

MOVIE STAR INC /NY/
Form PREM14A
June 08, 2007

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(A)
of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

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MOVIE STAR, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Common Stock of Movie Star, Inc.

(2) Aggregate number of securities to which transaction applies: 38,619,737 shares

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

Average of the high and low prices reported on the American Stock Exchange on June 6, 2007 (\$2.16)

(4) Proposed maximum aggregate value of transaction: \$83,418,631

(5) Total fee paid: \$2,560.95

Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by

registration statement number, or the form or schedule and the date of its filing.

- (1) Amount previously paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION, DATED JUNE 8, 2007

Movie Star, Inc.
1115 Broadway
New York, New York 10010

Dear shareholder:

You are cordially invited to attend a special meeting in lieu of the annual meeting of shareholders of Movie Star, Inc., a New York corporation (“Movie Star”), to be held on _____, 2007, at _____, Eastern Time. The special meeting will be held at _____.

On December 18, 2006, we entered into an Agreement and Plan of Merger and Reorganization (as amended, the “merger agreement”) with Fred Merger Corp., a Delaware corporation and wholly-owned subsidiary of Movie Star (“Merger Sub”), and FOH Holdings, Inc., a Delaware corporation (“FOH Holdings”), the parent and sole stockholder of Frederick’s of Hollywood, Inc. FOH Holdings is owned by Tokarz Investments, LLC (“Tokarz Investments”) and certain funds and accounts affiliated with, managed by, or over which Fursa Alternative Strategies LLC (“Fursa”) or any of its affiliates exercises investment authority. Michael T. Tokarz is the sole controlling person of Tokarz Investments and is also the sole controlling person of TTG Apparel, LLC (“TTG Apparel”), which currently owns 3,532,644 shares of our common stock.

As described in this proxy statement, upon completion of the merger, each stockholder of FOH Holdings will have the right to receive shares of our common stock equal to the product of (i) the number of shares of FOH Holdings common stock held by such stockholder of FOH Holdings immediately prior to the effective time of the merger multiplied by (ii) an exchange ratio of 17.811414. As a result of the merger, we anticipate issuing approximately 23.7 million shares of our common stock to the stockholders of FOH Holdings, 20% of which will initially be placed in escrow pursuant to the merger agreement and an escrow agreement.

The board of directors of Movie Star unanimously approved the merger agreement and the transactions contemplated thereby on the unanimous recommendation of a special committee comprised entirely of independent directors.

As described in this proxy statement, at the special meeting, you will be asked to consider and vote upon the following proposals:

- stock issuance proposal – a proposal to approve the issuance of shares of our common stock in connection with the merger, the rights offering and other transactions contemplated by the merger agreement;
- increase of authorized common stock proposal – a proposal to amend our certificate of incorporation to increase the number of authorized shares of our common stock from 30,000,000 to 200,000,000 shares;

- name change proposal – a proposal to amend our certificate of incorporation to change the name of Movie Star, Inc. to Frederick’s of Hollywood Group Inc.;
- preferred stock proposal – a proposal to amend our certificate of incorporation to authorize the issuance of up to 10,000,000 shares of preferred stock, \$.01 par value per share, and to establish the terms, rights, preference and privileges of the Series A Preferred Stock, a new series of preferred stock to be issued in connection with the transactions contemplated hereby;
- reverse stock split proposal – a proposal to authorize our board of directors, in its discretion, to amend our certificate of incorporation to effect a reverse stock split of our outstanding common stock simultaneous with the closing of the merger within a range to be determined by our board of directors from 9 for 10 to 1 for 2, in order to satisfy the minimum price requirement of \$2.00 per share for continued listing on the American Stock Exchange;
- 2000 performance equity plan amendment proposal – a proposal to amend our 2000 Performance Equity Plan to increase the number of shares of our common stock available for issuance under the plan from 750,000 shares to 7,000,000 shares;

-
- director election proposal – a proposal to elect eleven directors to our board of directors to serve from the effective time of the merger until the annual meeting of shareholders to be held in 2008 and their successors are elected and qualified; and
 - adjournment proposal – a proposal to authorize the adjournment of the special meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies if there are insufficient votes at the time of the special meeting to adopt any of the foregoing proposals.

If holders of record of (a) a majority of the outstanding shares of Movie Star common stock as of _____, 2007 and (b) a majority of the outstanding shares of Movie Star common stock that are held by shareholders other than TTG Apparel and its affiliates and associates who are entitled to vote in person or by proxy at the special meeting vote to approve the stock issuance proposal, the increase of authorized common stock proposal, the name change proposal and the preferred stock proposal and the other conditions in the merger agreement are satisfied or waived, Merger Sub will be merged with and into FOH Holdings and FOH Holdings will become our wholly owned subsidiary.

Movie Star common stock is listed on the American Stock Exchange under the trading symbol “MSI.” On June 6, 2007, the closing sale price of Movie Star common stock was \$2.21.

Your vote is very important, regardless of the number of shares you own. Whether or not you plan to attend the special meeting, please promptly complete, sign and return the enclosed proxy card in the envelope provided. Your shares then will be represented at the special meeting. Note that a failure to vote your shares has the same effect as a vote against the stock issuance proposal, the increase of authorized common stock proposal, the name change proposal, the preferred stock proposal and the reverse stock split proposal. If a written proxy card is signed by a shareholder of Movie Star and returned without instructions, the shares represented by the proxy will be voted FOR the adoption of each of the proposals above. If you attend the special meeting, you may, by following the procedures discussed in this proxy statement, withdraw your proxy and vote in person.

The notice of special meeting, proxy statement and proxy card explain the proposed merger and related transactions and provide specific information concerning the special meeting. Please read these materials carefully. In particular, please see the section entitled “Risk Factors” beginning on page 28 of this proxy statement.

Movie Star’s board of directors has determined that the stock issuance proposal, the increase of authorized common stock proposal, the name change proposal, the preferred stock proposal, the reverse stock split proposal, the 2000 performance equity plan amendment proposal, the director election proposal and the adjournment proposal are in the

best interests of Movie Star's shareholders. Movie Star's board of directors unanimously recommends that you vote or give instruction to vote "FOR" the approval of these proposals.

On behalf of the board of directors, I would like to express our appreciation for your continued interest in Movie Star. We look forward to seeing you at the special meeting.

Sincerely,

Melvyn Knigin
Chairman, President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has passed upon the fairness or merits of the proposed transaction nor upon the accuracy or adequacy of the information contained in this proxy statement. Any representation to the contrary is a criminal offense.

This proxy statement is dated _____, 2007 and is first being mailed to Movie Star, Inc. shareholders on or about _____, 2007.

MOVIE STAR, INC.
1115 Broadway
New York, New York 10010

NOTICE OF A SPECIAL MEETING IN LIEU OF THE ANNUAL MEETING
OF SHAREHOLDERS
TO BE HELD ON _____, 2007

TO THE SHAREHOLDERS OF MOVIE STAR, INC.:

NOTICE IS HEREBY GIVEN that a special meeting in lieu of the annual meeting of shareholders of Movie Star, Inc. ("Movie Star"), a New York corporation, will be held at _____ a.m. Eastern Time, on _____, 2007, at _____. You are cordially invited to attend the meeting, which will be held for the following purposes:

- (1) to consider and vote upon a proposal to approve the issuance of shares of our common stock in connection with the merger, the rights offering and other transactions contemplated by the Agreement and Plan of Merger and Reorganization (as amended, the "merger agreement"), dated as of December 18, 2006, by and among Movie Star, Fred Merger Corp., a Delaware corporation and wholly-owned subsidiary of Movie Star ("Merger Sub"), and FOH Holdings, Inc., a Delaware corporation ("FOH Holdings"), the parent and sole stockholder of Frederick's of Hollywood, Inc., a copy of which is attached to this proxy statement as Annex A. We refer to this proposal as the stock issuance proposal;
- (2) to consider and vote upon a proposal to amend our certificate of incorporation to increase the number of authorized shares of Movie Star common stock from 30,000,000 to 200,000,000 shares. We refer to this proposal as the increase of authorized common stock proposal;

- (3) to consider and vote upon a proposal to amend our certificate of incorporation to change the name of Movie Star, Inc. to Frederick's of Hollywood Group Inc. We refer to this proposal as the name change proposal;
- (4) to consider and vote upon a proposal to amend our certificate of incorporation to authorize the issuance of up to 10,000,000 shares of preferred stock, \$.01 par value per share, and to establish the terms, rights, preference and privileges of the Series A Preferred Stock, a new series of preferred stock to be issued in connection with the transactions contemplated hereby. We refer to this proposal as the preferred stock proposal;
- (5) to consider and vote upon a proposal to authorize our board of directors, in its discretion, to amend our certificate of incorporation to effect a reverse stock split of our outstanding common stock simultaneous with the closing of the merger within a range to be determined by our board of directors from 9 for 10 to 1 for 2, in order to satisfy the minimum price requirement of \$2.00 per share for continued listing on the American Stock Exchange. We refer to this proposal as the reverse stock split proposal;
- (6) to consider and vote upon a proposal to amend our 2000 Performance Equity Plan to increase the number of shares of our common stock available for issuance under the plan from 750,000 shares to 7,000,000 shares. We refer to this proposal as the 2000 performance equity plan amendment proposal;
- (7) to consider and vote upon the election of eleven directors to our board of directors to serve from the effective time of the merger until the annual meeting to be held in 2008 and their successors are elected and qualified. We refer to this proposal as the director election proposal; and
- (8) to consider and vote upon a proposal to authorize the adjournment of the special meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies in the event there are insufficient votes at the time of the special meeting to adopt any of the foregoing proposals. We refer to this proposal as the adjournment proposal.

These items of business are described in more detail in this proxy statement, which we encourage you to read in its entirety before voting. Only holders of record of Movie Star's common stock at the close of business on 2007 are entitled to notice of the special meeting and to vote and have their votes counted at the special meeting and any adjournments or postponements of the special meeting. An adjournment or postponement of the special meeting may occur to solicit additional votes. Movie Star will not transact any other business at the special meeting or any adjournment or postponement of it.

The stock issuance proposal, the increase of authorized common stock proposal, the name change proposal and the preferred stock proposal must be approved by both (a) the affirmative vote of holders of a majority of the shares of Movie Star common stock outstanding on the record date and (b) the affirmative vote of holders of a majority of the shares of Movie Star common stock that are held by shareholders, other than TTG Apparel, LLC ("TTG Apparel") and its affiliates and associates on the record date. TTG Apparel currently owns 3,532,644 shares of our common stock and the sole controlling person of TTG Apparel is Michael T. Tokarz, its manager. Mr. Tokarz is also the sole controlling person of Tokarz Investments, LLC ("Tokarz Investments") which holds approximately 50% of FOH Holdings common stock. The reverse stock split proposal must be approved by the affirmative vote of holders of a majority of the shares of Movie Star common stock outstanding on the record date. The 2000 performance equity plan amendment proposal and the adjournment proposal must be approved by the affirmative vote of holders of a majority of the shares of Movie Star common stock present in person or represented by proxy and entitled to vote at the meeting. Those directors who receive a plurality of votes cast for the respective positions will be elected. If the stock issuance proposal, the increase of authorized common stock proposal, the name change proposal and the preferred

stock proposal, all of which are conditions to the merger, are approved and the other conditions to the merger are satisfied or waived, Merger Sub will be merged with and into FOH Holdings, and FOH Holdings will become our wholly owned subsidiary. If the proposals that are conditions to the merger are not approved, the other proposals, including the election of directors, will not be presented to the shareholders for a vote.

The board of directors of Movie Star unanimously approved the merger agreement and the transactions contemplated thereby on the unanimous recommendation of a special committee comprised entirely of independent directors. Our special committee engaged Chanin Capital, LLC (“Chanin”) to serve as its financial advisor. On December 18, 2006, Chanin delivered an opinion to our special committee, a copy of which is attached to this proxy statement as Annex C, on which Movie Star’s board of directors was entitled to rely, stating that, as of such date, the consideration to be paid by Movie Star to the holders of FOH Holdings common stock is fair to the holders of Movie Star common stock from a financial point of view. Movie Star’s board of directors has also determined that the stock issuance proposal, the increase of authorized common stock proposal, the name change proposal, the preferred stock proposal, the reverse stock split proposal, the 2000 performance equity plan amendment proposal, the adjournment proposal and the election of each of our nominees for director are in the best interests of Movie Star’s shareholders. Movie Star’s board of directors unanimously recommends that you vote or give instruction to vote “FOR” the approval of these proposals and in favor of each of our nominees for directors. FOH Holdings’ board of directors and stockholders already have approved the merger agreement and the transactions contemplated thereby.

All Movie Star shareholders are cordially invited to attend the special meeting in person. However, to ensure your representation at the special meeting, you are urged to complete, sign, date and return the enclosed proxy card as soon as possible. If you are a shareholder of record of Movie Star common stock, you also may cast your vote in person at the special meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct your broker or bank on how to vote your shares. If you do not vote or do not instruct your broker or bank how to vote, it will have the same effect as voting against the stock issuance proposal, the increase of authorized common stock proposal, the name change proposal, the preferred stock proposal and the reverse stock split proposal.

Your vote is important regardless of the number of shares you own. Whether you plan to attend the special meeting or not, please sign, date and return the enclosed proxy card as soon as possible in the envelope provided.

Thank you for your participation. We look forward to your continued support.

By Order of the Board of Directors

Saul Pomerantz, Secretary

, 2007

Before voting, you should carefully review all of the information contained in the proxy statement. IN PARTICULAR, YOU SHOULD CAREFULLY CONSIDER THE MATTERS DISCUSSED UNDER “RISK FACTORS” BEGINNING ON PAGE 28.

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AND RELATED TRANSACTIONS

- The parties to the merger are Movie Star, Inc., a New York corporation (“Movie Star”), FOH Holdings, Inc., a Delaware Corporation (“FOH Holdings”), the parent and sole stockholder of Frederick’s of Hollywood, Inc. (“Frederick’s of Hollywood”), and Fred Merger Corp., a newly formed Delaware corporation and a wholly owned subsidiary of Movie Star (“Merger Sub”), established solely for the purpose of consummating the merger with FOH Holdings. See “The Parties to the

Merger.’’

- Upon closing of the merger, Merger Sub will merge with and into FOH Holdings and FOH Holdings will become our wholly owned subsidiary. See “The Merger Agreement.”
- Upon completion of the merger, stockholders of FOH Holdings will have the right to receive shares of our common stock equal to the product of (i) the number of shares of FOH Holdings common stock held by each stockholder of FOH Holdings immediately prior to the effective time of the merger multiplied by (ii) an exchange ratio of 17.811414. As a result of the merger, we anticipate issuing approximately 23.7 million shares of our common stock to the stockholders of FOH Holdings, 20% of which will initially be placed in escrow pursuant to the merger agreement and an escrow agreement, as described below. See “The Merger Agreement—Merger Consideration,” “The Merger Agreement—Escrow Arrangements” and “Other Transaction Documents—Escrow Agreement.”
- In connection with the transactions contemplated by the merger agreement, we will enter into an escrow agreement with designated stockholder representatives of the holders of FOH Holdings common stock. Pursuant to the escrow agreement, 20% of the shares of our common stock to be issued to each stockholder of FOH Holdings in connection with the merger will be held in escrow to cover indemnification claims that may be brought by us for certain matters, including breaches of representations, warranties and covenants of FOH Holdings under the merger agreement. Shares remaining in escrow will be released following the 18-month anniversary of the effective time of the merger, subject to extension under certain circumstances. Similarly, treasury shares of our common stock representing 7.5% of the aggregate number of issued and outstanding shares of our common stock prior to the effective time of the merger will be deposited into escrow to cover any indemnification claims that may be brought by FOH Holdings’ stockholders against Movie Star, which shares will be returned to us following the 18-month anniversary of the effective time of the merger, subject to certain conditions and to the extent not used to satisfy these indemnification claims. See “The Merger Agreement—Escrow Arrangements” and “Other Transaction Documents—Escrow Agreement.”
- On December 18, 2006, Chanin Capital, LLC (“Chanin”) delivered a written opinion to the special committee of our board of directors (our “special committee”) to the effect that, as of such date, the merger consideration to be paid in the proposed merger with FOH Holdings was fair, from a financial point of view, to our shareholders. The summary of the Chanin opinion set forth in this proxy statement is qualified in its entirety by reference to the full text of the opinion which is attached to this proxy statement as Annex C. Chanin’s opinion does not constitute a recommendation to any of our shareholders as to how such shareholders should vote with respect to any of the proposals contained in this proxy statement. See “The Merger and Related Transactions—Opinion of Financial Advisor to Special Committee.”
- In connection with the merger agreement, our shareholders will have the opportunity to purchase shares of our common stock at a 15% discount through our offering of non-transferable rights to purchase shares of our common stock. If all such rights are exercised, we will raise aggregate proceeds of \$20 million. We have filed a Registration Statement on Form S-1 (No. 333-) with the Securities and Exchange Commission (“SEC”) for the registration of such securities under the Securities Act of 1933, as amended (“Securities Act”). We have entered into a standby purchase agreement with Fursa Alternative Strategies LLC (“Fursa”) and certain funds and accounts affiliated with, managed by, or over which Fursa or any of its affiliates exercises investment authority, including, without limitation, with respect to voting and dispositive rights, as specified in the standby purchase agreement (collectively referred to as the “Fursa Standby Purchasers”), Tokarz Investments, LLC (“Tokarz

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Investments”) and TTG Apparel, LLC (“TTG Apparel”), pursuant to which the Fursa Standby Purchasers, Tokarz Investments and TTG Apparel have each agreed to purchase shares not subscribed for in the rights offering. As necessary, the Fursa Standby Purchasers have agreed to purchase, on a several but not on a joint and several basis, 50% of such unsubscribed shares, and Tokarz Investments and TTG Apparel have agreed to purchase the remaining 50% of such unsubscribed shares (the “Standby Purchase Commitment”). As consideration for these commitments, we will issue warrants with an exercise price equal to the subscription price of the new shares in the rights offering, representing the right to purchase, in the aggregate, _____ shares of our common stock, or 10.5% of the total number of shares to be offered in the rights offering. Tokarz Investments and TTG Apparel each have agreed not to purchase any such new shares other than pursuant to their Standby Purchase Commitment. TTG Apparel currently owns 3,532,644 shares of our common stock and the sole controlling person of TTG Apparel is Michael T. Tokarz, its manager. Mr. Tokarz is also the sole controlling person of Tokarz Investments, which holds approximately 50% of FOH Holdings common stock. Fursa has investment authority, including without limitation, with respect to voting and dispositive rights, over the Fursa Standby Purchasers, holders of approximately 50% of FOH Holdings common stock, and the Fursa Debt Holders (as defined below). See “Other Transaction Documents—Standby Purchase Agreement” “Other Transaction Documents—Standby Purchase Agreement—Rights Offering” and “Other Transaction Documents—Standby Purchase Agreement—Guarantor Warrants.”

- Following the execution and delivery of the merger agreement, we entered into a stockholders agreement (the “stockholders agreement”) with FOH Holdings, Fursa, the Fursa Standby Purchasers and certain other affiliated Fursa entities that hold FOH Holdings indebtedness (collectively referred to as the “Fursa Debt Holders,” and together with the Fursa Standby Purchasers, the “Fursa Managed Accounts”) and Tokarz Investments, pursuant to which the Fursa Managed Accounts holding FOH Holdings common stock and Tokarz Investments agreed, among other things, to vote in favor of the merger and the other transactions contemplated by the merger agreement, not to transfer any shares of FOH Holdings common stock owned by them prior to the effective time of the merger, other than in connection with the merger or to their affiliates or managed funds and accounts, and not to solicit or accept any third party proposals involving a merger or acquisition of FOH Holdings. See “Other Transaction Documents—FOH Holdings’ Stockholders Agreement.”
- Pursuant to the FOH Holdings’ stockholders agreement, the Fursa Debt Holders, in their capacities as holders of FOH Holdings indebtedness, agreed with us that, in connection with the consummation of the transactions contemplated by the merger agreement, they would cancel \$7.5 million of such indebtedness in exchange for the issuance of shares of our new Series A 7.5% Convertible Preferred Stock (“Series A Preferred Stock”). See “Other Transaction Documents—FOH Holdings’ Stockholders Agreement—Series A Preferred Stock.”
- In connection with the merger agreement, we entered into a voting agreement with TTG Apparel, pursuant to which it has agreed to certain matters, including (i) to vote in favor of the transactions contemplated by the merger agreement, including, without limitation, the approval of the issuance of shares of our common stock and the amendment to our certificate of incorporation and (ii) to not transfer shares of our common stock without our prior written consent. See “Other Transaction Documents—Voting Agreement.”
- Pursuant to an agreement (the “shareholders agreement”) to be entered into in connection with the consummation of the transactions contemplated by the merger agreement, during the 18-month period following the merger, Tokarz Investments, TTG Apparel and Fursa (on its behalf and on behalf of the Fursa Managed Accounts) will each agree, among other things, to certain restrictions on (i) acting together with respect to their shares of our common stock, (ii) increasing their ownership positions in the merged entity and (iii) transferring their holdings in our securities, and

have agreed to vote for the combined company's directors. See "Other Transaction Documents—Shareholders Agreement."

- In connection with its approval of the merger and other transactions contemplated by the merger agreement, our board of directors approved the increase of the number of directors constituting the

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full board from seven to eleven, which will be effective at the effective time of the merger. At the effective time of the merger, if management's nominees are elected, the directors of the combined company will be Peter Cole, John L. Eisel, Melvyn Knigin, Michael A. Salberg and Joel M. Simon, all currently serving as directors of Movie Star, Thomas Rende, the Chief Financial Officer of Movie Star and a former member of Movie Star's board of directors, William F. Harley, Linda LoRe, Rose Peabody Lynch and Milton J. Walters, all currently serving as directors of FOH Holdings, and Thomas J. Lynch, Chief Executive Officer of Fursa. If the merger is not consummated, our existing directors will continue to serve as directors of Movie Star. See "The Merger Agreement—Election of Directors and Appointment of Executive Officers" and "Director Election Proposal."

- After the merger, in accordance with the merger agreement, the newly constituted board of directors will appoint Peter Cole as our Executive Chairman, Thomas Rende as our Chief Financial Officer, Melvyn Knigin as the President and Chief Executive Officer of the Movie Star division and Linda LoRe as the President and Chief Executive Officer of the Frederick's of Hollywood division. See "The Merger Agreement—Election of Directors and Appointment of Executive Officers."
- In connection with the consummation of the transactions contemplated by the merger agreement, we will enter into a registration rights agreement with Fursa (on its behalf and on behalf of the Fursa Managed Accounts), Tokarz Investments and TTG Apparel, pursuant to which we will grant certain demand and "piggyback" registration rights for the securities that those entities will receive in connection with the merger and related transactions. See "Other Transaction Documents—Registration Rights Agreement."
- Our shareholders are also being asked to vote on proposals to:
 - approve the issuance of shares of our common stock in connection with the merger, the rights offering and other transactions contemplated by the merger agreement;
 - amend our certificate of incorporation to:
 - increase the number of authorized shares of common stock from 30,000,000 to 200,000,000 shares;
 - change our name to Frederick's of Hollywood Group Inc.; and
 - authorize the issuance of up to 10,000,000 shares of our preferred stock and to establish the terms, rights, preference and privileges of the Series A Preferred Stock.
 - authorize our board of directors, in its discretion, to amend our certificate of incorporation to effect a reverse stock split of our outstanding common stock simultaneous with the closing of the merger within a range to be determined by our board of directors from 9 for 10 to 1 for 2, in order to satisfy the minimum price requirement of \$2.00 per share for continued listing on the American Stock Exchange;
 - approve an amendment to our 2000 Performance Equity Plan to increase the number of shares of common stock available for issuance under the plan from 750,000 shares to 7,000,000 shares;
 - elect eleven directors to our board of directors to serve from the effective time of the merger until the annual meeting to be held in 2008 and until their successors are elected and qualified;
 - and
 -

approve an adjournment of the special meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies in the event there are insufficient votes at the time of the special meeting.

