31
Shares issued on exercise of stock options, net of shares surrendered for cashless exercises	26,253	—	—	—	—	—
Shares repurchased from employees in exchange for withholding taxes	(9,187)	—	(16)	—	—	(16)
Additional investment in Longaberger Licensing, LLC by noncontrolling interest	—	—	—	—	1,000	1,000
Net loss for the year ended December 31, 2021	—	—	—	(12,184)	(845)	(13,029)
Balance as of December 31, 2021	19,571,119	$ 20	$ 103,039	$ (28,779)	$ 662	$ 74,942

See accompanying Notes to Consolidated Financial Statements.

Xcel Brands, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

	For the Year Ended December 31, 2021	2020
Cash flows from operating activities		
Net loss	$ (13,029)	$ (13,085)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	6,830	5,497
Asset impairment charges	1,372	13,113
Amortization of deferred finance costs included in interest expense	308	95
Stock-based compensation	720	850
Provision for doubtful accounts	102	1,042
Loss on extinguishment of debt	1,516	—
Deferred income tax benefit	(3,192)	(4,382)
Net gain on sale of assets	—	(46)
Changes in operating assets and liabilities:		
Accounts receivable	1,147	691
Inventory	(2,159)	(317)
Prepaid expenses and other current and non-current assets	(818)	597
Accounts payable, accrued expenses and other current liabilities	1,228	(496)
Lease-related assets and liabilities	(581)	(374)
Net cash (used in) provided by operating activities	(6,556)	3,185
Cash flows from investing activities		
Cash consideration for acquisition of Lori Goldstein assets	(3,661)	—
Net proceeds from sale of assets	—	46
Purchase of other intangible assets	(39)	—
Purchase of property and equipment	(1,095)	(748)
Net cash used in investing activities	(4,795)	(702)
Cash flows from financing activities		
Proceeds from exercise of stock options	5	—
Shares repurchased including vested restricted stock in exchange for withholding taxes	(16)	(190)
Cash contribution from non-controlling interest	1,000	300
Proceeds from revolving loan debt	2,498	—
Proceeds from long-term debt	54,000	—
Payment of deferred finance costs	(2,173)	(27)
Payment of revolving loan debt	(2,498)	
Payment of long-term debt	(41,750)	(2,250)
Payment of breakage and other fees associated with extinguishment of long-term debt	(559)	—
Net cash provided by (used in) financing activities	10,507	(2,167)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(844)	316
Cash, cash equivalents, and restricted cash at beginning of period	6,066	5,750
Cash, cash equivalents, and restricted cash at end of period	$ 5,222	$ 6,066
Reconciliation to amounts on consolidated balance sheets:		
Cash and cash equivalents	$ 4,483	$ 4,957
Restricted cash	739	1,109
Total cash, cash equivalents, and restricted cash	$ 5,222	$ 6,066
Supplemental disclosure of non-cash activities:		
Operating lease right-of-use assets	$ —	$ 797
Operating lease obligations	$ —	$ 797
Contingent obligation related to acquisition of Lori Goldstein assets at fair value	$ 6,639	$ —
Liability for equity-based bonuses and other equity-based payments	$ (13)	$ 71
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 1,799	$ 1,128
Cash paid during the year for income taxes	$ 91	$ 58

See accompanying Notes to Consolidated Financial Statements.

XCEL BRANDS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

1. Nature of Operations, Background, and Basis of Presentation

Xcel Brands, Inc. (“Xcel” and, together with its subsidiaries, the “Company”) is a media and consumer products company engaged in the design, production, marketing, live streaming, wholesale distribution, and direct-to-consumer sales of branded apparel, footwear, accessories, fine jewelry, home goods and other consumer products, and the acquisition of dynamic consumer lifestyle brands. Currently, the Company’s brand portfolio consists of the Isaac Mizrahi brands (the "Isaac Mizrahi Brand"), the LOGO by Lori Goldstein brand, the Judith Ripka brands (the "Ripka Brand"), the Halston brands (the "Halston Brand"), the C Wonder brands (the "C Wonder Brand"), and other proprietary brands. The Company also manages the Longaberger brand (the “Longaberger Brand”) through its 50% ownership interest in Longaberger Licensing, LLC (see Note 3).

The Company designs, produces, markets, and distributes products, licenses its brands to third parties, and generates licensing revenues through contractual arrangements with manufacturers and retailers. The Company and its licensees distribute through an omni-channel retail sales strategy, which includes distribution through interactive television, digital live-stream shopping, brick-and-mortar retail, wholesale, and e-commerce channels to be everywhere its customers shop.

The Company’s wholesale and direct-to-consumer operations are presented as "Net sales" and "Cost of goods sold" in the Consolidated Statements of Operations, separately from the Company’s licensing revenues.

Liquidity

The Company incurred net losses of approximately $13.0 million and $13.1 million during the years ended December 31, 2021 and 2020, respectively, and had an accumulated deficit of approximately $28.8 million and $16.6 million as of December 31, 2021 and 2020, respectively. The Company had working capital (current assets less current liabilities, excluding the current portion of lease obligations) of approximately $7.9 million as of both December 31, 2021 and 2020. The Company’s cash and cash equivalents were approximately $4.5 million as of December 31, 2021. Management expects that existing cash and operating cash flows will be adequate to meet the Company’s operating needs, term debt service obligations, and capital expenditure needs, for at least the twelve months subsequent to the filing date of this Annual Report on Form 10-K.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Xcel, its wholly owned subsidiaries, and entities in which Xcel has a controlling financial interest as of and for the years ended December 31, 2021 (the "Current Year") and 2020 (the "Prior Year"). The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and in accordance with the accounting rules under Regulation S-X, as promulgated by the Securities and Exchange Commission (“SEC”). All significant intercompany accounts and transactions have been eliminated in consolidation, and net earnings have been adjusted by the portion of operating results of consolidated entities attributable to noncontrolling interests.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation, or set of circumstances that existed at the date of the consolidated financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from estimates.

The Company deems the following items to require significant estimates from management:

- Allowance for doubtful accounts;
- Useful lives of trademarks;
- Assumptions used in the valuation of intangible assets, including cash flow estimates for initial determinations of fair value and/or impairment analysis;
- Black-Scholes option pricing model assumptions for the grant date fair value of stock options;
- Incremental borrowing rate;
- Inventory reserves; and
- Valuation allowances and effective tax rate for tax purposes.

Reclassifications

Certain reclassifications have been made to Prior Year financial statements to conform to classifications used in the Current Year – specifically, the classification and aggregation / disaggregation of certain types of operating costs and expenses, and the disaggregation of the components of interest and finance expense. These reclassifications had no impact on total operating costs and expenses, total interest and finance expense, net loss, stockholders' equity, or cash flows as previously reported.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are reported net of the allowance for doubtful accounts. The allowance for doubtful accounts is based on the Company's ongoing discussions with its licensees, wholesale and digital customers, and its evaluation of each customer's payment history, account aging, and financial position.

As of December 31, 2021 and 2020, the Company had $7.6 million and $8.9 million, respectively, of accounts receivable, net of allowances for doubtful accounts of $1.1 million and $1.2 million, respectively. The Company recognized bad debt expense of $0.1 million and $1.1 million for the Current Year and Prior Year, respectively, of which the Current Year and Prior Year reflected $0.1 million and $1.0 million, respectively, of bad debt expense related to the bankruptcy of several retail customers due to the novel coronavirus disease pandemic. The allowance of approximately $1.1 million against such customers' outstanding receivable balances of $1.4 million at December 31, 2021 represents management's best estimate of collectibility, based on information currently available. The allowance of $1.0 million against such customers' outstanding receivable balances of $1.2 million at December 31, 2020 represented management's best estimate of collectibility based on information available at that time.

There is no earned revenue that has been accrued but not billed as of December 31, 2021 and 2020.

Inventory

Inventory is recorded at the lower of cost or net realizable value, with cost determined on a weighted average basis. The Company holds finished goods inventory for its direct-to-consumer operations. Apparel and jewelry finished goods inventory is purchased to satisfy orders received from its wholesale operations. The Company periodically reviews the composition of its inventories in order to identify obsolete, slow-moving or otherwise non-saleable items. If non-saleable items are observed and there are no alternate uses for the inventories, the Company will record a write-down to net realizable value in the period that the decline in value is first recognized. Write-downs for inventory shrinkage, representing the risk of physical loss of inventory, are estimated based on historical experience and are adjusted based upon physical inventory counts.

Property and Equipment

Furniture, equipment, and software are stated at cost less accumulated depreciation and amortization, and are depreciated using the straight-line method over their estimated useful lives, generally three (3) to seven (7) years. Depreciation expense for the years ended December 31, 2021 and 2020 was approximately $1.3 million and $0.9 million, respectively.

Leasehold improvements are amortized over the shorter of their estimated useful lives or the terms of the leases. Betterments and improvements are capitalized, while repairs and maintenance are expensed as incurred.

Costs to develop or acquire software for internal use incurred during the preliminary project stage and the post implementation stage are expensed, while internal and external costs to acquire or develop software for internal use incurred during the application development stage – including design, configuration, coding, testing, and installation – are generally capitalized.

The Company's long-lived property and equipment assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized if the carrying amount of an asset is not recoverable and its carrying amount exceeds its fair value. With reference to such impairment testing, the Company groups assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluates the asset group against the sum of undiscounted future cash flows. If the undiscounted cash flows do not indicate the carrying amount of the asset is recoverable, an impairment charge is measured as the amount by which the carrying amount of the asset group exceeds its fair value based on undiscounted cash flows analysis or appraisals. The inputs utilized in the impairment analysis are classified as Level 3 inputs within the fair value hierarchy as defined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, "Fair Value Measurement."

As a result of management's decision to close its brick-and-mortar fine jewelry retail store, the Company recognized a $0.7 million impairment charge in the Current Year related to furniture and fixtures, equipment, and leasehold improvement assets of the store, and a $0.7 million impairment charge in the Current Year related to the operating lease right-of-use asset for the store.

As a result of the bankruptcy of Lord & Taylor in 2020, the Company recognized a $0.1 million impairment charge in the Prior Year related to certain furniture and fixture assets physically located in Lord & Taylor's stores.

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Trademarks and Other Intangible Assets

The Company follows FASB ASC Topic 350, “Intangibles - Goodwill and Other.” Under this standard, goodwill and indefinite-lived intangible assets are not amortized, but are required to be assessed for impairment at least annually (the Company utilizes December 31 as its testing date) and when events occur or circumstances change that would more likely than not reduce the fair value of the asset below its carrying amount.

Indefinite-Lived Intangible Asset

The Company tests its indefinite-lived intangible asset for recovery in accordance with ASC-820-10-55-3F, which states that the income approach (“Income Approach”) converts future amounts (for example cash flows) to a single current (that is, discounted) amount. When the Income Approach is used, fair value measurement reflects current market expectations about those future amounts. The Income Approach is based on the present value of future earnings expected to be generated by a business or asset. Income projections for a future period are discounted at a rate commensurate with the degree of risk associated with future proceeds. A residual or terminal value is also added to the present value of the income to quantify the value of the business beyond the projection period. As such, recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to its expected future discounted net cash flows. If the carrying amount of such assets is considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the recoverable amount of the assets.

The Company performed its annual impairment testing as described above for the years ended December 31, 2021 and 2020, and concluded that there was no impairment of its indefinite-lived intangible asset.

The Company also re-evaluates on an annual basis whether events and circumstances continue to support an indefinite useful life.

Finite-Lived Intangible Assets

The Company’s finite-lived intangible assets, including Trademarks, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized if the carrying amount of a finite-lived intangible asset is not recoverable and its carrying amount exceeds its fair value.

With reference to finite-lived intangible assets impairment testing, the Company groups assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluates the asset group against the sum of undiscounted future cash flows. If the undiscounted cash flows do not indicate the carrying amount of the asset is recoverable, an impairment charge is measured as the amount by which the carrying amount of the asset group exceeds its fair value based on undiscounted cash flows analysis or appraisals. The inputs utilized in the finite-lived intangible assets impairment analysis are classified as Level 3 inputs within the fair value hierarchy as defined in ASC Topic 820, “Fair Value Measurement.”

As a result of performing its required impairment testing as described above for the year ended December 31, 2020, the Company recorded a $13.0 million impairment charge in the Prior Year related to the Ripka Brand trademarks, driven by delays and uncertainty in implementing the brick-and-mortar retail store strategy for a portion of the brand, primarily as a result of the novel coronavirus disease pandemic. No other impairment charges were recorded for the year ended December 31, 2020, and no impairment charges were recorded related to finite-lived intangible assets for the year ended December 31, 2021.

The Company’s finite-lived intangible assets are amortized over their estimated useful lives of four (4) to eighteen (18) years. The Company re-evaluates the remaining useful life of its finite-lived intangible assets on an annual basis, based on consideration of current events and circumstances, the expected use of the asset, and the effects of demand, competition, and other economic factors.

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Restricted Cash

Restricted cash was $0.7 million and $1.1 million as of December 31, 2021 and 2020, respectively. This balance consisted of cash deposited as collateral for an irrevocable standby letter of credit associated with the lease of the Company's current corporate office and operating facility at 1333 Broadway, New York City.

Investment in Unconsolidated Affiliate

The Company holds a limited partner ownership interest in an unconsolidated affiliate, which was entered into in 2016. This investment is accounted for in accordance with ASC Topic 321, "Investments – Equity Securities," and is included within other assets on the Company's consolidated balance sheets at December 31, 2021 and 2020. As of December 31, 2021 and 2020, the carrying value of this investment was $0.1 million. This investment does not have a readily determinable fair value and in accordance with ASC 820-10-35-59, the investment is valued at cost, less impairment, plus or minus observable price changes of an identical or similar investment of the same issuer.

Deferred Finance Costs

The Company has incurred costs (primarily professional fees and lender underwriting fees) in connection with borrowings under senior secured term loans. These costs have been deferred on the consolidated balance sheets as a reduction to the carrying value of the associated borrowings. Such costs are amortized as interest expense using the effective interest method.

Contingent Obligations

When accounting for asset acquisitions, if any contingent obligations exist and the fair value of the assets acquired is greater than the consideration paid, any contingent obligations are recognized and recorded as the positive difference between the fair value of the assets acquired and the consideration paid for the acquired assets.

When accounting for asset acquisitions, if any contingent obligations exist and the fair value of the assets acquired are equal to the consideration paid, any contingent obligations are recognized based upon the Company's best estimate of the amount that will be paid to settle the liability.

The Company recorded contingent obligations in connection with the acquisitions of the Halston Heritage trademarks in 2019 and the LOGO by Lori Goldstein trademarks in 2021. See Note 3 and Note 10 for additional information related to contingent obligations.

Under the applicable accounting guidance, the Company is required to carry such contingent liability balances on its consolidated balance sheet until the measurement period of the earn-out expires and all related contingencies have been resolved.

Revenue Recognition

The Company applies the guidance in ASC Topic 606, "Revenue from Contracts with Customers" to recognize revenue.

Licensing

The Company recognizes revenue continuously over time as it satisfies its continuous obligation of granting access to its licensed intellectual properties, which are deemed symbolic intellectual properties under the applicable revenue accounting guidance. Payments are typically due after sales have occurred and have been reported by the licensees or, where applicable, in accordance with minimum guaranteed payment provisions. The timing of performance obligations is typically consistent with the timing of payments, though there may be differences if contracts provide for advances or significant escalations of contractually guaranteed minimum payments. There were no such differences that would have a material impact on the Company’s consolidated balance sheets at December 31, 2021 and 2020. In accordance with ASC 606-10-55-65, the Company recognizes net licensing revenue at the later of when (1) the subsequent sale or usage occurs or (2) the performance obligation to which some or all of the sales- or usage-based royalty has been allocated is satisfied (in whole or in part). More specifically, the Company separately identifies:

(i) Contracts for which, based on experience, royalties are expected to exceed any applicable minimum guaranteed payments, and to which an output-based measure of progress based on the “right to invoice” practical expedient is applied because the royalties due for each period correlate directly with the value to the customer of the Company’s performance in each period (this approach is identified as “View A” by the FASB Revenue Recognition Transition Resource Group, “TRG”); and

(ii) Contracts for which revenue is recognized based on minimum guaranteed payments using an appropriate measure of progress, in which minimum guaranteed payments are straight-lined over the term of the contract and recognized ratably based on the passage of time, and to which the royalty recognition constraint to the sales-based royalties in excess of minimum guaranteed is applied and such sales-based royalties are recognized to distinct period only when the minimum guaranteed is exceeded on a cumulative basis (this approach is identified as “View C” by the TRG).

The Company does not typically perform by transferring goods or services to customers before the customer pays consideration or before payment is due, thus the amounts of contract assets as defined by ASC 606-10-45-3 related to licensing contracts were not material as of December 31, 2021 and 2020. The Company’s unconditional right to receive consideration based on the terms and conditions of licensing contracts is presented as accounts receivable on the accompanying consolidated balance. The Company typically does not receive consideration in advance of performance and, consequently, amounts of contract liabilities as defined by ASC 606-10-45-2 related to licensing contracts were not material as of December 31, 2021 and 2020.

The Company does not disclose the amount attributable to unsatisfied or partially satisfied performance obligations for variable revenue contracts (identified under “View A” above) in accordance with the optional exemption allowed under ASC 606. The Company did not have any revenue recognized in the reporting period from performance obligations satisfied, or partially satisfied, in previous periods. Remaining minimum guaranteed payments for active contracts as of December 31, 2021 are expected to be recognized ratably in accordance with View C over the remaining term of each contract based on the passage of time and through December 2024, subject to renewal or extension upon termination.

Wholesale Sales

The Company generates revenue through the design, sourcing, and sale of branded jewelry and apparel to both domestic and international customers who, in turn, sell the products to the consumer. The Company recognizes revenue when performance obligations identified under the terms of contracts with its customers are satisfied, which occurs upon the transfer of control of the merchandise in accordance with the contractual terms and conditions of the sale. Shipping to customers is accounted for as a fulfillment activity and is recorded within other selling, general and administrative expenses.

Direct to Consumer Sales

The Company’s revenue associated with its e-commerce businesses is recognized at a point in time when product is shipped to the customer. Shipping to customers is accounted for as a fulfillment activity and is recorded within other selling, general and administrative expenses. The Company’s revenue related to its brick-and-mortar retail store is recognized at the point of sale to the customer.

Advertising Costs

All costs associated with production for the Company's advertising, marketing, and promotion are expensed during the periods when the activities take place. All other advertising costs, such as print and online media, are expensed when the advertisement occurs. The Company incurred $2.5 million and $0.9 million in advertising and marketing costs for the Current Year and Prior Year, respectively.

Leases

The Company determines if an arrangement is a lease (as defined in ASC Topic 842, "Leases") at the inception of the arrangement. The Company generally recognizes a right-of-use ("ROU") asset, representing its right to use the underlying leased asset for the lease term, and a liability for its obligation to make future lease payments (the lease liability) at commencement date (the date on which the lessor makes the underlying asset available for use) based on the present value of lease payments over the lease term. The Company does not recognize ROU assets and lease liabilities for lease terms of 12 months or less, but recognizes such lease payments in operations on a straight-line basis over the lease terms.

As the Company's leases typically do not provide an implicit rate, the Company generally uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

For real estate leases of office space, the Company accounts for the lease and non-lease components as a single lease component. Variable lease payments that do not depend on an index or rate (such as real estate taxes and building insurance and lessee's shares thereof), if any, are excluded from lease payments at lease commencement date for initial measurement. Subsequent to initial measurement, these variable payments are recognized when the event determining the amount of variable consideration to be paid occurs.

Lease expense for operating lease payments is generally recognized on a straight-line basis over the lease term. The Company recognizes income from subleases (in which the Company is the sublessor) on a straight-line basis over the term of the sublease, as a reduction to lease expense.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC Topic 718, "Compensation - Stock Compensation," by recognizing the fair value of stock-based compensation as an operating expense over the service period of the award or term of the corresponding contract, as applicable.

