

FREDERICK'S OF HOLLYWOOD GROUP INC /NY/  
Form DEF 14A  
April 06, 2010

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 (Amendment No. )

Filed by the Registrant   
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement  
 Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material Pursuant to § 240.14a-12

FREDERICK'S OF HOLLYWOOD GROUP INC.  
(Name of Registrant as Specified in Its Charter)

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(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:

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(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):

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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1115 Broadway

New York, New York 10010

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MAY 12, 2010

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TO THE SHAREHOLDERS OF FREDERICK'S OF HOLLYWOOD GROUP INC.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Frederick's of Hollywood Group Inc., a New York corporation, will be held at 10:00 a.m. Eastern Time on Wednesday, May 12, 2010, at Club 101 on the Main Floor at 101 Park Avenue, New York, New York. You are cordially invited to attend the meeting, which will be held for the following purposes:

1. To elect six directors to serve for the ensuing one-year period and until their successors are elected and qualified.
2. To approve a proposal to issue an aggregate of approximately 8,664,400 shares of our common stock and warrants to purchase 1,500,000 shares of our common stock to accounts and funds managed by and/or affiliated with Fursa Alternative Strategies LLC upon (i) exchange of an aggregate of approximately \$14.3 million of principal amount and accrued interest of our outstanding Tranche C debt and (ii) conversion of approximately \$8.8 million of Series A preferred stock, including accrued dividends, at an effective price of approximately \$2.66 per share.
3. To transact such other business as may properly come before the meeting and any and all postponements or adjournments.

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 shareholders of record at the close of business on March 29, 2010 are entitled to notice of, and to vote at, the meeting and any postponements or adjournments thereof.

All shareholders are cordially invited to attend the meeting in person. However, to ensure your representation at the meeting, you are urged to complete, sign, date and return the enclosed proxy card as soon as possible. Returning your proxy card will not affect your right to vote in person if you attend the meeting. You may revoke your proxy if you so desire at any time before it is voted. 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.

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

Important Notice Regarding the Availability of  
Proxy Materials for the Annual Meeting of Shareholders to be held on May 12, 2010

Our proxy statement is attached. Financial and other information concerning our company is contained in our Annual Report to Shareholders for the fiscal year ended July 25, 2009 ("annual report") and Quarterly Reports on Form 10-Q for the quarterly periods ended October 24, 2009 and January 23, 2010 ("quarterly reports"). Pursuant to rules promulgated by the Securities and Exchange Commission, or SEC, we have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including the proxy statement, annual report, quarterly

reports and a proxy card, and by notifying you of the availability of these proxy materials on the Internet. This proxy statement, our annual report and quarterly reports are available on our corporate website at [www.fohgroup.com](http://www.fohgroup.com).

By Order of the Board of Directors

Thomas Rende, Secretary

New York, New York  
April 6, 2010

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FREDERICK'S OF HOLLYWOOD GROUP INC.

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PROXY STATEMENT

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GENERAL INFORMATION

This proxy statement and the enclosed proxy card are furnished in connection with the solicitation of proxies by the board of directors of Frederick's of Hollywood Group Inc., a New York corporation, for use at the Annual Meeting of Shareholders to be held at 10:00 a.m. Eastern Time on Wednesday, May 12, 2010, at Club 101 on the Main Floor at 101 Park Avenue, New York, New York.

This proxy statement and the enclosed proxy card, together with the Annual Report to Shareholders for the fiscal year ended July 25, 2009 ("annual report"), and Quarterly Reports on Form 10-Q for the quarterly periods ended October 24, 2009 and January 23, 2010 ("quarterly reports"), are first being mailed on or about April 6, 2010, to shareholders of record on March 29, 2010.

On January 28, 2008, we consummated a merger with FOH Holdings, Inc., a privately-held Delaware corporation ("FOH Holdings"). As a result of the transaction, FOH Holdings became our wholly-owned subsidiary. FOH Holdings is the parent company of Frederick's of Hollywood, Inc. Upon consummation of the merger, we changed our name from Movie Star, Inc. to Frederick's of Hollywood Group Inc.

Unless otherwise indicated, as used in this proxy statement:

- "Movie Star, Inc." or "Movie Star" refers to the business, operations and financial results of Movie Star, Inc. prior to the closing of the merger;
- "FOH Holdings" or "Frederick's of Hollywood" refers to the business, operations and financial results of FOH Holdings prior to the closing of the merger and after the merger, as the context requires; and
- the "Company," "we," "our" or "us" refers to the operations and financial results of Frederick's of Hollywood Group Inc. together with FOH Holdings, Inc. and its subsidiaries on a consolidated basis after the closing of the merger.

What matters am I voting on?