See “Increase of Authorized Common Stock Proposal,” “Name Change Proposal,” “Preferred Stock Proposal,” “Reverse Stock Split Proposal,” “2000 Performance Equity Plan Amendment Proposal,” “Director Election Proposal” and “Adjournment Proposal.”

- The merger agreement provides for an amendment to our bylaws in connection with the consummation of the merger, pursuant to which during the 18-month period following the merger, certain material transactions not in the ordinary course or actions that affect our capital structure or securities will require the approval of 75% of the directors. See “The Merger Agreement—Amended and Restated Bylaws.”

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QUESTIONS AND ANSWERS ABOUT THE PROPOSALS

- Q. Why am I receiving this proxy statement and what am I voting on?
- A. We have sent you this proxy statement and the enclosed proxy card because the board of directors of Movie Star is soliciting your proxy to vote at the special meeting of shareholders on the proposals described below. This proxy statement contains important information about the proposals and the special meeting of Movie Star shareholders. You should read it carefully.
- Movie Star and FOH Holdings have agreed to a business combination under the terms of the Agreement and Plan of Merger and Reorganization dated as of December 18, 2006, as amended by the amendment to the merger agreement dated as of June 8, 2007, that is described in this proxy statement. This agreement, as amended, is referred to as the merger agreement. Copies of the merger agreement and the amendment to the merger agreement are attached to this proxy statement as Annex A and Annex B, respectively, which we encourage you to read.
- In order to complete the merger, Movie Star shareholders must vote to approve:
- the issuance of shares of our common stock in connection with the merger, the rights offering and other transactions contemplated by the merger agreement;
 - an amendment to Movie Star’s certificate of incorporation to increase the number of shares of authorized common stock from 30,000,000 to 200,000,000 shares;

- an amendment to Movie Star's certificate of incorporation to change the name of Movie Star, Inc. to Frederick's of Hollywood Group Inc.; and
- an amendment to Movie Star's certificate of incorporation to authorize the issuance of up to 10,000,000 shares of preferred stock and to establish the terms, rights, preferences and privileges of the Series A Preferred Stock.

Movie Star shareholders also will be asked to vote to approve:

- the authorization of our board of directors to amend, in its discretion, Movie Star's certificate of incorporation to effect a reverse stock split of our outstanding common stock simultaneous with the closing of the merger within a range to be determined by our board of directors from 9 for 10 to 1 for 2, in order to satisfy the minimum price requirement of \$2.00 per share for continued listing on the American Stock Exchange;

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- an amendment to our 2000 Performance Equity Plan to increase the number of shares available for issuance under the plan from 750,000 shares to 7,000,000 shares;
- the election of eleven directors to our board of directors to serve from the effective time of the merger until the annual meeting to be held in 2008 and until their successors are elected and qualified; and
- the adjournment of the special meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies in the event there are insufficient votes at the time of the special meeting to adopt any of the foregoing proposals.

The approval of the stock issuance proposal, the increase of authorized common stock proposal, the name change proposal and the preferred stock proposal are conditions to the consummation of the merger. The approval of the reverse stock split proposal, the 2000 performance equity plan amendment proposal and the director election proposal are not conditions to the consummation of the merger, but are being proposed in connection with the merger and will not be presented at the meeting

for a vote if the proposals that are conditions to the merger are not approved. If the stock issuance proposal or the increase of authorized common stock proposal is not approved, we cannot effect the merger or the other transactions contemplated by the merger agreement. If the name change proposal or the preferred stock proposal is not approved, absent a waiver by FOH Holdings and us, we cannot effect the merger or the other transactions contemplated by the merger agreement. The 2000 performance equity plan amendment has been approved by Movie Star's board of directors and will be effective upon consummation of the merger, if approved by shareholders. Movie Star's restated certificate of incorporation, as it will appear if all amendments to the certificate of incorporation are approved, is attached as Annex D hereto. The 2000 Performance Equity Plan and the proposed amendment to the 2000 Performance Equity Plan are attached as Annex E hereto.

Your vote is important. We encourage you to vote as soon as possible after carefully reviewing this proxy statement.

Q. How are votes counted?

A. Votes will be counted by the inspector of election appointed for the meeting, who will separately count "FOR" and "AGAINST" votes, abstentions and broker non-votes. Except with respect to the 2000 performance equity plan amendment proposal and the adjournment proposal, abstentions will be counted towards the total votes for each proposal, and will have the same effect as

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"AGAINST" votes. Abstentions will not be counted towards the total votes for the 2000 performance equity plan amendment proposal and the adjournment proposal. Broker non-votes will have the same effect as "AGAINST" votes with respect to all proposals except for the 2000 performance equity plan amendment proposal and the adjournment proposal. Broker non-votes will not be counted towards the total votes for the 2000 performance equity plan amendment proposal or the adjournment proposal. Directors are elected by a "plurality," which means that the eleven individuals who receive the highest number of votes cast "FOR" election are elected as directors. Any shares not voted "FOR" a particular nominee

(whether as a result of abstentions, a direction to withhold authority or a broker non-vote) will not be counted in the nominee's favor.

- Q. What is the quorum requirement?
- A. A quorum of Movie Star shareholders is necessary to hold a valid meeting. A quorum will be present at the Movie Star special meeting if a majority of the outstanding shares entitled to vote at the meeting are represented in person or by proxy. Abstentions and broker non-votes will count as present for the purpose of establishing a quorum.
- Q. What vote is required to approve the stock issuance proposal?
- A. Shareholder approval is not required for the merger itself under the New York Business Corporation Law ("NYBCL"). However, under the rules of the American Stock Exchange, shareholder approval is required prior to the issuance of common stock in any transaction if (a) the number of shares of common stock, or securities convertible into common stock, to be issued will be, upon issuance, equal to or in excess of 20% of the number of shares of common stock outstanding prior to such issuance, (b) the common stock, or securities convertible into common stock, to be issued will be issued as consideration for an acquisition of the stock or assets of another company, provided that any director, officer or substantial shareholder of the acquiring listed company, directly or indirectly, has a 5% or greater interest in the acquired company or in the consideration to be paid in such transaction and the present or potential issuance of common stock, or securities convertible into common stock, could result in an increase in outstanding common shares of 5% or more, or (c) such transaction would involve the application of Section 341 of the American Stock Exchange Company Guide, which requires that a listed company being effectively acquired by an unlisted company as a result of a plan of acquisition, merger, or consolidation meet the American Stock Exchange's original listing standards.
- Because the shares to be issued in connection with the merger and the rights offering and pursuant to the

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standby purchase agreement, together with the shares underlying the warrants that will be issued as consideration for the commitments of the Fursa Standby Purchasers, Tokarz Investments and TTG

Apparel under the standby purchase agreement and Series A Preferred Stock that will be issued in exchange for the cancellation of certain indebtedness of FOH Holdings, will be in excess of 20% of the number of shares of our common stock outstanding prior to such issuances, your vote is required. Additionally, your vote is required because (i) the American Stock Exchange has informed us that Section 341 of the American Stock Exchange Guide would apply to the transactions contemplated by the merger agreement due to the structure of the proposed merger and (ii) an affiliate of TTG Apparel, our substantial shareholder, owns more than 5% of FOH Holdings.

The stock issuance proposal must be approved by both (a) the affirmative vote of holders of a majority of the shares of Movie Star common stock outstanding on the record date and (b) the affirmative vote of holders of a majority of the shares of Movie Star common stock that are held by shareholders other than TTG Apparel and its affiliates and associates on the record date. The approval of the stock issuance proposal is a condition to the consummation of the merger.

Q. What vote is required to approve the increase of authorized common stock proposal?

A. The increase of authorized common stock proposal must be approved by both (a) the affirmative vote of holders of a majority of the shares of Movie Star common stock outstanding on the record date and (b) the affirmative vote of holders of a majority of the shares of Movie Star common stock that are held by shareholders other than TTG Apparel and its affiliates and associates on the record date. The approval of the increase of authorized common stock proposal is a condition to the consummation of the merger.

Q. What vote is required to approve the name change proposal?

A. The name change proposal must be approved by both (a) the affirmative vote of holders of a majority of the shares of Movie Star common stock outstanding on the record date and (b) the affirmative vote of holders of a majority of the shares of Movie Star common stock that are held by shareholders other than TTG Apparel and its affiliates and associates on the record date. The approval of the name change proposal is a condition to the consummation of the merger.

Q. What vote is required to approve the preferred stock proposal?

A. The preferred stock proposal must be approved by both (a) the affirmative vote of holders of a majority of the shares of Movie Star common stock outstanding on the record date and (b) the affirmative vote of holders of a majority of the shares of Movie Star common stock that

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- are held by shareholders other than TTG Apparel and its affiliates and associates on the record date. The approval of the preferred stock proposal is a condition to the consummation of the merger.
- Q. What vote is required to approve the reverse stock split proposal?
- A. The reverse stock split proposal must be approved by the affirmative vote of holders of a majority of the shares of Movie Star common stock outstanding on the record date. The approval of the reverse stock split proposal is not a condition to the consummation of the merger, but is being proposed in connection with the merger and will not be presented at the meeting for a vote if the proposals that are conditions to the merger are not approved.
- Q. What vote is required to approve the 2000 performance equity plan amendment proposal?
- A. The 2000 performance equity plan amendment proposal must be approved by the affirmative vote of holders of a majority of the shares of Movie Star common stock present in person or represented by proxy and entitled to vote at the special meeting. The approval of the 2000 performance equity plan amendment proposal is not a condition to the consummation of the merger, but is being proposed in connection with the merger and will not be presented at the meeting for a vote if the proposals that are conditions to the merger are not approved.
- Q. What vote is required to elect each director?
- A. Directors are elected by a “plurality,” which means that the eleven individuals who receive the highest number of votes cast “FOR” election are elected as directors. The election of directors is not a condition to the consummation of the merger, but is being proposed in connection with the merger and will not be presented at the meeting for a vote if the proposals that are conditions to the merger are not approved.
- Q. What vote is required to approve the adjournment proposal?
- A. The adjournment proposal must be approved by the affirmative vote of holders of a majority of the shares of Movie Star common stock present in person or represented by proxy and entitled to vote at the special meeting. The approval of the adjournment proposal is not a condition to the consummation of the merger.
- Q. Does the Movie Star board of directors recommend voting for each of the proposals included in this proxy statement?
- A. Yes. After careful consideration of the terms and conditions of these proposals, the board of directors of Movie Star has determined that the merger and the other transactions contemplated by the merger agreement and each of the proposals contained in this proxy statement are fair to and in the best interests of Movie Star and its shareholders. The Movie Star

board of directors unanimously recommends that Movie Star shareholders vote “FOR” each of these proposals. The members of Movie Star’s board of directors have interests in the merger that are different from, or in addition to, your

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- Q. How much of Movie Star will existing Movie Star shareholders own after the merger and rights offering?
- A. Immediately following the effective time of the merger and without giving effect to the rights offering to our shareholders or the issuance of options, guarantor warrants, shares of common stock that may be issued pursuant to the standby purchase agreement or shares of Series A Preferred Stock, the shares of Movie Star common stock will be owned as follows: (a) existing holders of Movie Star common stock, excluding TTG Apparel, will own approximately 32.1% of the outstanding common stock of Movie Star; (b) TTG Apparel, together with Tokarz Investments, will own approximately 38.4% of the outstanding common stock of Movie Star (32.4% if the shares of Movie Star common stock to be contributed into escrow are excluded) and (c) the Fursa Managed Accounts will beneficially own approximately 29.5% of the outstanding common stock of Movie Star (23.6% if the shares of Movie Star common stock to be contributed into escrow are excluded).
- In connection with the merger agreement, our shareholders will have the opportunity to purchase shares of our common stock at a 15% discount through our offering of non-transferable rights to purchase shares of our common stock. If all such rights are exercised, we will raise aggregate proceeds of \$20 million. To the extent that existing Movie Star shareholders participate in the rights offering, the number of shares of Movie Star common stock held by existing Movie Star shareholders, other than TTG Apparel, following the merger will increase. If no Movie Star shareholder participates in the rights offering, (i) TTG Apparel, together with Tokarz Investments, will beneficially own approximately % of the outstanding common stock of Movie Star,

in the aggregate, after giving effect to the purchase of the unsubscribed shares of the rights in accordance with the standby purchase agreement and the issuance and exercise of the guarantor warrants as consideration for the Standby Purchase Commitments and (ii) the Fursa Managed Accounts will beneficially own approximately % of the outstanding common stock of Movie Star, after giving effect to the purchase of the unsubscribed shares of the rights in accordance with the standby purchase agreement, the issuance and exercise of the guarantor warrants as consideration for the Standby Purchase Commitments and the issuance and conversion of the Series A Preferred Stock.

Q. What if I object to the proposed merger? Do I have appraisal rights?

A. No. Movie Star shareholders do not have appraisal rights in connection with the merger under the NYBCL.

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Q. Did Movie Star's board of directors obtain a fairness opinion in connection with its approval of the merger agreement?

A. Yes. On December 18, 2006, Chanin delivered its written opinion to our special committee, on which Movie Star's board of directors was entitled to rely, stating that, as of such date, the consideration to be paid by Movie Star to the holders of FOH Holdings common stock is fair to the holders of Movie Star common stock from a financial point of view. The full text of this opinion is attached to this proxy statement as Annex C. We encourage you to read this opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations included in connection with the review undertaken.

Q. What will happen in the proposed merger?

A. As a consequence of the merger, Merger Sub will merge with and into FOH Holdings, with FOH Holdings remaining as the surviving corporation and becoming a wholly-owned subsidiary of Movie Star.

Q. When do you expect the merger to be completed?

A. It is currently anticipated that the merger will be consummated promptly following the Movie Star special meeting on , 2007.
For a description of the conditions to completion of the merger, see the section entitled "The Merger Agreement—Conditions to the Closing of the Merger."

Q. What do I need to do now?

A. Movie Star urges you to read carefully and consider the information contained in this proxy statement, including the annexes, and to consider how the merger will affect you as a shareholder of Movie Star.

You should then vote as soon as possible in accordance with the instructions provided in this proxy statement and on the enclosed proxy card.

- Q. How do I vote my Movie Star shares?
- A. If you are a holder of Movie Star common stock at the close of business on _____, 2007, which is the record date for the special meeting, you may vote in person at the special meeting or by submitting a proxy for the special meeting. You may submit your proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed postage paid envelope. On each matter to be voted upon, you have one vote for each share of common stock you own as of the record date. If you hold your shares in "street name," which means your shares are held of record by a broker, bank or nominee, the organization holding your account is considered to be the shareholder of record for purposes of voting at the special meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account. You are also invited to attend the special meeting. However, if you are not the shareholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or

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- Q. If my shares are held in "street name," will my broker, bank or nominee automatically vote my shares for me?
- A. If your shares are held by your broker as your nominee (that is, in "street name"), you will need to obtain a proxy form from the institution that holds your shares and follow the instructions included on that form regarding how to instruct your broker to vote your shares. If you do not give instructions to your broker, your broker can vote your shares with respect to "discretionary" items, but not with respect to "non-discretionary" items. Discretionary items are proposals considered routine under the rules of the American Stock Exchange on which your broker may vote shares held in street name in the absence of your voting instructions. On non-discretionary items for which you do not give your broker instructions, the shares will be treated as broker non-votes. The adjournment proposal is the only discretionary item being proposed at the special meeting, therefore, all of

- the other proposals will require your instructions to your broker.
- Q. Can I change my vote after I have mailed my signed proxy card?
- A. Yes. Send a later-dated, signed proxy card to Movie Star's secretary at the address of Movie Star's corporate headquarters prior to the date of the special meeting or attend the special meeting in person and vote. You may also revoke your proxy by sending a notice of revocation to Movie Star's secretary.
- Q. Do I need to send in my stock certificates?
- A. No. You should not submit your stock certificates now or after the merger because your shares will not be exchanged in the merger. However, if our board of directors determines to implement the reverse stock split, you will need to surrender your stock certificates so that replacement certificates representing shares of Movie Star common stock following the reverse stock split may be issued in exchange therefor. For additional information on the exchange of stock certificates, see the section entitled "Reverse Stock Split Proposal—Exchange of Stock Certificates."
- Q. What should I do if I receive more than one set of voting materials?
- A. You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive in order to cast a vote with respect to all of your Movie Star shares.

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- Q. Who is paying for this proxy solicitation?
- A. We will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, our directors, officers and employees may also solicit proxies in person, by telephone or by other means of communication. These parties will not be paid any additional compensation for soliciting proxies. Morrow & Co., Inc., a proxy solicitation firm that we have engaged to assist us in soliciting proxies, will be paid a customary fee of \$7,500 plus expenses. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

- Q: How may I obtain Movie Star's Annual Report on Form 10-K for the year ended June 30, 2006? A: We have enclosed with this proxy statement a copy of our Annual Report on Form 10-K for the fiscal year ended June 30, 2006, as amended by Amendment No. 1 on Form 10-K/A (filed on January 30, 2007). Our Annual Report on Form 10-K, as amended and our other filings with the Securities and Exchange Commission can be accessed through our website at www.moviestarinc.com.
- Q. Who can help answer my questions? A. If you have questions about the merger, the proposals or this proxy statement, or if you need additional copies of the proxy statement or the enclosed proxy card, you should contact:
- Investor Relations
Movie Star, Inc.
1115 Broadway
New York, New York 10010
Tel: (212) 798-4700
- or
- Morrow & Co., Inc.
470 West Avenue, 3rd Floor
Stamford, Connecticut 06902
Tel: (800) 607-0088
- You may also obtain additional information about Movie Star from documents filed with the SEC by following the instructions in the section entitled "Where You Can Find More Information" on page 182.

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FORWARD-LOOKING STATEMENTS

We believe that some of the information in this proxy statement constitutes, or may be deemed to constitute, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. You can identify these statements by forward-looking words such as "may," "expect," "anticipate," "should," "could," "likely," "contemplate," "believe," "estimate," "intend," "plan," "project," "predict" and "continue" or, in each case, their negative variations or comparable terminology. You should read statements that contain these words carefully because they may:

- discuss future expectations;
- contain projections of future results of operations or financial condition; or
- state other "forward-looking" information.

We believe it is important to communicate our expectations to our shareholders. However, there may be events in the future that we are not able to predict accurately or over which we have no control. The risk factors and cautionary language discussed in this proxy statement provide examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations described by us or FOH Holdings in such forward-looking statements, including, among other things:

- difficulties relating to the integration of our business and operations with FOH Holdings;
- competition;
- business conditions and industry growth;
- rapidly changing consumer preferences and trends;
- general economic conditions;
- reliance on vendors and service providers;
- large variations in sales volume with significant customers;
- the addition or loss of significant customers;
- continued compliance with government regulations;
- the loss of key personnel;
- labor practices;
- product development;
- management of growth;
- increases of costs of operations or inability to meet efficiency or cost reduction objectives;
- timing of orders and deliveries of products; and
- foreign government regulations and risks of doing business abroad.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this proxy statement.

All forward-looking statements included herein attributable to Movie Star, FOH Holdings or any person acting on either party's behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, Movie Star and FOH Holdings undertake no obligations to update these forward-looking statements to reflect events or circumstances after the date of this proxy statement or to reflect the occurrence of unanticipated events.

Before you grant your proxy or instruct how your vote should be cast or vote on the proposals contained in this proxy statement, you should be aware that the occurrence of the events described in the "Risk Factors" section and elsewhere in this proxy statement could have a material adverse effect on the business, prospects, financial condition or operating results of Movie Star and/or FOH Holdings.

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SUMMARY OF THIS PROXY STATEMENT

This summary highlights selected information from this proxy statement and does not contain all of the information that may be important to you. To better understand the merger and related transactions, you should read this entire document carefully, including the merger agreement and the amendment to the merger agreement, which are attached as Annex A and Annex B, respectively, to this proxy statement. Except where the context otherwise requires, references to the merger agreement refer to the merger agreement, as amended. The merger agreement is the legal document that governs the merger and certain of the other transactions that will be undertaken in connection with the merger. It is also described in detail elsewhere in this proxy statement.

In this proxy statement, all references to "Movie Star," "we," "us" and "our" refer to Movie Star, Inc. and its subsidiaries, except where the context makes it clear that the reference is only to Movie Star itself and not its subsidiaries. Depending on the context, such references will either refer to (i) Movie Star, Inc. prior to giving effect to the merger

or (ii) Movie Star, Inc. as the parent company following the merger. In this proxy statement, all references to “FOH Holdings” refer to FOH Holdings, Inc. and its subsidiaries prior to giving effect to the merger, except where the context makes it clear that the reference is only to FOH Holdings itself and not its subsidiaries. In this proxy statement, all references to “Frederick’s of Hollywood” refer to Frederick’s of Hollywood, Inc. and its subsidiaries prior to giving effect to the merger, except where the context makes it clear that the reference is only to Frederick’s of Hollywood itself and not its subsidiaries. In this proxy statement, all references to the “combined company” refer to Movie Star, Inc. and its subsidiaries after giving effect to the merger, except where the context makes it clear that the reference is only to Movie Star itself and not its subsidiaries.

The Parties

Movie Star

Movie Star is a publicly traded corporation that designs, manufactures (through independent contractors), imports, markets and distributes women’s intimate apparel to mass merchandisers, specialty and department stores, discount retailers, national and regional chains and direct mail catalog marketers throughout the United States. See “The Parties to the Merger.”

Merger Sub

Fred Merger Corp. was organized on December 12, 2006 to effect a merger with FOH Holdings and is a wholly-owned subsidiary of Movie Star. We sometimes refer to Fred Merger Corp. as Merger Sub. See “The Parties to the Merger.”

FOH Holdings

FOH Holdings is a privately-held company headquartered in Hollywood, California that has four subsidiaries that operate under the brand name “Frederick’s of Hollywood.” Frederick’s of Hollywood is a mall-based specialty retailer of women’s intimate apparel and related products in the United States, and a direct retailer of intimate apparel and other women’s apparel through its catalog and Internet operations. Frederick’s of Hollywood currently operates 133 stores nationwide, operates an online store at www.fredericks.com and, in its 2006 fiscal year mailed approximately 27 million catalogs. Frederick’s of Hollywood had net sales from continuing operations of approximately \$138 million for the fiscal year ended July 29, 2006. See “The Parties to the Merger.”

TTG Apparel

TTG Apparel is a Delaware limited liability company formed for the purpose of investing in Movie Star. The sole controlling person of TTG Apparel is Michael T. Tokarz, its manager. Mr. Tokarz is presently the controlling person of The Tokarz Group Advisors, LLC, an entity that manages MVC Capital, Inc., a business development company that is listed on the New York Stock Exchange. Mr. Tokarz does not directly own our common stock. TTG Apparel currently owns approximately 21.5% of our outstanding common stock. See “The Parties to the Other Transactions Contemplated by the Merger.”

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Tokarz Investments

Tokarz Investments is a Delaware limited liability company formed for the purpose of owning various Tokarz family investments. The sole controlling person of Tokarz Investments is Michael T. Tokarz, its manager. Mr. Tokarz does not directly own FOH Holdings common stock. Tokarz Investments currently owns approximately 50% of the common stock of FOH Holdings. See “The Parties to the Other Transactions Contemplated by the Merger.”

Fursa

Fursa is a Delaware limited liability company and registered investment advisor that beneficially owns, on behalf of certain funds and accounts affiliated with, managed by, or over which Fursa or its affiliates exercises investment authority, including, without limitation, with respect to voting and dispositive rights, approximately 50% of the common stock of FOH Holdings. See “The Parties to the Other Transactions Contemplated by the Merger.”