The fair value of stock options and warrants is estimated on the date of grant using the Black-Scholes option pricing model. The valuation determined by the Black-Scholes option pricing model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the expected life of the awards and the expected stock price volatility over the terms of the awards. The expected life is based on the estimated average life of options and warrants using the simplified method; the Company utilizes the simplified method to determine the expected life of the options and warrants due to insufficient exercise activity during recent years as a basis from which to estimate future exercise patterns. The risk-free rate is based on the U.S. Treasury rate for the expected life at the time of grant, volatility is based on the historical volatility of the Company's common stock, and the expected dividend assumption is based on the Company's history and expectation of dividend payouts.

Restricted stock awards are valued using the fair value of the Company's stock at the date of grant, based on the quoted market price of the Company's common shares on the NASDAQ Global Market.

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Non-employee awards are measured at the grant date fair value of the equity instruments to be issued, and the Company recognizes compensation cost for grants to non-employees on a straight-line basis over the period of the grant.

The Company accounts for forfeitures as a reduction of compensation cost in the period when such forfeitures occur.

For stock option awards for which vesting is contingent upon the achievement of certain performance targets, the timing and amount of compensation expense recognized is based upon the Company's projections and estimates of the relevant performance metric(s) until the time the performance obligation is satisfied. Expense for such awards is recognized only to the extent that the achievement of the specified performance target(s) has been met or is considered probable.

Income Taxes

Current income taxes are based on the respective period's taxable income for federal and state income tax reporting purposes. Deferred tax liabilities and assets are determined based on the difference between the financial statement and income tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is required if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company applies the FASB guidance on accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also addresses derecognition, classification, interest, and penalties related to uncertain tax positions. The Company has no unrecognized tax benefits as of December 31, 2021 and 2020. Interest and penalties related to uncertain tax positions, if any, are recorded in income tax expense. Tax years that remain open for assessment for federal and state tax purposes include the years ended December 31, 2018 through December 31, 2021.

The income tax effects of changes in tax laws are recognized in the period when enacted.

Fair Value

ASC Topic 820, "Fair Value Measurements and Disclosures," defines fair value and establishes a framework for measuring fair value under U.S. GAAP. The fair value of the Company's financial assets and liabilities reflects management's estimate of amounts that the Company would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of the Company's assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from independent sources) and to minimize the use of unobservable inputs (internal assumptions about how market participants would price assets and liabilities).

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, and accounts payable, the carrying amounts approximate fair value due to the short-term maturities of these instruments. The carrying value of term loan debt approximates fair value because the fixed interest rate approximates current market rates and in the instances it does not, the impact is not material. When debt interest rates are below market rates, the Company considers the discounted value of the difference of actual interest rates and its internal borrowing against the scheduled debt payments. The fair value of the Company's investment in an unconsolidated affiliate does not have a readily determinable fair value and in accordance with ASC 820-10-35-59, the investment is valued at cost, less impairment, plus or minus observable price changes of an identical or similar investment of the same issuer.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, restricted cash, and accounts receivable. The Company limits its credit risk with respect to cash by maintaining cash, cash equivalents, and restricted cash balances with high quality financial institutions. At times, the Company's cash, cash equivalents, and restricted cash may exceed federally insured limits. Concentrations of credit risk with respect to accounts receivable are minimal due to the collection history and due to the nature of the Company's royalty revenues. Generally, the Company does not require collateral or other security to support accounts receivable.

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period, excluding the effects of any potentially dilutive securities. Diluted earnings (loss) per share reflect, in periods in which they have a dilutive effect, the effect of common shares issuable upon the exercise of stock options and warrants using the treasury stock method. The difference between basic and diluted weighted-average common shares results from the assumption that all dilutive stock options and warrants outstanding were exercised into common stock if the effect is not anti-dilutive.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which was subsequently amended in November 2018 through ASU No. 2018-19. This ASU will require entities to estimate lifetime expected credit losses for financial instruments, including trade and other receivables, which will result in earlier recognition of credit losses. In November 2019, the FASB issued ASU No. 2019-10, which, among other things, deferred the application of the new guidance on credit losses for smaller reporting companies to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently evaluating the new guidance to determine the impact the adoption of this guidance will have on the Company's results of operations, cash flows, and financial condition.

In November 2021, the FASB issued ASU No. 2021-10, "Government Assistance (Topic 823): Disclosures by Business Entities about Government Assistance." This ASU will require certain financial statement disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. This guidance is effective for financial statements issued for annual periods beginning after December 15, 2021. As this ASU only affects financial statement disclosures, the adoption of this guidance will not have any impact on the Company's results of operations, cash flows, or financial condition.

Recently Adopted Accounting Pronouncements

The Company adopted ASU No. 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement" effective January 1, 2020. This ASU adds, modifies, and removes several disclosure requirements relative to the three levels of inputs used to measure fair value in accordance with Topic 820, "Fair Value Measurement." The adoption of this new guidance did not have any impact on the Company's results of operations, cash flows, and financial condition.

The Company adopted ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes" effective January 1, 2021. This ASU removes certain exceptions to the general principles in Topic 740, including, but not limited to, intraperiod tax allocations and interim period tax calculations. The ASU also provides additional clarification and guidance related to recognition of franchise taxes and changes in tax laws. The adoption of this new guidance did not have any impact on the Company's results of operations, cash flows, and financial condition.

3. Acquisitions and Variable Interest Entities

Acquisition of LOGO by Lori Goldstein Brand

On March 30, 2021, the Company and its wholly owned subsidiary, Gold Licensing, LLC, entered into an asset purchase agreement (the "Asset Purchase Agreement") with Lori Goldstein, Ltd. (the "Seller") and Lori Goldstein ("Shareholder"), pursuant to which the Company agreed to acquire, and the Seller and Shareholder agreed to sell, certain assets of the Seller, including the "LOGO by Lori Goldstein" trademark and other intellectual property rights relating thereto. On April 1, 2021 (the "Closing Date"), the Company completed the acquisition of the assets specified in the Asset Purchase Agreement.

Pursuant to the Asset Purchase Agreement, on the Closing Date, the Company delivered $1.6 million in cash consideration to the Seller. In addition, the Company was required to deliver $2.0 million in cash consideration to the Seller on the earlier of (i) the Company's receipt of the first royalty payment from QVC, Inc. in respect of the acquired assets, or (ii) July 29, 2021. This payment was made in July 2021.

In addition to the consideration described above, the Seller is eligible to earn additional consideration of up to $12.5 million (the "Lori Goldstein Earn-Out"), which would be payable, in cash, within 45 days after the end of each applicable calendar year during the six calendar year period commencing 2021 in an amount equal to 75% percent of the Royalty Contribution (as defined in the Asset Purchase Agreement) for such calendar year. The Company recorded a contingent obligation of $6.6 million related to the Lori Goldstein Earn-Out, based on the difference between the fair value of the acquired assets of the LOGO by Lori Goldstein brand and the total consideration paid, in accordance with the guidance in Accounting Standards Codification ("ASC") Subtopic 805-50.

The LOGO by Lori Goldstein brand acquisition was accounted for as an asset purchase. The following represents the aggregate purchase price of $10.3 million:

($ in thousands)	
Cash paid at closing	$ 1,600
Cash paid subsequent to closing	2,045
Total direct initial consideration	3,645
Direct transaction expenses	16
Contingent obligation (Lori Goldstein Earn-Out)	6,639
Total consideration	$ 10,300

The aggregate purchase price was allocated entirely to the trademarks of the brand. Such trademarks have been determined by management to have a finite useful life, and accordingly, amortization is recorded in the Company's consolidated statements of operations. The Lori Goldstein trademarks are being amortized on a straight-line basis over their expected useful life of four years.

Upon the consummation of the acquisition of the LOGO by Lori Goldstein brand as described above, the Company incurred cash bonuses totaling $175,000 to certain members of the Company's senior management (including $100,000 to the Chief Executive Officer, and $25,000 each to the Chief Financial Officer, President and Chief Operating Officer, and Executive Vice President of Business Development and Treasury), such success-related bonuses having been approved by the Board of Directors on March 18, 2021. These bonuses were expensed on the Closing Date and were subsequently paid in May 2021.

Additionally, concurrent with the acquisition, the Company also entered into a 10-year employment agreement with the Shareholder to serve as the LOGO by Lori Goldstein brand's Chief Creative Officer and Spokesperson, with a base salary of $0.9 million per annum through December 31, 2021 and $1.2 million per annum thereafter, and the opportunity to earn additional incentives based on the future net royalties related to the brand. Further, the Company concurrently entered into a consulting agreement with the Seller to provide creative advice and consultation, for a fee of $0.6 million per annum through December 31, 2021 and $0.8 million per annum thereafter. The Company therefore recognized $0.9 million of salary expense and $0.6 million of consulting expense in the Current Year related to such agreements.

Longaberger Licensing, LLC Variable Interest Entity

Xcel is party to a limited liability company agreement (the "LLC Agreement") with a subsidiary of Hilco Global related to Longaberger Licensing, LLC ("LL"). Hilco Global is the sole Class A Member of LL, and Xcel is the sole Class B Member of LL (each individually a "Member," and collectively, the "Members"). Each Member holds a 50% equity ownership interest in LL; however, based on an analysis of the contractual terms and rights contained in the LLC Agreement and related agreements, the Company has previously determined that under the applicable accounting standards, LL is a variable interest entity and the Company has effective control over LL. Therefore, as the primary beneficiary, the Company has consolidated LL since 2019, and has recognized the assets, liabilities, revenues, and expenses of LL as part of its consolidated financial statements, along with a noncontrolling interest which represents Hilco Global's 50% ownership share in LL.

During the Current Year and Prior Year, the Members made capital contributions to LL of $0.3 million each and $1.0 million each, respectively, in order to fund LL's working capital requirements. This resulted in increases to the carrying value of Hilco Global's non-controlling interest in LL for the Current Year and Prior year of $0.3 million and $1.0 million, respectively. The impacts of Xcel's capital contributions were eliminated in consolidation.

4. Trademarks and Other Intangibles

Trademarks and other intangibles, net consist of the following:

($ in thousands)	Weighted Average Amortization Period	December 31, 2021 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademarks (indefinite-lived)	n/a	$ 44,500	$ —	$ 44,500
Trademarks (finite-lived)	15 years	68,880	15,268	53,612
Non-compete agreement	7 years	562	562	—
Copyrights and other intellectual property	8 years	429	237	192
Total		**$ 114,371**	**$ 16,067**	**$ 98,304**

($ in thousands)	Weighted Average Amortization Period	December 31, 2020 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademarks (indefinite-lived)	n/a	$ 44,500	$ —	$ 44,500
Trademarks (finite-lived)	17 years	58,580	9,832	48,748
Non-compete agreement	7 years	562	482	80
Copyrights and other intellectual property	8 years	390	183	207
Total		**$ 104,032**	**$ 10,497**	**$ 93,535**

During the year ended December 31, 2020, the Company recorded a non-cash impairment charge of $13.0 million related to the Ripka Brand trademarks, driven by delays and uncertainty in implementing the brick-and-mortar retail store strategy for a portion of the brand, primarily as a result of the novel coronavirus disease pandemic. The net carrying amount of the Ripka Brand trademarks (which were considered finite-lived intangible assets effective as of January 1, 2020) immediately prior to the impairment was approximately $17.2 million; following the impairment, the remaining balance of approximately $4.2 million became the new gross carrying basis for the Ripka Brand trademarks.

No other intangible asset impairment charges were recorded for the years ended December 31, 2021 and 2020.

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Amortization expense for intangible assets for the years ended December 31, 2021 and 2020 was approximately $5.6 million and $4.6 million, respectively.

The trademarks of the Isaac Mizrahi Brand have been determined to have indefinite useful lives and accordingly, no amortization has been recorded for those intangible assets.

Estimated future amortization expense related to finite-lived intangible assets over the remaining useful lives is as follows:

($ in thousands) Year Ending December 31,	Amortization Expense
2022	$ 6,134
2023	6,134
2024	6,120
2025	4,184
2026	3,514
Thereafter (through 2036)	27,718
Total	$ 53,804

5. Significant Contracts

Qurate Agreements

Through its wholly owned subsidiaries, the Company has direct-to-retail license agreements with Qurate Retail Group ("Qurate"), pursuant to which the Company designs, and Qurate sources and sells, various products under the IsaacMizrahiLIVE brand, the LOGO by Lori Goldstein brand, the Judith Ripka brand, the H by Halston brand, and the Longaberger brand. These agreements include, respectively, the IM Qurate Agreement, the LOGO Qurate Agreement, the Ripka Qurate Agreement, the H Qurate Agreement, and the Longaberger Qurate Agreement (collectively, the "Qurate Agreements"). Qurate owns the rights to all designs produced under the Qurate Agreements, and the Qurate Agreements include the sale of products across various categories through Qurate's television media (including QVC and HSN) and related internet sites.

Pursuant to the agreements, the Company has granted to Qurate and its affiliates the exclusive, worldwide right to promote the Company's branded products, and the right to use and publish the related trademarks, service marks, copyrights, designs, logos, and other intellectual property rights owned, used, licensed, and/or developed by the Company, for varying terms as set forth below. The Qurate Agreements include automatic renewal periods as detailed below unless terminated by either party.

Agreement	Current Term Expiry	Automatic Renewal	Xcel Commenced Brand with QVC	QVC Product Launch
IM Qurate Agreement	September 30, 2022	one-year period	September 2011	2010
LOGO Qurate Agreement	November 1, 2022	one-year period	April 2021	2009
Ripka Qurate Agreement	March 31, 2022 *	one-year period	April 2014	1999
H Qurate Agreement	December 31, 2022	three-year period	January 2015	2015
Longaberger Qurate Agreement	October 31, 2023	two-year period	November 2019	2019

* On March 31, 2022, the Ripka Qurate Agreement was automatically renewed for a one-year period, and the new term expiry is March 31, 2023.

In connection with the foregoing and during the same periods, Qurate and its subsidiaries have the exclusive, worldwide right to use the names, likenesses, images, voices, and performances of the Company's spokespersons to promote the respective products. Under the IM Qurate Agreement, IM Brands has also granted to Qurate and its affiliates, during the same period, exclusive, worldwide rights to promote third-party vendor co-branded products that, in addition to bearing and being marketed in connection with the trademarks and logos of such third-party vendors, also bear or are marketed in connection with the IsaacMizrahiLIVE trademark and related logo.

Under the Qurate Agreements, Qurate is obligated to make payments to the Company on a quarterly basis, based primarily upon a percentage of the net retail sales of the specified branded products. Net retail sales are defined as the aggregate amount of all revenue generated through the sale of the specified branded products by Qurate and its subsidiaries under the Qurate Agreements, net of customer returns, and excluding freight, shipping and handling charges, and sales, use, or other taxes.

Also, under the Qurate Agreements, except for the Longaberger Qurate Agreement, the Company will pay for a period of time a royalty participation fee to Qurate on revenue earned from the sale, license, consignment, or any other form of distribution of any products, bearing, marketed in connection with, or otherwise associated with the specified trademarks and brands. Such royalty participation fees are recorded as a reduction to net licensing revenue.

Net licensing revenue from Qurate totaled $18.8 million and $17.6 million for the Current Year and Prior Year, respectively, representing approximately 50% and 60% of the Company's total net revenue, respectively. As of December 31, 2021 and 2020, the Company had receivables from Qurate of $3.5 million and $4.5 million, representing approximately 46% and 50% of the Company's accounts receivable, respectively. The December 31, 2021 and 2020 Qurate receivables did not include any earned revenue accrued but not yet billed as of the respective balance sheet dates.

6. Debt and Other Long-term Liabilities

Debt

The Company's net carrying amount of debt is comprised of the following:

($ in thousands)	December 31, 2021	December 31, 2020
Term loan debt	$ 29,000	$ 16,750
Unamortized deferred finance costs related to term loan debt	(969)	(112)
Total	28,031	16,638
Current portion of debt	2,500	2,800
Long-term debt	$ 25,531	$ 13,838

Previous Term Loan Debt

On February 11, 2019, the Company entered into an amended loan agreement with Bank Hapoalim B.M. ("BHI"), which amended and restated a prior term loan with BHI. Under that amended loan agreement, the aggregate amount of all the term loans extended by BHI to Xcel was $22.0 million, which amount was divided into two term loans: (1) a term loan in the amount of $7.3 million and (2) a term loan in the amount of $14.7 million. These two term loans bore interest at a fixed rate of 5.1% and 6.25% per annum, respectively. Such loan agreement was subsequently amended on April 13, 2020 and again on August 18, 2020; such amendments changed the timing and amount of quarterly installment payments, but did not change the total principal balance, interest rate, or maturity date. These amendments during 2020 were accounted for as debt modifications and, accordingly, no gain or loss was recorded.

April 2021 Term Loan Debt

On April 14, 2021, Xcel, as Borrower, and its wholly-owned subsidiaries entered into a Loan and Security Agreement (the "Loan Agreement") with BHI as administrative agent and collateral agent, FEAC Agent, LLC ("FEAC") as co-collateral agent, and the financial institutions party thereto as lenders. Pursuant to the Loan Agreement, the lenders made two term loans: (1) a term loan in the amount of $10.0 million ("Term Loan A") and (2) a term loan in the amount of $15.0 million ("Term Loan B" and, together with Term Loan A, the "Term Loans").

The Loan Agreement also provided that the lenders make available to Xcel a revolving loan facility in an amount up to $4.0 million on a discretionary basis, but not to exceed 85% of the amount of eligible accounts receivable, as defined.

Management assessed and determined that this new agreement resulted in an extinguishment of the previous term loan debt, and accordingly recognized a loss of approximately $0.8 million (consisting of $0.1 million of unamortized deferred finance costs and $0.7 million of breakage fees owed to the old lender under the terms of the previous debt agreement) during the Current Year. Approximately $0.4 million of such aforementioned breakage fees were paid at time of extinguishment, with the remaining $0.4 million of such fees payable in three equal payments on each of May 1, 2022, 2023, and 2024.

Upon entering into the Loan Agreement, Xcel paid a 2.5% closing fee in the amount of $0.6 million to the administrative agent for the benefit of each lender having a term loan commitment; the Company also paid approximately $0.6 million of various legal and other fees in connection with the execution of the Loan Agreement. These fees and costs totaling approximately $1.2 million were deferred on the Company's balance sheet as a reduction of the carrying value of the Term Loans, to be subsequently amortized to interest expense over the term of the Term Loans using the effective interest method.

The Term Loans were to mature on April 14, 2025, with principal payable in 16 quarterly installments of $625,000 on each of March 31, June 30, September 30, and December 31 of each year, commencing on June 30, 2021 and ending on March 31, 2025, with a final payment of $15.0 million on the maturity date of April 14, 2025. The Company made the required principal payments on June 30, 2021 and September 30, 2021 (totaling $1.25 million) as scheduled.

Interest on Term Loan A accrued at LIBOR plus 4.0% per annum, and interest on the Term Loan B accrued at LIBOR plus 8.0% per annum. Interest on the Loans was paid on the last business day of each calendar month. Base Rate was defined in the Loan Agreement as the greater of (a) BHI's stated prime rate or (b) 2.00% per annum plus the overnight federal funds rate published by the Federal Reserve Bank of New York. LIBOR was defined in the Loan Agreement as the greater of (a) the rate of interest per annum for deposits in dollars for an interest period equal to one month as published by ICE Benchmark Administration Limited or a comparable or successor quoting service at approximately 11:00 a.m. (London time) on such date of determination or (b) 1.0% per annum.

The Loan Agreement also contained customary covenants, including reporting requirements, trademark preservation, and financial covenants (on a consolidated basis with Xcel and its wholly-owned subsidiaries).

The Company, BHI, FEAC, and the lenders subsequently amended the Loan Agreement multiple times during 2021 – on August 12, 2021, September 29, 2021, and November 12, 2021. While these amendments modified financial covenants and/or adjusted the maximum amount available under the revolving loan facility, there were no changes made to the total principal balance, interest rate, maturity date, or any other terms of the Loan Agreement.

