

FREDERICK'S OF HOLLYWOOD GROUP INC /NY/
Form PRER14A
April 15, 2014

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

FREDERICK S OF HOLLYWOOD GROUP 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, Par Value \$0.01 Per Share, of Frederick s of Hollywood Group Inc.

(2) Aggregate number of securities to which transaction applies:
11,594,575 shares of Common Stock and 360,000 shares of Common Stock underlying outstanding options with an exercise price of \$0.27 or less.

(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):

In accordance with Exchange Act Rule 0-11(c), the filing fee of \$407.19 was determined by multiplying 0.00012880 by the aggregate merger consideration of \$3,161,435.25. The aggregate merger consideration was calculated based on the sum of (i) 11,594,575 outstanding shares of Common Stock as of January 22, 2014 to be acquired pursuant to the merger multiplied by the merger consideration of \$0.27 per share and (ii) 360,000 outstanding shares of Common Stock underlying outstanding options as of January 22, 2014 to be acquired pursuant to the merger with an exercise price of \$0.27 or less multiplied by the excess of the merger consideration of \$0.27 per share over the weighted average exercise price of \$0.184.

(4) Proposed maximum aggregate value of transaction:
\$3,161,435.25

(5) Total fee paid:
\$407.19

x 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:

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PRELIMINARY COPY SUBJECT TO COMPLETION

Frederick's of Hollywood Group Inc.
6255 Sunset Boulevard
Hollywood, CA 90028

[], 2014

Dear Shareholder of Frederick's of Hollywood Group Inc.:

You are cordially invited to attend a special meeting of the shareholders of Frederick's of Hollywood Group Inc., a New York corporation (the Company, we, our or us), which we will hold at our principal executive offices located 6255 Sunset Boulevard, 6th Floor, Hollywood, California 90028, on [], 2014, at 10:00 a.m. local time.

At the special meeting, holders of our common stock, par value \$0.01 per share, will be asked to consider and vote upon a proposal to adopt and approve an Agreement and Plan of Merger (as it may be amended from time to time, the Merger Agreement), dated as of December 18, 2013, as amended on April 14, 2014, by and among the Company, FOHG Holdings, LLC, a Delaware limited liability company (Parent), and FOHG Acquisition Corp., a New York corporation and wholly owned subsidiary of Parent (Merger Sub). Pursuant to the Merger Agreement, Merger Sub will merge with and into the Company and the separate corporate existence of Merger Sub will cease. The Company will be the surviving corporation in the merger and will continue to be a New York corporation after the merger.

If the merger is completed, then each share of our common stock will be converted into the right to receive \$0.27 in cash (other than shares held by the Rollover Shareholders (as defined below), shares held by us or any wholly owned subsidiary of ours and shares held in our treasury). Immediately prior to the merger, HGI Funding, LLC (HGI Funding), a wholly owned subsidiary of Harbinger Group Inc., TTG Apparel, LLC (TTG) and Tokarz Investments, LLC (TKZ), each of which is controlled by Michael Tokarz, and Fursa Alternative Strategies LLC (Fursa) and Arsenal Group, LLC (Arsenal), each of which is controlled by William F. Harley III, a member of our Board of Directors, and Mr. Harley individually (collectively, the Rollover Shareholders) will cause all of their shares of our capital stock to be contributed to Parent in exchange for an increase in their equity interests in Parent. As a result of the merger, the Company will be privately owned and will be controlled by the Rollover Shareholders through their ownership of Parent.

The Rollover Shareholders, as a group, may be deemed to beneficially own 91,257,883 shares, or 88.7%, of our common stock, including 63,579,204 shares that they have the right to acquire pursuant to convertible preferred stock, warrants and options held by them.