The Merger

The merger agreement provides for a business combination by means of a merger of Merger Sub with and into FOH Holdings in which FOH Holdings will be the surviving entity and become a wholly owned subsidiary of Movie Star. This will be accomplished through an exchange of all the issued and outstanding shares of capital stock of FOH Holdings for approximately 23.7 million shares of common stock of Movie Star.

We and FOH Holdings plan to complete the merger promptly after our special meeting, provided that:

- our shareholders have approved the stock issuance proposal, the increase in authorized common stock proposal, the name change proposal and the preferred stock proposal (all discussed below); and
- the other conditions specified in the merger agreement have been satisfied or waived.

See “The Merger Agreement—Closing and Effective Time of the Merger.”

Merger Consideration

Upon completion of the merger, each stockholder of FOH Holdings will have the right to receive in exchange for its shares of common stock of FOH Holdings held at the effective time of the merger shares of our common stock equal to the product of (i) the number of shares of FOH Holdings common stock held by such stockholder of FOH Holdings immediately prior to the effective time of the merger multiplied by (ii) an exchange ratio of 17.811414. As a result of the merger, we anticipate issuing approximately 23.7 million shares of our common stock to the stockholders of FOH Holdings, 20% of which will initially be placed in escrow pursuant to the merger agreement and an escrow agreement and described in “The Merger Agreement—Escrow Arrangements” and “Other Transaction Documents—Escrow Agreement

Each share of FOH Holdings common stock issued and outstanding immediately prior to the effective time of the merger that is owned by FOH Holdings or any of its direct or indirect subsidiaries will, by virtue of the merger and without any action on the part of the holder thereof, cease to be outstanding, will be cancelled and retired without payment of any consideration therefor and will cease to exist. See “The Merger Agreement—Merger Consideration.”

Escrow Agreement—Indemnification

In connection with the transactions contemplated by the merger agreement, we will enter into an escrow agreement with designated stockholder representatives of the holders of FOH Holdings common stock. Pursuant to the escrow agreement, 20% of the shares of our common stock to be issued to each stockholder of FOH Holdings in connection with the merger will be held in escrow to cover

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indemnification claims that may be brought by us for certain matters, including breaches of representations, warranties and covenants of FOH Holdings under the merger agreement. Shares remaining in escrow will be released following the 18-month anniversary of the effective time of the merger, subject to extension under certain circumstances. Similarly, treasury shares of our common stock representing 7.5% of the aggregate number of issued and outstanding shares of our common stock prior to the effective time of the merger will be deposited into escrow to cover any indemnification claims that may be brought by FOH Holdings' stockholders against Movie Star, which shares will be returned to us following the 18-month anniversary of the effective time of the merger, subject to certain conditions and to the extent not used to satisfy these indemnification claims. See "The Merger Agreement—Escrow Arrangements" and "Other Transaction Documents—Escrow Agreement."

Recommendations of Movie Star Special Committee and Board of Directors; Reasons for the Merger and Related Transactions

After careful consideration of the proposals summarized below, and upon the recommendation of our special committee, our board of directors has determined that the merger, the rights offering and the transactions contemplated thereby are fair to and in the best interests of Movie Star and its shareholders. In reaching its decision, our special committee received an opinion from Chanin on December 18, 2006, on which our board of directors was entitled to rely, that, as of such date, the merger consideration to be paid in the proposed merger with FOH Holdings was fair, from a financial point of view, to our shareholders.

Accordingly, our board of directors recommends that our shareholders vote:

- FOR the issuance of shares of our common stock in connection with the merger, the rights offering and other transactions contemplated by the merger agreement (stock issuance proposal);
- FOR an amendment to our certificate of incorporation to increase the number of authorized shares of our common stock from 30,000,000 to 200,000,000 shares (increase of authorized common stock proposal);
- FOR an amendment to our certificate of incorporation to change Movie Star's name to Frederick's of Hollywood Group Inc. (name change proposal);
- FOR an amendment to our certificate of incorporation to authorize the issuance of 10,000,000 shares of preferred stock and to establish the terms, rights, preferences and privileges of the Series A Preferred Stock (preferred stock proposal);
- FOR the authorization of our board of directors, in its discretion, to amend our certificate of incorporation to effect a reverse stock split of our outstanding common stock simultaneous with the closing of the merger within a range to be determined by our board of directors from 9 for 10 to 1 for 2, in order to satisfy the minimum price requirement of \$2.00 per share for continued listing on the American Stock Exchange (reverse stock split proposal);
- FOR an amendment to our 2000 Performance Equity Plan to increase the number of shares of common stock available for issuance under the plan from 750,000 shares of common stock to 7,000,000 shares of common stock (2000 performance equity plan amendment proposal);
- FOR the election of eleven directors to serve from the effective time of the merger until the annual meeting to be held in 2008 and their successors are elected and qualified (director election proposal); and
-

FOR the adjournment of the special meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies in the event there are insufficient votes at the time of the special meeting to adopt any of the foregoing proposals (adjournment proposal).

See “Special Meeting in Lieu of the Annual Meeting of Movie Star Shareholders—Purpose of the Movie Star Special Meeting.”

Date, Time and Place of Special Meeting of Movie Star Shareholders

The special meeting of the shareholders of Movie Star will be held at _____ a.m., Eastern Time, on _____, 2007, at _____ to consider and vote upon the stock issuance proposal, the

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increase of authorized common stock proposal, the name change proposal, the preferred stock proposal, the reverse stock split proposal, the 2000 performance equity plan amendment proposal, the adjournment proposal and the election of directors. See “Special Meeting in Lieu of the Annual Meeting of Movie Star Shareholders—Date, Time and Place.”

Voting Power; Record Date; Quorum

You will be entitled to vote or direct votes to be cast at the special meeting if you owned shares of Movie Star common stock at the close of business on _____, 2007, which is the record date for the special meeting. You will have one vote for each share of Movie Star common stock you owned at the close of business on the record date. On the record date, _____ shares of Movie Star common stock were outstanding, the only class of stock of Movie Star entitled to vote and the only class of stock of Movie Star that has been issued. See “Special Meeting in Lieu of the Annual Meeting of Movie Star Shareholders—Record Date; Who is Entitled to Vote.”

A quorum of Movie Star shareholders is necessary to hold a valid meeting. A quorum will be present at the Movie Star special meeting if a majority of the outstanding shares entitled to vote at the meeting is represented in person or by proxy. Abstentions and broker non-votes will count as present for the purpose of establishing a quorum. See “Special Meeting in Lieu of the Annual Meeting of Movie Star Shareholders—Quorum.”

Vote of Movie Star Shareholders

- Shareholder approval is not required for the merger itself under the NYBCL. However, under the rules of the American Stock Exchange, shareholder approval is required prior to the issuance of common stock in any transaction if
 - the number of shares of common stock, or securities convertible into common stock, to be issued will be, upon issuance, equal to or in excess of 20% of the number of shares of common stock outstanding prior to such issuance,
 - the common stock, or securities convertible into common stock, to be issued will be issued as consideration for an acquisition of the stock or assets of another company, provided that any director, officer or substantial shareholder of the acquiring listed company, directly or indirectly, has a 5% or greater interest in the acquired company or in the consideration to be paid in such transaction and the present or potential issuance of common stock, or

securities convertible into common stock, could result in an increase in outstanding common shares of 5% or more, or

- such transaction would involve the application of Section 341 of the American Stock Exchange Company Guide, which requires that a listed company being effectively acquired by an unlisted company as a result of a plan of acquisition, merger, or consolidation meet the American Stock Exchange's original listing standards.

Because the shares to be issued in connection with the merger and the rights offering and pursuant to the standby purchase agreement, together with the shares underlying the warrants that will be issued as consideration for the commitments of the Fursa Standby Purchasers, Tokarz Investments and TTG Apparel under the standby purchase agreement and Series A Preferred Stock that will be issued in exchange for the cancellation of certain indebtedness of FOH Holdings, will be in excess of 20% of the number of shares of our common stock outstanding prior to such issuances, your vote is required. Additionally, your vote is required because (i) the American Stock Exchange has informed us that Section 341 of the American Stock Exchange Guide would apply to the transactions contemplated by the merger agreement due to the structure of the proposed merger and (ii) an affiliate of TTG Apparel, our substantial shareholder, owns more than 5% of FOH Holdings. The approval of the stock issuance proposal will require the affirmative vote of both (i) the holders of a majority of the outstanding shares of Movie Star common stock on the record date and (ii) the holders of a majority of the shares of Movie Star common stock that are held by Movie Star's shareholders other than TTG Apparel

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and its affiliates and associates on the record date. Abstentions from voting with respect to this proposal and shares which are subject to shareholder withholding or broker non-vote will have the same effect as a vote against the stock issuance proposal. See "The Merger and Related Transactions."

- Under the merger agreement, the approval of the increase of authorized common stock proposal will require the affirmative vote of both (i) the holders of a majority of the outstanding shares of Movie Star common stock on the record date and (ii) the holders of a majority of the shares of Movie Star common stock that are held by Movie Star's shareholders other than TTG Apparel and its affiliates and associates on the record date. Abstentions from voting with respect to this proposal and shares which are subject to shareholder withholding or broker non-vote will have the same effect as a vote against the increase of authorized common stock proposal. See "Increase of Authorized Common Stock Proposal."
- Under the merger agreement, the approval of the name change proposal will require the affirmative vote of both (i) the holders of a majority of the outstanding shares of Movie Star common stock on the record date and (ii) the holders of a majority of the shares of Movie Star common stock that are held by Movie Star's shareholders other than TTG Apparel and its affiliates and associates on the record date. Abstentions from voting with respect to this proposal and shares which are subject to shareholder withholding or broker non-vote will have the same effect as a vote against the name change proposal. See "Name Change Proposal."
- Under the merger agreement, the approval of the preferred stock proposal will require the affirmative vote of both (i) the holders of a majority of the outstanding shares of Movie Star common stock on the record date and (ii) the holders of a majority of the shares of Movie Star common stock that are held by Movie Star's shareholders other than TTG Apparel and its affiliates and associates on the record date. Abstentions from voting with respect to this

proposal and shares which are subject to shareholder withholding or broker non-vote will have the same effect as a vote against the preferred stock proposal. See “Preferred Stock Proposal.”

- The approval of the reverse stock split proposal will require the affirmative vote of the holders of a majority of the outstanding shares of Movie Star common stock on the record date. Abstentions from voting with respect to this proposal and shares which are subject to shareholder withholding or broker non-vote will have the same effect as a vote against the reverse stock split proposal. See “Reverse Stock Split Proposal.”
- The approval of the 2000 performance equity plan amendment proposal will require the affirmative vote of the holders of a majority of the shares of Movie Star common stock represented in person or by proxy and entitled to vote at the special meeting. Abstentions from voting with respect to this proposal and shares which are subject to shareholder withholding or broker non-vote will not be counted in determining the number of votes required for a majority and will therefore have no effect on such vote. See “2000 Performance Equity Plan Amendment Proposal.”
- The election of directors requires a plurality vote of the shares of common stock present in person or represented by proxy and entitled to vote at the special meeting. “Plurality” means that the individuals who receive the highest number of votes cast “FOR” election are elected as directors. Any shares not voted “FOR” a particular nominee (whether as a result of abstentions, a direction to withhold authority or a broker non-vote) will not be counted in the nominee’s favor. See “Director Election Proposal.”
- The approval of the adjournment proposal will require the affirmative vote of the holders of a majority of the shares of Movie Star common stock represented in person or by proxy and entitled to vote at the special meeting. Abstentions from voting with respect to this proposal and shares which are subject to shareholder withholding or broker non-vote will not be counted in determining the number of votes required for a majority and will therefore have no effect on such vote. See “Adjournment Proposal.”

The approval of the stock issuance proposal, the increase of authorized common stock proposal, the name change proposal and the preferred stock proposal are conditions to the consummation of the

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merger. The approval of the reverse stock split proposal, the 2000 performance equity plan amendment proposal and the director election proposal are not conditions to the consummation of the merger, but are being proposed in connection with the merger and will not be presented at the meeting for a vote if the proposals that are conditions to the merger are not approved. If the stock issuance proposal or the increase of authorized common stock proposal is not approved, we cannot effect the merger or the other transactions contemplated by the merger agreement. If the name change proposal or the preferred stock proposal is not approved, absent a waiver by FOH Holdings and us, we cannot effect the merger or the other transactions contemplated by the merger agreement.

Voting Agreement

In connection with the merger agreement, we entered into a voting agreement with TTG Apparel, pursuant to which it has agreed to certain matters, including (i) to vote in favor of the transactions contemplated by the merger agreement, including, without limitation, the approval of the stock issuance proposal, the increase of authorized common stock proposal, the name change proposal and the preferred stock proposal and (ii) to not transfer shares of our common

stock without our prior written consent. The voting agreement and the obligations of TTG Apparel, as well as the irrevocable proxy signed by TTG Apparel, will terminate upon the earlier to occur of (i) the effective time of the merger and (ii) the date of termination of the merger agreement in accordance with its terms. See “Other Transaction Documents—Voting Agreement.”

Approval by the FOH Holdings Stockholders

All of the stockholders of FOH Holdings have approved and adopted the merger agreement and the transactions contemplated thereby by virtue of the execution of an unanimous written consent of such stockholders. No further action is required to be taken by FOH Holdings’ stockholders to approve the merger and related transactions. See “The Merger Agreement—General; Structure of Merger.”

Appraisal Rights

Movie Star shareholders do not have appraisal rights in connection with the merger or the reverse stock split under the NYBCL. See “Special Meeting in Lieu of the Annual Meeting of Movie Star Shareholders—Appraisal Rights” and “Reverse Stock Split Proposal—No Appraisal Right.”

Proxies

Proxies may be solicited by mail, telephone or in person. Movie Star has engaged Morrow & Co., Inc. to assist in the solicitation of proxies. See “Special Meeting in Lieu of the Annual Meeting of Movie Star Shareholders—Proxy Solicitation Costs.”

If you grant a proxy, you may still vote your shares in person if you revoke your proxy before the special meeting. See “Special Meeting in Lieu of the Annual Meeting of Movie Star Shareholders— Revoking Your Proxy.”

The Certificate of Incorporation Amendments

If the increase of authorized common stock proposal, the name change proposal and the preferred stock proposal are approved, upon consummation of the merger, we will file a restated certificate of incorporation, substantially in the form attached to this proxy statement as Annex D, with the Secretary of State of the State of New York. The material changes to be made to the restated certificate of incorporation will:

- increase the number of shares of common stock we are authorized to issue from 30,000,000 to 200,000,000 shares for purposes of effecting the rights offering and completing the merger;
- change Movie Star’s name to Frederick’s of Hollywood Group Inc.; and
- authorize the issuance of up to 10,000,000 shares of preferred stock and to establish the terms, rights, preference and privileges of the Series A Preferred Stock.

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See “Increase of Authorized Common Stock Proposal,” “Name Change Proposal” and “Preferred Stock Proposal.”

Reverse Stock Split

Our board of directors has unanimously approved a proposal, subject to shareholder approval, to amend our certificate of incorporation if our board of directors determines, in its discretion, to implement a reverse stock split of our common stock simultaneous with the closing of the merger within a range to be determined by our board of directors from 9 for 10 to 1 for 2, in order to satisfy the minimum price requirement of \$2.00 per share for continued listing on the American Stock Exchange. This means that if our board of directors were to select a ratio of 9 for 10, for every 10 shares of common stock held by a shareholder before the reverse stock split, such shareholder would receive nine shares of common stock immediately after the reverse stock split. If our board of directors were to select a ratio of 1 for 2, for every 2 shares of common stock held by a shareholder before the reverse stock split, such shareholder would receive one share of common stock immediately after the reverse stock split. Pursuant to Section 341 of the American Stock Exchange Company Guide, the American Stock Exchange requires that a listed company being effectively acquired by an unlisted company as a result of a plan of acquisition, merger, or consolidation meet the American Stock Exchange's original listing standards. Due to the structure of the proposed merger through which FOH Holdings' stockholders will be the majority shareholders of the combined company immediately following the effective time of the merger, the American Stock Exchange has informed us that we would be obligated to satisfy the American Stock Exchange's original listing standards which, among other things, require that our shares of common stock have a bid price of at least \$2.00 per share. A range for the reverse stock split is being proposed instead of a specific ratio since the price at which our common stock trades may fluctuate between now and the time the reverse stock split is implemented, if at all. Based on the proposed range of ratio, as few as 1.1 shares or as many as 2 shares of our common stock would be combined into one new share. Our board also may choose not to implement the reverse stock split at all. See "Reverse Stock Split Proposal."

Amendment to the 2000 Performance Equity Plan

Our 2000 Performance Equity Plan was adopted by our board of directors on February 21, 2000 and by our shareholders on November 28, 2000. The plan covers 750,000 shares of our common stock, and our officers, directors, employees and consultants are eligible to receive incentive or non-qualified stock options, stock appreciation rights, restricted stock awards, deferred stock, stock reload options and other stock-based awards. As of May 15, 2007, 125,649 shares of our common stock are available under the plan for future grants. Our board of directors proposes to amend the plan to increase the number of shares issuable under the plan to 7,000,000 shares. Our board believes that the increase in the size of the plan is necessary in connection with the merger to cover currently outstanding FOH Holdings options, the shares of common stock to be issued and the options to be granted to Performance Enhancement Partners, LLC under the consulting agreement with Performance Enhancement Partners, LLC and to enable us to continue to attract and retain employees, consultants and board members of the highest caliber and provide increased incentive for them to promote our business interests through the grant of options. The plan and the proposed amendment to the plan are attached as Annex E to this proxy statement. We encourage you to read the plan in its entirety. See "2000 Performance Equity Plan Amendment Proposal."

Standby Purchase Agreement; Rights Offering

In connection with the merger agreement, our shareholders will have the opportunity to purchase shares of our common stock at a 15% discount through our offering of non-transferable rights to purchase shares of our common stock. If all such rights are exercised, we will raise aggregate proceeds of \$20 million. We expect to close the rights offering immediately following the effective time of the merger. We have filed a Registration Statement on Form S-1 (No. 333-) with the SEC for the registration of such securities under the Securities Act. We have entered into a standby purchase agreement with the Fursa Standby Purchasers, Tokarz Investments, TTG Apparel and Fursa, pursuant to which the Fursa Standby Purchasers, Tokarz Investments and TTG Apparel have each agreed to purchase unsubscribed shares. As

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necessary, the Fursa Standby Purchasers have agreed to purchase, on a several, but not on a joint and several basis, 50% of such unsubscribed shares, and Tokarz Investments and TTG Apparel have agreed to purchase the remaining 50% of such unsubscribed shares. As consideration for these commitments, we will issue warrants with an exercise price equal to the subscription price of the shares to be offered through the rights offering, representing the right to purchase in the aggregate _____ shares of our common stock, or 10.5% of the total number of new shares to be offered in the rights offering. See “Other Transaction Documents—Standby Purchase Agreement—Rights Offering” and “Other Transaction Documents—Standby Purchase Agreement—Guarantor Warrants.”

FOH Holdings’ Stockholders Agreement

Following the execution and delivery of the merger agreement, we entered into a stockholders agreement with FOH Holdings, Fursa, the Fursa Managed Accounts and Tokarz Investments, pursuant to which the Fursa Managed Accounts holding FOH Holdings common stock and Tokarz Investments agreed, among other things, to vote to adopt the merger agreement and approve the transactions contemplated thereby, to not transfer any shares of common stock owned by them prior to the effective time of the merger other than in connection with the merger or to their affiliates or managed funds and accounts, and to not solicit or accept any third party proposals involving a merger or acquisition of FOH Holdings. See “Other Transaction Documents—FOH Holdings’ Stockholders Agreement.”

Pursuant to the FOH Holdings’ stockholders agreement, the Fursa Debt Holders, in their capacities as holders of FOH Holdings’ indebtedness, agreed with us that, in connection with the consummation of the transactions contemplated by the merger agreement, they would cancel \$7.5 million of such indebtedness in exchange for the issuance of shares of our new Series A Preferred Stock. See “Other Transaction Documents — FOH Holdings’ Stockholders Agreement—Series A Preferred Stock.”

Registration Rights Agreement

In connection with the consummation of the transactions contemplated by the merger agreement, we will enter into a registration rights agreement with Fursa (on its behalf and on behalf of the Fursa Managed Accounts), Tokarz Investments and TTG Apparel, pursuant to which we will grant certain demand and “piggyback” registration rights for the securities that those entities will receive in connection with the merger and related transactions. See “Other Transaction Documents—Registration Rights Agreement.”

Shareholders Agreement

Pursuant to an agreement to be entered into in connection with the consummation of the transactions contemplated by the merger agreement, during the 18-month period following the merger, Tokarz Investments, TTG Apparel and Fursa (on its behalf and on behalf of the Fursa Managed Accounts) will each agree to vote for the combined company’s directors and, further, will each agree, among other things, to certain restrictions on (i) acting together with respect to their shares of our common stock, (ii) increasing their ownership positions in the merged entity and (iii) transferring their holdings in our securities. See “Other Transaction Documents—Shareholders Agreement.”

The Director Election Proposal; Management of the Combined Company Following the Consummation of the Merger

As a result of the merger, Merger Sub will be merged with and into FOH Holdings and will cease to exist. FOH Holdings and Movie Star will each survive the merger, with FOH Holdings becoming a wholly owned subsidiary of Movie Star. See “The Merger Agreement—General; Structure of the Merger.”

At the special meeting, eleven directors will be elected to Movie Star's board of directors and will serve from the effective time of the merger until the annual meeting to be held in 2008 and their successors are elected and qualified.

In connection with its approval of the merger and other transactions contemplated by the merger agreement, our board of directors approved an increase of the number of directors constituting the full

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board from seven to eleven, which will be effective at the effective time of the merger. At the effective time of the merger, if management's nominees are elected, the directors of the combined company will be Peter Cole, John L. Eisel, Melvyn Knigin, Michael A. Salberg and Joel M. Simon, all currently serving as directors of Movie Star, Thomas Rende, the Chief Financial Officer of Movie Star and a former member of Movie Star's board of directors, William F. Harley, Linda LoRe, Rose Peabody Lynch and Milton J. Walters, all currently serving as directors of FOH Holdings, and Thomas J. Lynch, Chief Executive Officer of Fursa. If the merger is not consummated, our existing directors will continue to serve as directors of Movie Star. See "The Merger Agreement—Election of Directors and Appointment of Executive Officers" and "Director Election Proposal."

After the merger, in accordance with the merger agreement, the newly constituted board of directors of the combined company is expected to appoint Peter Cole as our Executive Chairman, Thomas Rende as our Chief Financial Officer, Melvyn Knigin as the President and Chief Executive Officer of the Movie Star division and Linda LoRe as the President and Chief Executive Officer of the Frederick's of Hollywood division. See "The Merger Agreement—Election of Directors and Appointment of Executive Officers."

The merger agreement provides for an amendment to our bylaws in connection with the consummation of the merger, pursuant to which during the 18-month period following the merger, certain material transactions not in the ordinary course or actions that affect capital structure or securities will require the approval of 75% of our directors. See "The Merger Agreement—Amended and Restated Bylaws."

If the proposals that are conditions to the merger are not approved by Movie Star's shareholders at the special meeting, the director election proposal will not be presented at the meeting for a vote and Movie Star's current directors will continue in office until the election of directors at our next annual meeting of shareholders and their successors are elected and qualified.