December 2021 Term Loan Debt

On December 30, 2021, Xcel, as Borrower, and its wholly-owned subsidiaries, IM Brands, LLC, JR Licensing, LLC, H Licensing, LLC, C Wonder Licensing, LLC, Xcel Design Group, LLC, Judith Ripka Fine Jewelry, LLC, H Heritage Licensing, LLC, Xcel-CT MFG, LLC and Gold Licensing, LLC, as Guarantors (each a "Guarantor" and collectively, the "Guarantors"), entered into a Loan and Security Agreement (the "New Loan Agreement") with FEAC, as lead arranger and as administrative agent and collateral agent for the lenders party to the New Loan Agreement, and the financial institutions party thereto as lenders (the "Lenders"). Pursuant to the New Loan Agreement, the Lenders made a term loan in the aggregate amount of $29.0 million (the "New Term Loan"). The proceeds of the New Term Loan were used for the purpose of refinancing existing indebtedness (i.e., the April 2021 Term Loans), to pay fees, costs, and expenses incurred in connection with entering into the New Loan Agreement, and for working capital purposes.

The New Loan Agreement also provides that Xcel may request the Lenders make incremental term loans of up to $25.0 million (the "Incremental Term Loans"). The terms and conditions of the Incremental Term Loans will be agreed in an amendment to the New Loan Agreement prior to the funding by the Incremental Term Loans.

Management assessed and determined that the New Loan Agreement resulted in an extinguishment of the April 2021 Term Loan debt, and accordingly recognized a loss of approximately $0.74 million (consisting of $0.92 million of unamortized deferred finance costs and $(0.18) of net fees owed to BHI less refunds of certain costs related to the April 2021 Term Loan debt) during the Current Year.

Upon entering into the New Loan Agreement, Xcel paid a 1.75% closing fee to FEAC for the benefit of the Lenders; the Company also paid approximately $0.5 million of various legal and other fees in connection with the execution of the New Loan Agreement. These fees and costs totaling approximately $0.97 million have been deferred on the Company's balance sheet as of December 31, 2021 as a reduction of the carrying value of the New Term Loan, to be subsequently amortized to interest expense over the term of the New Term Loan using the effective interest method.

The New Term Loan matures on April 14, 2025. Principal on the New Term Loan is payable in quarterly installments of $625,000 on each of March 31, June 30, September 30 and December 31 of each year, commencing on March 31, 2022 and ending on March 31, 2025, with a final payment of $20,875,000 on the maturity date of April 14, 2025. Thus, the aggregate remaining annual principal payments under the New Term Loan at December 31, 2021 were as follows:

($ in thousands) **Year Ending December 31,**	**Amount of Principal Payment**
2022	$ 2,500
2023	2,500
2024	2,500
2025	21,500
Total	$ 29,000

Xcel has the right upon thirty (30) days prior written notice to prepay all or any portion of the New Term Loan or Incremental Term Loans and accrued and unpaid interest thereon; provided that any prepayment shall be applied first to prepay the New Term Loan in full and second to the Incremental Term Loans. If the New Term Loan is prepaid in whole or in part on or prior to the second anniversary of the closing date (including as a result of an event of default), Xcel shall pay a prepayment premium as follows: an amount equal to the principal amount of the New Term Loan prepaid multiplied by: (i) five percent (5.00%) if such prepayment occurs on or before the first anniversary of the closing date; (ii) two percent (2.00%) if such prepayment occurs at any time after the first anniversary of the closing date and on or prior to the second anniversary of the closing date; and (iii) one percent (1.00%) if such prepayment occurs at any time after the second anniversary of the closing date.

Xcel's obligations under the New Loan Agreement are guaranteed by the Guarantors and secured by all of the assets of Xcel and the Guarantors (as well as any subsidiary formed or acquired that becomes a credit party to the New Loan Agreement) and, subject to certain limitations contained in the New Loan Agreement, equity interests of the Guarantors (as well as any subsidiary formed or acquired that becomes a credit party to the New Loan Agreement).

Xcel also granted the Lenders a right of first offer to finance any acquisition for which the consideration therefore will be paid other than by cash of Xcel or the Guarantors, the issuance of equity interest of Xcel, or the issuance of notes to the applicable seller.

The New Loan Agreement contains customary covenants, including reporting requirements, trademark preservation, and the following financial covenants of Xcel (on a consolidated basis with the Guarantors and any subsidiaries subsequently formed or acquired that become a credit party under the Loan Agreement):

- liquid assets of at least (i) $2.5 million during the first fiscal month of each fiscal quarter if cash payments from revenue licenses during the immediately succeeding 30 days are expected to be at least $4.0 million, and (ii) $3.0 million at all other times;

- a fixed charge coverage ratio of not less than 1.00 to 1.00 for the fiscal quarter ending September 30, 2022, and for the twelve fiscal month period ending at the end of each fiscal quarter commencing with the fiscal quarter ending December 31, 2022;

- a loan to value ratio not to exceed 50% at all times;

- minimum revenues as set forth below

Fiscal Period	Minimum Revenue	
April 1, 2021 - December 31, 2021	$	16,445,000
For the trailing twelve month period ending March 31, 2022	$	23,500,000
For the trailing twelve month period ending June 30, 2022	$	24,491,000
For the trailing twelve month periods ending September 30, 2022 and each fiscal quarter end thereafter	$	25,000,000

- the sum of (i) the eligible inventory plus (ii) eligible cash on hand to the extent not used to satisfy the Minimum Accounts Amount (as defined below) plus (iii) the eligible accounts to the extent not used to satisfy the Minimum Accounts Amount (as defined below) of at least $1.25 million at all times ("Minimum Inventory Amount"), and the sum of (i) the eligible accounts plus (ii) eligible cash on hand to the extent not used to satisfy the Minimum Inventory Amount of at least $1.5 million at all times ("Minimum Accounts Amount"); and

- Adjusted EBITDA of at least $2.0 million for the 6 fiscal month period ending June 30, 2022.

The Company was in compliance with all applicable covenants under the Loan Agreement as of and for the fiscal year ended December 31, 2021.

Interest on the New Term Loan accrues at "LIBOR" plus 7.5% per annum, and is payable on the last business day of each calendar month. "LIBOR" is defined in the New Loan Agreement as the greater of (a) the rate of interest per annum for deposits in dollars for an interest period equal to three months as published by Bloomberg or a comparable or successor quoting service at approximately 11:00 a.m. (London time) two business days prior to the last business day of each calendar month and (b) 1.0% per annum.

For the Current Year and Prior Year, the Company incurred interest expense of approximately $1.9 million and $1.1 million, respectively, related to term loan debt. The effective interest rate related to term loan debt was approximately 8.7% and 6.7% for the Current Year and Prior Year, respectively.

Revolving Loan Debt

Under the terms of the April 2021 Loan Agreement discussed above, the lenders made a revolving loan facility available to Xcel. On June 24, 2021, Xcel borrowed $1.5 million under the aforementioned revolving loan facility, and on September 30, 2021, Xcel borrowed $998,000 under the revolving loan facility. Xcel repaid the outstanding balance in full on December 30, 2021. The revolving loan facility bore interest at a rate of 4.75% per annum, and the Company incurred related interest expense of approximately $0.1 million for the Current Year. As of December 31, 2021, the Company no longer had access to a revolving loan facility under the terms of the New Loan Agreement entered into on December 30, 2021.

Other Long-term Liabilities

Other long-term liabilities as of December 31, 2020 consisted of the Company’s obligation to a subtenant for its security deposit under a sublease arrangement in the amount of $0.2 million. As of December 31, 2021, this liability was classified as current and is reflected as part of Accounts payable, accrued expenses and other current liabilities on the Company’s consolidated balance sheet.

7. Government Assistance

Paycheck Protection Program (PPP)

On April 20, 2020, the Company executed a promissory note (the “Promissory Note”) with Bank of America, N.A., which provided for an unsecured loan in the amount of $1,805,856, pursuant to the PPP under the CARES Act. The loan had a two-year term and bore interest at a fixed rate of 1.0% per annum, and monthly principal and interest payments were deferred for six months after the date of disbursement. The Promissory Note contained events of default and other provisions customary for a loan of this type. The loan was funded on April 23, 2020.

The PPP also provides that such a loan may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act, and later amended by the Paycheck Protection Program Flexibility Act (the "Flexibility Act") signed into law on June 5, 2020. Such forgiveness is determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, and utilities.

Management evaluated the legal and contractual terms associated with the loan, and concluded that, although the legal form of the loan is debt, it represented in substance a government grant that was expected to be forgiven. Given the lack of definitive authoritative guidance under GAAP for accounting for government grants, the Company analogized to accounting guidance under International Accounting Standard No. 20, “Accounting for Government Grants and Disclosure of Government Assistance.” Under such guidance, once it is probable that the conditions attached to the assistance will be met, the earnings impact of government grants is recorded on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. Accordingly, the Company recognized $1.8 million as a reduction to operating expenses in the Prior Year. No interest expense related to the loan was recorded in the Company’s consolidated financial statements.

On September 29, 2021, the U.S. Small Business Administration, as authorized by the CARES Act, remitted payment of $1.8 million to Bank of America, N.A. for full forgiveness of the Company’s Promissory Note under the PPP. This event had no impact on the Current Year statement of operations, as the benefit of the PPP had already been fully recognized in the Prior Year, as described in the previous paragraph.

Economic Incentive Disaster Loan (EIDL)

Concurrently with the PPP loan, in May 2020 the Company also received a $10,000 Economic Incentive Disaster Loan (“EIDL”) Advance through the U.S. Small Business Administration. Similar to the PPP loan, the EIDL Advance represented a grant that does not have to be repaid, and as such, the Company recognized $10,000 as a reduction to operating expenses in the Prior Year.

In total between the PPP and EIDL, the Company recognized approximately $1.8 million as a reduction to operating expenses in the Prior Year.

8. Stockholders' Equity

The Company has authority to issue up to 51,000,000 shares, consisting of 50,000,000 shares of common stock and 1,000,000 shares of preferred stock.

Equity Incentive Plans

The Company's 2021 Equity Incentive Plan (the "2021 Plan") is designed and utilized to enable the Company to provide its employees, officers, directors, consultants, and others whose past, present, and/or potential contributions to the Company have been, are, or will be important to the success of the Company, an opportunity to acquire a proprietary interest in the Company. A total of 4,000,000 shares of common stock are eligible for issuance under the 2021 Plan. The 2021 Plan provides for the grant of any or all of the following types of awards: stock options (incentive or non-qualified), restricted stock, restricted stock units, performance awards, or cash awards. The 2021 Plan is administered by the Company's Board of Directors, or, at the Board's discretion, a committee of the Board.

In addition, stock-based awards (including options, warrants, and restricted stock) previously granted under the Company's 2011 Equity Incentive Plan (the "2011 Plan") remain outstanding and shares of common stock may be issued to satisfy options or warrants previously granted under the 2011 Plan, although no new awards may be granted under the 2011 Plan.

Stock-based Compensation

Total expense recognized in the Current Year and Prior Year for all forms of stock-based compensation was approximately $0.72 million and $0.85 million, respectively. Of the Current Year expense amount, approximately $0.55 million related to employees and approximately $0.17 million related to directors and consultants. Of the Prior Year expense amount, approximately $0.74 million related to employees and approximately $0.11 million related to directors and consultants.

Stock Options

Options granted under the Company's equity incentive plans expire at various times – either five, seven, or ten years from the date of grant, depending on the particular grant.

A summary of the Company's stock option activity for the Current Year is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2021	7,179,375	$ 3.14	4.93	$ —
Granted	520,390	1.91		
Canceled	(8,050)	1.86		
Exercised	(99,700)	1.77		
Expired/Forfeited	(1,961,045)	5.44		
Outstanding at December 31, 2021, and expected to vest	5,630,970	$ 2.25	5.46	$ —
Exercisable at December 31, 2021	1,757,636	$ 3.28	1.99	$ —

Current Year stock option grants were as follows:

On March 15, 2021, the Company granted options to purchase an aggregate of 365,390 shares of common stock to various employees. The exercise price of the options is $1.86 per share, and all options vested immediately on the date of grant.

On April 1, 2021, the Company granted options to purchase an aggregate of 125,000 shares of common stock to non-management directors. The exercise price of the options is $1.93 per share, and 50% of the options vest on each of April 1, 2022 and April 1, 2023.

On July 1, 2021, the Company granted options to purchase an aggregate of 20,000 shares of common stock to a member of management. The exercise price of the options is $2.76 per share, and 50% of the options vest on each of June 1, 2022 and June 1, 2023.

On August 13, 2021, the Company granted options to purchase an aggregate of 10,000 shares of common stock to an employee. The exercise price of the options is $2.00 per share, and 50% of the options vest on each of August 13, 2022 and August 13, 2023.

Prior Year stock option grants were as follows:

On January 1, 2020, the Company granted options to purchase 5,000 shares of common stock to a board observer. The exercise price of the options is $4.00 per share. One-half of the options vested on January 1, 2021, and the remaining half of the options will vest on January 1, 2022.

On January 31, 2020, the Company granted options to purchase 75,000 shares of common stock to a consultant. The exercise price of the options is $1.57 per share, and all options vested immediately on the date of grant.

On February 28, 2020, the Company granted options to purchase 50,000 shares of common stock to an employee. The exercise price was $1.40 per share, and the vesting of such options was dependent upon the Company achieving certain 12-month sales targets through December 31, 2021. None of these options ultimately vested.

On March 13, 2020, the Company granted options to purchase 50,000 shares of common stock to a certain key employee. The exercise price of the options is $5.50 per share, and all options vested immediately on the date of grant.

On March 31, 2020, the Company granted options to purchase 50,000 shares of common stock to an employee. The exercise price of the options is $0.61 per share. The options were scheduled to vest over a three-year period from the date of grant, but were all forfeited when the employee left the Company.

On April 1, 2020, the Company granted options to purchase an aggregate of 200,000 shares of common stock to non-management directors. The exercise price of the options is $0.50 per share. One-half of the options vested on April 1, 2021, and the remaining half of the options shall vest on April 1, 2022.

On April 15, 2020, the Company granted options to purchase 13,500 shares of common stock to a consultant. The exercise price of the options is $3.00 per share. One-third of the options vested on each of June 30, 2020, September 30, 2020, and December 31, 2020.

On August 21, 2020, the Company granted options to purchase 22,750 shares of common stock to a consultant. The exercise price of the options is $1.00 per share, and all options vested on December 31, 2020.

On September 28, 2020, the Company granted options to purchase 15,000 shares of common stock to an employee. The exercise price of the options was $0.71 per share. The options were scheduled to vest over a three-year period from the date of grant, but were all forfeited when the employee left the Company.

On December 21, 2020, the Company granted options to purchase an aggregate of 25,000 shares of common stock to an employee. The exercise price of the options is $1.09 per share. One-half of the options vested on December 21, 2021, and the remaining half of the options shall vest on December 21, 2022.

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On December 21, 2020, the Company granted options to purchase an aggregate of 25,000 shares of common stock to another employee. The exercise price of the options was $1.09 per share, and were scheduled to vest over a two-year period from the date of grant, but were all forfeited when the employee left the Company in 2021.

The fair value of the options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Year Ended December 31,	
	2021	2020
Expected Volatility	29.49 – 82.99 %	24.26 – 28.79 %
Expected Dividend Yield	— %	— %
Expected Life (Term, in years)	2.5 – 3.25	2.5 – 3.5
Risk-Free Interest Rate	0.24 – 0.52 %	0.16 – 1.60 %

Compensation expense related to stock options for the Current Year and Prior Year was approximately $0.3 million and $0.2 million, respectively. Total unrecognized compensation expense related to unvested stock options at December 31, 2021 amounts to approximately $0.1 million and is expected to be recognized over a weighted average period of 1.29 years.

The following table summarizes the Company's stock option activity for non-vested options for the Current Year:

	Number of Options	Weighted Average Grant Date Fair Value
Balance at January 1, 2021	4,116,167	$ 0.08
Granted	520,390	0.45
Vested	(663,223)	0.42
Forfeited or Canceled	(100,000)	0.08
Balance at December 31, 2021	3,873,334	$ 0.07

Warrants

Warrants granted by the Company expire at various times – either five, seven, or ten years from the date of grant, depending on the particular grant.

A summary of the Company's warrant activity for the Current Year is as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding and exercisable at January 1, 2021	579,815	$ 4.63	1.32	$ —
Granted	—	—		
Canceled	—	—		
Exercised	—	—		
Expired/Forfeited	(463,750)	5.00		
Outstanding and exercisable at December 31, 2021	116,065	$ 3.15	2.57	$ —

The Company did not grant any warrants to purchase shares of common stock during the Current Year or Prior Year. No compensation expense was recorded in the Current Year or Prior Year related to warrants.

Stock Awards

A summary of the Company's restricted stock activity for the Current Year is as follows:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2021	780,833	$ 4.09
Granted	284,004	1.66
Canceled	—	—
Vested	(249,004)	1.61
Expired/Forfeited	—	—
Outstanding at December 31, 2021	815,833	$ 4.00

On May 7, 2021, the Company issued 181,179 shares of common stock to a member of senior management as payment for a performance bonus earned in the Prior Year. These shares vested immediately. The Company recognized compensation expense of approximately $0.3 million in the Prior Year to accrue for this performance bonus.

The Company also recognized approximately $0.3 million of compensation expense in the Current Year related to similar senior management bonuses payable in common stock in 2022.

On April 1, 2021, the Company issued an aggregate of 50,000 shares of stock to non-management directors, which vest evenly over two years, whereby 50% shall vest on April 1, 2022, and 50% shall vest on April 1, 2023.

On April 26, 2021, the Company issued 14,045 shares of stock to a consultant, which vested immediately.

On July 1, 2021, the Company issued 9,399 shares of stock to a consultant, which vested immediately.

On October 1, 2021, the Company issued 16,892 shares of stock to a consultant, which vested immediately.

On October 29, 2021, the Company issued 12,489 shares of stock to an employee pursuant to the terms of a contractual agreement, which vested immediately.

Prior Year stock award grants were as follows:

On May 20, 2020, the Company issued an aggregate of 270,728 shares of common stock to various employees. These shares vested immediately.

On December 24, 2020, the Company issued an aggregate of 32,300 shares of common stock to various employees. These shares vested immediately.

Notwithstanding the foregoing, each grantee may extend the first anniversary of all or a portion of the restricted stock by six months and, thereafter one or more times may further extend such date with respect to all or a portion of the restricted stock until the next following date exactly six months thereafter, by providing written notice of such election to extend such date with respect to all or a portion of the restricted stock prior to such date.

Total compensation expense related to stock awards for the Current Year and Prior Year (inclusive of the amounts detailed above) was approximately $0.4 million and $0.6 million, respectively. Total unrecognized compensation expense related to unvested restricted stock grants at December 31, 2021 amounts to $0.1 million and is expected to be recognized over a weighted average period of 1.25 years.

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The following table provides information with respect to restricted stock purchased and retired by the Company during the Current Year and Prior Year:

Date	Total Number of Shares Purchased	Actual Price Paid per Share	Number of Shares Purchased as Part of Publicly Announced Plan	Fair value of Re-Purchased Shares
October 29, 2021 (i)	9,187	1.73	—	16,000
Total 2021	9,187	$ 1.73	—	$ 16,000
March 30, 2020 (i)	155,556	$ 0.65	—	$ 102,000
May 20, 2020 (i)	87,249	0.98	—	85,000
December 24, 2020 (i)	2,478	1.14	—	3,000
Total 2020	245,283	$ 0.77	—	$ 190,000

(i) The shares were exchanged from employees and directors in connection with the income tax withholding obligations on behalf of such employees and directors from the vesting of restricted stock or the receipt of stock awards. The 2011 Plan and 2021 Plan allow for award holders to surrender vested shares to cover withholding tax liabilities.

Shares Available Under the Company's Equity Incentive Plans

At December 31, 2021, there were 4,000,000 shares of common stock available for award grants under the 2021 Plan.

Shares Reserved for Issuance

At December 31, 2021, there were 9,747,035 shares of common stock reserved for issuance, including 5,747,035 shares reserved pursuant to unexercised warrants and stock options previously granted under the 2011 Plan, and 4,000,000 shares available for issuance under the 2021 Plan.

Dividends

The Company has not paid any dividends to date.

9. Earnings (Loss) Per Share

Shares used in calculating basic and diluted earnings (loss) per share are as follows:

	Year Ended December 31,	
	2021	2020
Basic	19,455,987	19,117,460
Effect of exercise of warrants	—	—
Effect of exercise of stock options	—	—
Diluted	19,455,987	19,117,460

As a result of the net loss presented for the Current Year and Prior Year, the Company calculated diluted earnings (loss) per share using basic weighted-average shares outstanding for such period, as utilizing diluted shares would be anti-dilutive to loss per share.