You are being asked to vote on the following matters:

- The election of six directors to serve for the ensuing one-year period and until their successors are elected and qualified – we refer to this proposal as the "director election proposal";
- To approve a proposal to issue an aggregate of approximately 8,664,400 shares of our common stock and warrants to purchase 1,500,000 shares of our common stock to accounts and funds managed by and/or affiliated with Fursa Alternative Strategies LLC ("Fursa") upon (i) exchange of an aggregate of approximately \$14.3 million of principal amount and accrued interest of our outstanding Tranche C debt and (ii) conversion of approximately \$8.8 million of Series A preferred stock, including accrued dividends, at an effective price of approximately \$2.66 per share – we refer to this proposal as the "debt exchange and preferred stock conversion proposal"; and

- To transact such other business as may properly come before the meeting and any and all postponements or adjournments.
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Who is entitled to vote?

Persons who were holders of our common stock and Series A preferred stock as of the close of business on March 29, 2010, the record date, are entitled to vote at the meeting. As of March 29, 2010, we had issued and outstanding 29,336,709 shares of common stock, par value \$0.01 per share, and 3,629,325 shares of Series A preferred stock convertible into an aggregate of 1,622,682 shares of common stock, comprising all of our issued and outstanding voting stock.

Each holder of our common stock is entitled to one vote for each share held on the record date. Each holder of our Series A preferred stock is entitled to a number of votes per share of Series A preferred stock held on the record date equal to the number of shares of common stock into which such share of Series A preferred stock may be converted on such date. As of the record date, every 2.2366 outstanding shares of Series A preferred stock was convertible into one share of common stock.

What is the effect of giving a proxy?

Proxies in the form enclosed are solicited by and on behalf of our board of directors. The persons named in the proxy card have been designated as proxies by our board of directors. If you sign and return the proxy card in accordance with the procedures set forth in this proxy statement, the persons designated as proxies by the board will vote your shares at the meeting as specified in your proxy card.

If you sign and return your proxy card in accordance with the procedures set forth in this proxy statement but you do not provide any instructions as to how your shares should be voted, your shares will be voted "FOR" the election of the nominees listed below under the director election proposal and "FOR" the approval of the debt exchange and preferred stock conversion proposal. If you give your proxy, your shares also will be voted in the discretion of the proxies named on the proxy card with respect to any other matters properly brought before the meeting and any postponements or adjournments thereof. If any other matters are properly presented at the meeting for action, the persons named in the proxy card will vote the proxies in accordance with their best judgment.

May I change my vote after I return my proxy card?

Yes. Any proxy given pursuant to this solicitation may be revoked by you at any time before it is exercised. You may effectively revoke your proxy by:

- delivering written notification of your revocation to the Corporate Secretary of Frederick's of Hollywood Group Inc.;
- voting in person at the meeting; or
- delivering another proxy bearing a later date.

Please note that your attendance at the meeting will not alone serve to revoke your proxy.

What is a quorum?

A quorum is the minimum number of shares required to be present at the meeting for the meeting to be properly held under our bylaws and New York law. The presence, in person or by proxy, of a majority of the votes entitled to be cast at the meeting will constitute a quorum at the meeting. A proxy submitted by a shareholder may indicate that all or a portion of the shares represented by the proxy are not being voted ("shareholder withholding") with respect to a particular matter. Similarly, a broker may not be permitted to vote stock ("broker non-vote") held in street name on a

particular matter in the absence of instructions from the beneficial owner of the stock. The shares subject to a proxy which are not being voted on a particular matter because of either shareholder withholding or broker non-vote will not be considered shares present and entitled to vote on that matter. These shares, however, may be considered present and entitled to vote on other matters and will count for purposes of determining the presence of a quorum if the shares are being voted with respect to any matter at the meeting. If the proxy indicates that the shares are not being voted on any matter at the meeting, the shares will not be counted for purposes of determining the presence of a quorum. Abstentions are voted neither "for" nor "against" a matter, but are counted in the determination of a quorum.



How many votes are needed for approval of each matter?

The election of directors requires a plurality vote of the votes cast at the meeting. "Plurality" means that the individuals who receive the largest number of votes cast "FOR" are elected as directors. Consequently, any shares not voted "FOR" a particular nominee, whether as a result of a direction of the shareholder to withhold authority, abstentions or a broker non-vote, will not be counted in the nominee's favor. As there are six directors to be elected, the six persons receiving the highest votes will be elected if nominees other than those nominated by the board are presented.