In order to evaluate the fairness of the merger to our shareholders, the Company's Board of Directors delegated to its lead independent, disinterested director, Milton Walters (the Lead Director), authority to consider and negotiate the terms and conditions of the merger with Parent and to make a recommendation to the Board of Directors. The Lead Director, based in part on advice from his legal and financial advisors, determined that the merger and the Merger Agreement were fair to and in the best interests of the Company and its shareholders (other than the Rollover Shareholders and their respective affiliates and associates), and recommended that the Board of Directors approve the merger and the Merger Agreement, and that the Company's shareholders vote for the approval of the merger and adoption of the Merger Agreement. Based on the Lead Director's recommendation, our Board of Directors approved the merger and the Merger Agreement. Mr. Harley, who is a Rollover Shareholder, and Thomas J. Lynch, who is our

chairman and chief executive

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officer and who has received a new employment agreement which will take effect if the merger is completed and under which he will receive equity in Parent as described in the enclosed proxy statement, recused themselves from the deliberations.

At the special meeting, you will also be asked to approve, by non-binding, advisory vote, compensation that may become payable to our named executive officers (as defined in Item 402 of Regulation S-K of the Exchange Act) in connection with the merger.

Our Board of Directors (other than Messrs. Harley and Lynch) unanimously recommends that the shareholders of the Company vote FOR the proposal to approve the merger and adopt the Merger Agreement and FOR the non-binding, advisory proposal to approve compensation that may become payable to the Company's named executive officers in connection with the merger. In arriving at its recommendation to approve the merger and adopt the Merger Agreement, our Board of Directors and the Lead Director carefully considered a number of factors that are described in the enclosed proxy statement, including that (i) the Company has not reported an operating profit since fiscal year 2007, (ii) since that time the Company has suffered from negative working capital and, in many years, deficit equity and (iii) no firm or economically viable offers for strategic transactions resulted from the marketing efforts in which the Company engaged during 2012 and 2013 or from the solicitation permitted under the Merger Agreement.

The enclosed proxy statement describes the Merger Agreement, the merger and related agreements and provides specific information concerning the special meeting. In addition, you may obtain information about us from documents filed with the Securities and Exchange Commission. We urge you to, and you should, read the entire proxy statement carefully, including the appendices, as well as the Schedule 13E-3 relating to the Merger Agreement the transactions contemplated thereby, including the exhibits attached thereto, filed with the Securities and Exchange Commission, as they set forth the details of the Merger Agreement and other important information related to the merger.

The merger cannot be completed unless holders of two-thirds of the aggregate voting power of the outstanding shares of common stock vote in favor of approving the merger and adopting the Merger Agreement. Holders of common stock as of the record date have one vote for each share of common stock owned by the shareholder as of the close of business on the record date. Because the Rollover Shareholders beneficially hold more than two-thirds of our outstanding shares of common stock as of the record date, they can satisfy the required vote under New York law and the Merger Agreement to approve the merger and adopt the Merger Agreement without the affirmative vote of any of our other shareholders.

If you sign, date and return your proxy card without indicating how you wish to vote, your proxy will be voted in favor of the approval of the merger and adoption of the Merger Agreement and the approval of the non-binding, advisory proposal regarding compensation that may become payable to the Company's named executive officers in connection with the merger. If you fail to vote or submit your proxy, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the special meeting (unless you are a record holder as of the record date, or you obtain a legal proxy from your bank, broker or other nominee, and attend the special meeting in person) and will have the same effect as a vote against the approval of the merger and the adoption of the Merger Agreement.

While shareholders may exercise their right to vote their shares in person, we recognize that many shareholders may not be able to attend the special meeting. Accordingly, we have enclosed a proxy that will enable your shares to be voted on the matters to be considered at the special meeting even if you are unable to attend. If you desire your shares to be voted in accordance with the recommendation of our Board of Directors, you need only sign, date and return the

proxy in the enclosed postage-paid envelope. Otherwise, please mark the proxy to indicate your voting instructions; date and sign the proxy; and return it in the enclosed postage-paid envelope. You also may submit a proxy by using a toll-free telephone number or the Internet. We have provided instructions on the proxy card for using these convenient services.

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Submitting a proxy will not prevent you from voting your shares in person if you subsequently choose to attend the special meeting.

Sincerely,

Thomas J. Lynch
Chairman and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

This proxy statement is dated [], 2014 and is first being mailed to shareholders on or about [], 2014.