Interests of Movie Star Directors and Officers in the Merger and Related Transactions

When you consider the recommendation of Movie Star's board of directors in favor of the proposals included in this proxy statement, you should be aware that certain members of Movie Star's board of directors have agreements or arrangements that provide them with interests in the merger and the related transactions that differ from, or are in addition to, your interests as a shareholder generally. In particular:

- On April 9, 2007, we entered into a consulting agreement with Performance Enhancement Partners, LLC ("Consultant"), pursuant to which the Consultant provides us with the personal services of Peter Cole, a current member of our board of directors and the sole member of the Consultant, to (i) act as the lead member of our board to facilitate the timely and successful completion of the merger, the rights offering and other transactions contemplated by the merger agreement and (ii) serve as the Executive Chairman of the combined company following the

closing of the merger until July 26, 2008. We have the option to extend the consulting agreement for up to two additional six-month periods. The consulting agreement provides for the Consultant to receive a base consulting fee at the annual rate of \$400,000, payable in four equal quarterly installments in arrears, the first payment having been made on April 12, 2007. For the year ending July 28, 2007, the Consultant will be entitled to receive an additional consulting fee, as determined on a discretionary basis by our board. For the year ending July 26, 2008, the Consultant will be entitled to receive an additional consulting fee of a minimum of \$100,000 in accordance with the terms of a bonus plan expected to be adopted by the compensation committee following the closing of the merger. Mr. Cole is required to devote substantially all of his business time, energies and attention to the business and affairs of Movie Star (and the combined company following the merger) in the performance of his duties under the consulting agreement.

On the closing date of the merger, we will (i) issue to the Consultant 100,000 shares of our common stock under the 2000 Performance Equity Plan and (ii) grant to the Consultant a five-year option to purchase 275,000 shares of our common stock under the 2000 Performance Equity Plan at an exercise price equal to the last sale price of our common stock on the closing date of the merger. 75,000 of the shares underlying the option will vest on the date of grant and

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100,000 shares will vest on each of January 3, 2008 and July 26, 2008. We also will grant to the Consultant under the 2000 Performance Equity Plan five-year non-qualified options to purchase an aggregate of 100,000 shares of our common stock, with each grant of 50,000 shares to be made on the commencement date of each six-month extension period, if applicable, at an exercise price equal to the last sale price of our common stock on the date of grant. Each grant of 50,000 shares will vest on the six-month anniversary of the commencement date of the applicable extension period. In order to issue the shares of common stock and grant the stock options to the Consultant in accordance with the terms of the consulting agreement, the 2000 Performance Equity Plan must be amended to increase the number of shares available for issuance thereunder, which amendment will require shareholder approval, which is being sought at the special meeting. See “2000 Performance Equity Plan Amendment Proposal.”

The consulting agreement provides that if the merger agreement is terminated or the Consultant terminates the consulting agreement for “Good Reason” (as defined in the consulting agreement) prior to the closing of the merger, we will pay the Consultant the base consulting fee through September 30, 2007, net of any additional consulting fee awarded and paid to the Consultant for the year ending July 28, 2007. The consulting agreement also provides that if, following the closing of the merger, we terminate the Consultant without “Cause” or the Consultant terminates the consulting agreement for “Good Reason”, we will pay to the Consultant the base consulting fee through July 26, 2008 or the end of the applicable extension period, as the case may be, and any additional consulting fee which would have become payable under the consulting agreement for the year ending July 26, 2008 or the applicable extension period, as the case may be. Additionally, options that have been granted and would otherwise have vested shall immediately vest upon such termination.

Additionally, FOH Holdings has agreed that if the merger agreement is terminated for any reason other than by FOH Holdings as a result of an Adverse Recommendation Change (as defined below in “The Merger Agreement—Restrictions on Solicitations of Other Offers Concerning Movie Star”), a Parent Acquisition Proposal (as defined below in “The Merger Agreement—Restrictions on Solicitations of Other Offers Concerning Movie Star”) or certain breaches of representations, warranties, covenants or agreements made by us or Merger Sub, as more fully described below in “The Merger Agreement—Termination,” FOH Holdings will reimburse us for one half of the base consulting fee paid to

Consultant (or earned and previously unpaid to Consultant) under the consulting agreement prior to such termination.

- Saul Pomerantz, Chief Operating Officer of Movie Star, and Thomas Rende, Chief Financial Officer of Movie Star, who were directors of Movie Star at the time we entered into the merger agreement, hold certain options to purchase 280,000 and 105,000 shares of Movie Star common stock, respectively. These options are fully vested and exercisable. Pursuant to the terms of their respective option agreements, in the event of any merger, reorganization, consolidation, recapitalization, dividend (other than cash dividend), stock split, reverse stock split, or other change in corporate structure affecting the number of issued shares of Movie Star common stock, we are required to proportionately adjust the number and kind of option shares and the exercise price of the options in order to prevent dilution or enlargement of the optionee's proportionate interest in Movie Star. Accordingly, upon completion of the merger, Mr. Pomerantz will be entitled to receive options to purchase an additional 420,000 shares of our common stock and Mr. Rende will be entitled to receive options to purchase an additional 157,500 shares of our common stock. The number and kind of option shares and the exercise price of other options held by Messrs. Pomerantz and Rende will not be adjusted as a result of the merger.
- As a result of our entering into the consulting agreement with Performance Enhancement Partners, Peter Cole no longer qualified as an "independent" director under the rules of the American Stock Exchange, which rules also require that a majority of our directors qualify as "independent." In order for us to remain in compliance with this requirement, Messrs. Pomerantz and Rende resigned from our board of directors at the time we entered into the consulting agreement with Performance Enhancement Partners. Mr. Rende is included among management's nominees to become a director of the combined company.

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Regulatory Matters

The merger and the transactions contemplated by the merger agreement are not subject to any additional federal or state regulatory requirement or approval other than filings with the states of Delaware and New York, which will be necessary to effect the transactions contemplated by the merger agreement, and filings of notification and report forms with the Department of Justice and the Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), which we and FOH Holdings may be required to make.

Conditions to the Closing of the Merger

Our obligations under the merger agreement, as well as the obligations of each of FOH Holdings and Merger Sub under the merger agreement, are subject to the satisfaction or waiver of a number of conditions, which are set out in more detail in "The Merger Agreement—Conditions to Closing of the Merger," including the following:

- any party to the merger agreement may elect not to consummate the merger if:
 - the stock issuance proposal and the increase of authorized common stock proposal have not been approved by (i) the holders of a majority of the outstanding shares of our common stock and (ii) holders of the majority of the outstanding shares of our common stock that are held by our shareholders other than TTG Apparel and its affiliates or associates;

- all consents, authorizations or approvals required from any third parties, including Wells Fargo Retail Finance, LLC or CIT Commercial Service to the extent they hold indebtedness of FOH Holdings, us or any of our respective subsidiaries that has not been refinanced, are not obtained, other than those which the failure to obtain would not, individually or in the aggregate, have a material adverse effect on FOH Holdings or us, as applicable, or result in a criminal violation;
- there shall have been any judgment, decree or similar ruling which would prohibit or render illegal the merger or the transactions contemplated by the merger agreement or the standby purchase agreement;
- the registration statement for the rights offering has not been filed with the SEC and declared effective and all requests from the SEC have not been complied with and all conditions to our issuing shares of our common stock in the rights offering have not been satisfied or waived;
- the directors' and officers' liability insurance as mutually agreed to by FOH Holdings and us, subject to the potential increase in the limit of liability to \$25,000,000, is not available to our officers and directors; or
- a filing is made under the HSR Act, the waiting period under the HSR Act and any other material antitrust laws shall not have expired or a voluntary agreement between us or FOH Holdings and the Federal Trade Commission or the Department of Justice shall have been entered into pursuant to which we or FOH Holdings has agreed not to consummate the merger for a period of time.
- We and Merger Sub may elect not to consummate the merger if:
 - FOH Holdings' representations and warranties under the merger agreement, the standby purchase agreement and the shareholders agreement, are not true and correct in all material respects when made and on the closing date, subject to certain exceptions, and the representations and warranties of the Fursa Standby Purchasers, Tokarz Investments and TTG Apparel set forth in the standby purchase agreement are not true and correct in all material respects when made and on the closing date, subject to certain exceptions;
 - FOH Holdings does not perform and comply in all material respects with its obligations and covenants under the merger agreement prior to the closing of the transactions contemplated thereby;

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- any of the Fursa Standby Purchasers, Tokarz Investments and TTG Apparel does not deliver its portion of the aggregate purchase price for the applicable number of unsubscribed shares from the rights offering;
- after the execution of the merger agreement, FOH Holdings experiences a change which would constitute a material adverse effect with respect to its (i) assets, liabilities, business, financial condition or results of operations or (ii) ability to consummate the transactions contemplated by the merger agreement in a timely fashion, subject to certain exceptions; or
- executed versions of the stockholders agreement and the shareholders agreement shall not have been delivered by the stockholders of FOH Holdings.
- FOH Holdings may elect not to consummate the merger if:
 - our representations and warranties, as well as those of Merger Sub, under the merger agreement, the standby purchase agreement and the shareholders agreement, are not true and correct in all material respects when made and on the closing date, subject to certain

exceptions;

- we and Merger Sub do not perform and comply in all material respects with our respective obligations and covenants under the merger agreement prior to the closing of the transactions contemplated thereby;
- after the execution of the merger agreement, we experience a change which would constitute a material adverse effect with respect to our (i) assets, liabilities, business, financial condition or results of operations or (ii) ability to consummate the transactions contemplated by the merger agreement in a timely fashion, subject to certain exceptions; or
- executed versions of the shareholders agreement, the registration rights agreement and the guarantor warrants shall not have been delivered by us.

Termination

The merger agreement may be terminated at any time prior to the effective time of the merger:

- by mutual written consent duly authorized by FOH Holdings and us;
- by either FOH Holdings or us if:
 - the merger has not been consummated by December 31, 2007;
 - there is any final and non-appealable judgment, decree, injunction or similar action that makes consummation of the merger illegal or otherwise prohibited; or
 - the majority of our outstanding shares of common stock and the majority of the shares of our common stock that are held by our shareholders other than TTG Apparel and its affiliates or associates do not approve any of the stock issuance proposal, the increase of authorized common stock proposal, the name change proposal or the preferred stock proposal at a duly held shareholders meeting (after giving effect to all adjournments or postponements thereof).
- by FOH Holdings if, among other things:
 - our board of directors makes, or approves a resolution or authorizes or agrees to make, an Adverse Recommendation Change or if we have entered into an agreement that contains a Parent Acquisition Proposal; or
 - there is a breach of any representation, warranty, covenant or agreement made by us or Merger Sub in the merger agreement such that:
 - such representation and warranty shall not be true and correct in all material respects (or in all respects for such representations and warranties qualified as to materiality) on the date of the merger agreement or on the date of the closing of the transactions contemplated by the merger agreement; or

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- neither we nor Merger Sub shall have performed or complied, in all material respects, with all obligations and covenants that either of us is required to perform or comply with under the merger agreement prior to the closing of the transactions contemplated thereby

and such breach or failure to be true and correct cannot be cured by December 31, 2007.

- by us if, among other things:
 - FOH Holdings breaches any representation, warranty, covenant or agreement made by it in the merger agreement such that:

- such representation and warranty shall not be true and correct in all material respects (or in all respects for such representations and warranties qualified as to materiality) on the date of the closing of the transactions contemplated by the merger agreement, or
 - FOH Holdings shall not have performed or complied, in all material respects, with all obligations and covenants that it is required to perform or comply with under the merger agreement prior to the closing of the transactions contemplated thereby and such breach or failure to be true and correct cannot be cured by December 31, 2007;
- at any time prior to obtaining the approval by our shareholders, our board of directors (as approved by its special committee) resolves to enter into a definitive agreement containing a Parent Acquisition Proposal so long as: (i) our board of directors shall have determined in good faith that such Parent Acquisition Proposal constitutes a Superior Proposal (as defined below in “The Merger Agreement—Restrictions on Solicitations of Other Offers Concerning Movie Star”); and (ii) prior to terminating the merger agreement, we shall, and shall cause our financial and legal advisors to, negotiate with FOH Holdings in good faith for five business days to make such improvements in the terms and conditions of the merger agreement so that such Parent Acquisition Proposal ceases to constitute a Superior Proposal; or
 - FOH Holdings fails to prepare and deliver, by January 31, 2007, to Merger Sub and us consolidated balance sheets as of July 31, 2004, July 30, 2005 and July 29, 2006, and the related consolidated statements of income and cash flows for the years ended July 31, 2004, July 30, 2005 and July 29, 2006 of FOH Holdings and its subsidiaries, together with a signed unqualified audit report from Deloitte & Touche LLP, or such audited financial statements delivered shall contain any change or changes, other than changes specified in the merger agreement, that, in our reasonable judgment, are material and adverse changes, when taken as a whole from the financial statements delivered by FOH Holdings concurrently with the execution of the merger agreement. As more fully described under the section entitled “The Merger and Related Transactions— Background of the Merger and Related Transactions,” we have delivered a notice to FOH Holdings reserving our right to terminate the merger agreement prior to the effective time, as a result of FOH Holdings’ failure to deliver the aforementioned financial statements by January 31, 2007. See “The Merger Agreement—Termination.”

Tax Consequences of the Merger

The merger is expected to qualify as a tax-free transaction to Movie Star under the provisions of Section 1032 of the Internal Revenue Code of 1986, as amended (the “Code”), as an issuance of stock in exchange for property (i.e., the stock of FOH Holdings). However, as a result of the merger, our ability to use the net operating losses that we incurred prior to the merger will be limited on an annual basis. The ability of FOH Holdings to use its net operating losses that it incurred prior to the merger may also be limited. For a description of the material federal income tax consequences of the merger, please see the information set forth in “The Merger and Related Transactions—Material Federal Income Tax Consequences of the Merger.”

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Accounting Treatment

The merger of FOH Holdings and Movie Star will be accounted for under the purchase method of accounting as a reverse acquisition with FOH Holdings being treated as having acquired Movie Star as of the date of the completion of the merger. For a more detailed description of purchase accounting, see “The Merger and Related Transactions—Anticipated Accounting Treatment.”

Risk Factors

In evaluating the proposals included in this proxy statement, you should carefully read this proxy statement and especially consider the factors discussed in the section entitled “Risk Factors.”

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RISK FACTORS

You should carefully consider the following risk factors, together with all of the other information included in this proxy statement, before you decide whether to vote or instruct your vote to be cast to adopt the proposals being discussed in this proxy statement.

The value of your investment in us following consummation of the merger will be subject to the significant risks inherent in the intimate apparel business. If any of the events described below occur, the business, financial condition and results of operation of the combined company could be adversely affected. This could cause the trading price of the combined company’s common stock to decline, perhaps significantly, and you therefore may lose all or part of your investment.

Risks Relating to the Merger

The value of our shares of common stock to be issued to FOH Holdings’ stockholders will fluctuate; the shares being issued to FOH Holdings may be at a higher purchase price than we anticipated paying to the FOH Holdings stockholders depending on fluctuations in the price of our common stock.

The number of shares of our common stock to be issued in the merger for each share of FOH Holdings common stock was fixed at the time we entered into the merger agreement. As a result of changes in our business, operations or prospects, market assessments of the likelihood that the merger will be completed, the timing of the completion of the merger, the prospects of post-merger operations, general market and economic conditions and other factors, the per share price of our common stock upon the consummation of the merger may be considerably higher or lower than the per share price on the date of this proxy statement, on the date of the special meeting of our shareholders or on the date of our board’s approval of the merger and related transactions. Because the exchange ratio will not be adjusted to reflect any changes in the market value of our common stock, if the market value of our common stock should rise considerably, the purchase price we pay may be considerably higher than we originally anticipated when the merger agreement was executed. During the 12-month period ending on June 6, 2007, our common stock traded in a range from a low of \$0.67 to a high of \$3.50 and ended that period at \$2.21. See “Price Range of Movie Star Common Stock and Dividends” on page 179 for more detailed share price information.

The combined company may fail to realize some or all of the anticipated benefits of the merger.

The success of the merger will depend, in part, on the combined company's ability to achieve the anticipated synergies and other strategic benefits from combining our business with Frederick's of Hollywood. To realize these anticipated benefits, we must successfully combine our business with FOH Holdings. We may not be able to achieve these objectives, and the anticipated cost synergies and other strategic benefits of the merger may not be realized fully, or at all, or may take longer to realize than expected. The combined company may fail to realize some or all of the anticipated benefits of the transaction for a number of reasons, including that the integration may take longer than anticipated, be more costly than anticipated or have unanticipated adverse results relating to either of the existing businesses.

Pursuant to the standby purchase agreement, TTG Apparel, Tokarz Investments and the Fursa Standby Purchasers agreed to purchase any shares of our common stock not subscribed for in the rights offering, which would enable them to materially influence the election of our directors and other major corporate decisions requiring the approval of our shareholders.

TTG Apparel currently owns approximately 21.5% of our outstanding common stock and, at the effective time of the merger, TTG Apparel, together with Tokarz Investments, will own approximately 38.4% (32.4% if the shares of Movie Star common stock to be contributed into escrow are excluded) of the combined company's outstanding common stock, prior to giving effect to any shares purchased under their Standby Purchase Commitment. At the effective time of the merger, Fursa will beneficially own approximately 29.5% of the combined company's outstanding common stock (23.6% if the shares of Movie Star common stock to be contributed into escrow are excluded), prior to giving effect to any shares purchased under its Standby Purchase Commitment or the issuance of the Series A Preferred Stock.

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Pursuant to the standby purchase agreement, if and to the extent any shares of our common stock are not subscribed for in the rights offering, the Fursa Standby Purchasers have agreed to purchase, on a several but not on a joint and several basis, 50% of such amount of unsubscribed shares and TTG Apparel and Tokarz Investments have agreed to purchase the remaining 50% of such amount of unsubscribed shares. Further, as sole consideration for the commitments by the parties entering into the standby purchase agreement with us, we will issue warrants representing the right to purchase, in the aggregate, _____ shares of our common stock. If no Movie Star shareholder participates in the rights offering, TTG Apparel, together with Tokarz Investments, would then beneficially own in the aggregate _____ % of the combined company's outstanding common stock, after giving effect to the shares purchased under their Standby Purchase Commitment and the issuance of the guarantor warrants and the Fursa Standby Purchasers would then beneficially own in the aggregate _____ % of the combined company's outstanding common stock, after giving effect to the shares purchased under their Standby Purchase Commitment, the issuance of the guarantor warrants and the issuance of the Series A Preferred Stock.

This substantial ownership of the combined company's common stock would enable TTG Apparel, Tokarz Investments and the Fursa Standby Purchasers to significantly influence the election of the combined company's directors and other significant corporate decisions and transactions with respect to which the combined company's shareholders are entitled to vote, subject to the limitations on their abilities to act together for 18 months following the consummation of the merger as provided in the shareholders agreement and subject to those actions that will require a super-majority vote of the combined company's directors during such 18-month period. See "Other Transaction Documents— Standby Purchase Agreement," "Other Transaction Documents—Standby Purchase Agreement—Rights Offering," "Other Transaction Documents—Standby Purchase Agreement—Guarantor Warrants," "Other Transaction

Documents—Shareholders Agreement’’ and ‘‘The Merger Agreement—Amended and Restated Bylaws.’’

The failure to integrate successfully in a timely manner our business and operations and those of Frederick’s of Hollywood may adversely affect the combined company’s future results.

Historically, we and Frederick’s of Hollywood have operated as independent companies, and will continue to do so until the completion of the merger. The management of the combined company may face significant challenges in consolidating our functions with Frederick’s of Hollywood and its subsidiaries, integrating its technologies, organizations, procedures, policies and operations, as well as addressing differences in the business cultures of the two companies and retaining key personnel. These tasks will be complex and time consuming, and will require substantial resources and effort. The integration process and other disruptions resulting from the merger may also disrupt each company’s ongoing business or cause inconsistencies in standards, controls, procedures and policies that adversely affect our and Frederick’s of Hollywood’s relationships with customers, suppliers and other market participants, employees and others with whom we or Frederick’s of Hollywood have business or other dealings.

The fairness opinion obtained by our special committee will not reflect changes in circumstances during the period between when the merger agreement was signed and the merger is consummated.

Our special committee has not obtained an updated opinion from Chanin as of the date of this proxy statement. Changes in our or Frederick’s of Hollywood’s operations and prospects, general market and economic conditions and other factors which may be beyond our control or the control of Frederick’s of Hollywood and on which the fairness opinion was based, may alter the value of Movie Star or Frederick’s of Hollywood or the price of shares of our common stock by the time the merger is completed. The opinion is based on the information in existence on the date delivered and will not be updated as of the time the merger is consummated. Since we do not intend to obtain an updated opinion, the opinion given at the time the merger agreement was signed does not address the fairness of the merger consideration from a financial point of view at the time of the special meeting of our shareholders or at the time the merger is completed. For a description of the opinion given by Chanin in connection with this merger, please refer to ‘‘The Merger and Related Transactions—Opinion of Financial Advisor to Special Committee.’’

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The merger agreement limits our ability to pursue alternatives to the merger.

Under the merger agreement, we have agreed that we will not initiate, solicit, facilitate or encourage any inquiries or proposals regarding, or take certain other actions in connection with, any acquisition proposals by third parties, but we may respond to certain unsolicited proposals from third parties. We have also agreed that our board of directors will not change its recommendation to our shareholders, subject to limited exceptions, including that, at any time prior to the applicable shareholder approval, our special committee, advising our board of directors in connection with the transaction, may make a change in recommendation in response to certain superior proposals or if required to comply with its fiduciary duties. Further, subject to limited exceptions, before we can terminate the merger agreement in favor of a superior proposal from a third party, we have agreed to provide FOH Holdings five business days to negotiate changes to its proposal. In addition, under specified circumstances, we may be required to pay a termination fee of \$300,000 if the merger is not consummated and reimburse FOH Holdings for all of its actual and reasonable documented out-of-pocket expenses incurred in connection with the termination of the merger.

These provisions might discourage a potential third party that might have an interest in entering into a transaction with us from considering or proposing any such transaction, even if it were prepared to enter into a transaction that would be more financially beneficial to our shareholders.

Our executive officers and directors may have financial interests in the merger that are different from, or in addition to, the interests of our shareholders. These interests may have influenced their decision to approve the merger and other transactions contemplated by the merger agreement.

At the recommendation of our special committee, our board of directors unanimously approved the merger agreement and the transactions, agreements and documents contemplated thereby and recommends that our shareholders vote to adopt the proposals set forth in this proxy statement. Certain of our executive officers and directors have interests in the merger that are different from, or in addition to, those of our shareholders generally. These interests include the continuing employment of our executive officers and the continuing service of all of our current directors as directors of the combined company. These interests may have influenced their decision as members of our board of directors to vote for the merger and other transactions contemplated by the merger agreement. In considering the recommendations of our board of directors to vote for the proposals contained in this proxy statement, you should consider these interests. Additionally, the exercise of our directors' and officers' discretion in agreeing to changes in or waivers to the terms of the merger agreement and other transaction documents may result in a conflict of interest when determining whether such changes or waivers are appropriate and in our shareholders' best interest. See "Summary of this Proxy Statement—Interests of Movie Star Directors and Officers in the Merger and Related Transactions," "The Merger and Related Transactions—Interests of Movie Star Directors and Officers in the Merger and Related Transaction" and "Director Election Proposal—Compensation Arrangements for Executive Officers."

The unaudited pro forma financial information included in this proxy statement may not be indicative of what the combined company's actual financial position or results of operations would have been or will be for any future period.

The unaudited pro forma financial information in this proxy statement is presented for illustrative purposes only and is not necessarily indicative of what the combined company's actual financial position or results of operations would have been had the merger been completed on the dates indicated. Such information also is not necessarily indicative of the financial position or results of operations for any future period. Accordingly, the final purchase accounting may lead to materially different financial results from the pro forma financial information reflected in this proxy statement. See "Unaudited Pro Forma Condensed Consolidated Financial Information."

