MOVIE STAR INC /NY/
Form S-1/A
November 27, 2007

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As filed with the Securities and Exchange Commission on November 27, 2007

Registration No. 333-143619

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 4
to
Form S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Movie Star, Inc.

(Exact name of Registrant as specified in its charter)

New York 2340

13-5651322 (State or other jurisdiction of
incorporation or organization) (Primary Standard Industrial
Classification Code number) (I.R.S. Employer
Identification Number)

1115 Broadway
New York, NY 10010
(212) 798-4700

(Address, including zip code, and telephone number,
including area code, of Registrant's principal executive offices)

Melvyn Knigin
President and Chief Executive Officer
Movie Star, Inc.
1115 Broadway
New York, NY 10010
(212) 798-4700

(Name, address, including zip code, and telephone number,
including area code, of agent for service)

Copies to:

David Alan Miller
Graubard Miller
405 Lexington Avenue, 19th Floor
New York, New York 10174
(212) 818-8800

Scott L. Kaufman
Cooley Godward Kronish LLP
1114 Avenue of the Americas
New York, New York 10036
(212) 479-6000

Approximate date of commencement of proposed sale to the public: From time to time after the registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

THIS REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE AN

AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 27, 2007

PROSPECTUS

11,363,636 Shares

Common Stock

We are distributing to our shareholders, at no charge, non-transferable subscription rights to purchase up to an aggregate of 11,363,636 shares of Movie Star common stock at a cash subscription price of $1.76 per share, which represents the average of the closing prices of our common stock for the 20 trading days ending on November 26, 2007, less a 15% discount. Each shareholder will receive one subscription right for each share of Movie Star common stock owned of record on November 27, 2007. Each subscription right will entitle the holder to purchase 0.691417 shares of Movie Star common stock, rounded down in the aggregate to the nearest whole number. We refer to this as the ‘‘basic subscription privilege.’’ Each subscription right will carry with it an over-subscription privilege for shares that are not otherwise purchased by other shareholders through the exercise of their basic subscription privilege.

The subscription rights will expire if they are not exercised by 5:00 p.m. Eastern Time on January 16, 2008, the expected expiration date of the rights offering. We may extend the period for exercising the subscription rights and we will only accept subscriptions once the conditions to the closing of the rights offering, as more fully described in this prospectus, have been satisfied or waived. Subscription rights that are not exercised by the expiration date of the rights offering will expire and will have no value. As the subscription rights are irrevocable, you should carefully consider whether or not to exercise your subscription rights before the expiration date.

Fursa Alternative Strategies LLC 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, and Tokarz Investments, LLC and TTG Apparel, LLC, have agreed, pursuant to the terms of a standby purchase agreement that we have entered into with them, to act as standby purchasers and in such capacities to purchase directly from us, after the subscription rights expire on January 16, 2008, at the same subscription price, the shares of our common stock offered but not purchased through the rights offering. Accordingly, even if the subscription rights are not exercised in full, we are assured of receiving $20 million in cash proceeds, before deducting the expenses of this rights offering. As consideration for these commitments, we will issue warrants with an exercise price equal to the subscription price of the shares offered in the rights offering, representing the right to purchase, in the aggregate, 1,193,182 shares of our common stock, or 10.5% of the total number of shares being offered in the rights offering. None of the standby purchasers, including Tokarz Investments, LLC and TTG Apparel, LLC, will acquire any of our common stock in the rights offering, and any shares that they may acquire following the expiration of the rights offering, will be purchased pursuant to their commitments under the standby purchase agreement.

	Per Share	Total
Purchase price to public	$ 1.76	$ 20,000,000
Estimated expenses	$ 0.15	$ 1,700,000
Proceeds, after expenses, to Movie Star	$ 1.61	$ 18,300,000

Investing in Movie Star common stock involves risks. You should consider carefully the risk factors beginning on page 15 before deciding whether to exercise your subscription rights.