The debt exchange and preferred stock conversion proposal must be approved by a majority of the votes cast at the meeting with respect to the proposal. Abstentions and shares deemed present at the meeting but not entitled to vote with respect to the proposal (because of either shareholder withholding or broker non-vote) are not deemed voted and therefore will have no effect on such vote. Pursuant to the Tranche C Debt Exchange and Preferred Stock Conversion Agreement (the "Exchange and Conversion Agreement") described below, Fursa has agreed to "sterilize" their vote by committing to vote the shares of our common stock and Series A preferred stock held by Fursa on the date of the agreement with respect to this proposal in accordance with the vote of a majority of votes cast at the meeting, excluding the shares held by Fursa. On March 16, 2010, we issued an aggregate of 2,907,051 shares of our common stock in a private placement to accredited investors pursuant to the terms of a securities purchase agreement. These investors agreed to appoint Thomas J. Lynch, our Chairman and Chief Executive Officer, or Thomas Rende, our Chief Financial Officer, to vote their shares purchased in the private placement at the meeting in connection with the debt exchange and preferred stock conversion proposal. Messrs. Lynch and Rende intend to vote these shares in favor of this proposal.

Any other proposal properly brought at the Annual Meeting must be approved by a majority of the votes cast at the meeting with respect to the proposal.

How do I vote?

You may vote your shares by returning the enclosed proxy card either by mail or facsimile or by delivering it in person at the meeting. The prompt return of the completed proxy card will assist us in preparing for the meeting. Complete, date, sign and return the enclosed proxy card in the envelope provided for that purpose (to which no postage needs to be affixed if mailed in the United States). You can specify your choices by marking the appropriate boxes on the proxy card. If you attend the meeting, you may deliver your completed proxy card in person or fill out and return a ballot that will be supplied to you. If you wish to fax your proxy, please copy both the front and back of the signed proxy card and fax it to American Stock Transfer & Trust Co. at (718) 921-8355.

Shareholders who hold their securities through a broker or bank will also have the option to authorize their proxies to vote their securities electronically through the Internet or by telephone. If you hold your securities through a broker, bank or other nominee, you should check your proxy card or voting instruction card forwarded by your broker, bank or other nominee who holds your securities for instructions on how to vote by these methods.

Do you provide electronic access to the proxy statement, annual report and quarterly reports?

Yes. You may obtain copies of this proxy statement, our annual report and quarterly reports by visiting our corporate website at [www.fohgroup.com](http://www.fohgroup.com) and clicking the "Investor Relations" tab. Once you are in the Investor Relations section of our corporate website, you will find our proxy statement, annual report and quarterly reports under the section heading "Annual Meeting Materials." The contents of our website are not, and shall not be, deemed a part of this proxy statement, our annual report or quarterly reports. You also may obtain copies of our annual report and quarterly reports (without exhibits), without charge, by sending a written request to: Frederick's of Hollywood Group Inc., 1115 Broadway, 11th Floor, New York, New York 10010, Attention: Corporate Secretary. We will provide copies of the exhibits to the annual report and quarterly reports, without charge, upon receipt of a written request addressed to the

Corporate Secretary.

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## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our common stock as of March 29, 2010 and after the consummation of the debt exchange and preferred stock conversion (assuming a May 18, 2010 closing date) by:

- each person or group (as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934) known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock either on March 29, 2010 or immediately following the consummation of the debt exchange and preferred stock conversion;
  - each of our named executive officers and directors; and
  - all of our named executive officers and directors, as a group.

Our named executive officers and directors as a group is currently comprised of nine individuals. Following the meeting, such group will be comprised of seven individuals.

The percentage of beneficial ownership indicated below is based on 29,336,709 shares of our common stock outstanding on March 29, 2010 and 38,001,082 shares of our common stock outstanding after the consummation of the debt exchange and preferred stock conversion (assuming a May 18, 2010 closing date). Our outstanding Series A preferred stock is convertible into and votes together with the common stock and not as a separate class.

Name and Address of Beneficial Owner(1)	Beneficial Ownership of Our Common Stock on March 29, 2010		Beneficial Ownership of Our Common Stock After the Debt Exchange and Preferred Stock Conversion (assuming a May 18, 2010 closing date)	
	Number of Shares	Percent of Class Before Debt Exchange	Number of Shares	Percent of Class After Debt Exchange
TTG Apparel, LLC 287 Bowman Avenue Purchase, New York 10577	1,766,322(2)	6.0%	1,766,322(2)	4.6%
Tokarz Investments, LLC 287 Bowman Avenue Purchase, New York 10577	8,704,515(2)(3)	29.4%	8,704,515(2)(3)	22.7%
Fursa Alternative Strategies LLC, on behalf of certain funds and accounts affiliated with or managed by it or its affiliates 25 Smith Street Farmingdale, New York 11735	10,327,180(4)	33.0%	18,868,871(5)	47.4%
Thomas J. Lynch	590,000(6)	2.0%	590,000(6)	1.5%
Peter Cole	578,112(7)	2.0%	578,112(7)	1.5%