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If we are damaged and become entitled to indemnification under the merger agreement, our claim on the shares placed in escrow by the FOH Holdings stockholders will not mitigate the impact that such damage may have on the combined company's cash resources.

As part of the merger agreement, we have required, pursuant to an escrow agreement, that the FOH Holdings stockholders place in escrow a portion of the common stock they would have otherwise received upon consummation of the merger to cover their indemnification obligations to us under the merger agreement. There is no way of predicting the total dollar amount of such claims. Although the satisfaction of an indemnification claim against FOH Holdings stockholders by reclaiming shares of our common stock to be placed in escrow will adjust the relative equity ownership between our current shareholders and the FOH Holdings stockholders, any related cash expenditures could be a drain on the cash resources of the combined company.

We and FOH Holdings may not be able to fully utilize each of our respective existing net operating loss carryovers in determining future taxable income.

As a result of the merger, our ability to use the net operating losses that we incurred prior to the merger will be limited on an annual basis. The ability of FOH Holdings to use its operating losses that it incurred prior to the merger may also be limited. Consequently, subsequent to the merger, our income tax liability and/or that of FOH Holdings may be greater than what it would have been had the merger not been effected. FOH Holdings, as of July 29, 2006, and Movie Star, as of June 30, 2006, had net operating loss carryforwards (for federal income tax purposes) of approximately \$5.2 million and \$9.3 million, respectively.

Completion of the merger may be subject to the receipt of consents and approvals from, or the making of filings with, government entities that could delay completion of the merger or impose conditions that could have a material adverse effect on the combined company or that could cause abandonment of the merger.

The merger may be subject to review by the Antitrust Division of the U.S. Department of Justice (“Department of Justice”) and the U.S. Federal Trade Commission (“Federal Trade Commission”) under the HSR Act, and the related rules and regulations that have been issued by the Federal Trade Commission. Under the HSR Act, we and FOH Holdings may be required to make pre-merger notification filings and to await the expiration of the statutory waiting period prior to completing the merger. In connection with a review, at the end of an initial 30-day waiting period we could receive a request for additional information regarding the merger from either the Department of Justice or the Federal Trade Commission. Such a request would extend the initial waiting period under the statute during which time either the Department of Justice or the Federal Trade Commission is permitted to review a proposed transaction until 30 days after the parties have substantially complied with the request, unless the Department of Justice or the Federal Trade Commission chooses to terminate that period early.

The Department of Justice and the Federal Trade Commission frequently scrutinize the legality under the antitrust laws of transactions such as the merger. At any time before or after the merger, the Department of Justice or the Federal Trade Commission could take any action under the antitrust laws that it either considers necessary or desirable in the public interest, including seeking to enjoin the merger. Private parties as well as state attorneys general and foreign antitrust regulators may also bring legal actions under the antitrust laws under certain circumstances. There is a possibility that such an injunction may be imposed. Neither we nor FOH Holdings is obligated to complete the merger if a waiting period under the HSR Act in connection with the merger has not expired or a voluntary agreement exists between either party and the Department of Justice or the Federal Trade Commission pursuant to which the party has agreed not to consummate the merger for any period.

The combined company will be required to comply with Section 404 of the Sarbanes-Oxley Act of 2002 in the future. Any delays or difficulty in satisfying these requirements could adversely affect the combined company’s future results of operations and its stock price.

Section 404 of the Sarbanes-Oxley Act of 2002 requires the combined company to document and test the effectiveness of its internal control over financial reporting in accordance with an established internal control framework and to report on the combined company’s conclusion as to the effectiveness of its

internal controls. It also requires an independent registered public accounting firm to test the combined company's internal control over financial reporting and report on the effectiveness of such controls. Following the merger, an independent registered public accounting firm will be required to test, evaluate and report on the completeness of the combined company's assessment of internal controls over financial reporting.

While our independent registered public accounting firm has not reported any "material weaknesses" in our internal control over financial reporting in the past, in preparing for the combined company's compliance with Section 404 going forward, we may discover areas of internal control that need improvement. In addition, we will need to address issues relating to FOH Holdings' internal control over financial reporting as described below. Any remedial measures that the combined company takes may not result in adequate internal controls over its financial processes and reporting in the future. The combined company's failure to implement or maintain adequate internal controls, or any difficulties it experiences in their implementation, could harm the combined company's operating results or cause it to fail to meet its reporting obligations. If the combined company is unable to conclude that it has effective internal control over financial reporting, or if its independent registered public accounting firm is unable to provide the combined company with an unqualified report regarding the effectiveness of its management's assessment of our internal control over financial reporting in future periods as required by Section 404, investors could lose confidence in the reliability of the combined company's financial statements, which could result in a decrease in the market price of its common stock. Failure to comply with Section 404 could potentially subject the combined company to sanctions or investigations by the SEC, the American Stock Exchange or other regulatory authorities.

In connection with the audit of FOH Holdings' consolidated financial statements for fiscal year 2006, which did not include an audit of its internal controls over financial reporting, its independent registered public accounting firm reported to its audit committee two "material weaknesses" and other deficiencies in FOH Holdings' internal control over financial reporting. In general, a material weakness is defined as a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Two specific material weaknesses were identified:

- FOH Holdings did not perform reconciliations of significant accounts on a timely basis during the course of the year, nor did these reconciliations undergo the appropriate level of review; and
- FOH Holdings did not have adequate cut-off procedures to ensure that all costs during the year were properly recorded in the correct period.

FOH Holdings is in the process of implementing procedures to remediate these material weaknesses and other deficiencies. If these weaknesses are not adequately remediated, there could be a material misstatement of the combined company's financial statements and investors could lose confidence in the accuracy and reliability of the combined company's financial statements, which would cause the market price of the combined company's stock to decline and could lead to stockholder litigation.

Risks Related to the Businesses of Movie Star and Frederick's of Hollywood

The following risk factors apply to us and Frederick's of Hollywood, individually, where appropriate, and also are expected to apply to the combined company following the consummation of the merger.

If the combined company cannot compete effectively in the retail and wholesale apparel industry, its business, financial condition and results of operations may be adversely affected.

The intimate apparel industry is highly competitive, both on the wholesale and retail levels. The wholesale industry is characterized by a large number of small companies manufacturing and selling unbranded merchandise, and by several large companies which have developed widespread consumer recognition of the brand names associated with merchandise manufactured and sold by these companies. In addition, certain of the larger retailers to whom we have historically sold our products have sought to expand the development and marketing of their own brands and to obtain intimate apparel products directly from the same or similar sources from which we obtain our products. If we do not

continue to provide high quality and reliable services on a timely basis at competitive prices, we may not be able to

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continue to compete in our industry. If we are unable to compete successfully, we could lose one or more of our significant customers which, if not replaced, could negatively impact sales and have an adverse effect on our business, financial condition and results of operations, as well as those of the combined company after the consummation of the merger.

Frederick's of Hollywood competes with a variety of retailers, including national department store chains, national and international specialty apparel chains, apparel catalog businesses and online apparel businesses that sell similar lines of merchandise. Since Frederick's of Hollywood emerged from bankruptcy in 2003, it has been limited in its ability to invest in its business and infrastructure. Many of Frederick's of Hollywood's competitors may have greater financial, distribution, logistics, marketing and other resources available to them and may be able to adapt to changes in customer requirements more quickly, devote greater resources to the design, sourcing, distribution, marketing and sale of their products, generate greater national brand recognition or adopt more aggressive pricing policies. If Frederick's of Hollywood is unable to overcome these potential competitive disadvantages, such factors could have an adverse effect on Frederick's of Hollywood's business, financial condition and results of operations, as well as those of the combined company after the consummation of the merger.

Adverse changes in the economy may adversely affect consumer spending, which could negatively impact the combined company's business.

Frederick's of Hollywood's business and our business are heavily dependent on discretionary consumer spending patterns and, accordingly, are sensitive to numerous factors that affect discretionary consumer income, including adverse general economic conditions, changes in employment trends and levels of unemployment, increases in interest rates, acts of war, terrorist attacks, political events, a significant rise in energy prices or other events or actions that may lead to a decrease in consumer confidence or a reduction in discretionary income. Declines in consumer spending on apparel and accessories could lead to a decline in revenues and there could be a material adverse effect on the business, financial condition and results of operations of the combined company.

The combined company's failure to successfully order and manage inventory to reflect customer demand and anticipate changing consumer preferences and buying trends may adversely affect the combined company's revenue and profitability.

The success of the combined company depends, in part, on management's ability to anticipate and respond effectively to rapidly changing fashion trends and consumer tastes and to translate market trends into appropriate, saleable product offerings. Generally, merchandise must be ordered well in advance of the applicable selling season. The extended lead times for many of our and Frederick's of Hollywood's purchases may make it difficult to respond rapidly to new or changing product trends or changes in prices. If we and/or Frederick's of Hollywood are unable to successfully anticipate, identify or react to changing styles or trends and misjudges the market for our products or our customers' purchasing habits, then our and Frederick's of Hollywood's product offerings may be poorly received by the ultimate consumer and may require substantial discounts to sell, which would reduce the combined company's sales revenue and lower profit margins. In addition, we and/or Frederick's of Hollywood will incur additional costs if we need to redesign our product offerings. Our brand image or Frederick's of Hollywood's brand image may also suffer if our customers believe that we are unable to offer innovative products, respond to the latest fashion trends or maintain

the quality of our products.

The combined company depends on its key personnel.

The combined company's success depends to a large extent upon the continued services of our key employees and Frederick's of Hollywood's key employees. The loss of the services of any key employee by us or Frederick's of Hollywood could have a material negative impact on our ability to manage our businesses successfully. The combined company's success depends upon our and Frederick's of Hollywood's ability to retain and attract qualified management, administrative and sales personnel to support our businesses. Our or Frederick's of Hollywood's inability to do so may have a significant negative impact on the combined company's ability to manage and grow its businesses. Except for a key man life insurance policy that we carry on our Chief Executive Officer, neither we nor Frederick's of Hollywood carries key man life insurance on key employees. The death of a key employee of the combined company could adversely affect its profitability and there would be no insurance to mitigate the loss.

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Frederick's of Hollywood historically has depended on a high volume of mall traffic, the lack of which would hurt the combined company's business.

Most Frederick's of Hollywood stores are located in shopping malls. Sales at these stores are derived, in part, from the volume of traffic in those malls. Frederick's of Hollywood stores benefit from the ability of the malls' "anchor" tenants, generally large department stores, and other area attractions to generate customer traffic in the vicinity of its stores and the continuing popularity of malls as shopping destinations. A decline in the desirability of the shopping environment of a particular mall, whether due to the closing of an anchor tenant or competition from non-mall retailers, or a decline in the popularity of shopping mall generally, could reduce the volume of mall traffic, which could have an adverse effect on the combined company's business, financial condition and results of operations.

If leases for Frederick's of Hollywood stores cannot be negotiated on reasonable terms, the combined company's growth and profitability could be harmed.

The growth in Frederick's of Hollywood's sales is significantly dependent on Frederick's of Hollywood's ability and will be dependent on the combined company's ability to operate Frederick's of Hollywood stores in desirable locations with capital investments and lease costs that allow the combined company to earn a reasonable return. Desirable locations and configurations may not be available at a reasonable cost, or at all. If Frederick's of Hollywood is unable to renew or replace its store leases or enter into leases for new stores on favorable terms, the combined company's growth and profitability could be harmed.

If the combined company does not continue to broaden the appeal of the Frederick's of Hollywood brand, its business may be adversely impacted.

Frederick's of Hollywood has taken, and the combined company will continue to take, a number of strategic, operational and management actions designed to further enhance Frederick's of Hollywood's customer relationships and broaden the targeted appeal of Frederick's of Hollywood as a premium quality brand. The additional actions the combined company takes or intends to take may not be successful. If the combined company cannot continue the Frederick's of Hollywood brand strategy, or if its continuing efforts take longer or cost more than anticipated, such contingencies could have an adverse effect on its business, financial condition and results of operations.

We rely on one key customer, and the loss of such key customer could substantially reduce revenues. There has also been a growing trend toward retail consolidation and we are increasingly dependent upon fewer customers.

In fiscal 2006, approximately 40% of our sales were generated from five customers, including approximately 25% of our sales from Wal-Mart. During the nine months ended March 31, 2007, approximately 65% of our sales were generated from five customers, including approximately 48% of our sales from Wal-Mart. We do not have long-term contracts with any of our customers and therefore our business is subject to unpredictable increases and decreases in sales depending upon the size and number of orders received from our customers. A significant decrease in business from or loss of any of our major customers could have a material adverse effect on our business, financial condition and results of operations and such material adverse effect could continue to affect the business, financial condition and results of operations of the combined company.

Frederick's of Hollywood and Movie Star both depend on vendors and service providers to operate their respective businesses and any disruption of the supply of products and services to either company could have an adverse impact on the revenue and profitability of the combined company.

We and Frederick's of Hollywood do not own or operate any manufacturing facilities, other than a small facility operated by Movie Star in the Philippines to handle specialty orders. Further, we and Frederick's of Hollywood each depend, and the combined company will depend, on a number of other vendors and service providers to operate our and Frederick's of Hollywood's businesses, including, but not limited to:

- vendors to supply merchandise in sufficient quantities at competitive prices in a timely manner;

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- shipping companies, such as United Parcel Service, the U.S. Postal Service and common carriers, for shipment of merchandise to customers and delivery of merchandise from our and Frederick's of Hollywood's vendors to us and from our and Frederick's of Hollywood's distribution centers to retail stores, and for timely delivery of catalogs;
- outside printers and catalog production vendors to print and mail Frederick's of Hollywood's catalogs and to convert catalogs to digital format for website posting; and
- communications providers to provide telephone service to Frederick's of Hollywood's in-house customer call centers, to provide Internet users with access to Frederick's of Hollywood's website and a website hosting service provider to host and manage Frederick's of Hollywood's website.

Any disruption in these services could have a negative impact on the combined company's ability to market and sell its products, and serve its customers. If the combined company is unable to acquire suitable merchandise or lose one or more key vendors, the combined company may not be able to offer products that are important to its merchandise assortment. The combined company is also subject to risks, such as the unavailability of raw materials, labor disputes, union organizing activity, strikes, inclement weather, natural disasters, war and terrorism, and adverse general economic and political conditions that might limit the combined company's vendors' ability to provide it with quality merchandise on a timely basis. Neither we nor Frederick's of Hollywood has long-term contractual arrangements from our key vendors and our vendors may discontinue selling to us at any time. The combined company may not be able to develop relationships with new vendors, and products from alternative sources, if any, may be of a lesser quality and more expensive than those we and Frederick's of Hollywood currently purchase. Any delay or failure in offering products to the combined company's customers could have an adverse impact on its business, financial condition and results of operations.

We and Frederick's of Hollywood operate on very tight delivery schedules and if there are delays and we and/or Frederick's of Hollywood are unable to meet the expected delivery dates, it could negatively affect the combined company's profitability.

If there is a delay in the delivery of goods and either we or Frederick's of Hollywood cannot meet delivery schedules, then our wholesale customers and both our and Frederick's of Hollywood's retail customers may cancel their orders or request a reduced price for the delivery of their orders. If orders are canceled, it would leave us or Frederick's of Hollywood in an over-inventoried position and require the sale of inventory at low or negative gross profits, which would reduce the combined company's profitability. We and/or Frederick's of Hollywood may also incur extra costs to meet the delivery dates of our customers, which would also reduce the combined company's profitability.

Any disruptions at our or Frederick's of Hollywood's distribution centers could materially affect the ability of the combined company to distribute products, which could lead to a reduction in the combined company's revenue and/or profits.

Frederick's of Hollywood's and our respective distribution centers in Phoenix, AZ and Poplarville, MS will serve the combined company's customers. There is no backup facility or any alternate distribution arrangements in place. If Frederick's of Hollywood or we experience disruptions at our respective distribution centers that impede the timeliness or fulfillment of the products being distributed, or either distribution center is partially or completely destroyed, becomes inaccessible, or is otherwise not fully usable, whether due to unexpected circumstances such as weather conditions or disruption of the transportation systems or uncontrollable factors such as terrorism and war, it would have a material adverse effect on the combined company's ability to distribute its products, which in turn would have a material adverse effect on the combined company's business, financial condition and results of operations.

Transactions with foreign contractors and suppliers are subject to risks of doing business abroad.

Our and Frederick's of Hollywood's import operations are subject to restraints imposed by agreements between the United States and certain foreign countries, primarily China, in which we and Frederick's of Hollywood do business. These agreements impose quotas on the amount and type of goods that can be imported into the United States from these countries. Our and Frederick's of Hollywood's imported products are also subject to United States customs duties and, in the ordinary course of business,

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we and Frederick's of Hollywood or our respective vendors are from time to time subject to claims by the United States Customs and Border Protection for duties and other charges. The United States and other countries in which our and Frederick's of Hollywood's products are manufactured may, from time to time, impose new quotas, duties, tariffs or other restrictions, or adversely adjust presently prevailing quotas, duty or tariff levels, which could adversely affect the combined company's operations and ability to continue to import products at current or increased levels.

Increases in costs of mailing, paper and printing may affect the combined company's business.

Postal rate increases and paper and printing costs will affect the cost of the combined company's catalog and promotional mailings. Frederick's of Hollywood currently relies, and the combined company intends to rely, on discounts from the basic postal rate structure, such as discounts for bulk mailings and sorting. Future paper, printing costs and postal rate increases could adversely impact future earnings.

Frederick's of Hollywood is exposed to business risks as a result of its Internet operations.

Frederick's of Hollywood operates an online store at www.fredericks.com. Its Internet operations are subject to numerous risks, including online security breaches and/or credit card fraud, reliance on third-party software providers and diversion of sales from its retail stores. In addition, increased Internet sales by competitors of Frederick's of Hollywood could result in increased price competition and decreased margins. Frederick's of Hollywood's inability to effectively address these risks and any other risks that it faces in connection with its Internet operations could adversely affect the profitability of the combined company.

Failures or disruptions of its information technology systems could adversely affect the ability of the combined company to process orders and deliver products in a timely manner.

The combined company will depend, in part, on the secure and uninterrupted performance of its information technology systems. The combined company's computer systems as well as those of its service providers are vulnerable to damage from a variety of sources, including telecommunication failures, malicious human acts and natural disasters. Moreover, some of the combined company's servers and those of its service providers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems. Unanticipated problems may cause failures in the combined company's information technology systems. Sustained or repeated system failures that interrupt the combined company's ability to process orders and deliver products in a timely manner could have a material adverse effect on the combined company's business, financial condition and results of operations.

The failure to upgrade information technology systems as necessary could have an adverse effect on the combined company's operations.

Some of our and Frederick's of Hollywood's information technology systems are dated and are an amalgamation of multiple applications, rather than one overarching state-of-the-art system. Modifications involve replacing legacy systems with successor systems, making changes to legacy systems or acquiring new systems with new functionality. If the combined company is unable to effectively implement these systems and update them where necessary, this could have a material adverse effect on its business, financial condition and results of operations.

The processing, storage and use of personal data could give rise to liabilities as a result of governmental regulation, conflicting legal requirements or differing views of personal privacy rights.

The collection of data and processing of transactions through Frederick's of Hollywood's websites and through its call centers, require Frederick's of Hollywood, and will require the combined company, to receive and store a large volume of personally identifiable data. This type of data is subject to legislation and regulation in various jurisdictions. The combined company may become exposed to potential liabilities with respect to the data that it collects, manages and processes, and may incur legal costs if the combined company's information security policies and procedures are not effective or if it is required to defend its respective methods of collection, processing and storage of personal data. Future investigations, lawsuits or adverse publicity relating to its methods of handling personal data could

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adversely affect the combined company's business, financial condition and results of operations due to the costs and negative market reaction relating to such developments.

The combined company may not have the personnel and the infrastructure to successfully complete Frederick's of Hollywood's store expansion plan and remodeling program following the merger.

The growth of the combined company will depend, in part, on its ability to open and operate Frederick's of Hollywood's stores successfully and to manage Frederick's of Hollywood's planned retail store expansion. Frederick's of Hollywood's store expansion plan is to open approximately 50 new stores over the three years commencing with the closing of the merger. Additionally, Frederick's of Hollywood is currently implementing a program of regularly remodeling or expanding existing stores. There can be no assurance that the combined company will be able to achieve such store expansion goals, manage its growth effectively, successfully integrate the planned new stores into its operations effectively remodel or expand its stores or operate its new and remodeled stores profitably.

Frederick's of Hollywood's collection and remittance of sales and use tax may be subject to audit and may expose the combined company to liabilities for unpaid sales or use taxes, interest and penalties on past sales.

Frederick's of Hollywood sells its products through three channels: retail specialty stores, mail order catalogs and the Internet. Historically, Frederick's of Hollywood has operated its channels separately and accounts for sales and use tax accordingly. Frederick's of Hollywood and its subsidiaries are periodically audited by state governmental authorities. It is possible that one or more states may disagree with Frederick's of Hollywood's method of assessing and remitting these taxes. The combined company expects that it will challenge any and all future assertions by state governmental authorities or private litigants that it owes sales or use tax, but the combined company may not prevail. If the combined company does not prevail, it could be held liable for substantial sales or use taxes, interest and penalties which could have an adverse effect on the profitability of the combined company.

The combined company could be sued for trademark infringement, which could force it to incur substantial costs and devote significant resources to defend the litigation.

We and Frederick's of Hollywood use many trademarks and product designs in our businesses. As appropriate, we and Frederick's of Hollywood rely on the trademark and copyright laws to protect these designs even if not formally registered as marks, copyrights or designs. We and Frederick's of Hollywood believe these trademarks and product designs are important to each of our businesses and the combined company's competitive position and success. Third parties may sue us, Frederick's of Hollywood, and/or the combined company for alleged infringement of their proprietary rights. The party claiming infringement might have greater resources than the combined company to pursue its claims, and the combined company could be forced to incur substantial costs and devote significant management resources to defend the litigation. Moreover, if the party claiming infringement were to prevail, the combined company could be forced to discontinue the use of the related trademark, patent or design and/or pay significant damages, or to enter into expensive royalty or licensing arrangements with the prevailing party, assuming these royalty or licensing arrangements are available at all on an economically feasible basis, which they may not be.

If the combined company cannot protect its trademarks and other proprietary intellectual property rights, its business may be adversely affected.

We and Frederick's of Hollywood may experience difficulty in effectively limiting unauthorized use of our respective trademarks and product designs worldwide. Unauthorized use of our or Frederick's of Hollywood's trademarks or other proprietary rights may cause significant damage to our or Frederick's of Hollywood's brand name and our respective ability to effectively represent ourselves to our agents, suppliers, vendors and/or customers. The combined company may not be successful in enforcing its trademark and other proprietary rights and there can be no assurance that it will be adequately protected in all countries or that it will prevail when defending its trademark and proprietary rights.

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The combined company may suffer negative publicity or be sued if the manufacturers of our and Frederick's of Hollywood's merchandise violate labor laws or engage in practices that are viewed as unethical, which could harm the combined company's business and reputation.

We and Frederick's of Hollywood rely on our sourcing personnel, utilizing established procedures, to select manufacturers with legal and ethical labor practices, but neither we nor Frederick's of Hollywood can control the business and labor practices of our manufacturers. If one of these manufacturers violates, or is accused of violating, labor laws or other applicable regulations, or if such a manufacturer engages in labor or other practices that would be viewed as unethical if such practices occurred in the United States, the combined company could in turn suffer negative publicity or be sued. In addition, if such negative publicity affected one of the combined company's customers, it could result in a loss of business for the combined company.

Risks Related to the Reverse Stock Split

If a reverse stock split is implemented, the market price per share of our common stock after the reverse stock split may not exceed or remain in excess of the current market price, which could impact the combined company's ability to maintain an American Stock Exchange listing.