Our common stock is listed on the American Stock Exchange under the symbol ‘‘MSI.’’ On November 26, 2007, the closing price for Movie Star common stock was $1.93 per share.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2007

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In this prospectus, all references to ‘‘Movie Star,’’ ‘‘we,’’ ‘‘us’’ and ‘‘our’’ refer to Movie Star, Inc. and its subsidiaries, excep 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 of Fred Merger Corp., a Delaware corporation and wholly-owned subsidiary of Movie Star, with and into FOH Holdings Inc., a Delaware corporation, as described below under the ‘‘Questions & Answers About the Rights Offering’’ and ‘‘Prospectus Summary’’ or (ii) Movie Star, Inc. as the parent company following the merger (which name will change to Frederick's of Hollywood Group Inc. upon consummation of the merger). In this prospectus, 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 prospectus, 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 prospectus, 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. In this prospectus, we sometimes refer to Fred Merger Corp. as Merger Sub, Fursa Alternative Strategies LLC as Fursa, Tokarz Investments, LLC as Tokarz Investments, TTG Apparel, LLC as TTG Apparel and Chanin Capital, LLC as Chanin.

You should rely only on the information and representations provided in this prospectus. We have not authorized anyone to provide you with supplemental information or to make any different representations in connection with any offering made by this prospectus. This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, in any state where the offer or sale is prohibited. Neither the delivery of this prospectus, nor any sale made under this prospectus shall, under any circumstances, imply that the information in this prospectus is correct as of any date after the date of this prospectus.

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QUESTIONS & ANSWERS ABOUT THE RIGHTS OFFERING

What is the rights offering?

The rights offering is a distribution, at no charge, of non-transferable subscription rights on a pro rata basis to all of our shareholders. We are distributing subscription rights for every share of Movie Star common stock held on November 27, 2007, the record date. We will issue 11,363,636 shares of Movie Star common stock in the rights offering and pursuant to the commitments of the standby purchasers, and will raise net proceeds of approximately $18.3 million after deducting estimated offering expenses. The closing of the rights offering is conditioned on (i) the satisfaction or waiver of the conditions specified in the merger agreement to the filing of the certificate of merger, as described below, other than the actual delivery of the various closing documents and (ii) our acceptance of subscriptions, which would occur immediately prior to the merger (and prior to any reverse stock split effected in connection with the merger).

What is the purpose of the rights offering?

On December 18, 2006, we entered into an Agreement and Plan of Merger and Reorganization (we refer to this agreement, as amended, as the merger agreement) with Fred Merger Corp., a Delaware corporation and wholly-owned subsidiary of Movie Star, and FOH Holdings, Inc., a Delaware corporation, the parent and sole stockholder of Frederick’s of Hollywood, Inc. FOH Holdings is owned by Tokarz Investments, LLC and certain funds and accounts affiliated with, managed by, or over which Fursa Alternative Strategies LLC 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, which currently owns 3,532,644 shares of our common stock. The merger agreement provides for a business combination transaction by means of a merger of Fred Merger Corp. with and into FOH Holdings in which FOH Holdings will be the surviving entity and become our wholly-owned subsidiary. In connection with the transactions contemplated by the merger agreement, we are distributing these subscription rights.

The rights offering is being made primarily to raise working capital to fund the expansion of new Frederick’s of Hollywood stores, the renovation of certain existing Frederick’s of Hollywood stores and other general corporate purposes. See ‘‘Use of Proceeds.’’

To ensure that we raise an aggregate of $20 million of gross proceeds through the issuance of shares of our common stock, we have entered into a standby purchase agreement with 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 (we collectively refer to these entities as the Fursa standby purchasers), Tokarz Investments and TTG Apparel, pursuant to which the Fursa standby purchasers, Tokarz Investments and TTG Apparel have each agreed to purchase shares not subscribed for in this 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. As consideration for these commitments, we will issue warrants with an exercise price equal to the subscription price of the shares being offered through the rights offering, representing the right to purchase in the aggregate 1,193,182 shares of our common stock, or 10.5% of the total number of new shares to be offered in this rights offering (we refer to these warrants as the guarantor warrants).

None of the standby purchasers, Tokarz Investments or TTG Apparel, will acquire any of our common stock in the rights offering, and any shares that they may acquire following the expiration of the rights offering will be purchased pursuant to their commitments under the standby purchase agreement. None of the shares of our common stock to be acquired by the standby purchasers is being covered by this prospectus and the sale of any of our common stock to the standby purchasers is not being registered under this prospectus.