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Thomas Rende	320,544(8)	1.1%	320,544(8)	*
Linda LoRe	850,249(9)	2.8%	850,249(9)	2.2%
John L. Eisel	97,561(10)	*	97,561(10)	*
William F. Harley Fursa Alternative Strategies LLC 25 Smith Street Farmingdale, New York 11735	85,073(11)	*	85,073(11)	*

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Name and Address of Beneficial Owner(1)	Beneficial Ownership of Our Common Stock on March 29, 2010		Beneficial Ownership of Our Common Stock After the Debt Exchange and Preferred Stock Conversion (assuming a May 18, 2010 closing date)	
	Number of Shares	Percent of Class Before Debt Exchange	Number of Shares	Percent of Class After Debt Exchange
Michael A. Salberg	42,267(12)	*	42,267(12)	*
Joel M. Simon	78,738(10)	*	78,738(10)	*
Milton J. Walters	78,032(13)	*	78,032(13)	*
All directors and executive officers as a group (9 and 7 individuals, respectively)	2,720,576(14)	8.9%	2,599,571(15)	6.6%

\* Less than 1%.

- (1) Unless otherwise noted, the business address of each of (a) Thomas J. Lynch, Peter Cole, Thomas Rende, John L. Eisel, Michael A. Salberg, Joel M. Simon and Milton J. Walters is c/o Frederick's of Hollywood Group Inc., 1115 Broadway, New York, New York 10010 and (b) Linda LoRe is c/o Frederick's of Hollywood Group Inc., 6255 Sunset Boulevard, Sixth Floor, Hollywood, California 90028.
- (2) According to a Schedule 13D, dated January 28, 2008, and filed with the SEC on February 5, 2008, Michael T. Tokarz is the sole controlling person and manager of each of TTG Apparel, LLC and Tokarz Investments, LLC.
- (3) Includes 317,538 shares of common stock issuable upon exercise of currently exercisable warrants.
- (4) Represents (a) 8,386,960 shares of common stock, (b) 317,538 shares of common stock issuable upon exercise of currently exercisable warrants and (c) 1,622,682 shares of common stock issuable upon conversion of 3,629,325 shares of Series A preferred stock. Of these securities, the following securities are subject to a Pledge Agreement between Fursa Master Global Event Driven Fund LP and Scotia Capital (USA) Inc. ("Pledge Agreement"): (i) 6,534,145 shares of common stock, (ii) 317,538 shares of common stock issuable upon exercise of currently exercisable warrants and (iii) 901,618 shares of common stock issuable upon conversion of 2,016,578 shares of Series A preferred stock.
- (5) Represents (a) 8,386,960 shares of common stock, (b) 317,538 shares of common stock issuable upon exercise of currently exercisable warrants and (c) an aggregate of 10,164,373 shares of common stock to be issued or issuable upon the consummation of the debt exchange and preferred stock conversion transaction as follows: (i) 6,761,621 shares of common stock upon the exchange of \$14,285,600 of Tranche C debt; (ii) 1,902,752 shares of common stock upon the conversion of 3,629,325 shares of Series A preferred stock and \$1,294,500 of accrued dividends; and (iii) 1,500,000 shares of common stock issuable upon exercise of warrants. Of these securities, the following securities are subject to the Pledge Agreement: (A) 6,534,145 shares of common stock; (B) 317,538 shares of common stock issuable upon exercise of currently exercisable warrants; and (C) an aggregate of 5,660,491 shares of common stock to be issued or issuable upon the consummation of the debt exchange and preferred stock

conversion transaction as follows: (I) 3,767,913 shares of common stock upon the exchange of \$7,960,671 of Tranche C debt, (II) 1,057,235 shares of common stock issuable upon conversion of 2,016,578 shares of Series A preferred stock and \$720,900 of accrued dividends; and (III) 835,343 shares of common stock issuable upon exercise of warrants.

(6) Includes (a) currently exercisable options to purchase 240,000 shares of common stock and (b) 100,000 shares of restricted stock, of which 50,000 shares are vested and 50,000 shares will vest on January 2, 2011. Excludes options to purchase 120,000 shares of common stock that are not exercisable within 60 days of March 29, 2010. Also excludes 2,907,051 shares of common stock issued in a private placement to accredited investors in March 2010, pursuant to which Mr. Lynch was granted a proxy to vote such shares at the meeting in connection with the debt exchange and preferred stock conversion proposal. Mr. Lynch intends to vote these shares in favor of this proposal.