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The computation of basic and diluted earnings (loss) per share excludes the common stock equivalents of the following potentially dilutive securities because their inclusion would be anti-dilutive:

	Year Ended December 31,	
	2021	2020
Stock options and warrants	5,747,035	7,759,190

10. Commitments and Contingencies

Leases

The Company has operating leases for its current office, former office, and a retail store location, as well as certain equipment with a term of 12 months or less. The Company is currently not a party to any finance leases.

The Company's real estate leases have remaining lease terms between approximately 2 months to 7 years. As of December 31, 2021, the weighted average remaining lease term was 5.8 years and the weighted average discount rate was 6.25%.

The Company leases office space under an operating lease agreement related to the Company’s main headquarters located in New York City. This lease commenced on March 1, 2016 and expires on October 30, 2027. In connection with this lease, the Company obtained an irrevocable standby letter of credit; the Company has deposited funds as collateral for the letter of credit and has recorded the amount as restricted cash in the consolidated balance sheets as of December 31, 2021 and December 31, 2020.

The Company also leases office space under an operating lease agreement at another location in New York City, representing the Company’s former corporate offices and operations facility. This lease shall expire on February 28, 2022. This office space is subleased to a third-party subtenant through February 27, 2022.

The aforementioned office leases require the Company to pay additional rents related to increases in certain taxes and other costs on the properties.

The Company also leases approximately 1,300 square feet of retail space for a retail store location in Westchester, New York. This lease shall expire on January 31, 2029; however, the Company is currently in the process of negotiating the termination of this lease. The Company recorded an impairment charge of $0.7 million to fully impair the remaining balance of the right-of-use asset for this lease as of December 31, 2021.

For the years ended December 31, 2021 and 2020, total lease expense included in selling, general and administrative expenses on the Company's consolidated statements of operations was approximately $1.7 million and $1.5 million, respectively. The Company’s total lease costs for the years ended December 31, 2021 and 2020 were comprised of the following:

($ in thousands)	2021	2020
Operating lease cost	$ 2,047	$ 1,986
Short-term lease cost	68	81
Variable lease cost	178	98
Sublease income	(622)	(618)
Total lease cost	$ 1,671	$ 1,547

Cash paid for amounts included in the measurement of operating lease liabilities was $2.0 million and $1.9 million in the Current Year and Prior Year, respectively. Cash received from subleasing was $0.7 million and $0.7 million in the Current Year and Prior Year, respectively.

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As of December 31, 2021, the maturities of lease liabilities were as follows:

($ in thousands)	
2022	$ 1,700
2023	1,711
2024	1,711
2025	1,711
2026	1,710
Thereafter (through 2028)	1,610
Total lease payments	10,153
Less: Discount	1,694
Present value of lease liabilities	8,459
Current portion of lease liabilities	1,207
Non-current portion of lease liabilities	$ 7,252

Employment Agreements

The Company has contracts with certain executives and key employees. The future minimum payments under these contracts are as follows:

($ in thousands) Year Ended December 31,	Employment Contract Payments
2022	$ 2,366
Thereafter	—
Total future minimum employment contract payments	$ 2,366

In addition to the employment contract payments stated above, the Company's employment contracts with certain executives and key employees contain performance-based bonus provisions. These provisions include bonuses based on the Company achieving revenues in excess of established targets and/or on operating results.

Certain of the employment agreements contain severance and/or change in control provisions. Aggregate potential severance compensation amounted to approximately $4.6 million as of December 31, 2021.

Contingent Obligation – Halston Heritage Earn-Out

In connection with the February 11, 2019 purchase of the Halston Heritage trademarks from the H Company IP, LLC ("HIP"), the Company agreed to pay HIP additional consideration (the "Halston Heritage Earn-Out") of up to an aggregate of $6.0 million, based on royalties earned from 2019 through December 31, 2022. This additional consideration shall be payable in shares of common stock of the Company. The Halston Heritage Earn-Out of $0.9 million is recorded as a long-term liability as of December 31, 2021 and 2020 in the accompanying consolidated balance sheets, based on the difference at the date of acquisition between the fair value of the acquired assets of the Halston Heritage Trademarks and the total consideration paid. In accordance with ASC Topic 480, the Halston Heritage Earn-Out obligation is treated as a liability in the accompanying consolidated balance sheets because of the variable number of shares payable under the agreement.

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Contingent Obligation – Lori Goldstein Earn-Out

In connection with the April 1, 2021 purchase of the Lori Goldstein trademarks (see Note 3 for additional information), the Company agreed to pay the seller additional cash consideration of up to $12.5 million, based on royalties earned during the six calendar year period commencing in 2021. The Lori Goldstein Earn-Out of $6.6 million is recorded as a long-term liability at December 31, 2021 in the accompanying consolidated balance sheet, based on the difference at the date of acquisition between the fair value of the acquired assets of the Lori Goldstein brand and the total consideration paid.

Legal Proceedings

From time to time, the Company becomes involved in legal claims and litigation in the ordinary course of business. In the opinion of management, based on consultations with legal counsel, the disposition of litigation currently pending against the Company is unlikely to have, individually or in the aggregate, a materially adverse effect on the Company's business, financial position, results of operations, or cash flows. The Company routinely assesses all its litigation and threatened litigation as to the probability of ultimately incurring a liability, and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable.

Coronavirus Pandemic

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus disease ("COVID-19") as a pandemic, which continues to circulate throughout the U.S. and the world. COVID-19 has had an unprecedented impact on the U.S. and global economy as federal, state, and local governments continue to react to and attempt to manage this ongoing public health crisis.

The impacts of the ongoing COVID-19 pandemic are broad reaching and are having an impact on the Company's licensing and wholesale businesses. The COVID-19 pandemic is impacting the Company's supply chain as most of the Company's products are manufactured in China, Thailand, and other places around the world affected by this event. Temporary factory closures and the pace of workers returning to work have impacted contract manufacturers' ability to source certain raw materials and to produce finished goods in a timely manner. The outbreak is also impacting distribution and logistics providers' ability to operate in the normal course of business. Further, the pandemic resulted in a sudden decrease in sales for many of the Company's products, from which the Company has yet to fully recover. This has resulted in order cancellations and a decrease in accounts receivable collections, as the Company recorded additional allowances for doubtful accounts of approximately $1 million in the Prior Year and approximately $0.1 million in the Current Year related to retailers that have filed for bankruptcy.

Due to the ongoing COVID-19 pandemic, there is significant uncertainty surrounding the impact on the Company's future results of operations and cash flows. Continued impacts of the pandemic could materially adversely affect the Company's near-term and long-term revenues, earnings, liquidity, and cash flows as the Company's customers and/or licensees may request temporary relief, delay, or not make scheduled payments.

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11. Income Taxes

The Company accounts for income taxes in accordance with ASC Topic 740. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. In determining the need for a valuation allowance, management reviews both positive and negative evidence pursuant to the requirements of ASC Topic 740, including current and historical results of operations, future income projections, and the overall prospects of the Company's business.

The income tax (benefit) provision for federal and state and local income taxes in the consolidated statements of operations consists of the following:

($ in thousands)	Years Ended December 31, 2021	2020
Current:		
Federal	$ —	$ (202)
State and local	86	66
Total current	86	(136)
Deferred:		
Federal	(2,376)	(3,538)
State and local	(816)	(844)
Total deferred	(3,192)	(4,382)
Total benefit	$ (3,106)	$ (4,518)

The reconciliation of income tax (benefit) provision computed at the federal and state and local statutory rates to the Company's loss before taxes is as follows:

	Years Ended December 31, 2021	2020
U.S. statutory federal rate	21.00 %	21.00 %
State and local rate, net of federal tax	4.64	4.54
Stock compensation	(5.56)	(1.94)
Excess compensation deduction	(0.68)	(0.51)
Foreign tax credits	—	0.11
Federal true-ups	(0.10)	—
Life insurance	(0.10)	(0.04)
Net operating loss carryback	—	0.56
Paycheck Protection Program addback	—	2.18
Change in tax rate	0.06	—
Other permanent differences	(0.01)	(0.01)
Income tax benefit	19.25 %	25.89 %

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The significant components of net deferred tax assets (liabilities) of the Company consist of the following:

($ in thousands)	December 31, 2021	December 31, 2020
Deferred tax assets		
Stock-based compensation	$ 1,274	$ 2,440
Federal, state and local net operating loss carryforwards	6,684	2,907
Accrued compensation and other accrued expenses	728	664
Allowance for doubtful accounts	309	329
Basis difference arising from discounted note payable	11	11
Foreign tax credit	219	219
Charitable contribution carryover	77	63
Property and equipment	488	321
Interest expense	602	—
Total deferred tax assets	10,392	6,954
Deferred tax liabilities		
Basis difference arising from intangible assets of acquisition	(10,251)	(10,006)
Total deferred tax liabilities	(10,251)	(10,006)
Net deferred tax assets (liabilities)	$ 141	$ (3,052)

As of December 31, 2021 and 2020, the Company had approximately $23.7 million and $10.1 million, respectively, of federal net operating loss carryforwards ("NOLs") available to offset future taxable income. The NOL as of December 31, 2017 of $0.3 million has an expiration period through 2037. The NOL generated during tax years beginning after December 31, 2017 of $23.4 million has an indefinite life and does not expire.

As of December 31, 2021 and 2020, management does not believe the Company has any material uncertain tax positions that would require it to measure and reflect the potential lack of sustainability of a position on audit in its consolidated financial statements. The Company will continue to evaluate its uncertain tax positions in future periods to determine if measurement and recognition in its consolidated financial statements is necessary. The Company does not believe there will be any material changes in its unrecognized tax positions over the next year.

12. Related Party Transactions

Hilco Trading, LLC

Hilco Trading, LLC ("Hilco") directly and indirectly owns greater than 5% of the Company's common stock, and its affiliate Hilco Global owns 50% of the equity of Longaberger Licensing, LLC. During the year ended December 31, 2020, the Company sold certain apparel products to an affiliate of Hilco, and recognized approximately $0.2 million of revenue from this transaction. Additionally, during the year ended December 31, 2020, the Company sold certain intangible assets of Longaberger Licensing, LLC to a third party; an affiliate of Hilco earned and was paid a commission of approximately $0.1 million related to the sale of these assets.

Robert W. D’Loren

Jennifer D’Loren is the wife of Robert W. D’Loren, the Company’s Chief Executive Officer and Chairman of the Board, and is employed by the Company. Mrs. D’Loren brings vast experience in project management and implementation of financial IT solutions. During the past two years, Mrs. D’Loren has worked on the implementation of the Company’s ERP system. Mrs. D’Loren received compensation of less than $0.1 million and approximately $0.1 million for the years ended December 31, 2021 and 2020, respectively.

Isaac Mizrahi

On February 24, 2020, the Company entered into an employment agreement with Isaac Mizrahi, a principal stockholder of the Company, for Mr. Mizrahi to continue to serve as Chief Design Officer of the Isaac Mizrahi Brand. The term of the employment agreement expires on December 31, 2022, subject to earlier termination, and may be extended, at the Company's option, for two successive one-year terms (each, a "Renewal Period"). Mr. Mizrahi's base salary shall be $1.8 million, $2.0 million, and $2.1 million per annum during the term of the agreement and $2.25 million and $2.4 million during 2023 and 2024 if the term is extended, in each case, subject to adjustment in the event Mr. Mizrahi does not make a specified number of appearances on Qurate's QVC channel. Mr. Mizrahi shall be eligible to receive an annual cash bonus (the "Bonus") up to an amount equal to $2.5 million less base salary for 2020 and $3.0 million less base salary for 2021, 2022, and any year during the Renewal Period. The Bonus shall consist of the DRT Revenue, Bonus, the Brick-and-Mortar Bonus, the Endorsement Bonus and the Monday Bonus, if any, as determined in accordance with the below:

- "DRT Bonus" means for any calendar year an amount equal to 10% of the aggregate net revenue related to sales of Isaac Mizrahi Brand products through direct response television. The DRT Revenue Bonus shall be reduced by the amount of the Monday Bonus.

- "Brick-and-Mortar Bonus" means for any calendar year an amount equal to 10% of the net revenues from sales of products under the Isaac Mizrahi Brand, excluding DRT revenue and endorsement revenues.

- "Endorsement Bonus" means for any calendar year an amount equal to 40% of revenues derived from projects undertaken by the Company with one or more third parties solely for Mr. Mizrahi to endorse the third party's products through the use of Mr. Mizrahi's name, likeness, and/or image, and neither the Company nor Mr. Mizrahi provides licensing or design.

- "Monday Bonus" means $10,000 for each appearance by Mr. Mizrahi on Qurate's QVC channel on Mondays (subject to certain expectations) up to a maximum of 40 such appearances in a calendar year.

Mr. Mizrahi is required to devote his full business time and attention to the business and affairs of the Company and its subsidiaries; however, Mr. Mizrahi is the principal of IM Ready-Made, LLC and Laugh Club, Inc. ("Laugh Club"), 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, (ii) do not have a mutually negative impact upon or materially conflict with Mr. Mizrahi's duties under the employment agreement, or (iii) are consented to by the Company. The Company believes that it benefits from Mr. Mizrahi's independent promotional activities by increased brand awareness of IM Brands and the IM Trademarks.

Severance. If Mr. Mizrahi's employment is terminated by the Company without "cause," or if Mr. Mizrahi resigns with "good reason," then Mr. Mizrahi will be entitled to receive his unpaid base salary and cash bonuses through the termination date and an amount equal to his base salary in effect on the termination date for the longer of six months and the remainder of the then-current term, but in no event exceeding 18 months. If Mr. Mizrahi's employment is terminated by the Company without "cause" or if Mr. Mizrahi resigns with "good reason," within six months following a change of control (as defined in the employment agreement), Mr. Mizrahi shall be eligible to receive a lump-sum payment equal to two times the sum of (i) his base salary (at an average rate that would have been in effect for such two year period following termination) plus (ii) the bonus paid or due to Mr. Mizrahi in the year prior to the change in control.

Non-Competition and Non-Solicitation. During the term of his employment by the Company and for a one-year period after the termination of such employment (unless Mr. Mizrahi's employment was terminated without "cause" or was terminated by him for "good reason"), Mr. Mizrahi may not permit his name to be used by or to participate in any business or enterprise (other than the mere passive ownership of not more than 3% of the outstanding stock of any class of a publicly held corporation whose stock is traded on a national securities exchange or in the over-the-counter market) that engages or proposes to engage in the Company's business anywhere in the world other than the Company and its subsidiaries. Also during his employment and for a one-year period after the termination of such employment, Mr. Mizrahi may not, directly or indirectly, 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 or 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.

On February 24, 2020 the Company entered into a services agreement with Laugh Club, an entity wholly-owned by Mr. Mizrahi, pursuant to which Laugh Club shall provide services to Mr. Mizrahi necessary for Mr. Mizrahi to perform his services pursuant to the employment agreement. The Company will pay Laugh Club an annual fee of $0.72 million for such services.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

On October 1, 2021, the Company dismissed CohnReznick LLP ("CR") as its independent registered public accounting firm. CR's reports on the financial statements of the Company as of and for the years ended December 31, 2019 and 2020 did not contain an adverse opinion or a disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles. In connection with the audits of the financial statements of the Company for the years ended December 31, 2019 and 2020 and the subsequent interim period through October 1, 2021, there were no disagreements on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with CR's opinion to the subject matter of the disagreement.

On September 30, 2021, the Audit Committee of the Board of Directors appointed Marcum LLP ("Marcum") as the Company's new independent registered public accounting firm. Prior to September 30, 2021, the Company did not consult with Marcum regarding (1) the application of accounting principles to a specified transactions, (2) the type of audit opinion that might be rendered on the Company's financial statements, (3) written or oral advice was provided that would be an important factor considered by the Company in reaching a decision as to an accounting, auditing, or financial reporting issues, or (4) any matter that was the subject of a disagreement between the Company and its predecessor auditor as described in Item 304(a)(1)(iv) of Regulation S-K or a reportable event as described in Item 304(a)(1)(v) of Regulation S-K.

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

There were no disagreements with the Company's auditors which would require disclosure under Item 304(b) of Regulation S-K.

Item 9A. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Such controls and procedures, by their nature, can provide only reasonable assurance regarding management's control objectives.

Our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a 15(f) and 15d 15(f) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of December 31, 2021. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2021, to ensure that all information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time specified in SEC rules and forms and is accumulated and communicated to our management, including our principal executive and principal accounting officers to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the chief executive officer and principal financial officer and effected by our board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the design and effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our evaluation under the framework described above, our management has concluded that our internal control over financial reporting was effective as of December 31, 2021.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation requirements by the Company's independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during our most recent completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth the names, ages, and positions of our executive officers and directors as of the date hereof. Executive officers are appointed by our board of directors. Each executive officer holds office until resignation, is removed by the Board, or a successor is elected and qualified. Each director holds office until a successor is elected and qualified or earlier resignation or removal.

NAME	AGE	POSITION
Robert W. D'Loren	64	Chairman of the Board of Directors and Chief Executive Officer and President
James F. Haran	61	Chief Financial Officer and Assistant Secretary, and Principal Financial and Accounting Officer
Seth Burroughs	42	Executive Vice President of Business Development and Treasury and Secretary
Mark DiSanto	60	Director
James Fielding	57	Director
Michael R. Francis	59	Director
Howard Liebman	79	Director
Deborah Weinswig	51	Director

Below are the biographies of each of our officers and directors as of December 31, 2021.

Robert W. D'Loren has been the Chairman of our Board and our Chief Executive Officer and President since September 2011. Mr. D'Loren has been an entrepreneur, innovator, and pioneer of the consumer branded products industry for over 35 years. Mr. D'Loren has spearheaded the Company's omni-channel platform, connecting the channels of digital, brick-and-mortar, social media, and direct-response television to create a single customer view and brand experience for Xcel's brands. He served as Chairman and CEO of IPX Capital, LLC and its subsidiaries, a consumer products investment company, from 2009 to 2011. He continues to serve as IPX Capital LLC's Chairman.

Prior to founding the Company, from June 2006 to July 2008, Mr. D'Loren was a director, President and CEO of NexCen Brands, Inc., a global brand acquisition and management company with holdings that included The Athlete's Foot, Waverly Home, Bill Blass, MaggieMoo's, Marble Slab Creamery, Pretzel Time, Pretzelmaker, Great American Cookies, and The Shoe Box.

From 2002 to 2006, Mr. D'Loren's work among consumer brands continued as President and CEO of UCC Capital Corporation, an intellectual property investment company where he invested in the consumer branded products, media, and entertainment sectors. From 1997 to 2002, Mr. D'Loren founded and acted as President and Chief Operating Officer of CAK Universal Credit Corporation, an intellectual property finance company. Mr. D'Loren's total career debt and equity investments in over 30 entertainment and consumer branded products companies have exceeded $1.0 billion. In 1985, he founded and served as President and CEO of the D'Loren Organization, an investment and restructuring firm responsible for over $2 billion of transactions. Mr. D'Loren has also served as an asset manager for Fosterlane Management, as well as a manager with Deloitte.

Mr. D'Loren has served on the Board of Directors for Iconix Brand Group, Longaberger Company, Business Loan Center, and as a board advisor to The Athletes Foot and Bill Blass, Ltd. He also serves on the board of directors for the Achilles Track Club International. Mr. D'Loren is a Certified Public Accountant and holds an M.S. degree from Columbia University and a B.S. degree from New York University.

James F. Haran has been our Chief Financial Officer since September 2011. Mr. Haran served as CFO of IPX Capital, LLC and its related subsidiaries, from June 2008 to September 2011. Mr. Haran was the Executive Vice President, Capital Markets for NexCen Brands, Inc. from 2006 to May 2008 and Chief Financial Officer and Chief Credit Officer for UCC Capital Corporation, and its predecessor company, CAK Universal Credit Corp., from 1998 to 2006. Prior to joining UCC, Mr. Haran was a partner at Sidney Yoskowitz and Company P.C., a registered diversified certified public accounting firm.

During his tenure, which began in 1987, his focus was on real estate and financial services companies. Mr. Haran is a Certified Public Accountant and holds a B.S. degree from State University of New York at Plattsburgh.