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**FREDERICK'S OF HOLLYWOOD GROUP INC.
6255 Sunset Boulevard
Hollywood, CA 90028**

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To the Shareholders of Frederick's of Hollywood Group Inc.:

NOTICE IS HEREBY GIVEN that a Special Meeting of the Shareholders of Frederick's of Hollywood Group Inc. (the Company, we, our or us) will be held at our principal executive offices located at 6255 Sunset Boulevard, 6th Floor, Hollywood, California 90028, on [], 2014, at 10:00 a.m. local time, for the following purposes:

1. to consider and vote on a proposal to approve the merger and adopt the Agreement and Plan of Merger (as it may be amended from time to time, the Merger Agreement), dated as of December 18, 2013, as amended on April 14, 2014, by and among the Company, FOHG Holdings, LLC, a Delaware limited liability company (Parent), and FOHG Acquisition Corp., a New York corporation and wholly owned subsidiary of Parent (Merger Sub), pursuant to which the Company will be merged with and into Merger Sub, with the Company surviving as wholly owned subsidiary of Parent;
2. to approve, by non-binding, advisory vote, compensation that may become payable to the Company's named executive officers (as defined in Item 402 of Regulation S-K of the Exchange Act) in connection with the merger; and
3. to act upon other business as may properly come before the special meeting (provided the Company does not know, at a reasonable time before the special meeting, that such matters are to be presented at the meeting) or any adjournment or postponement thereof.

The holders of record of our common stock, par value \$0.01 per share (Common Stock), voting as a class, as of the close of business on [], 2014, are entitled to notice of and to vote at the special meeting or at any adjournment thereof. All shareholders of record are cordially invited to attend the special meeting in person. A list of our shareholders will be available at our headquarters located at 6255 Sunset Boulevard, 6th Floor, Hollywood, California 90028, during ordinary business hours for ten days prior to the special meeting.

On September 26, 2013, HGI Funding, LLC (HGI Funding), a wholly owned subsidiary of Harbinger Group Inc., TTG Apparel, LLC (TTG) and Tokarz Investments, LLC (TKZ), each of which is controlled by Michael Tokarz, and Fursa Alternative Strategies LLC (Fursa) and Arsenal Group, LLC (Arsenal), each of which is controlled by William F. Harley III, a member of the Company's Board of Directors, entered into a non-binding consortium term sheet agreement. HGI Funding, TTG, TKZ, Fursa and Arsenal are collectively referred to herein as the Consortium Members. Parent and Merger Sub were formed by the Consortium Members for the purpose of acquiring us pursuant to the Merger Agreement. Under the term sheet, the Consortium Members agreed, among other things, to jointly deliver a non-binding proposal to the Company's Board of Directors for the acquisition of all of the Company's publicly held Common Stock in a going private transaction with the Company, and to use their commercially reasonable efforts to work together to structure, negotiate and do all things necessary or desirable, subject to the Company's approval, to enter into definitive agreements in respect of the transactions contemplated under the non-binding proposal.

The Consortium Members delivered to the Board of Directors their non-binding, written proposal to acquire all of the

outstanding shares of the Company's Common Stock that they did not directly or indirectly own on September 26, 2013. Following receipt of the Consortium Members' non-binding written proposal, in order to evaluate the fairness of the merger to our shareholders, the Company's Board of Directors delegated to its lead independent, disinterested director, Milton Walters (the Lead Director), authority to consider and negotiate the terms and conditions of the merger with Parent and to make a recommendation to the Board of Directors. As a result of these considerations and negotiations, and upon the recommendation of the Lead Director, the Board of Directors (other than Mr. Harley and Thomas J. Lynch, for the reasons discussed below) caused the Company to enter into the Merger Agreement and is making the recommendations to the Company's shareholders set forth herein.

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We have described the merger and the Merger Agreement in the accompanying proxy statement, which you should read in its entirety before voting. A copy of the Merger Agreement (including the amendment thereto) is attached as *Annex A* to the proxy statement.

Immediately prior to the merger, the Consortium Members and Mr. Harley (collectively, the Rollover Shareholders) will cause all of their shares of our capital stock to be contributed to Parent in exchange for an increase in their equity interests in Parent. As a result of the merger, the Company will be privately owned and will be controlled by the Rollover Shareholders through their beneficial ownership of Parent. The Consortium Members and Mr. Harley, as a group, may be deemed to beneficially own 91,257,883 shares, or approximately 88.7%, of the Company's Common Stock, including 63,579,204 shares that they have the right to acquire pursuant to convertible preferred stock, warrants and options held by them.