- (7) Includes (a) 50,000 shares of common stock held by Performance Enhancement Partners, LLC and (b) currently exercisable options to purchase 162,500 shares of common stock granted to Performance Enhancement Partners, LLC. Peter Cole, as sole member of Performance Enhancement Partners, has voting and dispositive power over these shares.
- (8) Includes (a) currently exercisable options to purchase 161,250 shares of common stock, (b) 157,644 shares of common stock held jointly with Mr. Rende's spouse and (c) 1,650 shares of common stock owned by Mr. Rende's spouse. Excludes options to purchase 30,000 shares of common stock that are not exercisable within 60 days of March 29, 2010. Also excludes 2,907,051 shares of common stock issued in a private placement to accredited investors in March 2010, pursuant to which Mr. Rende was granted a proxy to vote such shares at the meeting in connection with the debt exchange and preferred stock conversion proposal. Mr. Rende intends to vote these shares in favor of this proposal.
- (9) Includes (a) currently exercisable options to purchase 500,249 shares of common stock and (b) 200,000 shares of restricted stock, of which 100,000 shares are vested and 50,000 shares vest on each of December 31, 2010 and 2011. Excludes options to purchase 85,113 shares of common stock that are not exercisable within 60 days of March 29, 2010.
- (10) Includes currently exercisable options to purchase 6,000 shares of common stock.
- (11) As Chief Investment Officer of Fursa Alternative Strategies LLC, William F. Harley exercises voting and dispositive power over shares beneficially owned by 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, described in Footnotes 4 and 5 above. Mr. Harley disclaims beneficial ownership of the shares described in Footnotes 4 and 5 above except to the extent of his pecuniary interest therein.
- (12) Represents (a) 36,267 shares of common stock owned by Mr. Salberg's spouse and (b) currently exercisable options to purchase 6,000 shares of common stock.
- (13) Includes (a) 22,835 shares of common stock held by Sagebrush Group, Inc. and (b) currently exercisable options to purchase 26,718 shares of common stock. Excludes options to purchase 4,452 shares of common stock that are not exercisable within 60 days of March 29, 2010. Milton Walters, as the sole shareholder of Sagebrush Group, Inc. has voting and dispositive power over the shares held by Sagebrush Group, Inc.
- (14) Includes an aggregate of 1,108,717 shares of common stock that Thomas J. Lynch, Peter Cole, Thomas Rende, Linda LoRe, John L. Eisel, Michael A. Salberg, Joel M. Simon and Milton J. Walters have the right to acquire upon exercise of outstanding options that are exercisable within 60 days of March 29, 2010.
- (15) Includes an aggregate of 1,096,717 shares of common stock that Thomas J. Lynch, Peter Cole, Thomas Rende, Linda LoRe, John L. Eisel and Milton J. Walters have the right to acquire upon exercise of outstanding options that are exercisable within 60 days of March 29, 2010.

## DIRECTOR ELECTION PROPOSAL

Our board of directors currently consists of nine members. All directors hold office until the next Annual Meeting of Shareholders and until their successors have been elected and qualified. In order to streamline our board of directors and improve its efficiency, our nominating and governance committee determined to recommend to our board of directors a slate of director nominees that reflects a reduction in the current size of the board from nine to six members. Accordingly, the board of directors nominated Thomas J. Lynch, Linda LoRe, Peter Cole, John L. Eisel, William F. Harley and Milton J. Walters to serve as directors until the next Annual Meeting of Shareholders and until their successors have been elected and qualified. Thomas Rende, Michael Salberg and Joel M. Simon, who are current directors, were not nominated for reelection.

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 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.

Unless authority is withheld, the proxies solicited by the board of directors will be voted "FOR" the election of these nominees. In case any of the nominees becomes unavailable for election to the board of directors, an event which is not anticipated, the persons named as proxies, or their substitutes, will have full discretion and authority to vote or refrain from voting for any other candidate in accordance with their judgment. The six nominees for directors, their current positions, term of office and business background are set forth below.

## Information Concerning Nominees for Directors

Name	Age	Position	Director Since
Thomas J. Lynch	41	Chairman and Chief Executive Officer	2008
Linda LoRe	56	President and Director	2008
Peter Cole	61	Director	2004
John L. Eisel(1)(3)	61	Director	2004
William F. Harley(3)	46	Director	2008
Milton J. Walters(1)(2)(3)	67	Director	2008

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- (1) Member of the Audit Committee  
(2) Member of the Compensation Committee  
(3) Member of the Nominating and Governance Committee

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT OUR SHAREHOLDERS VOTE  
"FOR" THE ELECTION OF EACH OF THE NOMINEES.