Due to the structure of the proposed merger through which FOH Holdings' stockholders will be the majority shareholders of the combined company immediately following the effective time of the merger, the American Stock Exchange has informed us that we would be obligated to satisfy the American Stock Exchange's original listing standards which, among other things, require that our shares of common stock have a bid price of at least \$2.00 per share. If our bid price is less than \$2.00 per share and we are required to effect a reverse stock split, there can be no assurance that the market price of the combined company's common stock after effecting such reverse stock split will increase in proportion to the reduction in the number of shares of our common stock issued and outstanding before the reverse stock split. Further, the market price per share of the combined company's common stock following the effective time of the reverse stock split may not be maintained for any period of time following the reverse stock split. For example, based on the closing price of our common stock on June 6, 2007 of \$2.21 per share, if the reverse stock split was implemented at 1 for 2, there can be no assurance that the post-split market price of our common stock would be \$4.42, or even that it would remain above the pre-split market price. Failure to do so may impact the combined company's ability to maintain an American Stock Exchange listing.

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**SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA AND SUMMARY SELECTED
PRO FORMA
CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

We are providing the following selected financial information to assist you in your analysis of the financial aspects of the merger and related transactions.

FOH Holdings' consolidated balance sheet data as of July 29, 2006 and July 30, 2005 and the consolidated statement of operations data for the year ended July 29, 2006, the five months ended July 30, 2005, the seven months ended March 3, 2005 and the year ended July 31, 2004, are derived from FOH Holdings' consolidated financial statements audited by Deloitte & Touche LLP, an independent registered public accounting firm, which are included elsewhere in this proxy statement. FOH Holdings' consolidated balance sheet data as of July 31, 2004, July 26, 2003 and July 27, 2002 and the consolidated statements of operations data for the year ended July 31, 2004, the seven months ended July 26, 2003, the five months ended December 31, 2002 and the year ended July 27, 2002 have been derived from FOH Holdings' audited consolidated financial statements, which are not included in this proxy statement.

FOH Holdings' consolidated balance sheet data as of January 27, 2007 and the consolidated statements of operations data for the six months ended January 27, 2007 and January 28, 2006 are derived from FOH Holdings' unaudited interim condensed consolidated financial statements, which are included elsewhere in this proxy statement. In the opinion of FOH Holdings' management, the unaudited interim condensed consolidated financial statements include all adjustments (consisting of normal recurring adjustments) that are necessary for a fair presentation of such unaudited interim condensed consolidated financial statements.

Movie Star's consolidated balance sheet data as of June 30, 2006 and 2005 and the consolidated statements of operations data for each of the three years in the period ended June 30, 2006, are derived from Movie Star's consolidated financial statements audited by Mahoney Cohen & Company, CPA, P.C., an independent registered public accounting firm, which are included elsewhere in this proxy statement. Movie Star's consolidated balance sheet data as of June 30, 2004, 2003 and 2002 and the consolidated statements of operations data for the years ended June 30, 2003 and 2002 have been derived from Movie Star's audited consolidated financial statements, which are not included in this proxy statement.

Movie Star's consolidated balance sheet data as of March 31, 2007 and the consolidated statements of operations data for the nine months ended March 31, 2007 and March 31, 2006 are derived from Movie Star's unaudited interim condensed consolidated financial statements which are included elsewhere in this proxy statement. In the opinion of Movie Star's management, the unaudited condensed consolidated interim financial statements include all adjustments (consisting of normal recurring adjustments) that are necessary for a fair presentation of such financial statements.

The selected financial information of FOH Holdings and Movie Star is only a summary and should be read in conjunction with each company's historical consolidated financial statements and related notes and each of FOH Holdings' and Movie Star's "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained elsewhere in this proxy statement. The information presented may not be indicative of the future performance of FOH Holdings, Movie Star or the combined company.

FOH Holdings' Selected Historical Consolidated Financial and Other Data

The selected consolidated financial data set forth below should be read in conjunction with "FOH Holdings' Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and notes to the financial statements of FOH Holdings. The consolidated financial statements of FOH Holdings include the accounts of FOH Holdings, Inc. and its operating subsidiaries: Frederick's of Hollywood, Inc., Hollywood Mail Order, LLC, Frederick's of Hollywood Stores, Inc., and Frederick's.com, Inc.

Fiscal 2003 Presentation

On July 10, 2000, FOH Holdings, excluding its subsidiary Frederick's.com, Inc., filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code with the United

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States Bankruptcy Court. The Bankruptcy Court confirmed the plan of reorganization on December 18, 2002, it became effective on January 6, 2003, and at the close of business on that day FOH Holdings emerged from bankruptcy. FOH Holdings prior to emergence from bankruptcy is referred to as the “Predecessor” and the emerged company is referred to as the “First Successor”. FOH Holdings’ selected financial data for periods prior to January 6, 2003 included in this proxy statement reflect the financial results of the Predecessor. FOH Holdings’ selected financial data for periods as of January 6, 2003 to March 3, 2005 included in this proxy statement reflect the financial results of the First Successor.

FOH Holdings applied the accounting and reporting requirements of “fresh start” accounting to the First Successor effective January 6, 2003. As a result of applying fresh start accounting, the First Successor’s results of operations for periods after emergence from bankruptcy are not comparable to the Predecessor’s results of operations for periods prior to emergence from bankruptcy, and therefore, the combined results for fiscal 2003 should not be taken as indicative of historical or future results.

Fiscal 2005 Presentation

On March 3, 2005, Tokarz Investments and Fursa, along with its affiliated funds, acting together as a collaborative group, purchased in a private shareholder transaction the outstanding common stock of FOH Holdings held by all other shareholders. Additionally, one of the investors, an existing debt holder, purchased directly from the non-affiliated former lenders the outstanding balances under FOH Holdings’ term loans (collectively the “Tranche A, B and C”). Accordingly, pushdown accounting has been applied as of the date of these transactions. FOH Holdings’ selected financial data for periods as of and subsequent to March 3, 2005 reflect the results of the “Second Successor.” The purchase price in excess of the fair value of the assets was allocated to FOH Holdings’ assets based on their respective fair values in accordance with the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 141, Business Combinations. As a result of applying purchase accounting, the results of operations of the Second Successor for periods after March 3, 2005 are not comparable to the results of operations for periods prior to March 3, 2005, and therefore, the results for fiscal 2005 should not be taken as indicative of historical or future results.

Financial Operations Overview

FOH Holdings assesses the performance of its business using various financial and operating measures, which primarily include:

- Net sales — Net sales include sales of merchandise from retail stores, catalogs and websites, less discounts and sales return allowances.
- Comparable store sales — Comparable store sales include net merchandise sales from stores that have been open for one complete fiscal year. FOH Holdings excludes new store locations from the comparable store sales until they have been in operation for one complete fiscal year. Similarly, stores that are expanded or down-sized by more than 30% are also excluded from the comparable store base until they have been in operation in their new configuration for one complete fiscal year. Comparable store sales do not include net sales from the catalogs and websites.
- Average monthly sales per square foot — Average monthly sales per square foot is determined by dividing net sales from retail stores for the respective period presented by the average of the

beginning and ending store gross square footage for the respective period divided by the number of months in the period. Excluded from the numerator and the denominator are store sales and square footage corresponding to stores that have been closed at the expiration of their lease through January 27, 2007.

- Gross profit — Gross profit is equal to the net sales less the costs of goods sold, buying and occupancy. FOH Holdings includes in the costs of goods sold, buying and occupancy the cost of merchandise and inventory markdowns, freight from vendors, shipping and handling, payroll and

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benefits for the design, buying, and merchandising personnel, warehouse and distribution costs, and store occupancy costs. Store occupancy costs include rent, deferred rent, common area maintenance, utilities, real estate taxes, and depreciation. Other costs are included in selling, general and administrative expenses. As a result, the gross profit may not be comparable to those of other retailers.

- Selling, General and Administrative expenses — Selling, general, and administrative expenses primarily include payroll and benefit costs for FOH Holdings' retail store, catalog, and Internet selling and administrative departments (including corporate functions), advertising, and other operating expenses not specifically categorized elsewhere in the consolidated statements of operations.
- Interest expense, net — Interest includes interest on the FOH Holdings revolving line of credit facility, the secured term loans and the long-term debt.

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The following tables set forth selected historical financial and other data for FOH Holdings and Movie Star as of the dates and for the periods indicated.

FOH Holdings' Selected Historical Consolidated Financial and Other Data
(dollar amounts in thousands, except store operating data)

	Six	[Second Successor]		Five	[First Successor]		Seven
	Months	Six	Year	Months	Seven	Year	Months
	ended	Months	ended	ended	Months	ended	ended
	January 27,	January 28,	July 29,	July 30,	March 3,	July 31,	July 26,
	2007	2006	2006	2005	2005	2004	2003
Statement of							
Operations Data:							
Net sales	\$ 80,228	\$ 69,367	\$ 137,968	\$ 47,205	\$ 77,485	\$ 129,371	\$ 61,669

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Cost of goods sold, buying and occupancy	46,244	39,981	80,839	27,301	44,520	72,283	42,127
Gross profit	33,984	29,386	57,129	19,904	32,965	57,088	19,542
Selling, general and administrative expenses	30,216	30,333	57,985	20,433	35,405	55,312	19,507
Operating income (loss) from continuing operations	3,768	(947)	(856)	(529)	(2,440)	1,776	35
Interest expense, net	1,096	1,167	2,421	700	1,102	1,592	836
Reorganization items (income) expense ^(a)	—	—	—	—	—	—	—
Gain on debt extinguishment ^(b)	—	—	—	—	—	—	—
Income (loss) from continuing operations before income tax provision (benefit)	2,672	(2,114)	(3,277)	(1,229)	(3,542)	184	(801)
Income tax provision (benefit)	802	2	121	(132)	(934)	78	500
Income (loss) from continuing operations	1,870	(2,116)	(3,398)	(1,097)	(2,608)	106	(1,301)
Income (loss) from discontinued operations ^(c)	29	(23)	113	(139)	389	856	(89)
Net income (loss)	\$ 1,899	\$ (2,139)	\$ (3,285)	\$ (1,236)	\$ (2,219)	\$ 962	\$ (1,390)
	At		At	At		At	At
	January 27, 2007		July 29, 2006	July 30, 2005		July 31, 2004	July 26, 2003
Balance Sheet Data:							
Working capital (deficiency)	\$ (1,246)		\$ (299)	\$ (1,562)		\$ 2,080	\$ 1,377
Goodwill	\$ 7,131		\$ 7,299	\$ 7,299		\$ 585	\$ 585
Trademarks	\$ 18,090		\$ 18,090	\$ 18,090		\$ 13,900	\$ 13,900
Total assets	\$ 71,199		\$ 60,734	\$ 58,733		\$ 39,848	\$ 38,540
Total long-term debt-related party	\$ 15,826		\$ 18,742	\$ 18,095		\$ 17,287	\$ 17,309
Stockholders' equity (deficiency)	\$ 14,019		\$ 12,059	\$ 11,344		\$ 174	\$ (788)
Store Operating Data ^(d) :							
Percentage increase (decrease) in comparable store sales ^(e)	10.4%	3.7%	6.5%	(3.6)%	(4.1)%	11.4%	1.5%
	232,740	227,173	225,634	229,626	229,536	231,578	243,638

Total square footage at the end of the period ^(f)								
Average monthly retail sales per square foot	\$ 35.24	\$ 33.06	\$ 31.67	\$ 25.96	\$ 32.32	\$ 30.83	\$ 25.88	
Number of retail stores:								
Open at beginning of period	134	140	140	140	145	155	166	
Opened during the period	3	4	5	—	4	2		
Closed during the period	(3)	(3)	(11)	—	(9)	(12)	(11)	
Open at the end of the period	134	141	134	140	140	145	155	
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- (a) The financial statements prior to emergence from bankruptcy on January 6, 2003 include amounts directly related to the Chapter 11 filing that were recognized as incurred and are included as reorganization items in the consolidated statements of operations.
- (b) In accordance with SOP 90-7, FOH Holdings recorded a net gain of approximately \$20.5 million related to the discharge of its liabilities upon emergence from bankruptcy for the five months ended December 31, 2002.
- (c) Income (loss) from discontinued operations represents the net income (loss) of those stores closed at the expiration of their leases. Stores closed in a period will have their prior results reflected in discontinued operations for all of the previous periods presented that the store was in operation.
- (d) Represents financial measures used by FOH Holdings' management to assess business performance.
- (e) Represents increase (decrease) over respective prior year comparable periods. Comparable store sales include net merchandise sales from stores that have been open for one complete fiscal year, but exclude new or permanently relocated store locations from comparable store sales until they have been in operation for one complete fiscal year. Also excluded from comparable sales are those stores that have had a change in selling square footage of 30% or more until they have been in operation in their new configuration for one complete fiscal year.
- (f) Represents total retail store gross square footage at the end of each reported period.

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Movie Star Selected Historical Consolidated Financial Data
(in thousands, except per share data)

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	Nine Months Ended		Fiscal Year Ended June 30,				
	March 31, 2007	2006	2006	2005	2004	2003	2002
Statement of Operations Data:							
Net sales	\$50,000	\$43,444	\$51,639	\$58,533	\$53,691	\$64,916	\$54,359
Cost of sales	33,801	31,199	37,528	44,304	37,581	44,345	39,157
Selling, general and administrative expenses	13,368	12,426	16,556	19,024	15,824	14,623	13,689
Merger related fees	1,952	—	—	—	—	—	—
Gain on sale of property, plant and equipment	(496)	—	—	—	—	—	—
Insurance recovery	—	(1,424)	(1,450)	—	—	—	—
Total costs and expenses	48,625	42,201	52,634	63,328	53,405	58,968	52,846
Operating income (loss) from continuing operations	1,375	1,243	(995)	(4,795)	286	5,948	1,513
Interest income	—	—	(3)	(1)	(12)	(4)	(3)
Interest expense	526	383	476	282	76	351	695
Income (loss) from continuing operations before income tax provision (benefit)	849	860	(1,468)	(5,076)	222	5,601	821
Income tax provision (benefit)	340	345	(468)	(1,954)	94	2,170	360
Income (loss) from continuing operations	509	515	(1,000)	(3,122)	128	3,431	461
Income from discontinued operations	—	—	—	—	—	—	86
Net income (loss)	\$ 509	\$ 515	\$ (1,000)	\$ (3,122)	\$ 128	\$ 3,431	\$ 547
BASIC NET INCOME (LOSS) PER SHARE:							
From continuing operations	\$.03	\$.03	\$ (.06)	\$ (.20)	\$.01	\$.23	\$.03
From discontinued operations	—	—	—	—	—	—	.01
Net income (loss) per share	\$.03	\$.03	\$ (.06)	\$ (.20)	\$.01	\$.23	\$.04
DILUTED NET INCOME (LOSS) PER SHARE:							
From continuing operations	\$.03	\$.03	\$ (.06)	\$ (.20)	\$.01	\$.22	\$.03
From discontinued operations	—	—	—	—	—	—	.01
Net income (loss) per share	\$.03	\$.03	\$ (.06)	\$ (.20)	\$.01	\$.22	\$.04
Basic weighted average number of shares outstanding	15,978	15,687	15,700	15,625	15,574	15,133	15,085
Diluted weighted average number of shares outstanding	16,467	15,776	15,700	15,625	16,199	15,407	15,112

	At March 31,		At June 30,			
	2007	2006	2005	2004	2003	2002
Balance Sheet Data:						
Working Capital	\$10,250	\$ 8,932	\$10,673	\$16,543	\$15,979	\$ 9,529
Total Assets	\$21,782	\$23,221	\$24,907	\$20,779	\$24,089	\$22,406
	\$ 3,533	\$ 4,955	\$ 4,794	\$ —	\$ 2,304	\$ 4,169

Short-Term Debt — Including current maturities of long-term debt and capital lease obligations

Long-Term Debt — Including deferred lease

And other long-term liabilities	\$ 400	\$ 398	\$ 390	\$ 374	\$ 325	\$ 254
Shareholders' Equity	\$ 14,937	\$ 13,782	\$ 14,677	\$ 17,747	\$ 17,264	\$ 13,624

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Summary Selected Pro Forma Condensed Consolidated Financial Information

The following summary selected pro forma condensed consolidated financial information should be read in conjunction with the Unaudited Pro Forma Condensed Consolidated Financial Information and related notes included elsewhere in this proxy statement. The merger of FOH Holdings and Movie Star will be accounted for under the purchase method of accounting as a reverse acquisition with FOH Holdings being treated as having acquired Movie Star as of the date of the completion of the merger. For a more detailed description of purchase accounting, see “The Merger and Related Transactions—Accounting Treatment.” The historical financial information set forth below has been derived from, and is qualified by reference to, the consolidated financial statements of FOH Holdings and Movie Star and should be read in conjunction with those financial statements and notes thereto included elsewhere in this proxy statement. The Unaudited Pro Forma Condensed Consolidated Statements of Operations for the six months ended January 27, 2007 and December 31, 2006 for FOH Holdings and Movie Star, respectively, give effect to the merger and other transactions contemplated by the merger agreement as if they had occurred on July 31, 2005. The Unaudited Pro Forma Condensed Consolidated Statements of Operations for the year ended July 29, 2006 and June 30, 2006 for FOH Holdings and Movie Star, respectively, give effect to the merger and other transactions contemplated by the merger agreement as if they had occurred on July 31, 2005. The Unaudited Pro Forma Condensed Consolidated Balance Sheet as of January 27, 2007 and December 31, 2006 for FOH Holdings and Movie Star, respectively, give effect to the merger and other transactions contemplated by the merger agreement as if they occurred on January 27, 2007. Because FOH Holdings is the accounting acquirer, the pro forma reporting periods have been conformed to FOH Holdings' reporting periods. You should not rely on this pro forma information as being indicative of the results that would actually have been obtained if the merger had been in effect for the above-mentioned periods or the future results of the combined company. See “Where You Can Find More Information” and “Unaudited Pro Forma Condensed Consolidated Financial Information.”

	Six Months Ended January 27, 2007	Twelve Months Ended July 29, 2006
(in thousands, except per share data)		
Pro Forma Statement of Operations Information:		
Net sales	\$114,383	\$188,396
Income (loss) from continuing operations	\$2,647	\$(5,696)
Less: Preferred stock dividends	\$(281)	\$(563)
Income (loss) available to common shareholders	\$2,366	\$(6,259)
Income (loss) from continuing operations per share:		

— basic	\$0.05	\$(0.12)
— diluted	\$0.05	\$(0.12)
Shares used in computing basic and diluted income (loss) per share:		
— basic	50,874	50,788
— diluted	51,589	50,788

As of January 27,
2007
(in thousands)

Pro Forma Balance Sheet Information:

Cash and cash equivalents	\$ 20,951
Total current assets	\$ 69,859
Total liabilities	\$ 65,616
Shareholders' equity	\$ 58,177

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THE PARTIES TO THE MERGER

Movie Star

Movie Star is a publicly traded corporation that designs, manufactures (through independent contractors), imports, markets and distributes women's intimate apparel to mass merchandisers, specialty and department stores, discount retailers, national and regional chains and direct mail catalog marketers throughout the United States and Canada.

Movie Star's common stock is currently listed on the American Stock Exchange under the symbol "MSI."

The mailing address of Movie Star's principal executive office is 1115 Broadway, New York, New York 10010, and its telephone number is (212) 798-4700.

Merger Sub

Fred Merger Corp. was organized on December 12, 2006 to effect a merger with FOH Holdings and is a wholly-owned subsidiary of Movie Star. Its address and telephone number is the same as ours. We sometimes refer to Fred Merger Corp. as Merger Sub.

FOH Holdings

FOH Holdings is a privately-held company headquartered in Hollywood, California that has four subsidiaries that operate under the brand name "Frederick's of Hollywood." Frederick's of Hollywood is a mall-based specialty retailer of women's intimate apparel and related products in the United States, and a direct retailer of intimate apparel and other women's apparel through its catalog and Internet operations. Frederick's of Hollywood currently operates 133 stores nationwide, operates an online store at www.fredericks.com, and in its 2006 fiscal year, mailed approximately 27 million catalogs. Frederick's of Hollywood had net sales from continuing operations of approximately \$138 million

for the fiscal year ended July 29, 2006.

The mailing address of FOH Holdings principal executive office is 6255 Sunset Boulevard, Sixth Floor, Hollywood, California 90028, and its telephone number is (323) 466-5151.

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THE PARTIES TO THE OTHER TRANSACTIONS CONTEMPLATED BY THE MERGER

TTG Apparel

TTG Apparel is a Delaware limited liability company formed for the purpose of investing in Movie Star. The sole controlling person of TTG Apparel is Michael T. Tokarz, its manager. Mr. Tokarz is presently the controlling person of The Tokarz Group Advisors, LLC, an entity that manages MVC Capital, Inc., a business development company which is listed on the New York Stock Exchange. Mr. Tokarz does not directly own our common stock. TTG Apparel currently owns approximately 21.5% of our outstanding common stock.

The mailing address of TTG Apparel's principal executive office is Riverview at Purchase, 287 Bowman Avenue, Purchase, New York 10577, and its telephone number is (914) 251-1825.

Tokarz Investments

Tokarz Investments is a Delaware limited liability company formed for the purpose of owning various Tokarz family investments. The sole controlling person of Tokarz Investments is Michael T. Tokarz, its manager. Mr. Tokarz does not directly own FOH Holdings common stock. Tokarz Investments currently owns approximately 50% of the common stock of FOH Holdings.

Tokarz Investments' principal executive office is located at Riverview at Purchase, 287 Bowman Avenue, Purchase, New York 10577, and its telephone number is (914) 251-1825.

Fursa

Fursa is a Delaware limited liability company and registered investment advisor, which beneficially owns, on behalf of certain funds and accounts affiliated with, managed by, or over which Fursa or any of its affiliates exercises investment authority, including, without limitation, with respect to voting and dispositive rights, approximately 50% of the common stock of FOH Holdings.

The mailing address of Fursa's principal executive office is 444 Merrick Road, Suite 104, Lynbrook, New York 11563, and its telephone number is (646) 205-6203.

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SPECIAL MEETING IN LIEU OF the
ANNUAL MEETING OF MOVIE STAR SHAREHOLDERS

General

We are furnishing this proxy statement to Movie Star shareholders as part of the solicitation of proxies by our board of directors for use at the special meeting in lieu of the annual meeting of Movie Star shareholders to be held on _____, 2007, and at any adjournment or postponement thereof. This proxy statement is first being furnished to our shareholders on or about _____, 2007 in connection with the vote on the stock issuance proposal, the increase of authorized common stock proposal, the name change proposal, the preferred stock proposal, the reverse stock split proposal, the 2000 performance equity plan amendment proposal, the director election proposal and the adjournment proposal. This document provides you with the information you need to know to be able to vote or instruct your vote to be cast at the special meeting.

Date, Time and Place

The special meeting of shareholders will be held on _____, 2007, at _____, Eastern Time, at _____.

Purpose of the Movie Star Special Meeting

At the special meeting, we are asking holders of Movie Star common stock to:

- approve the issuance of shares of common stock in connection with the merger, the rights offering and other transactions contemplated by the merger agreement (stock issuance proposal);
- approve an amendment to our certificate of incorporation to increase the number of authorized shares of our common stock from 30,000,000 to 200,000,000 shares (increase of authorized common stock proposal);
- approve an amendment to our certificate of incorporation to change Movie Star's name to Frederick's of Hollywood Group Inc. (name change proposal);
- approve an amendment to our certificate of incorporation to authorize the issuance of 10,000,000 shares of preferred stock and to establish the terms, rights, preferences and privileges of the Series A Preferred Stock (preferred stock proposal);
- authorize our board of directors, in its discretion, to amend our certificate of incorporation to effect a reverse stock split of our outstanding common stock simultaneous with the closing of the merger within a range to be determined by our board of directors from 9 for 10 to 1 for 2, in order to satisfy the minimum price requirement of \$2.00 per share for continued listing on the American Stock Exchange (reverse stock split proposal);
- approve an amendment to our 2000 Performance Equity Plan to increase the number of shares of common stock available for issuance under the plan from 750,000 shares of common stock to 7,000,000 shares of common stock (2000 performance equity plan amendment proposal);
- elect eleven directors to our board of directors to serve from the effective time of the merger until the annual meeting to be held in 2008 and their successors are elected and qualified (director election proposal); and
- approve the adjournment of the special meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies in the event there are insufficient votes at the time of the special meeting to adopt any of the foregoing proposals (adjournment proposal).