Seth Burroughs has been our Executive Vice President of Business Development and Treasury since September 2011. From June 2006 to October 2010, Mr. Burroughs served as Vice President of NexCen Brands, Inc. Prior to his role at NexCen, from 2003 to 2006, Mr. Burroughs served as Director of M&A Advisory and Investor Relations at UCC Capital Corporation, an intellectual property investment company, where he worked on $500 million in acquisitions and $300 million in specialty financing as an advisor to consumer branded products companies in the franchising and apparel industries. From 2001 to 2003, Mr. Burroughs worked as a Senior Financial Analyst at The Pullman Group where he was involved with structuring the first securitizations of music royalties, including the Bowie Bonds, and as a Financial Analyst at Merrill Lynch's private client group. Mr. Burroughs received a B.S. degree in economics from The Wharton School of Business at the University of Pennsylvania.

Mark DiSanto has served as a member of our Board since October 2011. Since 1988, Mr. DiSanto has served as the Chief Executive Officer of Triple Crown Corporation, a regional real estate development and investment company with commercial and residential development projects exceeding 1.5 million square feet. Mr. DiSanto received a degree in business administration from Villanova University's College of Commerce and Finance, a J.D. degree from the University of Toledo College of Law, and an M.S. degree in real estate development from Columbia University.

James Fielding was appointed as a member of our Board in July 2018. He is a 25-year veteran in the consumer retail space, and previously served as the Global Head of Consumer Products for Dreamworks Animation and Awesomeness TV. Prior to that, Mr. Fielding served as the CEO of Claire's Stores Inc., where he oversaw strategic growth and international development for the retail chain's 3,000-plus stores worldwide. From May 2008 to 2012 Mr. Fielding served as the President of Disney Stores Worldwide.

Michael R. Francis has served as a member of our Board since June 2015. Mr. Francis is founder and CEO of Fairview Associates, LLC, a retail and branding consultancy. From February 2012 to December 2015, Mr. Francis served as the Chief Global Brand Officer of DreamWorks Animation SKG, which creates world-class entertainment, including animated feature films, television specials and series, and live-entertainment properties for audiences around the world. During this tenure with DreamWorks, Mr. Francis was responsible for global consumer products, retail, brand strategy, creative design, location-based entertainment, digital, publishing, and franchise development. From November 2010 to June 2011, Mr. Francis served as the President of J.C. Penney Company, Inc., one of the largest department store operators in the United States. Prior to November 2010, Mr. Francis spent more than 26 years with Target Corporation, an American retailing company and the second-largest discount retailer in the United States, in various roles including Executive Vice President and Global Chief Marketing Officer. Mr. Francis has a B.A. degree in international studies from the University of Michigan.

Howard Liebman has served as a member of our Board since October 2011. He was President, Chief Operating Officer and a director of Hobart West Group, a provider of national court reporting and litigation support services, from 2007 until the sale of the business in 2008. Mr. Liebman served as a consultant to Hobart from 2006 to 2007. Mr. Liebman was President, Chief Financial Officer, and a director of Shorewood Packaging Corporation, a multinational manufacturer of high-end value-added paper and paperboard packaging for the entertainment, tobacco, cosmetics and other consumer products markets. Mr. Liebman joined Shorewood in 1994 as Executive Vice President and Chief Financial Officer, and served as its President from 1999 until Shorewood was acquired by International Paper in 2000. Mr. Liebman continued as Executive Vice President of Shorewood until his retirement in 2005. Mr. Liebman is a Certified Public Accountant and was an audit partner with Deloitte and Touche, LLP (and its predecessors) from 1974 to 1994.

Deborah Weinswig was appointed as a member of our Board in January 2018. She is a Managing Director of Funding Global Retail & Technology ("FGRT"), the think tank for the Hong Kong-based Fung Group, since April 2014 where she is responsible for building the team's research capabilities and providing insights into the disruptive technologies that are reshaping today's global retail landscape. Prior to leading FGRT, Weinswig served as Chief Customer Officer for Profitect Inc., a predictive analytics and big data software provider. From March 2002 to October 2013, Ms. Weinswig was employed by Citigroup, Inc., most recently where she was Managing Director and Head of the Global Staples & Consumer Discretionary team at Citi Research. Ms. Weinswig also serves as an e-commerce expert for the International

Council of Shopping Centers' Research Task Force and was a founding member of the Oracle Retail Industry Strategy Council. Lastly, she is a member of the Board of Directors of Kiabi (affiliated with the Auchan Group). Ms. Weinswig is a Certified Public Accountant and holds an MBA from the University of Chicago.

Directors' Qualifications

In furtherance of our corporate governance principles, each of our directors brings unique qualities and qualifications to our Board. We believe that all of our directors have a reputation for honesty, integrity, and adherence to high ethical standards. They each have demonstrated business acumen, leadership and an ability to exercise sound judgment, as well as a commitment to serve the Company and our Board. The following descriptions demonstrate the qualifications of each director:

Robert W. D'Loren has extensive experience in and knowledge of the licensing and commercial business industries and financial markets. This knowledge and experience, including his experience as director, president, and chief executive officer of a global brand management company, provide us with valuable insight to formulate and create our acquisition strategy and how to manage and license acquired brands.

Mark DiSanto has considerable experience in building and running businesses and brings his strong business acumen to the Board.

James Fielding brings extensive senior level experience in the consumer retail space, as well as strong relationships in the media and retail industries.

Michael R. Francis brings extensive senior level experience in the media and retail industries, as well as relationships in the media and retail industries.

Howard Liebman brings comprehensive knowledge of accounting, the capital markets, mergers and acquisitions, financial reporting, and financial strategies from his extensive public accounting experience and prior service as Chief Financial Officer of a public company.

Deborah Weinswig brings thought leadership in the retail and licensing industries, particularly in the areas of sourcing and logistics.

Key Employees

Isaac Mizrahi is Chief Design Officer for IM Brands. As Chief Design Officer, he is responsible for design and design direction for all brands under his name. Mr. Mizrahi has been a leader in the fashion industry for over 30 years. Since his first collection in 1987, Mr. Mizrahi's designs have come to stand for timeless, cosmopolitan style. He has been awarded four Council of Fashion Designers of America (CFDA) awards, including a special award in 1996 for the groundbreaking documentary "Unzipped." In the Spring of 2016, Mr. Mizrahi launched IMNYC Isaac Mizrahi, available exclusively at Hudson's Bay and Lord & Taylor department stores. Previously, in 2009, Mr. Mizrahi launched his exclusive lifestyle collection, ISAACMIZRAHILIVE, on QVC. In addition, television audiences have come to value Mr. Mizrahi's media presence through his roles on "Project Runway All Stars" for Lifetime, and his appearances on broadcast television networks where he offers his expertise on fashion and style.

Lori Goldstein is Chief Creative Officer and Spokeswoman for the Lori Goldstein Brands. As Chief Creative Officer, she is responsible for providing design input and guidance to Xcel Brands for all brands under her name. Ms. Goldstein's work has covered a vast range, from her collaborations with photographers Annie Leibovitz at Vanity Fair to Steven Meisel at Vogue Italia, to her styling for designers Donatella Versace and Vera Wang. Ms. Goldstein stepped in front of the camera in 2009 when she launched LOGO by Lori Goldstein, her exclusive collection for QVC. She is the author of "Style Is Instinct," which was published in 2013. In 2014, Ms. Goldstein's brand was awarded "Apparel Product Concept of the Year" and she was named QVC Ambassador.

Employment Agreements with Executives

Robert W. D'Loren

On February 28, 2019, and effective as of January 1, 2019, the Company entered into a three-year employment agreement with Robert W. D'Loren for him to continue to serve as Chief Executive Officer of the Company, referred to as the D'Loren Employment Agreement. Following the initial three-year term, the agreement will be automatically renewed for one-year terms unless either party gives written notice of intent to terminate at least 90 days prior to the termination of the then current term. Pursuant to the D'Loren Employment Agreement, Mr. D'Loren's annual base salary is $0.89 million. The Company's board of directors or the compensation committee may approve increases (but not decreases) from time to time. Following the initial three-year term, Mr. D'Loren's base salary will be reviewed at least annually. Mr. D'Loren receives an allowance for an automobile appropriate for his level of position and the Company pays (in addition to monthly lease or other payments) all of the related expenses for gasoline, insurance, maintenance, repairs, or any other costs with Mr. D'Loren's automobile.

Bonus

Mr. D'Loren will be eligible to receive an annual cash bonus in an amount equal to (i) 2.5% of all income generated from the sales of the Company's products and by the trademarks and other intellectual property owned, operated or managed by us ("IP Income"), in excess of $8.0 million earned and received by us in such fiscal year: provided that any IP income generated through net sales shall be multiplied by (x) 7% in the case of net sales from wholesale sales, and private label sales and (y) 3% in the case of net sales from e-commerce sales through the Company's web sites and (ii) 5% of the Company's adjusted EBITDA (as defined in the D'Loren Employment Agreement) for such fiscal year. Mr. D'Loren shall have the right to elect to receive the cash bonus through the issuance of shares of the Company's common stock.

Pursuant to the D'Loren Agreement, Mr. D'Loren was granted an option to purchase up to 2,578,947 shares of the Company's common stock at an exercise price of $1.72 per share. The option is exercisable until February 28, 2029 and shall vest, subject to Mr. D'Loren remaining employed by the Company and based upon the Company's common stock achieving the following target prices:

Target Prices	Number of Option Shares Vesting
$3.00	736,842
$5.00	626,316
$7.00	515,789
$9.00	405,263
$11.00	294,737

Severance

If Mr. D'Loren's employment is terminated by the Company without cause, or if Mr. D'Loren resigns with good reason, or if the Company fails to renew the term, then Mr. D'Loren will be entitled to receive his unpaid base salary and cash bonuses through the termination date and a lump sum payment equal to the base salary in effect on the termination date for the longer of two years from the termination date or the remainder of the then-current term. Additionally, Mr. D'Loren would be entitled to two hundred times the average annual cash bonuses paid in the preceding 12 months. Mr. D'Loren would also be entitled to continue to participate in the Company's group medical plan or receive reimbursement for premiums paid for other medical insurance in an amount not to exceed the cost to participate in the Company's plan, subject to certain conditions, for a period of 36 months from the termination date.

Change of Control

In the event Mr. D'Loren's employment is terminated within 12 months following a change of control by the Company without cause or by Mr. D'Loren with good reason, he would be entitled to a lump sum payment equal to two times (i) his base salary in effect on the termination date for the longer of two years from the termination date or the remainder of the then-current term and (ii) two times the average annual cash bonuses paid in the preceding 12 months, minus $100.

"Change of control," as defined in Mr. D'Loren's employment agreement, means a merger or consolidation to which we are a party, a sale, lease or other transfer, exclusive license or other disposition of all or substantially all of our assets, a sale or transfer by our stockholders of voting control, in a single transaction or a series of transactions or, if during any twelve consecutive month period, the individuals who at the beginning of such period, constitute the board of directors of the Company (the "Incumbent Directors") cease (other than due to death) to constitute a majority of the members of the board at the end of such period; provided that directors elected by or on the recommendation of a majority of the directors who so qualify as Incumbent Directors shall be deemed to be Incumbent Directors. Upon a change of control, notwithstanding the vesting and exercisability schedule in any stock option or other grant agreement between Mr. D'Loren and the Company, all unvested stock options, shares of restricted stock and other equity awards granted by the Company to Mr. D'Loren pursuant to any such agreement shall immediately vest, and all such stock options shall become exercisable and remain exercisable for the lesser of 180 days after the date the change of control occurs or the remaining term of the applicable option.

Non-Competition and Non-Solicitation

During the term of his employment by the Company and for a one-year period after the termination of such employment (unless Mr. D'Loren's employment was terminated without cause or was terminated by him for good reason, in which case only for his term of employment and a six-month period after the termination of such employment), Mr. D'Loren may not permit his name to be used by or participate in any business or enterprise (other than the mere passive ownership of not more than 5% of the outstanding stock of any class of a publicly held corporation whose stock is traded on a national securities exchange or in the over-the-counter market) that engages or proposes to engage in our business in the United States, its territories and possessions and any foreign country in which we do business as of the date of termination of his employment. Also, during his employment and for a one-year period after the termination of such employment, Mr. D'Loren may not, directly or indirectly, 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.

James Haran

On February 28, 2019, and effective as of January 1, 2019, the Company entered into a two-year employment agreement with James Haran for him to continue to serve as the Company's Chief Financial Officer, referred to as the Haran Employment Agreement. Following the initial two-year term, the agreement automatically renewed for a one-year term and will be automatically renewed for one-year terms thereafter unless either party gives written notice of intent to terminate at least 30 days prior to the expiration of the then current term. Pursuant to the Haran Employment Agreement, Mr. Haran's annual base salary is $0.37 million per annum. The board of directors or the compensation committee may approve increases (but not decreases) from time to time. Following the initial two-year term, the base salary shall be reviewed at least annually. In addition, Mr. Haran receives a car allowance of $1,500 per month.

Bonus

Mr. Haran will be eligible to receive a performance cash bonus in an amount equal to (i) 0.23% of all IP Income in excess of $12.0 million earned and received by us in such fiscal year; provided that any IP income generated through net sales shall be multiplied by (x) 7% in the case of net sales from wholesale sales, and private label sales and (y) 3% in the case of net sales from e-commerce sales through the Company's web sites plus (ii) 0.375% of the Company's adjusted EBITDA (as defined in the Haran Employment Agreement) for such fiscal year. Notwithstanding the foregoing, for (i) 2019, $0.04 million of Mr. Haran's bonus was guaranteed, of which $0.01 million was paid to Mr. Haran upon execution of the Haran Employment Agreement and $0.03 million was paid prior to June 30, 2019, and (ii) for 2020, $0.03 million of Mr. Haran's bonus was guaranteed and paid prior to June 30, 2020, in each case.

Pursuant to the Haran Employment Agreement, Mr. Haran was granted an option to purchase up to 552,632 shares of the Company's common stock at an exercise price of $1.72 per share. The option is exercisable until February 28, 2029 and shall vest, subject to Mr. Haran remaining employed with the Company and based upon the Company's common stock achieving target prices as follows:

Target Prices	Number of Option Shares Vesting
$3.00	157,895
$5.00	134,211
$7.00	110,526
$9.00	86,842
$11.00	63,158

Severance

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

Change of Control

In the event Mr. Haran's employment is terminated within 12 months following a change of control by the Company without cause or by Mr. Haran with good reason, Mr. Haran would be entitled to a lump sum payment equal to his base salary in effect on the termination date for 12 months following such termination. "Change of control," as defined in Mr. Haran's employment agreement, means a merger or consolidation to which we are a party, a sale, lease or other transfer, exclusive license or other disposition of all or substantially all of our assets, or a sale or transfer by our stockholders of voting control, in a single transaction or a series of transactions. Upon a change of control, notwithstanding the vesting and exercisability schedule in any stock option or other grant agreement between Mr. Haran and us, all unvested stock options, shares of restricted stock and other equity awards granted by us to Mr. Haran pursuant to any such agreement shall immediately vest, and all such stock options shall become exercisable and remain exercisable for the lesser of 180 days after the date the change of control occurs or the remaining term of the applicable option.

Non-Competition and Non-Solicitation

During the term of his employment by the Company and for a one-year period after the termination of such employment, Mr. Haran may not permit his name to be used by or participate in any business or enterprise (other than the mere passive ownership of not more than 5% of the outstanding stock of any class of a publicly held corporation whose stock is traded on a national securities exchange or in the over-the-counter market) that engages or proposes to engage in our business in the United States, its territories and possessions and any foreign country in which we do business as of the date of termination of such employment. Also, during his employment and for a one-year period after the termination of his employment, Mr. Haran may not, directly or indirectly, 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.

Seth Burroughs

On February 28, 2019, and effective as of January 1, 2019, the Company entered into a two-year employment agreement with Seth Burroughs for him to continue to serve as the Company's Executive Vice President – Business Development and Treasury, referred to as the Burroughs Employment Agreement. Following the initial two-year term, the agreement automatically renewed for a one-year term and will be automatically renewed for one-year terms thereafter unless either party gives written notice of intent to terminate at least 30 days prior to the expiration of the then current term. Pursuant to the Burroughs Employment Agreement, Mr. Burroughs' annual base salary is $0.34 million per annum. The board of directors or the compensation committee may approve increases (but not decreases) from time to time. Following the initial two-year term, the base salary shall be reviewed at least annually.

Bonus

Mr. Burroughs will be eligible to receive a performance cash bonus in an amount equal to (i) 0.23% of all IP Income in excess of $12.0 million earned and received by us in such fiscal year; provided that any IP income generated through net sales shall be multiplied by (x) 7% in the case of net sales from wholesale sales, and private label sales and (y) 3% in the case of net sales from e-commerce sales through the Company's web sites plus (ii) 0.375% of the Company's adjusted EBITDA (as defined in the Haran Employment Agreement) for such fiscal year.

Pursuant to the Burroughs Employment Agreement, Mr. Burroughs was granted an option to purchase up to 368,421 shares of the Company's common stock at an exercise price of $1.72 per share. The option is exercisable until February 28, 2029 and shall vest, subject to Mr. Burroughs remaining employed with the Company and based upon the Company's common stock achieving target prices as follows:

Target Prices	Number of Option Shares Vesting
$3.00	105,263
$5.00	89,474
$7.00	73,684
$9.00	57,895
$11.00	42,105

Severance

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

Change of Control

In the event Mr. Burroughs' employment is terminated within 12 months following a change of control by the Company without cause or by Mr. Burroughs with good reason, Mr. Burroughs would be entitled to a lump sum payment equal to his base salary in effect on the termination date for 12 months following such termination. "Change of control," as defined in Mr. Burroughs' employment agreement, means a merger or consolidation to which we are a party, a sale, lease or other transfer, exclusive license or other disposition of all or substantially all of our assets, or a sale or transfer by our stockholders of voting control, in a single transaction or a series of transactions. Upon a change of control, notwithstanding the vesting and exercisability schedule in any stock option or other grant agreement between Mr. Burroughs and us, all unvested stock options, shares of restricted stock and other equity awards granted by us to Mr. Burroughs pursuant to any such agreement shall immediately vest, and all such stock options shall become exercisable and remain exercisable for the lesser of 180 days after the date the change of control occurs or the remaining term of the applicable option.

Non-Competition and Non-Solicitation

During the term of his employment by the Company and for a one-year period after the termination of such employment, Mr. Burroughs may not permit his name to be used by or participate in any business or enterprise (other than the mere passive ownership of not more than 5% of the outstanding stock of any class of a publicly held corporation whose stock is traded on a national securities exchange or in the over-the-counter market) that engages or proposes to engage in our business in the United States, its territories and possessions and any foreign country in which we do business as of the date of termination of such employment. Also, during his employment and for a one-year period after the termination of his employment, Mr. Burroughs may not, directly or indirectly, 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.

Family Relationships

There are no family relationships among our directors or officers.

Independence of the Board of Directors

The board has determined that Messrs. Howard Liebman, Mark DiSanto, James Fielding, Michael R. Francis, and Ms. Deborah Weinswig meet the director independence requirements under the applicable listing rule of the NASDAQ Stock Market LLC ("NASDAQ"). Each current member of the Audit Committee, Compensation Committee, and Nominating Committee is independent and meets the applicable rules and regulations regarding independence for such committee, including those set forth in the applicable NASDAQ rules, and each member is free of any relationship that would interfere with his individual exercise of independent judgment.

Section 16(a) Beneficial Ownership Reporting Compliance

To our knowledge, based solely on a review of Forms 3 and 4 and any amendments thereto furnished to our Company pursuant to Rule 16a-3(e) under the Securities Exchange Act of 1934, or representations that no Forms 5 were required, all Section 16(a) filing requirements applicable to our officers, directors, and beneficial owners of more than 10% of our equity securities were timely filed, except that Mr. D'Loren filed Forms 4 late for two transactions.

Code of Ethics

On September 29, 2011, we adopted a code of ethics that applies to our officers, employees, and directors, including our Chief Executive Officer, Chief Financial Officer and senior executives. Our Code of Ethics can be accessed on our website, www.xcelbrands.com.