Thomas J. Lynch became our Chief Executive Officer in January 2009 and our Chairman of the Board in May 2009 and has been a member of our board of directors since the completion of the merger in January 2008. From February 2007 to December 2008, he served as Chief Executive Officer of Fursa Alternative Strategies LLC. From July 2006 to January 2007, Mr. Lynch was a Managing Director at UBS, an investment bank and global asset management business. From August 2000 to May 2006, Mr. Lynch was Managing Director and Senior Vice-President of Mellon Asset Management. Mr. Lynch was a member of the Mellon Asset Management Senior Management Committee and was a thought leader in global distribution strategies and strategic planning. Mr. Lynch had direct management responsibility for a \$356 billion (Assets Under Management) institutional asset management business. From 1995 to 2000, Mr. Lynch was Northeast Regional Vice President for Fortis Inc. and was responsible for strategic management,



training, marketing and thought leadership. From 1990 to 1995, Mr. Lynch was employed by Phoenix Inc. and The Paul Revere Insurance Group serving in various strategic and management roles. Mr. Lynch is a former board member of The Massachusetts Society for the Prevention of Cruelty to Children. Mr. Lynch received a B.A. degree from St. Anselm College and attended The Brandeis University International Business School.

Linda LoRe has served as our President since February 2009, as President and Chief Executive Officer of the retail division and a member of our board of directors since the completion of the merger in January 2008, and as President and Chief Executive Officer of FOH Holdings since July 1999. From 1991 to 1999, Ms. LoRe was President and Chief Executive Officer of Giorgio Beverly Hills. Ms. LoRe has 36 years of experience in retail and wholesale including 19 years as a chief executive officer. Ms. LoRe has been a member of the board of directors of FOH Holdings since October 1998 and of its subsidiaries since 1999. Ms. LoRe also is a member of the Trusteeship of the International Women's Forum, for which she previously served on the Board, The Women's Leadership Board for the Kennedy School of Government at Harvard University, the Board of Advisors for the Fashion Institute of Design Merchandising (FIDM) and the United States Air Force, as its Entertainment and Industry Liaison emeritus. In addition, Ms. LoRe is the founding board member of the Youth Mentoring Connection, which serves at-risk youth in Southern California. Ms. LoRe attended California State University at Long Beach.

Peter Cole has served as a member of our board of directors since April 2004 and was our Executive Chairman from January 2008 to May 2009. From January 2007 to January 2008, he served as the lead Movie Star director to facilitate the timely and successful completion of our merger with FOH Holdings. Since October 2005, Mr. Cole has been the managing member of Performance Enhancement Partners, LLC, a private consulting firm that he founded. From April 2001 through July 2005, Mr. Cole served as Chairman of the Board and Chief Executive Officer of Qwiz, Inc., a leading provider of pre-employment competency assessment solutions and training needs analysis. Prior to joining Qwiz, Inc., Mr. Cole was a Managing Director at Citibank, where he was responsible for one of its global capital markets businesses. At both Qwiz and Citibank, Mr. Cole successfully integrated acquired companies into existing core businesses. Mr. Cole serves as a director and member of the audit committee of Qwiz Holdings, LLC. Mr. Cole received a B.A. degree in economics from the University of Vermont.

John L. Eisel has been a member of our board of directors since April 2004. Since 1980, Mr. Eisel has been a partner at Wildman, Harrold, Allen & Dixon LLP, a law firm located in Chicago, Illinois that he joined in 1975. Mr. Eisel's primary areas of practice are mergers and acquisitions and securities regulation and he is a member of his firm's Executive Committee. Mr. Eisel received a B.S. degree in accounting and a J.D. degree from the University of Illinois.

William F. "Mickey" Harley, III has been a member of our board of directors since the completion of the merger in January 2008. Mr. Harley is President and Chief Investment Officer of Fursa, which he co-founded in April 1999 (as HBV Capital Management, LLC) and then sold to Mellon Financial Corporation in July 2002 (at which time it was re-named Mellon HBV Alternative Strategies LLC). Mr. Harley served as Chief Investment Officer and Chief Executive Officer of Fursa from July 2002 until he purchased it from Mellon in December 2006. Mr. Harley is principally responsible for Fursa's investment decisions. From June 1996 to April 1999, Mr. Harley was the Head of Research at Milton Partners, L.P. ("Milton"), a hedge fund manager specializing in arbitrage funds. Before joining Milton, Mr. Harley was a Vice President and Director of Allen & Company, where he was responsible for the day-to-day management and investment strategies of the arbitrage department. From January 2003 to April 2006, Mr. Harley served as a director of FOH Holdings. He was reappointed as a director of FOH Holdings in April 2007. Mr. Harley also currently serves on the board of directors of Xemplar Energy Corporation (TSX Venture: XE) and previously served on the board of directors of and J.L. French Automotive Castings, Inc., Metromedia International Group, Inc., Integral Systems, Inc., Coastal Greenland Limited and Interboro Insurance. Mr. Harley received a Masters degree in public and private management from Yale University's School of Management and a B.S. degree in chemical engineering and a B.A. degree in economics from Yale University.