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Recommendation of Movie Star Board of Directors

Our board of directors:

- has unanimously determined that each of the stock issuance proposal, the increase of authorized common stock proposal, the name change proposal, the preferred stock proposal, the reverse stock split proposal, the 2000 performance equity plan amendment proposal, the adjournment proposal and the election of each of our nominees for director is fair to and in the best interests of Movie Star and our shareholders;
- has unanimously approved the stock issuance proposal, the increase of authorized common stock proposal, the name change proposal, the preferred stock proposal, the reverse stock split proposal, the 2000 performance equity plan amendment proposal, the adjournment proposal and the election of each of our nominees for director;
- unanimously recommends that our common shareholders vote “FOR” the stock issuance proposal;
- unanimously recommends that our common shareholders vote “FOR” the increase of authorized common stock proposal;
- unanimously recommends that our common shareholders vote “FOR” the name change proposal;
- unanimously recommends that our common shareholders vote “FOR” the preferred stock proposal;
- unanimously recommends that our common shareholders vote “FOR” the reverse stock split proposal;
- unanimously recommends that our common shareholders vote “FOR” the 2000 performance equity plan amendment proposal;
- unanimously recommends that our common shareholders vote “FOR” the persons nominated by our current board for election as directors; and
- unanimously recommends that our common shareholders vote “FOR” the adjournment proposal.

Record Date; Who is Entitled to Vote

We have fixed the close of business on _____, 2007, as the “record date” for determining Movie Star shareholders entitled to notice of and to attend and vote at the special meeting. As of the close of business on _____, 2007, there were _____ shares of our common stock outstanding and entitled to vote. Each share of our common stock is entitled to one vote per share at the special meeting. This same record date will also be used for purposes of determining which Movie Star shareholders are eligible to participate in the rights offering.

Quorum

The presence, in person or by proxy, of a majority of all the outstanding shares of our common stock constitutes a quorum at the special meeting.

Abstentions and Broker Non-Votes

Proxies that are marked “abstain” and proxies relating to “street name” shares that are returned to us but marked by brokers as “not voted” will be treated as shares present for purposes of determining the presence of a quorum on all

matters. Such shares marked by brokers as “not voted” will not be treated as shares entitled to vote on the proposal as to which authority to vote is withheld from the broker. If you do not give the broker voting instructions, under the rules of the NASD, your broker may not vote your shares on the stock issuance proposal, the increase of authorized common stock proposal, the name change proposal, the preferred stock proposal, the reverse stock split proposal and the 2000 performance equity plan amendment proposal.

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Vote of Our Shareholders Required

The approval of the stock issuance proposal, the increase of authorized common stock proposal, the name change proposal and the preferred stock proposal will require the affirmative vote of both (i) the holders of a majority of the outstanding shares of Movie Star common stock on the record date and (ii) the holders of a majority of the shares of Movie Star common stock that are held by Movie Star’s shareholders other than TTG Apparel and its affiliates and associates on the record date. Abstentions from voting with respect to these proposals and shares which are subject to shareholder withholding or broker non-vote will have the same effect as a vote against the proposals.

The approval of the reverse stock split proposal will require the affirmative vote of the holders of a majority of the outstanding shares of Movie Star common stock on the record date. Abstentions from voting with respect to this proposal and shares which are subject to shareholder withholding or broker non-vote will have the same effect as a vote against the reverse stock split proposal.

The approval of the 2000 performance equity plan amendment proposal and the adjournment proposal will require the affirmative vote of the holders of a majority of the shares of Movie Star common stock represented in person or by proxy and entitled to vote at the special meeting. Abstentions from voting with respect to these proposals and shares which are subject to shareholder withholding or broker non-vote will not be counted in determining the number of votes required for a majority and will therefore have no effect on such vote.

Directors are elected by a plurality. “Plurality” means that the individuals who receive the highest number of votes cast “FOR” election are elected as directors. Any shares not voted “FOR” a particular nominee (whether as a result of abstentions, a direction to withhold authority or a broker non-vote) will not be counted in the nominee’s favor.

The approval of the stock issuance proposal, the increase of authorized common stock proposal, the name change proposal and the preferred stock proposal are conditions to the consummation of the merger. The approval of the reverse stock split proposal, the 2000 performance equity plan amendment proposal and the director election proposal are not conditions to the consummation of the merger, but are being proposed in connection with the merger and will not be presented at the meeting for a vote if the proposals that are conditions to the merger are not approved. If any of the stock issuance proposal or the increase of authorized common stock proposal is not approved, we cannot effect the merger or the other transactions contemplated by the merger agreement. If any of the name change proposal or the preferred stock proposal is not approved, absent a waiver by FOH Holdings and us, we cannot effect the merger or the other transactions contemplated by the merger agreement.

Voting Your Shares

Each share of Movie Star common stock that you own in your name entitles you to one vote. Your proxy card shows the number of shares of our common stock that you own.

There are two ways to vote your shares of Movie Star common stock at the special meeting:

- You can vote by signing and returning the enclosed proxy card. If you vote by proxy card, your “proxy,” whose name is listed on the proxy card, will vote your shares as you instruct on the proxy card. If you sign and return the proxy card but do not give instructions on how to vote your shares, your shares will be voted as recommended by our board “FOR” the approval of the stock issuance proposal, the increase of authorized common stock proposal, the name change proposal, the preferred stock proposal, the reverse stock split proposal, the 2000 performance equity plan amendment proposal, the persons nominated by Movie Star’s current board for election as directors and, if necessary, the adjournment proposal. Votes received after a matter has been voted upon at the special meeting will not be counted.
- You can attend the special meeting and vote in person. We will give you a ballot when you arrive. However, if your shares are held in the name of your broker, bank or another nominee, you must get a proxy from the broker, bank or other nominee. That is the only way we can be sure that the broker, bank or nominee has not already voted your shares.

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Revoking Your Proxy

If you give a proxy, you may revoke it at any time before it is exercised by doing any one of the following:

- you may send another proxy card with a later date;
- you may notify Thomas Rende, our Chief Financial Officer, in writing before the special meeting that you have revoked your proxy; or
- you may attend the special meeting, revoke your proxy, and vote in person, as indicated above.

Who Can Answer Your Questions About Voting Your Shares

If you have any questions about how to vote or direct a vote in respect of your shares of our common stock, you may call Morrow & Co., Inc., our proxy solicitor, at (800) 607-0088, or Thomas Rende, our Chief Financial Officer, at (212) 798-4700.

No Additional Matters May Be Presented at the Special Meeting

This special meeting has been called only to consider the approval of the stock issuance proposal, the increase of authorized common stock proposal, the name change proposal, the preferred stock proposal, the reverse stock split proposal, the 2000 performance equity plan amendment proposal, the director election proposal and the adjournment proposal. Under our by-laws, other than procedural matters incident to the conduct of the meeting, no other matters may be considered at the special meeting if they are not included in the notice of the meeting.

Appraisal Rights

Shareholders of Movie Star do not have appraisal rights under the NYBCL in connection with the merger or the other transactions contemplated by the merger agreement.

Proxy Solicitation Costs

We are soliciting proxies on behalf of our board of directors. This solicitation is being made by mail but also may be made by telephone or in person. We and our directors, officers and employees may also solicit proxies in person, by telephone or by other electronic means.

We have hired Morrow & Co., Inc. to assist in the proxy solicitation process. We will pay Morrow & Co., Inc. a fee of approximately \$7,500 plus expenses.

We will ask banks, brokers and other institutions, nominees and fiduciaries to forward the proxy materials to their principals and to obtain their authority to execute proxies and voting instructions. We will reimburse them for their reasonable expenses.

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THE MERGER AND RELATED TRANSACTIONS

The discussion in this document of the merger and the principal terms of the merger agreement by and among Movie Star, FOH Holdings and Merger Sub is subject to, and is qualified in its entirety by reference to, the merger agreement. Copies of the merger agreement and the amendment to the merger agreement are attached as Annex A and Annex B, respectively, to this proxy statement.

General Description

Pursuant to the merger agreement, Merger Sub, a wholly owned subsidiary of Movie Star, will merge with and into FOH Holdings and FOH Holdings will be the surviving entity and a wholly owned subsidiary of Movie Star. The separate corporate existence of Merger Sub will cease. Movie Star will be renamed Frederick's of Hollywood Group Inc. after completion of the merger. The holders of all the issued and outstanding shares of common stock of FOH Holdings immediately prior to the completion of the merger will initially receive approximately 23.7 million shares of Movie Star common stock. Each outstanding option to purchase shares of FOH Holdings common stock under FOH Holdings' 2003 Employee Equity Incentive Plan, whether or not exercisable, vested or unvested, will be exchanged for comparable options issued by Movie Star. Immediately after the completion of the merger and without giving effect to the rights offering to our shareholders or the issuance of options, guarantor warrants, shares of common stock that may be issued pursuant to the standby purchase agreement or shares of Series A Preferred Stock, such FOH Holdings stockholders will own approximately 60% of Movie Star's outstanding common stock.

The merger is expected to be completed promptly following the Movie Star special meeting on _____, 2007, subject to obtaining the required adoption of the stock issuance proposal and the increase of authorized common stock proposal, and the approval or waiver of the name change proposal and the preferred stock proposal and the satisfaction or waiver of certain other conditions, as discussed in greater detail below under "The Merger Agreement—Conditions to Closing of the Merger."

The merger is expected to qualify as a tax-free transaction to Movie Star under the provisions of Section 1032 of the Code as an issuance of stock in exchange for property (i.e., the stock of FOH Holdings). For a description of the material federal income tax consequences of the merger, please see the information set forth in "The Merger and Related Transactions—Material Federal Income Tax Consequences of the Merger."

Background of the Merger and Related Transactions

The terms of the merger agreement and other transaction agreements and documents are the result of arm's-length negotiations between representatives of Movie Star, as directed by our special committee, and FOH Holdings. The following is a brief discussion of the background of these negotiations, the merger agreement and related transactions.

From time to time we consider different opportunities to improve our competitive position in the market and to enhance value for our shareholders. In January 2004, during Michael T. Tokarz's due diligence investigation of us prior to his purchase of our shares from a former shareholder, Mr. Tokarz met with our management team and discussed, among other things, whether we would be interested in growing our business. During the discussion, Mr. Tokarz also asked our management members whether they knew of Frederick's of Hollywood. At this time, Mr. Tokarz was also interested in making an investment in FOH Holdings. After further reflecting on the discussion and consistent with our desire to improve our competitive position, Melvyn Knigin, our President and Chief Executive Officer, contacted Linda LoRe, President and Chief Executive Officer of FOH Holdings, to suggest the idea of exploring a possible business combination. We and FOH Holdings began preliminary discussions regarding a possible business combination after entering into confidentiality agreements in March 2004.

In early April 2004, members of our management team and members of our board of directors met with members of FOH Holdings' management team and members of FOH Holdings' board of directors to discuss each company's operations and prospects. During the following months, the management teams of both companies exchanged information about their respective businesses and discussed potential

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synergies that could be created through a business combination. On October 15, 2004, Tokarz Investments purchased approximately 12% of FOH Holdings' outstanding common stock from an affiliate of Fursa. At a December 6, 2004 meeting of our board of directors, which Mr. Tokarz attended, Mr. Tokarz discussed his purchase of shares of FOH Holdings and, among other things, our board discussed the possible business combination with FOH Holdings. At a meeting of non-employee directors later that same day, the directors considered, among other things, obtaining a fairness opinion and considered other measures to preserve the impartiality of the board's decision-making process. In January 2005, we engaged a boutique investment banking firm to act as our financial advisor with respect to the possible business combination with FOH Holdings. Also in January 2005, Graubard Miller ("Graubard"), our legal counsel, submitted to FOH Holdings a preliminary legal due diligence request list that was to be the basis of the mutual legal due diligence that was conducted by the parties during the following months. At a February 8, 2005 meeting of our board of directors, which Mr. Tokarz attended, he provided another update on the status of his negotiations to acquire additional shares of FOH Holdings.

At a March 9, 2005 meeting of our board of directors, which Mr. Tokarz attended, he informed us that Tokarz Investments had acquired control of FOH Holdings and that he and FOH Holdings would, for a period of time, be focusing primarily on FOH Holdings' business rather than on the possible business combination with us. Nonetheless, the board discussed the timing of due diligence and directed our financial advisor to provide a review of the possible business combination. Again, the board considered measures to preserve the impartiality of the decision-making process, such as creating a special committee to handle the negotiations. During the following months, phone calls and meetings continued between the management teams of both companies and their respective legal and financial advisors, and with Mr. Tokarz, regarding the business, operations and financial projections of each company and the anticipated synergies of a combined company.

During our due diligence on FOH Holdings, we learned that Frederick's of Hollywood and certain of its subsidiaries were subject to a class action lawsuit relating to unlawful wages and employment practices. Based on the potential liability that could arise from this type of lawsuit, our board determined on September 21, 2005 that we would not engage in further discussions with FOH Holdings relating to a possible business combination until this lawsuit was resolved.

On December 13, 2005, our board determined that it was advisable to continue the discussions with FOH Holdings regarding the possible business combination after learning of the November 2005 preliminary order to approve the settlement of the class action lawsuit. During the following months, the management teams of both companies continued with their discussions, conducted further mutual due diligence, further reviewed the synergies that could be obtained from a business combination of the two companies and continued to learn about each party's respective business and prospects, though specific terms of a business combination had not yet been discussed.

Following the April 6, 2006 meeting of our board of directors, Peter Cole, a Movie Star director, contacted James P. Jenkins, then a FOH Holdings director, to determine whether or not FOH Holdings remained interested in pursuing a possible transaction. Following a positive response from Mr. Jenkins and in view of both companies' desire to move the possible transaction forward, on May 10, 2006, our board of directors appointed a special committee to act on behalf of the board of directors, consisting of two directors who are not and have never been one of our officers or employees, an employee or officer of FOH Holdings or otherwise had any relationship with Mr. Tokarz and his affiliated companies. Our special committee members are Joel M. Simon and Michael A. Salberg. Our special committee was authorized, subject to the limitations of New York law, to exercise all of the powers of the board of directors with respect to the possible transaction with FOH Holdings and any alternative transactions, including the power to select and retain legal counsel and an independent financial advisor.

On May 15, 2006, at a meeting between Mr. Jenkins and Joseph Keeney, then a consultant to FOH Holdings, and Mr. Knigin, Thomas Rende, our Chief Financial Officer, and Saul Pomerantz, our Chief Operating Officer, to discuss the proposed business combination, the FOH Holdings representatives delivered to our representatives a copy of a report by Allen & Company, FOH Holdings' financial advisor, which included Allen & Company's analysis of our and FOH Holdings' business, operations, financial condition and prospects and Allen & Company's view with respect to the relative valuation of the two companies.

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On May 17, 2006, FOH Holdings' board of directors appointed a committee (the "FOH Holdings special committee") to act on behalf of the FOH Holdings board of directors, consisting of Mr. Jenkins and Milton J. Walters, a FOH Holdings director.

On May 19, 2006, our special committee engaged Cooley Godward Kronish LLP, then known as Kronish Lieb Weiner & Hellman LLP ("Cooley"), as legal counsel. In early June 2006, our special committee interviewed several investment banking firms with a view to selecting one as its financial advisor. Following discussions with representatives of several such firms, at a special committee meeting held on June 12, 2006, attended by Cooley, our special committee selected Chanin to assist our special committee in its negotiations with FOH Holdings, to advise our special committee regarding the terms of the potential FOH Holdings transaction, as well as alternative proposals that could become available to us and to render a fairness opinion in connection with any transaction. At this meeting, representatives of Cooley advised the special committee of its fiduciary duties with respect to its consideration of the potential combination with FOH Holdings and other possible transactions. At this time, we also decided to terminate

our relationship with our previously retained financial advisor. As an initial matter, Chanin was directed by our special committee to analyze our business operations, financial condition and prospects, as well as those of FOH Holdings. In connection with this analysis, Chanin met with representatives of our management and representatives from FOH Holdings.

On June 30, 2006, our special committee held a meeting, attended by Cooley and Chanin, at which meeting Chanin presented its preliminary analysis of our business operations, financial condition and prospects and those of FOH Holdings. Our special committee discussed the differences between the Allen & Company analysis and the Chanin analysis. The Allen & Company analysis proposed that in a combination between us and FOH Holdings, the FOH Holdings stockholders should receive approximately 67% of the shares of the combined company and our shareholders should receive approximately 33% of the shares, whereas the preliminary Chanin analysis suggested that a higher ownership percentage for our shareholders could be justified.

Between June 30, 2006 and July 31, 2006, our special committee and its legal and financial advisors and the FOH Holdings special committee and its legal advisors and Mr. Keeney met to further discuss valuation issues and related matters with regard to a proposed combination of the two companies. During this period, a number of proposals and counter-proposals were made by the parties with regard to the proper equity allocation. On July 31, 2006, Chanin delivered to Mr. Keeney a draft of a non-binding term sheet that provided for FOH Holdings' stockholders to be issued shares of our common stock in exchange for their shares of FOH Holdings, which would provide FOH Holdings' stockholders with 60% of the outstanding shares immediately after the transaction. In addition, the draft non-binding term sheet provided for, among other things, the terms of a \$20 million rights offering by us to our pre-merger shareholders, to be backstopped by FOH Holdings' stockholders, and key governance issues, including certain protections for minority shareholders.

On August 3, 2006, our special committee and the FOH Holdings special committee, together with their advisors, met to discuss the terms contained in the draft preliminary non-binding term sheet. At the conclusion of this meeting, our special committee and the FOH Holdings special committee determined that they were willing to proceed with due diligence and the negotiation of definitive transaction agreements based on the terms discussed at this meeting, which terms included the 60/40 equity allocation proposed in our non-binding term sheet.

On August 15, 2006, Mr. Simon and Chanin had an informational meeting with Messrs. Jenkins, Keeney and Tokarz and Torys LLP ("Torys"), counsel to the FOH Holdings special committee.

In the following weeks, mutual due diligence was conducted by our management and our special committee's advisors and by the FOH Holdings special committee's advisors and FOH Holdings' management. These parties also engaged in initial negotiations of the terms of the key transaction agreements contemplated by the draft non-binding term sheet. The negotiation of the terms of the merger agreement and the other transaction agreements and documents was conducted by each company's special committee. Mr. Tokarz was from time to time provided with general status updates regarding the negotiations, but he did not participate in the negotiations of the proposed terms of the merger agreement until after November 1, 2006.

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On August 23, 2006, Cooley provided to Torys initial drafts of a merger agreement, shareholders agreement and voting agreement, and Torys provided to Cooley initial drafts of a standby purchase agreement, including the form of warrant to be issued thereunder, and a registration rights agreement. At various times through the execution of the

merger agreement, Cooley and Torys, in consultation with their clients, negotiated the draft merger agreement and the other transaction agreements and related documents. These negotiations included meetings and discussions regarding, and the exchange of drafts of and comments on, these agreements and documents.

On August 29, 2006, Torys informed Cooley of several issues raised by the draft merger agreement. As a result of there being no initial flexibility shown by FOH Holdings on these issues, our special committee instructed its advisors to suspend all work relating to the proposed transaction until further notice. These issues were further discussed telephonically by Mr. Simon with Messrs. Jenkins and Keeney between September 2 and September 5, 2006. As a result of these discussions and the progress made, our special committee instructed its counsel and advisors to recommence their work on September 5, 2006.

Between September 5, 2006 and October 3, 2006, our special committee and its counsel and advisors and the FOH Holdings special committee and its counsel and advisors had numerous phone calls and meetings to discuss various outstanding issues in the draft merger agreement and the other transaction agreements and related documents.

On September 19, 2006, at a meeting of our board of directors, the members of our special committee, together with Cooley and Chanin, provided an update to the full board on the status of the negotiations with FOH Holdings.

On October 3, 2006, our special committee, Cooley, Chanin, Mahoney Cohen & Company, CPA, P.C., our independent registered public accounting firm ("Mahoney Cohen"), Mr. Rende, the FOH Holdings special committee, Mr. Keeney and Torys met to discuss open business issues.

On October 10, 2006, our special committee, Cooley, Chanin, Mahoney Cohen, Mr. Rende, the FOH Holdings special committee, Mr. Keeney and Torys met again to further discuss certain open matters, but did not resolve any of these matters.

On October 24, 2006, Mr. Simon and Mr. Jenkins met to discuss unresolved business issues.

On October 25, 2006, at our special committee meeting at which Cooley, Chanin and Mr. Rende were present, our special committee discussed a comprehensive package proposal to resolve the material outstanding issues between the parties. Later that day, Mr. Simon delivered to the FOH Holdings special committee and its counsel and advisors a document summarizing this proposal.

On October 27, 2006, the FOH Holdings special committee delivered a written counterproposal that, in substance, rejected the proposals presented on October 25, 2006 by our special committee. FOH Holdings' counterproposal also indicated that if we found FOH Holdings' proposed terms unacceptable, further discussions regarding a proposed transaction should be terminated.

On October 30, 2006, at a meeting of our board of directors, the members of our special committee, together with Cooley and Chanin, provided an update to the full board on the status of the negotiations with FOH Holdings, including the October 25 proposal made by our special committee and FOH Holdings' October 27 counterproposal. No decisions were made at this meeting.

On October 31, 2006, our special committee met with Cooley and Chanin to further discuss FOH Holdings' October 27 counterproposal and possible alternatives. Taking into account a number of factors, including the input from our full board of directors and FOH Holdings' suggestion that negotiations be terminated if our special committee found the October 27 counterproposal unacceptable, our special committee determined to recommend to our board of directors that negotiations be terminated, subject to being re-opened if FOH Holdings would be willing to pursue a transaction on substantially the same terms included in our special committee's October 25 proposal. At a November 2, 2006 meeting of our board of directors, the board followed our special committee's recommendation to terminate negotiations and directed Mr. Simon to inform the FOH Holdings special committee of our board's decision.

Following the conclusion of this meeting, Mr. Simon left messages for Messrs. Jenkins and Keeney regarding our board's determination. On November 2, 2006, Mr. Simon also provided Mr. Tokarz with copies of our

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special committee's October 25 proposal, FOH Holdings' October 27 counterproposal and an update regarding the termination of negotiations.

Mr. Keeney contacted Mr. Simon several times over the course of the day on November 2, 2006 after learning of our decision to terminate negotiations and requested a meeting for the next day. On November 3, 2006, Messrs. Jenkins and Keeney met with Messrs. Simon and Salberg, at which meeting, among other things, Messrs. Jenkins and Keeney asked further questions about our special committee's October 25 proposal. On November 6, 2006, the FOH Holdings special committee submitted a new proposal in writing to our special committee that reflected many of the terms included in our special committee's October 25 proposal.

On November 8, 2006, our special committee, Cooley, Chanin, Mahoney Cohen and Mr. Rende held a teleconference with the FOH Holdings special committee, Mr. Keeney and Torys to discuss FOH Holdings' November 6 proposal. Although further work was needed with regard to certain matters, in light of the substantial movement by the FOH Holdings special committee towards our special committee's October 25 proposal, on November 13, 2006, our special committee determined that there was a sufficient basis to re-start formal negotiations with FOH Holdings and directed its counsel and advisors to pursue resolving the open matters.