Audit Committee and Audit Committee Financial Expert

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

Compensation Committee

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

Nominating Committee

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

Item 11. Executive Compensation

The following table sets forth information regarding all cash and non-cash compensation earned, during the years ended December 31, 2021 and 2020, by our principal executive officer and our two other most highly compensated executive officers, which we refer to collectively as the named executive officers, for services in all capacities to the Company:

Summary Compensation Table

Name	Title	Year	Salary (1)	Bonus (2)	Awards (3)	All Other Compensation	Total
Robert W. D'Loren	CEO and Chairman	2021	$ 888,500	$ 382,640	$ 282,640	$ —	$ 1,553,780
		2020	758,927	440,235	220,000	92	1,419,254
James F. Haran	CFO	2021	366,000	39,310	—	—	405,310
		2020	312,625	42,380	—	2,547	357,552
Seth Burroughs	EVP - Business Development and Treasury	2021	340,600	63,310	—	—	403,910
		2020	290,929	48,380	—	—	339,309

(1) Salary amounts for 2020 reflect temporary voluntary reductions from April 1, 2020 – December 31, 2020 in connection with cost reduction actions taken by management in response to the COVID-19 pandemic.

(2) Bonuses were paid in accordance with the executives' respective employment agreements. See "Employment Agreements with Executives" in Item 10.

(3) The amounts shown represent the grant date fair value of fully-vested common stock awards issued as payment for performance bonuses earned in the prior year.

Outstanding Equity Awards as of December 31, 2021

		Options and Warrant Awards				Stock Awards	
Name	Title	Number of Securities Underlying Unexercised Options & Warrants, Exercisable	Number of Securities Underlying Unexercised Options & Warrants, Unexercisable	Exercise Price	Option or Warrant Expiration Date	Number of Shares of Stock that Have Not Vested	Market Value of Shares of Stock that Have Not Vested
Robert W. D'Loren	CEO, Chairman	—	2,578,947 (1)	$ 1.72	2/28/2029	—	$ —
James F. Haran	CFO	—	552,632 (1)	$ 1.72	2/28/2029	—	$ —
Seth Burroughs	EVP - Bus. Development & Treasury	—	368,421 (1)	$ 1.72	2/28/2029	—	$ —

(1) These options shall become exercisable based upon the Company's common stock achieving specified target prices as outlined in the executive's employment agreement, and expire on February 28, 2029. See "Employment Agreements with Executives" in Item 10.

Director Compensation

We pay our non-employee directors $3,000 for each board of directors and committee meeting attended, up to a maximum of $12,000 per year for board of directors' meetings and up to a maximum of $12,000 per year for committee meetings, except that the chairman of each committee receives $4,000 for each such committee meeting attended, up to a maximum of $16,000 per year.

The following table sets forth information with respect to each non-employee director's compensation for the year ended December 31, 2021. The dollar amounts shown for Stock Awards represent the grant date fair value of the restricted stock awards or stock options granted during the fiscal year calculated in accordance with ASC Topic 718.

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Total
Mark DiSanto (1) (2)	$ 12,000	$ 19,300	$ 16,240	$ 47,540
Michael R. Francis (1) (2)	$ 6,000	$ 19,300	$ 16,240	$ 41,540
Howard Liebman (1) (2)	$ 14,000	$ 19,300	$ 16,240	$ 49,540
Deborah Weinswig (1) (2)	$ 12,000	$ 19,300	$ 16,240	$ 47,540
James Fielding (1) (2)	$ 6,000	$ 19,300	$ 16,240	$ 41,540

(1) On April 1, 2021, each non-employee directory was granted 10,000 shares of restricted stock pursuant to the terms and conditions of the 2011 Equity Incentive Plan. Such shares of restricted stock will vest evenly over two years, whereby 50% shall vest on April 1, 2022 and 50% shall vest on April 1, 2023. Notwithstanding the foregoing, each grantee may extent the vesting date of all or a portion of the restricted shares by six months and, thereafter one or more times may further extend such date with respect to all or a portion of the restricted shares until the next following October 1 or April 1, as the case may be. The grant date fair value of the shares was $1.93 per share.

(2) On April 1, 2021, each non-employee director was granted options to purchase 25,000 shares of stock pursuant to the terms and conditions of the 2011 Equity Incentive Plan. Such options will vest evenly over two years, whereby 50% shall vest on April 1, 2022 and 50% shall vest on April 1, 2023. The exercise price of the options is $1.93 per share.

2011 Equity Incentive Plan

Our Amended and Restated 2011 Equity Incentive Plan, which we refer to as the Plan, is designed and utilized to enable the Company to offer its employees, officers, directors, consultants, and others whose past, present, and/or potential contributions to the Company have been, are, or will be important to the success of the Company, an opportunity to acquire a proprietary interest in the Company.

The Plan provides for the grant of stock options or restricted stock. The stock options may be incentive stock options or non-qualified stock options. A total of 13,000,000 shares of common stock have been reserved for issuance under the Plan, the maximum number of shares of common stock with respect to which incentive stock options may be granted under the Plan is 5,000,000 and the maximum number of shares of common stock with respect to which options or restricted stock may be granted to any participant is 10,000,000. The Plan may be administered by the board of directors or a committee consisting of two or more members of the board of directors appointed by the board of directors.

Officers and other employees of Xcel or any parent or subsidiary of Xcel who are at the time of the grant of an award employed by us or any parent or subsidiary of Xcel are eligible to be granted options or other awards under the Plan. In addition, non-qualified stock options and other awards may be granted under the Plan to any person, including, but not limited to, directors, independent agents, consultants and attorneys who the board of directors or the committee, as the case may be, believes has contributed or will contribute to our success.

Cash awards may be issued under the Plan either alone or in addition to or in tandem with other awards granted under the Plan or other payments made to a participant not under the Plan. The board or committee, as the case may be, shall determine the eligible persons to whom, and the time or times at which, cash awards will be made, the amount that is subject to the cash award, the circumstances and conditions under which such amount shall be paid, in whole or in part, the time of payment, and all other terms and conditions of the awards. The maximum cash award that may be paid to any participant under the Plan during any calendar year shall not exceed $2,500,000.

With respect to incentive stock options granted to an eligible employee owning stock possessing more than 10% of the total combined voting power of all classes of our stock or the stock of a parent or subsidiary of our Company immediately before the grant, such incentive stock option shall not be exercisable more than 5 years from the date of grant. The exercise price of an incentive stock option will not be less than the fair market value of the shares underlying the option on the date the option is granted, provided, however, that the exercise price of an incentive stock option granted to a 10% stockholder may not be less than 110% of such fair market value. The exercise price of a non-qualified stock option may not be less than fair market value of the shares of common stock underlying the option on the date the option is granted.

Under the Plan, we may not, in the aggregate, grant incentive stock options that are first exercisable by any individual optionee during any calendar year (under all such plans of the optionee's employer corporation and its "parent" and "subsidiary" corporations, as those terms are defined in Section 424 of the Internal Revenue Code) to the extent that the aggregate fair market value of the underlying stock (determined at the time the option is granted) exceeds $100,000.

Certain awards made under the Plan may be granted so that they qualify as "performance-based compensation" (as this term is used in Internal Revenue Code Section 162(m) and the regulations thereunder) and are exempt from the deduction limitation imposed by Code Section 162(m). Under Internal Revenue Code Section 162(m), our tax deduction may be limited to the extent total compensation paid to the chief executive officer, or any of the four most highly compensated executive officers (other than the chief executive officer) exceeds $1 million in any one tax year. Among other criteria, awards only qualify as performance-based awards if at the time of grant the compensation committee is comprised solely of two or more "outside directors" (as this term is used in Internal Revenue Code Section 162(m) and the regulations thereunder). In addition, we must obtain stockholder approval of material terms of performance goals for such performance-based compensation.

All stock options and certain stock awards, performance awards, cash awards and stock units granted under the Plan, and the compensation attributable to such awards, are intended to (i) qualify as performance-based awards or (ii) be otherwise exempt from the deduction limitation imposed by Internal Revenue Code Section 162(m). No options or other awards may be granted on or after the fifth anniversary of the effective date of the Plan.

During the current year, we adopted the 2021 Equity Incentive Plan, the key terms and provisions of which are substantially similar to the 2011 Plan described above, with the major difference being that a total of 4,000,000 shares of common stock are eligible for issuance under the 2021 Equity Incentive Plan.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table lists, as of March 10, 2022, the number of shares of common stock beneficially owned by (i) each person or entity known to the Company to be the beneficial owner of more than 5% of the outstanding common stock; (ii) each named executive officer and director of the Company, and (iii) all officers and directors as a group. Information relating to beneficial ownership of common stock by our principal stockholders and management is based upon information furnished by each person using "beneficial ownership" concepts under the rules of the Securities and Exchange Commission. Under these rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or direct the voting of the security, or investment power, which includes the power to dispose of or direct the disposition of the security. The person is also deemed to be a beneficial owner of any security of which that person has a right to acquire beneficial ownership within 60 days. Under the Securities and Exchange Commission rules, more than one person may be deemed to be a beneficial owner of the same securities, and a person may be deemed to be a beneficial owner of securities as to which he or she may not have any pecuniary beneficial interest. Except as noted below, each person has sole voting and investment power. Unless otherwise indicated, the address for such person is c/o Xcel Brands, Inc., 1333 Broadway, 10th Floor, New York, New York 10018.

The percentages below are calculated based on 19,571,119 shares of common stock issued and outstanding as of March 10, 2022:

Name and Address	Number of Shares of Common Stock Beneficially Owned	Percent Beneficially Owned
Named executive officers and directors:		
Robert W. D'Loren (1)	8,636,898	44.13 %
James F. Haran (2)	204,018	3.87
Seth Burroughs (3)	310,549	3.47
Howard Liebman (4)	171,165	1.10
Mark DiSanto (5)	1,541,676	8.07
Michael R. Francis (6)	214,000	1.32
Deborah Weinswig (7)	98,000	*
James Fielding (8)	65,000	*
All directors and executive officers as a group (8 persons) (9)	11,241,306	56.29
5% Shareholders:		
Isaac Mizrahi (10)	2,773,325	13.96
Hilco Trading, LLC (11)	1,667,767	8.52
5 Revere Drive, Suite 206, Northbrook, IL 60062		
Burch Acquisition LLC (12)	1,000,000	5.11
840 First Avenue, Suite 200, King of Prussia, PA 19406		

* Less than 1%.

(1) Consists of (i) 1,614,145 shares held by Mr. D'Loren, (ii) 607,317 shares owned by Irrevocable Trust of Rose Dempsey (or the Irrevocable Trust) of which Mr. D'Loren and Mr. DiSanto are the trustees and as to which Mr. D'Loren has sole voting and dispositive power, (iii) 2,473,325 shares of common stock (including 522,500 restricted shares) held in the name of Isaac Mizrahi, (iv) 1,666,667 shares of common stock held in the name of Hilco Trading, LLC, and (v) 2,275,444 shares of common stock as to which holders thereof granted to Mr. D'Loren irrevocable proxy and attorney-in-fact with respect to the shares. Certain holders or grantees have entered into certain agreements, pursuant to which appoint a person designated by our board of directors as their irrevocable proxy and attorney-in-fact with respect to the shares set forth in clauses (iii), (iv), and (v). Mr. D'Loren does not have any pecuniary interest in these shares described in clauses (iii), (iv), and (v) and disclaims beneficial ownership thereof. Does not include 326,671 shares held by the D'Loren Family Trust (or the Family Trust) of which Mark DiSanto is a trustee and has sole voting and dispositive power.

(2) Consists of (i) 204,018 shares of common stock.

(3) Consists of (i) 310,549 shares of common stock.

(4) Consists of (i) 36,165 shares of common stock, (ii) 40,000 restricted shares, and (iii) immediately exercisable options to purchase 95,000 shares.

(5) Consists of (i) 326,671 shares held by the D'Loren Family Trust, of which Mark DiSanto is trustee and has sole voting and dispositive power over the shares held by the D'Loren Family Trust, (ii) 1,027,613 shares held by Mark X. DiSanto Investment Trust, of which Mark DiSanto is trustee and has sole voting and dispositive power over the shares held by the Trust, (iii) 10,000 restricted shares, (iv) 95,000 shares issuable upon exercise of warrants and options that have vested, and (v) 82,392 shares held by other trusts, of which Mark DiSanto is trustee and has sole voting and dispositive power over the shares held by the trusts.

(6) Consists of (i) 109,000 shares of common stock, (ii) 10,000 restricted shares, and (iii) immediately exercisable options to purchase 95,000 shares.

(7) Consists of (i) 28,000 restricted shares and (ii) immediately exercisable options to purchase 70,000 shares.

(8) Consists of (i) 10,000 shares of common stock, (ii) 10,000 restricted shares, and (iii) immediately exercisable options to purchase 45,000 shares.

(9) Includes (i) 3,720,553 shares of common stock, (ii) 98,000 restricted shares, (iii) 400,000 shares issuable upon exercise of options that are currently exercisable, and (iv) 7,022,753 other shares of common stock as to which holders thereof granted to Mr. D'Loren irrevocable proxy and attorney-in-fact with respect to the shares.

(10) Consists of (i) 1,950,825 shares of common stock, (ii) 522,500 restricted shares, and (iii) immediately exercisable options to purchase 300,000 shares.

(11) The H Company IP, LLC, or HIP, directly owns 1,000,000 shares of common stock, which we refer to as the H Company Shares. House of Halston, LLC, or HOH, is the parent company of HIP and may be deemed to share beneficial ownership of the H Company Shares by virtue of its ability to direct the business and investment decisions of HIP. The H Investment Company, LLC, or H Investment, in its capacity as the controlling member of HOH, has the ability to direct the investment decisions of HOH, including the power to direct the decisions of HOH regarding the disposition of the H Company Shares; therefore, H Investment may be deemed to beneficially own the H Company Shares. Hilco Brands, LLC, or Hilco Brands, in its capacity as a member of the Board of Managers of H Investment, has the ability to direct the management of H Investment's business, including the power to direct the decisions of H Investment regarding the voting and disposition of the H Company Shares; therefore, Hilco Brands may be deemed to have indirect beneficial ownership of the H Company Shares. Hilco Trading, LLC, or Hilco Trading, is the parent company of Hilco Brands and may be deemed to share beneficial ownership of the H Company Shares by virtue of its ability to direct the business and investment decisions of Hilco Brands. Hilco Trading also directly owns 667,767 shares of our outstanding common stock, which we refer to as the Hilco Shares. By virtue of the relationship described above and its direct ownership of the Hilco Shares, Hilco Trading beneficially owns 1,667,767 shares of our common stock. Jeffrey Bruce Hecktman is the majority owner of Hilco Trading and may be deemed to share beneficial ownership of the H Company Shares and the Hilco Shares by virtue of his ability to direct the business and investment decisions of Hilco Trading. By virtue of this relationship, Mr. Hecktman may be deemed to have indirect beneficial ownership of 1,667,767 shares of our common stock.

(12) Consists of 1,000,000 shares of common stock.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Hilco Trading, LLC

Hilco Trading, LLC ("Hilco") directly and indirectly owns greater than 5% of the Company's common stock, and its affiliate Hilco Global owns 50% of the equity of Longaberger Licensing, LLC. During the year ended December 31, 2020, the Company sold certain apparel products to an affiliate of Hilco, and recognized approximately $0.2 million of revenue from this transaction. Additionally, during the year ended December 31, 2020, the Company sold certain intangible assets of Longaberger Licensing, LLC to a third party; an affiliate of Hilco earned and was paid a commission of $0.1 million related to the sale of these assets.

Robert W. D'Loren

Jennifer D'Loren is the wife of Robert W. D'Loren, the Company's Chief Executive Officer and Chairman of the Board, and is employed by the Company. Mrs. D'Loren brings vast experience in project management and implementation of financial IT solutions. During the past two years, Mrs. D'Loren has worked on the implementation of the Company's ERP system. Mrs. D'Loren received compensation of less than $0.1 million and approximately $0.1 million for the years ended December 31, 2021 and 2020, respectively.

Isaac Mizrahi

On February 24, 2020, the Company entered into an employment agreement with Isaac Mizrahi, a principal stockholder of the Company, for Mr. Mizrahi to continue to serve as Chief Design Officer of the Isaac Mizrahi Brand. The term of the employment agreement expires on December 31, 2022, subject to earlier termination, and may be extended, at the Company's option, for two successive one-year terms (each, a "Renewal Period"). Mr. Mizrahi's base salary shall be $1.8 million, $2.0 million, and $2.1 million per annum during the term of the agreement and $2.25 million and $2.4 million during 2023 and 2024 if the term is extended, in each case, subject to adjustment in the event Mr. Mizrahi does not make a specified number of appearances on Qurate's QVC channel. Mr. Mizrahi shall be eligible to receive an annual cash bonus (the "Bonus") up to an amount equal to $2.5 million less base salary for 2020 and $3.0 million less base salary for 2021, 2022, and any year during the Renewal Period. The Bonus shall consist of the DRT Revenue, Bonus, the Brick-and-Mortar Bonus, the Endorsement Bonus and the Monday Bonus, if any, as determined in accordance with the below:

- "DRT Bonus" means for any calendar year an amount equal to 10% of the aggregate net revenue related to sales of Isaac Mizrahi Brand products through direct response television. The DRT Revenue Bonus shall be reduced by the amount of the Monday Bonus.

- "Brick-and-Mortar Bonus" means for any calendar year an amount equal to 10% of the net revenues from sales of products under the Isaac Mizrahi Brand, excluding DRT revenue and endorsement revenues.

- "Endorsement Bonus" means for any calendar year an amount equal to 40% of revenues derived from projects undertaken by the Company with one or more third parties solely for Mr. Mizrahi to endorse the third party's products through the use of Mr. Mizrahi's name, likeness, and/or image, and neither the Company nor Mr. Mizrahi provides licensing or design.

- "Monday Bonus" means $10,000 for each appearance by Mr. Mizrahi on Qurate's QVC channel on Mondays (subject to certain expectations) up to a maximum of 40 such appearances in a calendar year.

Mr. Mizrahi is required to devote his full business time and attention to the business and affairs of the Company and its subsidiaries; however, Mr. Mizrahi is the principal of IM Ready-Made, LLC and Laugh Club, Inc. ("Laugh Club"), 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, (ii) do not have a mutually negative impact upon or materially conflict with Mr. Mizrahi's duties under the employment agreement, or (iii) are consented to by the Company. The Company believes that it benefits from Mr. Mizrahi's independent promotional activities by increased brand awareness of IM Brands and the IM Trademarks.

Severance. If Mr. Mizrahi's employment is terminated by the Company without "cause," or if Mr. Mizrahi resigns with "good reason," then Mr. Mizrahi will be entitled to receive his unpaid base salary and cash bonuses through the termination date and an amount equal to his base salary in effect on the termination date for the longer of six months and the remainder of the then-current term, but in no event exceeding 18 months. If Mr. Mizrahi's employment is terminated by the Company without "cause" or if Mr. Mizrahi resigns with "good reason," within six months following a change of control (as defined in the employment agreement), Mr. Mizrahi shall be eligible to receive a lump-sum payment equal to two times the sum of (i) his base salary (at an average rate that would have been in effect for such two year period following termination) plus (ii) the bonus paid or due to Mr. Mizrahi in the year prior to the change in control.

Non-Competition and Non-Solicitation. During the term of his employment by the Company and for a one-year period after the termination of such employment (unless Mr. Mizrahi's employment was terminated without "cause" or was terminated by him for "good reason"), Mr. Mizrahi may not permit his name to be used by or to participate in any business or enterprise (other than the mere passive ownership of not more than 3% of the outstanding stock of any class of a publicly held corporation whose stock is traded on a national securities exchange or in the over-the-counter market) that engages or proposes to engage in the Company's business anywhere in the world other than the Company and its subsidiaries. Also during his employment and for a one-year period after the termination of such employment, Mr. Mizrahi may not, directly or indirectly, 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 or 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.

On February 24, 2020 the Company entered into a services agreement with Laugh Club, an entity wholly-owned by Mr. Mizrahi, pursuant to which Laugh Club shall provide services to Mr. Mizrahi necessary for Mr. Mizrahi to perform his services pursuant to the employment agreement. The Company will pay Laugh Club an annual fee of $0.72 million for such services.