Milton J. Walters has been a member of our board of directors since the completion of the merger in January 2008. Since August 1999, he has been the President and Chief Executive Officer of Tri-River Capital, an investment banking financial management and valuation service provider which he founded. Mr. Walters has been a director of FOH Holdings since January 2003. Mr. Walters is also a director of DecisionOne and Sun Healthcare Group (NASDAQ: SUNH). He has more than 40 years of investment banking experience including AG Becker and its

successor Warburg Paribas Becker (1965-1984), Smith Barney (1984-1988), Prudential Securities (1997-1999) and Tri-River Capital (1988-1997 and 1999 to present). Mr. Walters is a member of the Economics Club of New York and the National Association of Corporate Directors. He is a former Trustee of Hamilton College and Friends Academy. Mr. Walters received an A.B. degree from Hamilton College.

## Meetings and Committees of the Board of Directors

During the year ended July 25, 2009, our board of directors met nine times and acted by unanimous written consent on nine occasions. All of our directors attended the 2009 Annual Meeting of Shareholders. Although we do not have a formal policy regarding director attendance at annual shareholder meetings, we attempt to schedule annual meetings so that all directors can attend. In addition, we expect our directors to attend all board meetings and the meetings of the committees of the board upon which they serve and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. No member of the board of directors attended fewer than 75% of the total number of meetings of the board and committees upon which they served during fiscal year 2009. We have standing audit, compensation and nominating and governance committees. We also had an indemnity claims committee comprised of Joel M. Simon and Milton J. Walters (co-chairmen), which was responsible for making determinations regarding pursuing and responding to indemnification claims under our merger agreement with FOH Holdings. Following the expiration of the indemnification period under the merger agreement on July 28, 2009 and the release of the shares held in escrow to cover indemnification obligations on August 12, 2009, the term of the indemnity claims committee expired.

## Independence of Directors

As our common stock is listed on the NYSE Amex, we are subject to the rules of this exchange applicable to determining whether a director is independent. The board of directors also consults with our counsel to ensure that the board's determinations are consistent with those rules and all relevant securities and other laws and regulations regarding the independence of directors. The NYSE Amex listing standards define an "independent director" generally as a person, other than an officer of a company, who does not have a relationship with the company that would interfere with the director's exercise of independent judgment. As a "smaller reporting company," the exchange requires that at least 50% of the board of directors be considered independent, as determined by the board. Consistent with these considerations, the board of directors affirmatively has determined that Messrs. Eisel, Harley and Walters will be our independent directors for 2010. Mr. Lynch and Ms. LoRe are not independent because they are current employees. Mr. Cole is not independent because he served as an executive officer during fiscal year 2009.

## Code of Ethics

In August 2008, the board of directors adopted an amended and restated code of ethics that applies to our directors, officers and employees as well as those of our subsidiaries. The code of ethics was filed with the SEC on August 21, 2008 as Exhibit 14 to our Current Report on Form 8-K, dated August 15, 2008. Our code of ethics can be found on our corporate website at [www.fohgroup.com](http://www.fohgroup.com). In addition, requests for copies of the code of ethics should be sent in writing to Frederick's of Hollywood Group Inc., 1115 Broadway, New York, New York 10010, Attention: Corporate Secretary.

## Compensation Committee Information

Our compensation committee is currently comprised of Michael Salberg (chairman), Joel M. Simon and Milton J. Walters, each an independent director under the NYSE Amex listing standards. Following the Annual Meeting, the compensation committee will be comprised of William F. Harley (chairman), John L. Eisel and Milton J. Walters. During the fiscal year ended July 25, 2009, the compensation committee met once and acted by unanimous consent on one occasion. The responsibilities of the compensation committee include:

- Establishing the general compensation policy for our executive officers, including the chief executive officer;
- Administering our equity compensation plans; and

- Determining who participates in each of these plans, establishing performance goals and target payouts, and determining specific grants and bonus awards to participants.

## Nominating and Governance Committee Information

### General

Our nominating and governance committee, which held one meeting during fiscal year 2009, is currently comprised of Milton J. Walters (chairman), John L. Eisel and William F. Harley, each an independent director under the NYSE Amex listing standards. Following the Annual Meeting, Mr. Eisel will become chairman of this committee. The nominating and governance committee is responsible for overseeing the selection of persons to be nominated to serve on the board of directors. The nominating and governance committee considers persons identified by its members, management, shareholders, investment bankers and others. There have been no material changes to the procedures by which security holders may recommend nominees to the board.