On November 14, 2006, we filed our quarterly report on Form 10-Q for the quarter ended September 30, 2006. In this filing and in a press release discussing our quarterly earnings, we disclosed that our selling, general and administrative expenses had increased substantially as a result of professional fees incurred due to our continuing exploration of our strategic alternatives to maximize shareholder value, including discussions with a private apparel company with respect to a possible combination of the companies. We also disclosed that we had formed our special committee to consider this transaction and our strategic alternatives and that the special committee had retained Chanin and legal counsel. Also on November 14, 2006, TTG Apparel filed an amendment to its Schedule 13D disclosing that it and Mr. Tokarz intended to consider a proposal for a possible combination between us and a private apparel company, the majority of the shares of which are indirectly owned by Mr. Tokarz. After the filing of our Form 10-Q and press release and TTG Apparel's amendment to its Schedule 13D, our special committee held discussions with Cooley and Chanin regarding a process that Chanin could implement on our behalf to solicit third party interest in a transaction alternative to the proposed transaction with FOH Holdings. At the direction of our special committee, Chanin actively solicited interest from 11 prospective parties (including both strategic and financial parties) concerning alternative transactions and also responded to all unsolicited calls. Of these parties, only one signed a confidentiality agreement and none proposed an alternative transaction.

Between November 13 and December 14, 2006, while continuing the mutual due diligence reviews, our management and our special committee and its advisors, FOH Holdings' management, the FOH Holdings special committee and its advisors and Mr. Tokarz and his advisors negotiated the final terms of the merger agreement and the other transaction agreements and related documents and worked towards resolving the open matters that were then outstanding.

On December 14, 2006, our special committee held a meeting attended by Cooley and Chanin. During this meeting, Cooley provided an update to our special committee on its due diligence review of FOH Holdings and reviewed certain other legal matters including the terms of the merger agreement and the other transaction agreements and

documents, drafts of which had been circulated to our special committee prior to the meeting. Cooley also reviewed the fiduciary duties of the members of our special committee in the context of the proposed transaction. Chanin then provided a presentation on the financial terms of the proposed transaction and its preliminary financial analysis.

On December 15, 2006, our board of directors held a meeting attended by Cooley, Chanin and Graubard, during which the members of our special committee reported to the board on the status of the proposed transaction with FOH Holdings. Also during this meeting, Cooley provided an update on its due diligence review of FOH Holdings and reviewed certain other legal matters, including the terms of the merger agreement and the other transaction agreements and documents, drafts of which had been circulated to the board of directors prior to the meeting, Graubard reviewed the fiduciary duties of the

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members of the board of directors in the context of the proposed transaction and Chanin provided a presentation on the financial terms of the proposed transaction and its preliminary financial analysis.

On December 18, 2006, our special committee held a meeting, attended by Cooley and Chanin, to receive a final update on the status of the merger agreement and the other transaction agreements and documents and a final update on legal due diligence. In addition, Chanin discussed the written materials that accompanied its opinion and delivered its opinion, subsequently confirmed in writing, that the merger consideration to be paid to FOH Holdings' stockholders was fair, from a financial point of view, to our shareholders. After careful consideration, our special committee unanimously determined that the proposed transactions were fair to, and in the best interest of, our shareholders and approved the merger agreement and the other transactions agreements and documents contemplated thereby and the recommendation of the proposed transaction for approval by our board of directors. Following our special committee meeting, our full board of directors met. At this meeting, Cooley provided a final update on the status of the merger agreement and the other transaction agreements and documents and a final update on legal due diligence, and Chanin discussed the written materials that accompanied its opinion and confirmed the fairness opinion it had provided to our special committee. After careful consideration, the board of directors unanimously determined that the proposed transactions were fair to, and in the best interest of, our shareholders and approved the merger agreement and the other transactions agreements and documents contemplated thereby and the recommendations to our shareholders of proposals included in this proxy statement.

On the morning of December 19, 2006, we and FOH Holdings issued a joint press release announcing the transaction.

On February 1, 2007, we sent a letter to FOH Holdings, notifying FOH Holdings of its breach of its obligation under the merger agreement to deliver to us and Merger Sub by January 31, 2007, FOH Holdings' fiscal 2006 audited financial statements together with an unqualified audit report from Deloitte & Touche LLP and expressly reserving our rights under the merger agreement and applicable law, including our right to terminate the merger agreement and abandon the merger at any time prior to the effective time as a result of such breach.

On March 29, 2007, at FOH Holdings' request, we granted our consent under the merger agreement (i) to permit FOH Holdings to grant to certain of its employees options to purchase an aggregate of 4,500 shares of FOH Holdings common stock, which, after the merger, will be exercisable for 80,151 shares of Movie Star common stock pursuant to the merger agreement and (ii) to settle a class action lawsuit relating to consumer privacy in credit card transactions.

On April 5, 2007, at our request, FOH Holdings granted its consent under the merger agreement to permit us to enter into a consulting agreement with Performance Enhancement Partners, LLC and agreed to reimburse us for certain fees to be paid to the consultant pursuant to such consulting agreement under certain circumstances.

On June 8, 2007, we entered into an amendment to the merger agreement with FOH Holdings and Merger Sub, pursuant to which the parties agreed to, among other things, extend the termination date under the merger agreement from September 1, 2007 to December 31, 2007 and amend the form of our amended and restated certificate of incorporation to authorize the issuance of up to 10,000,000 shares of preferred stock, \$.01 par value per share.

Reasons for the Recommendations of our Special Committee and Board of Directors

Our special committee, acting with the advice and assistance of its legal counsel and financial advisor, and in consultation with members of our senior management, evaluated and negotiated the terms and conditions of the merger agreement and other transaction agreements and documents. Our special committee unanimously determined that the transactions were fair to, and in the best interest of, our shareholders and approved the merger agreement and the transactions, agreements and documents contemplated thereby and the recommendation of the proposed transaction for approval by our board of directors. Acting on the unanimous recommendation of our special committee, our board of directors also unanimously determined that the transactions were fair to, and in the best interest of, our shareholders

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and approved the merger agreement and the transactions, agreements and documents contemplated thereby. Our board of directors also approved the recommendation that our shareholders approve the stock issuance proposal, the increase of authorized common stock proposal, the name change proposal, the preferred stock proposal, the reverse stock split proposal, the 2000 performance equity plan amendment proposal and the adjournment proposal and vote for the eleven nominees we are proposing for directors.

In the course of reaching their respective determinations, our special committee and board of directors considered a number of substantive factors and potential benefits of the proposed transactions, including those discussed below, each of which they believed supported their respective decisions:

- the opportunity to create a vertical business for designing, sourcing, manufacturing and selling intimate apparel products to the consumer;
- our anticipated ability as a combined entity to:
 - borrow funds and access capital markets on more favorable terms than either we or FOH Holdings could have individually;
 - increase the volume of our source purchasing thereby reducing supply costs that both we and FOH Holdings were accustomed to paying individually; and
 - expand and consolidate our respective distribution centers to lower overall distribution costs;
- the potential to achieve operating and sales synergies and cost savings;
- Frederick's of Hollywood is a highly recognized brand name and acquiring the Frederick's of Hollywood name will provide us with an opportunity to increase our visibility to consumers, as well as to analysts and investors, and generate greater public interest in us;

- the trading multiples for publicly traded specialty retailers are traditionally greater than those for apparel manufacturers;
- by combining with FOH Holdings and entering into the retail sector, we will be better positioned to take advantage of growth in the intimate apparel and sleepwear markets;
- all five members of our board of directors and our current Chief Financial Officer will be members of the initial board of directors of the combined company following the consummation of the merger;
- certain key members of our senior management team will be part of the senior management team following the consummation of the merger;
- the familiarity of our special committee and board of directors with our current state of development, our customer concentration, our prospects as an independent company, the increasingly competitive market for our products and services and our competitive position;
- the process conducted by Chanin to seek alternative proposals to the proposed transactions; and
- the financial presentations by Chanin, including its opinion dated December 18, 2006, stating that the merger consideration to be paid to FOH Holdings' stockholders pursuant to the merger agreement was fair to our shareholders from a financial point of view.

Our special committee and board of directors also considered the following terms of the merger agreement and other transaction agreements and documents and a number of factors related to the procedural safeguards, including those discussed below, each of which they believed supported their respective decisions:

- our special committee is comprised solely of independent and disinterested directors who are not our employees or employees of FOH Holdings, TTG Apparel or any of its affiliated companies and who have no financial interest in the proposed transactions that is different from that of our shareholders;
- our special committee had the ultimate authority to decide whether to proceed with the transaction or any potential alternative transaction, subject to our board of directors' approval of the resulting transaction;

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- our special committee's decisions have been informed by advice from its own legal counsel and financial advisor in evaluating, negotiating and recommending the terms of the proposed transactions and related documents;
- the results of financial, legal and operational due diligence on FOH Holdings performed by our senior management, and the financial advisor and legal counsel to our special committee;
- the financial and other terms and conditions of the proposed transactions and related documents were the product of arm's-length negotiations between the parties;
- the provisions of the merger agreement allowing us, subject to certain restrictions, to furnish information and conduct negotiations with third parties who make unsolicited acquisition proposals;
- the provisions of the merger agreement allowing us to terminate the merger agreement, under certain circumstances, in order to approve a superior acquisition proposal upon payment to FOH Holdings of a \$300,000 termination fee, plus all of FOH Holdings' and its stockholders' actual, reasonable and documented out-of-pocket expenses incurred in connection with the merger transactions;
- the provisions of the merger agreement allowing us to terminate the merger agreement, under certain circumstances, if FOH Holdings' audited financial statements delivered after execution

of the merger agreement are delayed or contained certain changes that, in our reasonable judgment have material adverse changes, when taken as a whole, from the financial statements delivered by FOH Holdings in connection with the execution of the merger agreement;

- the requirement in the merger agreement that the stock issuance proposal and the increase of authorized common stock proposal be approved by the affirmative vote of at least a majority of our outstanding shares of common stock entitled to vote other than those beneficially owned by TTG Apparel and its affiliates and associates;
- the amendments to our bylaws that will take effect upon the consummation of the merger creating a 75% supermajority approval requirement in connection with important corporate decisions for a period of 18 months after the merger is consummated;
- the requirement that, subject to certain exceptions, the stockholders of FOH Holdings, TTG Apparel and their respective affiliates will agree to vote their shares of common stock in favor of the election of the individuals designated to serve on the board of directors of the combined company in the manner set forth in the merger agreement and take all necessary action to maintain a board of directors consisting of these individuals (and successors) for a period of 18 months after the consummation of the merger;
- the requirement that, subject to certain limited exceptions, the stockholders of FOH Holdings, TTG Apparel and their respective affiliates will hold the securities they receive upon consummation of the merger and not acquire more of our securities for a period of 18 months after the consummation of the merger; and
- the provisions of the merger agreement requiring that a portion of the shares of Movie Star common stock to be received by FOH Holdings' stockholders in connection with the consummation of the merger be placed in escrow for the purpose of covering their indemnification obligations to us, subject to certain limitations and procedures.

Our special committee and board of directors also considered a number of potentially adverse factors and risks concerning the merger, the merger agreement and the other transaction agreements and documents and the transactions contemplated thereby, including those discussed below:

- the risks, challenges and costs inherent in combining the operations of two companies and the substantial expenses to be incurred in connection with the merger, including the possibility that delays or difficulties in completing the integration could adversely affect the combined company's operating results and either delay or preclude the achievement of some benefits anticipated from the merger;
- the potential loss of one or more of our customers as a result of such customer's unwillingness to do business with the combined company;

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- the possibility that FOH Holdings' audited financial statements would contain material differences from the unaudited financial statements FOH Holdings delivered in connection with the execution of the merger agreement;
- the possibility that the reactions of existing and potential competitors to the combination of the two businesses could adversely impact the competitive environment in which the companies operate;
- although we may terminate the merger agreement under certain circumstances to approve a superior acquisition proposal, after executing the merger agreement, we are no longer allowed to initiate, solicit or encourage acquisition proposals in any manner;

- the merger, as contemplated, might not be completed in a timely manner or at all;
- the merger consideration FOH Holdings' stockholders will receive is comprised entirely of our common stock and the amount to be paid is set at a fixed ratio, therefore, its value may fluctuate in unanticipated ways and result in our paying a higher price than we originally anticipated or intended for FOH Holdings;
- if the merger agreement is terminated by one or both parties, the possible negative effect of the public announcement of such termination on our existing business relationships, sales, operating results, customers, employees and shareholders, and the resulting harm on our ability to survive on a stand-alone basis;
- the benefits and synergies anticipated by the merger, the merger agreement and the transactions contemplated thereby might not be fully realized, if at all;
- execution risk relating to the intent to expand the number of stores and diversify Frederick's of Hollywood's customer base, which is currently concentrated in a limited number of geographical areas;
- the shares to be put in escrow for the purpose of covering indemnification obligations to us may not be sufficient to cover all potential liabilities and any such excess could be a drain on our cash reserves;
- the restrictions on the conduct of our business prior to the consummation of the merger, requiring us to conduct our business materially in the ordinary course and consistent with past practice, particularly in light of expectations that the merger would not be consummated for a period of months;
- certain of our directors and executive officers may have conflicts of interest in connection with the merger, as they may receive benefits that are different from, and in addition to, those of our other shareholders;
- If no Movie Star shareholder participates in the rights offering, TTG Apparel together with Tokarz Investments will own approximately % of the outstanding common stock of the combined company, in the aggregate, after giving effect to the purchase of the unsubscribed shares in accordance with the standby purchase agreement and the issuance of the guarantor warrants as consideration for the Standby Purchase Commitment, and Fursa will beneficially own approximately % of the outstanding common stock of Movie Star, after giving effect to the purchase of the unsubscribed shares in accordance with the standby purchase agreement, the issuance and exercise of the guarantor warrants as consideration for the Standby Purchase Commitment and the issuance and conversion of the Series A Preferred Stock;
- the possibility of management and employee disruption associated with the merger and integrating our operations with FOH Holdings, including the risk that marketing, technical and administrative personnel might not remain employed with the merged entity;
- the potential incompatibility of business cultures; and
- various other applicable risks associated with the combined company and the merger, including those described in the section of this proxy statement entitled "Risk Factors."

Our special committee and board of directors considered all of the above factors in light of our historical and anticipated business, operations, financial condition, competitive positioning and business strategies and our growth opportunities and prospects.

The foregoing discussion of the information and factors considered by our special committee and board of directors is not intended to be exhaustive. After taking into account all of the information and factors set forth above, as well as others, our special committee and board of directors determined that the benefits of the proposed transaction with FOH Holdings outweigh the risks and that entering into the merger agreement and other transactions, agreements and documents contemplated thereby are advisable and in our best interests and the best interests of our shareholders. In view of the wide variety of factors, both positive and negative, considered by our special committee and board of directors, neither consider it practical to, nor did either attempt to, quantify, rank or otherwise seek to assign relative weights to the specific factors that it considered in reaching its determination that the merger, the merger agreement and the transactions, agreements and documents contemplated thereby are advisable and in the best interests of our shareholders. Rather, these decisions should be viewed as being based upon the judgment of the members of our special committee and board of directors, in light of the totality of the information presented and considered, including the knowledge of the members of our special committee and board of directors of our business, financial condition and prospects and the advice of Chanin and legal counsel. In considering the factors described above, individual members of our special committee and board of directors may have focused on different factors and may have applied different analyses to each of the material factors considered by them.

Opinion of Financial Advisor to Special Committee

Our special committee retained Chanin to, among other things, assist our special committee in its negotiations with FOH Holdings and advise our special committee regarding the terms of the proposed transaction with FOH Holdings, as well as alternative proposals that could become available to us during the course of Chanin's advisory period. In the course of this engagement, our special committee requested that Chanin render an opinion regarding the fairness to our shareholders of the merger consideration to be paid to FOH Holdings' stockholders in the merger.

On December 18, 2006, Chanin delivered a written opinion to our special committee to the effect that, as of such date, the merger consideration to be paid in the proposed merger with FOH Holdings was fair, from a financial point of view, to our shareholders. Chanin presented the financial analysis underlying its opinion at meetings of our special committee on December 14, 2006 and December 18, 2006, and at meetings of the board of directors on December 15, 2006 and December 18, 2006.

The full text of the Chanin opinion, dated December 18, 2006, which sets forth the assumptions made, matters considered and limits on the review undertaken, is attached to this proxy statement as Annex C and is incorporated herein by reference. The summary of the Chanin opinion set forth below is qualified in its entirety by reference to the full text of the Chanin opinion. You are urged to read the opinion in its entirety.

The Chanin opinion is directed only to the fairness of the merger consideration to be paid by us to FOH Holdings' stockholders in the merger, from a financial point of view, as of the date of the opinion. The opinion was provided for the information and assistance of our special committee and our board of directors in connection with their consideration of the merger and the other related transactions contemplated by the merger agreement. The Chanin opinion does not constitute a recommendation to any shareholder as to how such shareholder should vote on different proposals contained in this proxy statement.

In connection with rendering its opinion, Chanin did not determine the amount of the merger consideration. The merger consideration was determined through arm's-length negotiations between our special committee and FOH Holdings. No limitations were imposed by us or Chanin with respect to the investigations made or procedures followed by Chanin in rendering its opinion.

In conducting its analysis and arriving at its opinion, Chanin reviewed information and considered financial data and other factors as Chanin deemed relevant under the circumstances, including the following:

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conducted meetings with members of our and FOH Holdings' senior management teams at their respective corporate headquarters where Chanin discussed the history, current operations and future outlook for both companies;

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- reviewed our financial statements and SEC filings, including our Annual Reports on Form 10-K for the years ended June 30, 2004, 2005 and 2006 and Quarterly Report on Form 10-Q for the three months ended September 30, 2006;
- reviewed FOH Holdings' audited historical financial statements for the years ended July 31, 2004 and July 30, 2005 and unaudited financial statements for the year ended July 29, 2006 and the three month period ended October 28, 2006;
- reviewed our and FOH Holdings' financial projections for fiscal years 2007 through 2010, as well as other operating and financial information prepared by our and FOH Holdings' respective management teams;
- reviewed drafts as of December 15, 2006 of the merger agreement, stockholders agreement, form of shareholders agreement, form of registration rights agreement, rights offering term sheet, standby purchase agreement, form of guarantor warrant, form of escrow agreement and voting agreement;
- analyzed the historical trading price and trading volume of our common stock;
- reviewed certain publicly available financial, operating and stock market data concerning certain companies engaged in businesses Chanin deemed reasonably similar to FOH Holdings;
- reviewed the financial terms of certain recent business combinations Chanin deemed relevant to its inquiry; and
- performed such other financial studies, analyses and investigations that Chanin deemed appropriate.

For purposes of rendering its opinion, Chanin assumed, with our consent, that the merger agreement, when executed, conformed to the drafts of such agreement that Chanin reviewed in all respects material to its analysis. Chanin further assumed that the proposed merger contemplated by the merger agreement would be consummated in accordance with such agreement.

Chanin discussed with our and FOH Holdings' senior management teams (i) the past and current operating and financial condition of the respective businesses of both companies, (ii) the prospects, including estimates of future financial performance of the respective businesses of both companies and (iii) such other matters that Chanin deemed relevant.

In connection with Chanin's review and in arriving at its opinion, Chanin relied upon the accuracy and completeness of the financial and other information that was publicly available or was provided by us or FOH Holdings. Chanin did not undertake any independent verification of such information or any independent evaluation or appraisal of any of our or FOH Holdings' assets or liabilities (contingent or otherwise), nor did it make any physical inspection of our or FOH Holdings' properties or assets. With respect to the financial forecasts provided to Chanin by us and FOH Holdings, Chanin assumed that such information (and the assumptions and bases underlying such information) was reasonably prepared and reflected our management's and FOH Holdings' management's best then available estimate and judgment as to our future financial performance and the future financial performance of FOH Holdings, respectively. Chanin expressed no view with respect to such forecasts or the assumptions on which they were based. In addition, Chanin participated in the negotiation of the exchange ratio and other terms of the merger agreement.

The Chanin opinion was necessarily based on economic, financial and market conditions as they existed and were disclosed to Chanin as of the date of its opinion. The Chanin opinion speaks only as of the date thereof, and Chanin has no responsibility to update or revise the opinion based upon events or circumstances occurring after that date.

In arriving at its opinion, Chanin was requested and authorized to solicit, and did solicit, interest from prospective parties with respect to an alternative transaction for us. At the direction of our special committee, Chanin contacted 11 parties (eight strategic and three financial) to solicit interest in a potential transaction with us. Chanin reported on December 15, 2006 that no serious offers were made by any of such parties or any other third party.

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In arriving at its opinion, Chanin performed a variety of valuation, financial, and comparative analyses. The summary of the analyses as set forth below does not purport to be a complete description of the analyses Chanin performed. The preparation of a fairness opinion is a complex process that involves various determinations as to the most appropriate and relevant methods of financial analysis to be employed and the manner in which such methods will be applied to a particular set of facts and circumstances. As such, the preparation of a fairness opinion is not necessarily susceptible to partial analysis or summary description. Chanin informed us that the analyses it performed must be considered as a whole, and selecting portions thereof or portions of the factors considered by it, without considering all analyses and factors, could create an incomplete view of the evaluation process underlying its opinion. Chanin made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond our control. Additionally, estimates of the values of businesses and securities examined do not purport to be appraisals thereof and do not necessarily reflect the prices at which such businesses or securities may be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty.

The Chanin opinion does not address, nor should it be construed to address, the relative merits of the proposed merger with FOH Holdings as compared to other transactions or alternative business strategies that may be available to us. In addition, the Chanin opinion did not in any manner address the prices at which our common stock may trade following consummation of the merger.

The Chanin opinion, including Chanin's presentation of its opinion to our special committee and our board of directors, was one of many factors that our special committee and our board of directors took into consideration in making their recommendations. Consequently, Chanin's analysis described below should not be viewed as determinative of the conclusions of our special committee or our board of directors with respect to the merger consideration.

Subject to the foregoing, the following is a brief summary of the material financial and comparative analyses presented by Chanin to our special committee and our board of directors in connection with the delivery of its opinion. You should understand that the order of the analyses and the results derived from these analyses described below do not represent relative importance or weight given to these analyses by Chanin.

Publicly Traded Company Analysis. Chanin reviewed the current trading multiples of nine publicly traded companies that Chanin determined to be relevant to its analysis. The selected publicly traded companies operate as specialty retailers and have market capitalizations less than \$1.0 billion. Chanin analyzed the latest twelve month and projected revenues and earnings before interest, taxes, depreciation and amortization ("EBITDA") for each of the publicly-traded companies. Chanin then analyzed the peer group's trading multiples of enterprise value to their respective last twelve months and projected revenues and EBITDA. Enterprise value was calculated as the sum of the equity market value (diluted shares outstanding multiplied by the current stock price) and net indebtedness. Chanin

then compared the multiples of the publicly-traded companies to the multiples implied in the proposed merger based on our stock price as of November 14, 2006 (the date we announced that we were exploring a possible combination with a private apparel company) and our stock price as of December 15, 2006. The companies analyzed were:

- Cache, Inc.
- Cato Corp.
- Charlotte Russe Holding, Inc.
- Deb Shops, Inc.
- Hot Topic, Inc.
- Le Chateau, Inc.
- Maidenform Brands, Inc.
- Mother's Work, Inc.
- United Retail Group, Inc.

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Below are summary multiples and statistics for the selected publicly traded companies:

Enterprises Value as a Multiple of:			
Net Sales		EBITDA ^(a)	
LTM ^(b)	2007P ^(c)	LTM ^(b)	2007P ^(c)

High