Item 14. Principal Accountant Fees and Services

Audit Fees

The aggregate fees billed or to be billed for professional services rendered by our prior Independent Registered Public Accounting Firm, CohnReznick LLP, for the audit of our annual consolidated financial statements, review of our consolidated financial statements included in our quarterly reports for the first two fiscal quarters of 2021, and other fees that are normally provided by the accounting firm in connection with statutory and regulatory filings or engagements for the six months ended June 30, 2021 and the year ended December 31, 2020 were approximately $366,000.

The aggregate fees billed or to be billed for professional services rendered by our current Independent Registered Public Accounting Firm, Marcum LLP, for the audit of our annual consolidated financial statements, review of our consolidated financial statements included in our quarterly report for the third fiscal quarter of 2021, and other fees that are normally provided by the accounting firm in connection with statutory and regulatory filings or engagements for the year ended December 31, 2021 were approximately $277,000.

Audit-Related Fees

There were no fees billed by our Independent Registered Public Accounting Firm for audit-related services for the fiscal years ended December 31, 2021 and 2020.

Tax Fees

There were no fees billed for professional services rendered by our Independent Registered Public Accounting Firm for tax compliance, tax advice, and tax planning for the fiscal years ended December 31, 2021 and 2020.

All Other Fees

There were no fees billed for non-audit services by our Independent Registered Public Accounting Firm for the fiscal years ended December 31, 2021 and 2020.

Audit Committee Determination

The Audit Committee considered and determined that the services performed are compatible with maintaining the independence of the independent registered public accounting firm.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditor

The Audit Committee is responsible for pre-approving all audit and permitted non-audit services to be performed for us by our Independent Registered Public Accounting Firm as outlined in its Audit Committee charter. Prior to engagement of the Independent Registered Public Accounting Firm for each year's audit, management or the Independent Registered Public Accounting Firm submits to the Audit Committee for approval an aggregate request of services expected to be rendered during the year, which the Audit Committee pre-approves. During the year, circumstances may arise when it may become necessary to engage the Independent Registered Public Accounting Firm for additional services not contemplated in the original pre-approval. In those circumstances, the Audit Committee requires specific pre-approval before engaging the Independent Registered Public Accounting Firm. The engagements of our Independent Registered Public Accounting Firm were approved by the Company's Audit Committee.

PART IV

Item 15. Exhibit and Financial Statement Schedules

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Xcel Brands, Inc. (11)
3.2	Third Restated and Amended Bylaws of Xcel Brands, Inc. (12)
4.1	Third Amended and Restated Equity Incentive Plan and Forms of Award Agreements (14)
4.2	2021 Equity Incentive Plan (18)
4.3	Description of Registrant's Securities (17)
9.1	Amended and Restated Voting Agreement between Xcel Brands, Inc. and IM Ready-Made, LLC, dated as of December 24, 2013 (5)
9.2	Voting Agreement between Xcel Brands, Inc. and Judith Ripka Berk, dated as of April 3, 2014 (7)
9.3	Voting Agreement dated as of December 22, 2014 by and between Xcel Brands, Inc. and H Company IP, LLC (8)
9.4	Form of Voting Agreement dated as of February 11, 2019 (3)
10.1+	Asset Purchase Agreement by and among Xcel Brands, Inc., IM Brands, LLC, IM Ready-Made, LLC, Isaac Mizrahi and Marisa Gardini, dated as of May 19, 2011, as amended on July 28, 2011, as amended on September 15, 2011, as amended on September 21, 2011, and as amended on September 29, 2011 (1)
10.2*	Second Amended and Restated Agreement and Consent to Assignment by and among QVC, Inc., IM Brands, LLC, IM Ready-Made, LLC, Xcel Brands, Inc. and Isaac Mizrahi, dated September 28, 2011 (2)
10.3	Employment Agreement entered into with Isaac Mizrahi, dated February 24, 2020 (9)
10.4*	Amendment No. 1 to Second Amended and Restated Agreement and Consent to Assignment by and among QVC, Inc., IM Brands, LLC, IM Ready-Made, LLC, Xcel Brands, Inc. and Isaac Mizrahi, dated September 28, 2011 (4)
10.5	Employment Agreement between the Company and Robert D'Loren dated February 27, 2019 (15)
10.6	Employment Agreement between the Company and James Haran dated February 27, 2019 (15)
10.7	Employment Agreement between the Company and Seth Burroughs dated February 27, 2019 (20)
10.8	Amended and Restated Fifth Amendment, entered into as of March 14, 2014 and effective as of December 24, 2013, to the Asset Purchase Agreement filed as Exhibit 10.1 (6)
10.9	Sublease Agreement, dated as of July 8, 2015, by and between Xcel Brands, Inc. and GBG USA Inc. (10)

10.10	Asset Purchase Agreement by and between Xcel Brands, Inc., H Licensing, LLC, and The H Company IP LLC [(3)]
10.11	Loan and Security Agreement dated December 30, 2021 [(19)]
21.1	Subsidiaries of the Registrant [(20)]
23.1	Independent Registered Public Accounting Firm's Consent [(20)]
23.2	Consent of Independent Registered Public Accounting Firm [(20)]
31(i).1	Rule 13a-14(a)/15d-14(a) Certification (CEO) [(20)]
31(i).2	Rule 13a-14(a)/15d-14(a) Certification (CFO) [(20)]
32(i).1	Section 1350 Certification (CEO) [(20)]
32(i).2	Section 1350 Certification (CFO) [(20)]
101.INS	Inline XBRL Instance Document [(20)]
101.SCH	Inline XBRL Taxonomy Schema [(20)]
101.CAL	Inline XBRL Taxonomy Calculation Linkbase [(20)]
101.DEF	Inline XBRL Taxonomy Definition Linkbase [(20)]
101.LAB	Inline XBRL Taxonomy Label Linkbase [(20)]
101.PRE	Inline XBRL Taxonomy Presentation Linkbase [(20)]
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) [(20)]

(1) This Exhibit is incorporated by reference to the appropriate exhibit to the Current Report on Form 8-K, which was filed with the SEC on October 5, 2011.

(2) This Exhibit is incorporated by reference to the appropriate exhibit to the Current Report filed on Form 8-K/A, which was filed with the SEC on February 7, 2012.

(3) This Exhibit is incorporated by reference to the appropriate exhibit to the Current Report on Form 8-K, which was filed with the SEC on February 15, 2019.

(4) This Exhibit is incorporated by reference to the appropriate exhibit to the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2013, which was filed with the SEC on August 13, 2013.

(5) This Exhibit is incorporated by reference to the appropriate Exhibit to the Current Report on Form 8-K, which was filed with the SEC on December 24, 2013.

(6) This Exhibit is incorporated by reference to the appropriate Exhibit to the Current Report on Form 8-K, which was filed with the SEC on March 20, 2014.

(7) This Exhibit is incorporated by reference to the appropriate Exhibit to the Current Report on Form 8-K, which was filed with the SEC on April 9, 2014.

(8) This Exhibit is incorporated by reference to the appropriate Exhibit to the Current Report on Form 8-K, which was filed with the SEC on December 24, 2014.

(9) This Exhibit is incorporated by reference to the appropriate Exhibit to the Current Report on Form 8-K, which was filed with the SEC on February 28, 2020.

(10) This Exhibit is incorporated by reference to the appropriate Exhibit to the Current Report on Form 8-K, which was filed with the SEC on July 14, 2015.

(11) This Exhibit is incorporated by reference to the appropriate Exhibit to the Current Report on Form 8-K, which was filed with the SEC on October 24, 2017.

(12) This Exhibit is incorporated by reference to the appropriate Exhibit to the Current Report on Form 8-K, which was filed with the SEC on December 8, 2017.

(13) This Exhibit is incorporated by reference to the appropriate Exhibit to the Annual Report on Form 10-K for the year ended December 31, 2018, which was filed with the SEC on April 1, 2019.

(14) This Exhibit is incorporated by reference to the appropriate Exhibit to the Definitive Proxy Statement on Form DEF 14-A, which was filed with the SEC on August 15, 2016.

(15) This Exhibit is incorporated by reference to the appropriate Exhibit to the Current Report on Form 8-K, which was filed with the SEC on March 1, 2019.

(16) This Exhibit is incorporated by reference to the appropriate Exhibit to the Current Report on Form 8-K, which was filed with the SEC on April 27, 2020.

(17) This Exhibit is incorporated by reference to the appropriate Exhibit to the Annual Report on Form 10-K for the year ended December 31, 2020, which was filed with the SEC on April 23, 2021.

(18) This Exhibit is incorporated by reference to the appropriate Exhibit to the revised Definitive Proxy Statement on Form DEF 14-A, which was filed with the SEC on October 20, 2021.

(19) This Exhibit is incorporated by reference to the appropriate Exhibit on the Current Report on Form 8-K, which was filed with the SEC on January 6, 2022.

(20) Filed herewith.

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

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 14, 2022	/s/ Robert W. D'Loren
	Robert W. D'Loren, Chairman, President, Chief Executive Officer and Director (Principal Executive Officer)

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	
/s/ Robert W. D'Loren Robert W. D'Loren	Chief Executive Officer and Chairman (Principal Executive Officer)	April 14, 2022
/s/ James F. Haran James F. Haran	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	April 14, 2022
/s/ Michael R. Francis Michael R. Francis	Director	April 14, 2022
/s/ Mark DiSanto Mark DiSanto	Director	April 14, 2022
/s/ James Fielding James Fielding	Director	April 14, 2022
/s/ Howard Liebman Howard Liebman	Director	April 14, 2022
/s/ Deborah Weinswig Deborah Weinswig	Director	April 14, 2022

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "*Agreement*") dated February 27, 2019 by and between XCel Brands, Inc., a Delaware corporation (the "*Company*") and Seth Burroughs (the "*Executive*"), each a "*Party*" and collectively the "*Parties.*" This Agreement replaces and supersedes that certain employment agreement dated as of October 1, 2014, as amended by and between the Company and the Executive (the "*Prior Agreement*"). Unless otherwise indicated, capitalized terms used herein are defined in Section 2.1 of this Agreement.

WHEREAS, the Company has determined that it is in the best interests of the Company and its shareholders to enter into an employment agreement with the Executive and the Executive is willing to serve as an employee of the Company.

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

ARTICLE I.
EMPLOYMENT TERMS

1.1. Employment. The Company will employ the Executive, and the Executive accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning on the Effective Date and ending as provided in Section 1.4(a) hereof (the "*Employment Period*").

1.2. Position and Duties.

(a) Generally. The Executive shall serve as the Executive Vice President – Business Development and Treasury of the Company and, in such capacity shall be responsible for the general management of the treasury affairs of the Company, shall perform such duties as are customarily performed by an officer with similar title and responsibilities of a company of a similar size and shall have such power and authority as shall reasonably be required to enable him to perform his duties hereunder; provided, however, that in exercising such power and authority and performing such duties, he shall at all times be subject to the authority, control and direction of the Chief Executive Officer of the Company.

(b) Duties and Responsibilities. The Executive shall report to the Chief Executive Officer of the Company and shall devote his full business time and attention to the business and affairs of the Company and its Subsidiaries. The Executive shall perform his duties and responsibilities in a diligent, trustworthy, businesslike and efficient manner and shall use his best efforts during the Employment Period to protect, encourage and promote the best interests of the Company and its stockholders. The Executive shall not engage in any other business activities that could reasonably be expected to conflict with the Executive's duties, responsibilities and obligations hereunder. During the Employment Period, the Executive shall promptly bring to the Company or its Subsidiaries, as applicable, all investment or business opportunities relating to the Business of which the Executive becomes aware.

(c) The Executive shall not engage in any other business activities that could reasonably be expected to conflict with the Executive's duties, responsibilities and obligations hereunder.

(d) Principal Office. The principal place of performance by the Executive of his duties hereunder shall be the Company's principal executive offices in the New York Metropolitan area, although the Executive may be required to travel outside of the area where the Company's principal executive offices are located in connection with the business of the Company.

1.3. Compensation.

(a) Base Salary. The Executive's annual base salary during the Employment Period shall be $340,600 (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, or the compensation committee of the Board of Directors (the "*Compensation Committee*"), may approve in its sole discretion from time to time. Following the two-year anniversary of the Effective Date, the Base Salary shall be reviewed at least annually.

(b) Cash Bonus. Executive shall be eligible for annual cash bonuses ("*Cash Bonus*") for each completed fiscal year (subject to Section 1.4 hereof) of the Company during the Term in accordance with this Section 1.3(b). The Cash Bonus for any fiscal year shall be an amount equal to the IP Income Bonus plus the EBITDA Bonus. The "IP Income Bonus" for any fiscal year shall be an amount equal to 0.23% of all revenue generated from sales of the Company's products and by the trademarks and other intellectual property owned, operated or managed by the Company ("*IP Income*") in excess of $12,000,000 earned in accordance with GAAP by the Company in such fiscal year, provided however, that any IP Income generated through Net Sales, shall be multiplied by (i) 7%, in the case of Net Sales from wholesale sales and private label sales and (ii) 3%, in the case of Net Sales from e-commerce sales though the Company's web sites. The "EBITDA Bonus" for any such fiscal year shall be an amount equal to 0.375% of the Company's Adjusted EBITDA for such fiscal year.

The Cash Bonus shall be paid to the Executive on the date that is the earlier of (i) the 90th day following the end of the fiscal year to which the Cash Bonus relates and (ii) the first business day following the date the Company's annual report on Form 10-K for the fiscal year to which the Cash Bonus relates is filed with the Securities and Exchange Commission. Notwithstanding the foregoing, all payments of Cash Bonuses shall be made on a date that allows such payments to comply with the requirements of Section 409A of the Code. Executive shall be eligible to receive a pro rata portion of the Cash Bonus if Executive's employment is less than a full year or ceases prior to the end of the calendar year for which a Cash Bonus has not yet been paid.

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

(d) Expenses. The Company will reimburse the Executive for all reasonable expenses incurred by him in the course of performing his duties under this Agreement that are consistent with the Company's policies in effect at that time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses. All expense reimbursement payments subject to this Section 1.3(d) shall be made within thirty (30) days after the date that the Executive notifies the Company of such expense; provided, however, that the Executive shall notify the Company of such expenses no later than six (6) months after the end of the calendar year in which such expenses were incurred.

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

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

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

(h) Options. Upon execution of this Agreement, the Company shall grant to the Executive Options (the "*Options*") to purchase up to Three Hundred Sixty Eight Thousand Four Hundred Twenty One (368,421) shares of the Company's common stock at an exercise price equal to the last sale price of the common stock on the date of this Agreement. The Options shall be exercisable until the ten (10) year anniversary of the date of this Agreement and shall vest, subject to the Executive remaining employed with the Company and based upon the Company's common stock achieving Target Prices as follows:

Target Prices	Number of Option Shares Vesting
$3.00	105,263
$5.00	89,474
$7.00	73,684
$9.00	57,895
$11.00	42,105

(i). In the event that the Company elects from time to time during the Employment Period to award to its senior management or executives, generally, options to purchase shares of the Company's stock pursuant to any stock option plan or similar program, the Executive shall be entitled to participate in any such stock option plan or similar program on a basis consistent with the participation of other senior management or executives of the Company.

1.4. Term and Termination.

(a) Duration. The Employment Period shall commence on the Effective Date and shall terminate two (2) years from the Effective Date (the "*Term*"), unless earlier terminated by the Company or the Executive as set forth in this Section 1.4. The Term shall renew automatically for one-year periods, unless either party gives the other party written notice of its intention not to renew the Agreement no later than 30 days prior to the expiration of the then current Term. The Employment Period shall be terminated prior to the then-applicable expiration of the Term upon the first to occur of (i) termination of the Executive's employment by the Company for Cause, (ii) termination of the Executive's employment by the Company without Cause, (iii) the Executive's resignation with Good Reason, (iv) the Executive's resignation other than for Good Reason or (v) the Executive's death or Disability. The Executive shall not terminate the Employment Period, with or without Good Reason, unless he gives the Company written notice that he intends to terminate the Employment Period at least 90 days prior to the Executive's proposed Termination Date. As a condition to Executive receiving any payments or benefits under Section 1.4(b), the Executive shall execute and deliver to the Company the General Release in the form attached hereto as Exhibit A.

(b) Severance Upon Termination Without Cause, Upon Resignation by the Executive For Good Reason or Failure to Renew Term. If the Employment Period is terminated by the Company without Cause or if the Executive resigns for Good Reason, or if the Company fails to renew the Term (in which case termination of the Executive's employment shall be effective at the expiration of the then-current Term), then the Executive will be entitled to receive (1) any unpaid Base Salary through and including the Termination Date and any other amounts, including any unpaid Cash Bonus amounts, or other entitlements then due and owing to the Executive as of the Termination Date; (2) an amount equal to the Executive's Base Salary (at the rate in effect on the date the Executive's employment is terminated) for a 12 month period following the Executive's termination of employment as described in this Section 1.4(b), payable in (A) substantially equal installments over the lesser of (i) a six-month period immediately following such termination, or (ii) such shorter period that is the longest period permissible in order for the payments not to be considered *"nonqualified deferred compensation"* under Section 409A of the Code or any regulations, rulings or other regulatory guidance issued thereunder, or (B) if such payment terms would not satisfy the requirements of Section 409A of the Code and the regulations, rulings and other regulatory guidance issued thereunder, a lump sum on the date that is six months following the Executive's *"separation from service"* (within the meaning of Section 409A of the Code) occurring in connection with such termination and (3) continue to participate in the Company's group medical plan on the same basis as he previously participated or receive payment of, or reimbursement for, COBRA premiums (or, if COBRA coverage is not available, reimbursement of premiums paid for other medical insurance in an amount not to exceed the COBRA premium) for a one-year period following the Executive's termination of employment; *provided* that if the Executive is provided with health insurance coverage by a successor employer, any such coverage and reimbursement by the Company shall cease (each of clauses (1), (2) and (3) referred to as the "*Severance Payment*"). The Executive also shall be entitled to receive payment for all reimbursable expenses or other entitlements then due and owing to the Executive as of the Termination Date. If the Executive breaches his obligations under Section 1.6, 1.7, 1.8 or 1.9 of this Agreement, the Company's obligation to make any Severance Payments and provide any Benefits shall cease as of the date of such breach; provided, that if the Executive cures such breach within 10 days of receiving written notice from the Company of such breach (which notice the Company shall provide promptly to the Executive after learning of such breach), the Company shall promptly pay all Severance Payments not made during such period of dispute and resume making Severance Payments and providing Benefits promptly following such cure.

(c) Severance upon a Change of Control. Anything contained herein to the contrary notwithstanding, in the event the Executive's employment hereunder is terminated within twelve (12) months following a Change of Control by the Company without Cause or by the Executive with Good Reason, the Executive shall be entitled to receive the Severance Payment as described in sub-section (b)(2) above; provided, however, that if such lump sum Severance Payment, either alone or together with other payments or benefits, either cash or non-cash, that the Executive has the right to receive from the Company, including, but not limited to, accelerated vesting or payment of any deferred compensation, options, stock appreciation rights or any benefits payable to the Executive under any plan for the benefit of employees, would constitute an "excess parachute payment" (as defined in Section 280G of the Code), then such lump sum severance payment or other benefit shall be reduced to the largest amount that will not result in receipt by the Executive of an "excess parachute payment." The determination of the amount of the payment described in this subsection shall be made by the Company's independent auditors at the sole expense of the Company. For purposes of clarification the value of any options described above will be determined by the Company's independent auditors using a Black-Scholes valuation methodology. Upon a Change of Control, notwithstanding the vesting and exercisability schedule in any stock option or other grant agreement between the Company and the Executive, all unvested stock options, shares of restricted stock and other equity awards granted by the Company to the Executive pursuant to any such agreement shall immediately vest, and all such stock options shall become exercisable and shall remain exercisable for the lesser of 180 days after the date of the Change of Control or the remaining term of the applicable option.

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

(e) Salary and Other Payments Through Termination. If the Executive's employment with the Company is terminated during the Term (i) by the Company for Cause or (ii) by the Executive other than for Good Reason, the Executive will be entitled to receive his Base Salary through the Termination Date, but will not be entitled to receive any Severance Payments or Benefits after the Termination Date. The Executive shall be entitled to receive payment for all reimbursable expenses or other entitlements then due and owing to the Executive as of the Termination Date.