In August 2008, the board of directors adopted an amended and restated nominating and governance committee charter, which includes guidelines for selecting nominees and a method by which shareholders may propose to the nominating committee candidates for selection as nominees for directors. Our amended and restated nominating and governance committee charter and guidelines can be found on our corporate website at [www.fohgroup.com](http://www.fohgroup.com).

### Guidelines for Selecting Director Nominees

The guidelines for selecting nominees generally provide that persons to be nominated should be actively engaged in business endeavors, have an understanding of financial statements, corporate budgeting and capital structure, be familiar with the requirements of a publicly traded company, be familiar with industries relevant to our business endeavors, be willing to devote significant time to the oversight duties of the board of directors of a public company, and be able to promote a diversity of views based on the person's education, experience and professional employment. The nominating and governance committee evaluates each individual in the context of the board as a whole, with the objective of recommending a group of persons that can best implement our business plan, perpetuate our business and represent shareholder interests. The nominating and governance committee may require certain skills or attributes, such as financial or accounting experience, to meet specific board needs that arise from time to time. The nominating and governance committee does not distinguish among nominees recommended by shareholders and other persons.

### Procedure for Shareholders to Recommend Director Candidates

Shareholders and others who wish to recommend candidates to the nominating and governance committee for consideration as directors must submit their written recommendations to the nominating committee and include all of the information described in the section "Shareholder Proposals and Nominations."

## Audit Committee Information and Report

### General

Our audit committee, which met six times during fiscal year 2009 and acted by unanimous consent on one occasion, consists of Joel M. Simon (chairman), John L. Eisel and Milton J. Walters, each an independent director under the NYSE Amex listing standards. Following the Annual Meeting, the audit committee will be comprised of Milton J. Walters (chairman) and John L. Eisel. As required by the NYSE Amex, since we are a "smaller reporting company," our audit committee is comprised of at least two independent directors who are also "financially literate." The NYSE Amex standards define "financially literate" as being able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement.

### Financial Expert on Audit Committee

We must certify to the NYSE Amex that the audit committee has, and will continue to have, at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background that results in the individual's financial sophistication. The board of directors has determined that John L Eisel and Milton J. Walters both satisfy the NYSE Amex's definition of financial sophistication and also both qualify as "audit committee financial experts," as defined under the rules and regulations of the SEC.

## Audit Committee Pre-Approval Policies and Procedures

In accordance with Section 10A(i) of the Securities Exchange Act of 1934, before we engage our independent registered public accounting firm to render audit or permitted non-audit services, the engagement is approved by the audit committee. The audit committee approved all of the fees referred to in the section below entitled "Principal Accountant Fees" for fiscal year 2009.

## Principal Accountant Fees

On January 5, 2009, we were notified that, effective December 31, 2008, the shareholders of Mahoney Cohen & Company, CPA, P.C. ("Mahoney Cohen") became shareholders of Mayer Hoffman McCann P.C. pursuant to an asset purchase agreement and that Mahoney Cohen resigned as our independent registered public accounting firm. The New York practice of Mayer Hoffman McCann P.C. now operates under the name MHM Mahoney Cohen CPAs ("MHM"). In January 2009, the audit committee engaged MHM as our independent registered public accounting firm. Deloitte & Touche LLP ("Deloitte & Touche") served as FOH Holdings' independent registered public accounting firm for the partial year period from July 29, 2007 until February 26, 2008.

The following table summarizes the aggregate fees (rounded to the nearest \$1,000) billed to us for professional services for the year ended July 25, 2009 and for the period January 28, 2008 (the closing date of the merger) through July 26, 2008, and billed to FOH Holdings for the period July 29, 2007 through January 28, 2008:

	Years Ended,	
	July 25, 2009	July 26, 2008
Audit Fees	\$ 415,000(1)	\$ 1,161,000(2)
Audit Related Fees	21,000(3)	506,000(4)
Tax Fees	115,000(5)	284,000(6)
	\$ 551,000	\$ 1,951,000

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- (1) Represents the aggregate fees billed by MHM and Mahoney Cohen for professional services rendered in connection with the audit of our consolidated financial statements, and review of the consolidated financial statements included in our Quarterly Reports on Form 10-Q.
- (2) Represents the aggregate fees billed by Deloitte & Touche for professional services rendered in connection with the audit of our consolidated financial statements, and review of the consolidated financial statements included in our Quarterly Reports on Form 10-Q, except for \$214,000, which was billed by Mahoney Cohen for these same services in fiscal year 2008.
- (3) Represents the aggregate fees billed by MHM and Mahoney Cohen in connection with their reviews of various SEC filings and employee benefit plan audits.
- (4) Represents fees billed by Deloitte & Touche in connection with our registration statement and proxy statement filings.
- (5) Represents the aggregate fees billed by MHM and Mahoney Cohen for professional services rendered for tax compliance, tax advice and tax planning.