Mr. Harley, who is a Rollover Shareholder, and Mr. Lynch, who is our chief executive officer and who has received a new employment agreement which will take effect if the merger is completed and under which he will receive equity in Parent as described in the accompanying proxy statement, recused themselves from all discussions by the Board of

Directors relating to the merger negotiations (except to the extent their presence was specifically requested by the Lead Director) and all deliberations by the Board of Directors with respect to the approval of the merger and adoption of the Merger Agreement and related agreements. The Board of Directors (other than Messrs. Harley and Lynch), after receiving the recommendation of the Lead Director, has determined that the merger is fair, advisable, and in the best interests of the Company and its shareholders (other than the Rollover Shareholders and their respective affiliates and associates) and has adopted the Merger Agreement. **The Board of Directors (other than Messrs. Harley and Lynch) unanimously recommends that the shareholders of the Company vote FOR the proposal to approve the merger and adopt the Merger Agreement and FOR the non-binding, advisory proposal to approve compensation that may become payable to the Company's named executive officers in connection with the merger.** In arriving at its recommendation to approve the merger and adopt the Merger Agreement, the Board of Directors and the Lead Director carefully considered a number of factors that are described in the accompanying proxy statement, including that (i) the Company has not reported an operating profit since fiscal year 2007, (ii) since that time the Company has suffered from negative working capital and, in many years, deficit equity and (iii) no firm or economically viable offers for strategic transactions resulted from the marketing efforts in which the Company engaged during 2012 and 2013 or from the solicitation permitted under the Merger Agreement.

Under New York law, the approval of the merger and the adoption of the Merger Agreement require the affirmative vote of holders of two-thirds of the aggregate voting power of outstanding shares of Common Stock. The non-binding, advisory proposal to approve compensation that may become payable to the Company's named executive officers in connection with the merger requires the affirmative vote of holders of a majority of the voting power present in person or by proxy and entitled to vote thereon. Holders of Common Stock as of the record date have one vote for each share of Common Stock owned by the shareholder as of the close of business on the record date.

You also may submit a proxy by using a toll-free telephone number or the Internet. We have provided instructions on the proxy card for using these convenient services.

If you sign, date and return your proxy card without indicating how you wish to vote, your proxy will be voted in favor of the approval of the merger and adoption of the Merger Agreement and the non-binding, advisory proposal to approve compensation that may become payable to the Company's named executive officers in connection with the merger. If you fail to vote or submit your proxy (unless you are a record holder as of the record date, or you obtain a legal proxy from your bank, broker or other nominee, and you attend the special meeting in person), the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the special meeting and will have the same effect as a vote against the approval of the merger and the adoption of the Merger

Agreement, but will not affect the vote regarding the non-binding, advisory proposal to approve compensation that may become payable to the Company's named executive officers in connection with the merger.

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Your proxy may be revoked at any time before the vote at the special meeting by following the procedures outlined in the accompanying proxy statement. If you are a shareholder of record, attend the special meeting and wish to vote in person, you may revoke your proxy and vote in person.

BY ORDER OF THE BOARD OF DIRECTORS

Thomas Rende
Secretary

Dated [], 2014
Hollywood, California

YOUR VOTE IS IMPORTANT

Your vote is important, regardless of the number of shares of Common Stock you own. Whether or not you plan to attend the special meeting, please complete, sign, date and return the enclosed proxy. You also may submit a proxy by using a toll-free telephone number or the Internet. We have provided instructions on the proxy card for using these convenient services. Remember, if you do not return your proxy card or vote by proxy via telephone or the Internet or if you abstain from voting, that will have the same effect as a vote against approval of the merger and adoption of the Merger Agreement. If you are a shareholder of record, attend the special meeting and wish to vote in person, you may revoke your proxy and vote in person. **Even if you plan to attend the special meeting in person, we request that you complete, sign, date and return the enclosed proxy and thus ensure that your shares will be represented at the special meeting if you are unable to attend.**

If you have any questions or need assistance in voting your shares of Common Stock, please call our Secretary, Thomas Rende, at (212) 779-8300.

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