(f) Other Rights. Except as set forth in this Section 1.4 and Section 1.3, all of the Executive's rights to receive Base Salary, Benefits and Cash Bonuses hereunder (if any) which accrue or become payable after the termination of the Employment Period shall cease upon such termination.

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

(h) No Duty of Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Article I by seeking other employment or otherwise.

1.5. Confidential Information.

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

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

(c) As used in this Agreement, the term "*Confidential Information*" means information that is not generally known to the public and that is related in any way to the actual or anticipated business of the Company, its Subsidiaries, its Affiliates or any of their respective predecessors in interest, including but not limited to (i) business development, growth and other strategic business plans, (ii) properties available for acquisition, financing development or sale, (iii) accounting and business methods, (iv) services or products and the marketing of such services and products, (v) fees, costs and pricing structures, (vi) designs, (vii) analysis, (viii) drawings, photographs and reports, (ix) computer software, including operating systems, applications and program listings, (x) flow charts, manuals and documentation, (xi) data bases, (xii) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xiii) copyrightable works, (xiv) all technology and trade secrets, (xv) confidential terms of material agreements and customer relationships, and (xvi) all similar and related information in whatever form or medium. Confidential Information also expressly excludes Executive's general know-how and business contacts to the extent that the use of such information does not violate or breach the terms of Section 1.9.

1.6. Inventions and Patents. Executive acknowledges that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, products, methods, processes, techniques, programs, designs, analyses, drawings, reports, patents, copyrightable works and mask works (whether or not including any Confidential Information) and all issuances, registrations or applications related thereto, all other proprietary information or intellectual property and all similar or related information (whether or not patentable) conceived, developed, contributed to, made, or reduced to practice by Executive (either alone or with others) while employed by Company or any of its Subsidiaries or Affiliates or any of their respective predecessors in interest (including prior to the date of this Agreement) or using the materials, facilities or resources of the Company or any of its Subsidiaries or Affiliates or any of their respective predecessors in interest (collectively, "*Company Works*") is the sole and exclusive property of the Company and its Subsidiaries. Executive hereby assigns all right, title and interest in and to all Company Works to the Company and its Subsidiaries and waives any moral rights he may have therein, without further obligation or consideration. Any copyrightable work prepared in whole or in part by the Executive will be deemed "*a work made for hire*" under Section 201(b) of the 1976 Copyright Act, and the Company and its Subsidiaries shall own all of the rights comprised in the copyright therein. The Executive shall promptly and fully disclose in writing all Company Works to the Company and shall cooperate with the Company and its Subsidiaries to protect, maintain and enforce the Company's and its Subsidiaries' interests in and rights to such Company Works (including, without limitation, providing reasonable assistance in securing patent protection and copyright registrations and executing all affidavits, assignments, powers-of-attorney and other documents as reasonably requested by the Company, whether such requests occur prior to or after termination of the Executive's employment with the Company).

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

1.8. Non-Compete and Non-Solicitation Covenants.

(a) The Executive acknowledges and agrees that the Executive's services to the Company and its Subsidiaries are unique in nature and that the Company and its Subsidiaries would be irreparably damaged if the Executive were to provide similar services to any Person competing with the Company and its Subsidiaries or engaged in the Business. The Executive further acknowledges that, in the course of his employment with the Company, he will become familiar with the Company's and its Subsidiaries' trade secrets and with other Confidential Information. During the Noncompete Period, he shall not, directly or indirectly, whether for himself or for any other Person, permit his name to be used by or participate in any business or enterprise (including, without limitation, any division, group or franchise of a larger organization) that engages or proposes to engage in the Business in the Restricted Territories, other than the Company and its Subsidiaries or except as otherwise directed or authorized by the Board. For purposes of this Agreement, the term "*participate in*" shall include, without limitation, having any direct or indirect interest in any Person, whether as a sole proprietor, owner, stockholder, partner, member, joint venturer, creditor or otherwise, or rendering any direct or indirect service or assistance to any Person (whether as a director, officer, supervisor, employee, agent, consultant or otherwise). Nothing herein will prohibit the Executive from mere passive ownership of not more than five percent (5%) of the outstanding stock of any class of a publicly held corporation whose stock is traded on a national securities exchange or in the over-the-counter market. As used herein, the phrase "*mere passive ownership*" shall include voting or otherwise granting any consents or approvals required to be obtained from such Person as an owner of stock or other ownership interests in any entity pursuant to the charter or other organizational documents of such entity, but shall not include, without limitation, any involvement in the day-to-day operations of such entity.

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

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

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

1.10. Survival. Sections 1.5, 1.6, 1.7, 1.8, 1.9 and 1.10 will survive and continue in full force in accordance with their terms notwithstanding any termination of the Employment Period.

ARTICLE II.
DEFINED TERMS

2.1. Definitions. For purposes of this Agreement, the following terms will have the following meanings:

"*Adjusted EBITDA*" shall mean for any period, for the Company and its subsidiaries on a consolidated basis (without duplication), an amount equal to (a) consolidated net income (as determined in accordance with generally accepted accounting principles of the United States of America as in effect from time to time) ("*Consolidated Net Income*") for such period, minus, (b) to the extent included in calculating Consolidated Net Income, the sum of, without duplication, (i) income tax credits for such period, and (ii) gain from extraordinary or non-recurring items for such period (including, without limitation, non-cash items related to purchase accounting), plus (c) the following to the extent deducted in calculating such Consolidated Net Income, (i) interest expense and other finance costs (whether cash or non-cash) for such period (ii) the provision for federal, state, local and foreign income taxes for such period, (iii) the amount of depreciation and amortization expense for such period, (iv) the transaction fees, costs and expenses incurred in connection with any subsequent asset, brand, stock acquisition or joint venture or similar transaction in such period, (v) all other extraordinary or non-recurring non-cash charges (including, without limitation, non-cash items related to purchase accounting and non-cash items related to earn-outs) and (vi) non-cash stock or equity compensation in such period.

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

"*Cause*" means with respect to the Executive, the occurrence of one or more of the following: (i) conviction of a felony involving moral turpitude, misappropriation of Company property, embezzlement of Company funds or violation of the securities laws relating to the Company, (ii) the willful and continued failure by the Executive to attempt in good faith to substantially perform his obligations under this Agreement (other than any such failure resulting from the Executive's incapacity due to a Disability); (iii) reporting to work under the influence of alcohol or illegal drugs, or the use of illegal drugs (whether or not at the workplace), or (iv) any willful breach of Sections 1.6, 1.7, 1.8 or 1.9 of this Agreement. Notwithstanding the foregoing, termination by the Company for Cause (other than pursuant to clause (i) above) shall not be effective until and unless Executive fails to cure such alleged act or circumstance within 30 days of receipt of notice thereof, to the satisfaction of the Chief Executive Officer in the exercise of his reasonable judgment (or, if within such 30-day period the Executive commences and proceeds to take all reasonable actions to effect such cure, within such reasonable additional time period (no longer than 60 days) as may be necessary).

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

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

"*Effective Date*" means January 1, 2019.

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

"GAAP" – Means in accordance with generally accepted account principles and consistent with the Company's revenue recognition policy.

"*Good Reason*" means the occurrence, without the Executive's written consent, of one or more of the following events: (i) the Company reduces the amount of Executive's Base Salary or target or Maximum Cash Bonus, (ii) the Company requires that the Executive relocate his principal place of employment to a site that is more than 50 miles from the Company's offices in the New York area or if the Company changes the location of its headquarters without the consent of Executive to a location that is more than 50 miles from such location, (iii) the Company materially reduces the Executive's responsibilities or removes the Executive from the position of Executive Vice President – Business Development and Treasury other than pursuant to a termination of his employment for Cause, or upon the Executive's death or Disability, (iv) the failure or unreasonable delay of the Company to provide to the Executive any of the payments or benefits contemplated hereby or (v) the Company otherwise materially breaches the terms of this Agreement; provided that no such event shall constitute Good Reason hereunder unless (a) the Executive shall have given written notice to the Company of the Executive's intent to resign for Good Reason within 30 days after the Executive becomes aware of the occurrence of any such event, which notice shall describe in reasonable detail the event or events constitute the basis for the Executive's intention to resign for Good Reason and (b) such event or occurrence, if a breach susceptible to cure, shall not have been cured or otherwise shall not have been resolved to the Executive's reasonable satisfaction, in each case within 30 days of the Company's receipt of such notice. In such case the Executive's resignation shall become effective on the 31st day after the Company's receipt of the aforementioned notice.

"*Net Sales*" means wholesale and retail sales of products directly by the Company (including under its brands and private label) to its customers, including through direct-response television (i.e., QVC, Inc. and The Home Shopping Network), less any returns, trade discounts, charge-backs.

"*Noncompete Period*" means the Employment Period and 12 months thereafter.

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

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

"*Restricted Territories*" means (i) the United States and its territories and possessions and (ii) any foreign country in which the Company engages in business as of the Termination Date.

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

"*Target Price*" shall mean the average closing sale price of the Company's common stock for any ten (10) consecutive trading days.

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

2.2. Other Definitional Provisions.

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

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

ARTICLE III.
MISCELLANEOUS TERMS

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

3.2. Nondisparagement. The Executive agrees to refrain from (i) making, directly or indirectly, any derogatory comments concerning the Company or its Subsidiaries or any current or former officers, directors, employees or shareholders thereof or (ii) taking any other action with respect to the Company or its Subsidiaries which is reasonably expected to result, or does result in, damage to the business or reputation of the Company, its Subsidiaries or any of its current or former officers, directors, employees or shareholders. The Company agrees to refrain from (i) making, directly or indirectly, any derogatory comments concerning the Executive or (ii) taking any other action with respect to the Executive which is reasonably expected to result, or does result in, damage to the reputation of the Executive. Notwithstanding anything to the contrary contained herein, nothing in this Agreement shall prohibit or restrict either party from, truthfully and in good faith: (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by, any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company's or the Executive's designated legal, compliance or human resources officers; or (iii) filing, testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal, state or municipal law relating to fraud, or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

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

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

To the Company:

XCel Brands, Inc.

1333 Broadway, 10th Floor

New York, New York 10018

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

Blank Rome LLP

The Chrysler Building

405 Lexington Avenue

New York, NY 10174-0208

Attn: Robert Mittman, Esquire

Facsimile: (212) 885-5557

To the Executive:

Seth Burroughs

c/o XCel Brands, Inc.

1333 Broadway, 10th Floor

New York, New York 10018

or such other address or to the attention of such other Person as the recipient Party will have specified by prior written notice to the sending Party. Any notice under this Agreement will be deemed to have been given when so delivered or sent.

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

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

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

3.8. Assignment. Without the Executive's consent, the Company may not assign its rights and obligations under this Agreement except (i) to a "*Successor*" (as defined below) or (ii) to an entity that is formed and controlled by the Company or any of its Subsidiaries. This Agreement is personal to the Executive, and the Executive shall not have the right to assign the Executive's interest in this Agreement, any rights under this Agreement or any duties imposed under this Agreement, nor shall the Executive have the right to pledge, hypothecate, transfer, assign or otherwise encumber the Executive's right to receive any form of compensation hereunder without the prior written consent of the Board. As used in Sections 3.8 and 3.9, "*Successor*" shall include any Person that at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets of, or ownership interests in, the Company and its Subsidiaries.

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

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

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

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

3.13. Remedies. Each Party will be entitled to enforce its rights under this Agreement specifically, to recover damages and costs caused by any breach of any provision of this Agreement and to exercise all other rights existing in its favor. Subject to Section 3.12 , nothing herein shall prohibit any arbitrator or judicial authority from awarding attorneys' fees or costs to a prevailing Party in any arbitration or other proceeding to the extent that such arbitrator or authority may lawfully do so.

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

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

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

3.17. Amendment to Comply with Section 409A of the Code. To the extent that this Agreement or any part thereof is deemed to be a nonqualified deferred compensation plan subject to Section 409A of the Code and the Treasury Regulations (including proposed regulations) and guidance promulgated thereunder, (a) the provisions of this Agreement shall be interpreted in a manner to the maximum extent possible to comply in good faith with Code Section 409A and (b) the parties hereto agree to amend this Agreement for purposes of complying with Code Section 409A promptly upon issuance of any Treasury regulations or guidance thereunder, *provided*, that any such amendment shall not materially change the present value of the benefits payable to the Executive hereunder or otherwise materially adversely affect the Executive, the Company, or any affiliate of the Company, without the consent of such party. With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Code Section 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, and (iii) such payments shall be made on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred.

[END OF PAGE]

[SIGNATURE PAGE FOLLOWS]

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

XCEL BRANDS, INC.

By: /s/ Robert W. D'Loren

Name: Robert W. D'Loren

Title: Chairman and CEO

/s/ Seth Burroughs

Seth Burroughs

EXHIBIT A

FORM OF RELEASE

I, Seth Burroughs, on behalf of myself and my heirs, successors and assigns, in consideration of the performance by XCel Brands, Inc., a Delaware corporation (together with its Subsidiaries, the "*Company*"), of its material obligations under the Employment Agreement, dated as of February 27, 2019 (the "*Agreement*"), do hereby release and forever discharge as of the date hereof the Company, its Affiliates, each such Person's respective successors and assigns and each of the foregoing Persons' respective present and former directors, officers, partners, stockholders, members, managers, agents, representatives, employees (and each such Person's respective successors and assigns) (collectively, the "*Released Parties*") to the extent provided below.

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

2. I knowingly and voluntarily release and forever discharge the Company and the other Released Parties from any and all claims, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date of this General Release), whether under the laws of the United States or another jurisdiction and whether known or unknown, suspected or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, have or may have, which arise out of or are connected with my employment with, or my separation from, the Company (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Civil Rights Act of 1866, as amended; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; Occupational Safety and Health Act of 1970, as amended, under the Worker Adjustment and Retraining Notification Act of 1988, as amended, under the Family and Medical Leave Act of 1993, as amended, under the Fair Credit Reporting Act of 1970, as amended, and under the Sarbanes-Oxley Act of 2002, under the Civil Rights Act of 1870, 42 U.S.C. § 1981, as amended, under the Civil Rights Act of 1871, as amended, under the Americans With Disabilities Act of 1990, as amended, under the Americans with Disabilities Act Amendments of 2008, under the Rehabilitation Act of 1973, as amended, under the Immigration Reform and Control Act of 1986, as amended, under the Vietnam Era Veterans Readjustment Assistance Act of 1974, as amended, under the Uniformed Service Employment and Reemployment Rights Act of 1994, as amended, under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("*COBRA*"), and any and all claims under the New York State Human Rights Law, under the New York City Human Rights Law, and under the New York Labor Laws, and

any and all claims under any other federal, state, or local labor law, civil rights law, fair employment practices law, human rights law, family and medical leave law, occupational safety and health law, whistleblower protection law, and equal pay law; or any and all claims of slander, libel, defamation, invasion of privacy, intentional or negligent infliction of emotional distress, intentional or negligent misrepresentation, fraud, prima facie torts or other tort; or any and all claims based on the design or administration of any of the Company's employee benefit plan or program, or arising under any Company policy, practice, or procedure, or employee benefit plan; any and all claims for wages, commissions bonuses, vacation pay or other paid time off, employee benefits equity-based compensation, or other compensation or payments of any kind or nature, or for continued employment with the Company in any position; or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or any claim for wrongful discharge, breach of contract, or infliction of emotional distress; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "*Claims*"); provided , however, that nothing contained in this General Release shall apply to, or release the Company from, (i) any obligation of the Company contained in the Agreement to be performed after the date hereof or (ii) any vested or accrued benefits pursuant to any employee benefit plan, program or policy of the Company.

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

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

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

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

7. I agree that this General Release is confidential and agree not to disclose any information regarding the

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

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

9. Without limitation of any provision of the Agreement, I hereby expressly re-affirm my obligations under Sections 1.5, 1.6, 1.7, 1.8, 1.9, 1.10 and 3.1.

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

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

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

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

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

a. I HAVE READ IT CAREFULLY;

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

c. I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

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

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

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

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

h. I ACKNOWLEDGE THAT MY acceptance of any of the monies paid by the COMPANY as described in sections __ of the employment Agreement, at any time more than seven days after the execution of this Agreement will constitute an admission by ME that I did not revoke this Agreement during the revocation period of seven days; and will further constitute an admission by ME that this Agreement has become effective and enforceable.

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

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

DATE: ___________ __, ______   ___________________

Seth Burroughs

Acknowledged and agreed as of the date first written above:

XCEL BRANDS, INC.

By: ___________________________________

Name: Robert W. D'Loren

Title: Chairman and CEO

Subsidiaries of Xcel Brands, Inc.

Name and Jurisdiction of Incorporation

· IM Brands, LLC, a Delaware limited liability company

· Gold Licensing, LLC, a Delaware limited liability company

· JR Licensing, LLC, a Delaware limited liability company

· H Licensing, LLC, a Delaware limited liability company

· H Heritage Licensing, LLC, a Delaware limited liability company

· C Wonder Licensing, LLC, a Delaware limited liability company

· Xcel Design Group, LLC, a Delaware limited liability company

· XCEL-CT MFG, LLC, a Delaware limited liability company

· Judith Ripka Fine Jewelry, LLC, a Delaware limited liability company

· Longaberger Licensing, LLC, a Delaware limited liability company

· AHX Beauty, LLC, a Delaware limited liability company

· The Beauty Solution, LLC, a Delaware limited liability company

· Tribe Cosmetics, LLC, a Delaware limited liability company

· Xcel Acquisition Co., LLC, a Delaware limited liability company

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Form S-3 (333-216009) and in Form S-8 (File Nos. 333-188985, 333-201252, and 333-214150) of Xcel Brands, Inc. and Subsidiaries of our report dated April 22, 2021 on our audit of the consolidated financial statements of Xcel Brands, Inc. and Subsidiaries as of and for the year ended December 31, 2020, included in this Annual Report on Form 10-K of Xcel Brands, Inc. and Subsidiaries for the year ended December 31, 2021. We also consent to the reference to our firm under the caption “Experts” in Form S-3 (333-216009).

/s/ CohnReznick LLP
New York, New York
April 14, 2022

Exhibit 23.1

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of Xcel Brands, Inc. and Subsidiaries on Forms S-3 [File No. 333-216009] and Form S-8 [File No. 333-188985]; [File No. 333-201252]; and [File No. 333-214150] of our report dated April 14, 2022, with respect to our audit of the consolidated financial statements of Xcel Brands, Inc. and Subsidiaries as of December 31, 2021 and for the year then ended, which report is included in this Annual Report on Form 10-K of Xcel Brands, Inc. for the year ended December 31, 2021.

/s/ Marcum LLP

Marcum LLP
New York, New York
April 14, 2022

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Robert W. D'Loren certify that:

1. I have reviewed this annual report on Form 10-K of Xcel Brands, Inc. (the "registrant") for the year ended December 31, 2021.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer, and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer, and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 14, 2022

/s/ Robert W. D'Loren
Name: Robert W. D'Loren
Title: Chairman, President, Chief Executive Officer and Director
(Principal Executive Officer)

EXHIBIT 31(i).2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, James F. Haran certify that:

1. I have reviewed this annual report on Form 10-K of Xcel Brands, Inc. (the "registrant") for the year ended December 31, 2021.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer, and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer, and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 14, 2022

/s/ James F. Haran
Name: James F. Haran
Title: Chief Financial Officer (Principal Financial and Accounting Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Robert W. D'Loren, the Chairman, President, Chief Executive Officer, and Director of Xcel Brands, Inc. (the "Registrant"), certifies, under the standards set forth and solely for the purposes of 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the Annual Report on Form 10-K of the Registrant for the year ended December 31, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

April 14, 2022

/s/ Robert W. D'Loren
Name: Robert W. D'Loren
Title: Chairman, President, Chief Executive Officer and Director
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Xcel Brands, Inc. and will be retained by Xcel Brands, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32(i).2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

James F. Haran, Chief Financial Officer of Xcel Brands, Inc (the “Registrant”), certifies, under the standards set forth and solely for the purposes of 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the Annual Report on Form 10-K of the Registrant for the year ended December 31, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

April 14, 2022

/s/ James F. Haran
Name: James F. Haran
Title: Chief Financial Officer (Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to Xcel Brands, Inc. and will be retained by Xcel Brands, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.