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If I am a shareholder, how does the merger affect my ownership interest in Movie Star?

The issuance of shares of our common stock to the holders of FOH Holdings common stock in the merger will cause your percentage ownership of our outstanding shares of common stock to decline significantly. 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 7.5% Convertible Preferred Stock (we refer to this preferred stock as the Series A Preferred Stock) to be issued to certain Fursa affiliated entities that hold FOH Holdings indebtedness (we refer to these entities as the Fursa debt holders, and together with the Fursa standby purchasers, the Fursa managed accounts) in exchange for cancellation of $7.5 million of such indebtedness, our outstanding common stock will be owned as follows: (a) existing holders of Movie Star common stock, excluding TTG Apparel, will own approximately 32.2% of the outstanding common stock of Movie Star; (b) TTG Apparel, together with Tokarz Investments, will own approximately 38.3% of the outstanding common stock of Movie Star and (c) the Fursa managed accounts will beneficially own approximately 29.5% of the outstanding common stock of Movie Star.

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 38.8% 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, the issuance of the guarantor warrants as consideration for the commitments of the standby purchasers thereunder and the issuance of the Series A Preferred Stock and (ii) the Fursa managed accounts will beneficially own approximately 37.9% 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 of the guarantor warrants as consideration for the standby purchase commitment under the standby purchase agreement and the issuance of the Series A Preferred Stock.

If I am a shareholder, how will my ownership interest in Movie Star be affected by a potential 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 informed us that we would be obligated to satisfy the American Stock Exchange's original listing standards which, among other things, require that our common stock have a bid price of at least $2.00 per share.

If we believe that at the time of the closing of the merger our stock price will be below $2.00 per share, we intend to consummate a reverse stock split of our outstanding common stock immediately prior to the closing of the merger and following the closing of the rights offering, 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 the 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.

Any reverse stock split would become effective after the closing of the rights offering and prior to the closing of the merger. Accordingly, if the reverse stock split is effected, the number of shares each shareholder purchases through the rights offering will be reduced to reflect the reverse split.

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What is a subscription right?

Each full subscription right entitles a shareholder to purchase 0.691417 shares of Movie Star common stock, rounded down in the aggregate to the nearest whole number, at a subscription price of $1.76 per share and carries with it a basic subscription privilege and an over-subscription privilege.

What is the basic subscription privilege?

The basic subscription privilege of the subscription rights entitles you to purchase 0.691417 shares of Movie Star common stock, rounded down in the aggregate to the nearest whole number, at the subscription price for every subscription right that you hold; provided, however, that no holder will be entitled to subscribe for shares of Movie Star common stock in this rights offering that would result in such holder, together with its affiliates and associates (within the meanings set forth in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, or the Exchange Act) and any person who formed, joined or in any way participates in a group (within the meaning of Section 13d-5(b)(1) of the Exchange Act) with such holder, owning more than 4.9% of the total outstanding shares of Movie Star common stock immediately following the consummation of the transactions contemplated by the merger agreement.

What is the over-subscription privilege?

The over-subscription privilege included with the subscription rights entitles you, if you fully exercise your basic subscription privilege, to subscribe for additional shares of Movie Star common stock at the subscription price to the extent that other subscription rights holders do not exercise their subscription rights. If sufficient shares are available, we will honor all over-subscription requests in full; provided, however, that no holder will be entitled to subscribe for shares of Movie Star common stock in this rights offering that would result in such holder, together with its affiliates and associates (within the meanings set forth in Rule 12b-2 under the Exchange Act) and any person who formed, joined or in any way participates in a group (within the meaning of Section 13d-5(b)(1) of the Exchange Act) with such holder, owning more than 4.9% of the total outstanding shares of Movie Star common stock immediately following the consummation of the transactions contemplated by the merger agreement. If over-subscription requests exceed the shares available, we will allocate the available shares pro rata among those who exercise their over-subscription privilege based on the number of shares of Movie Star common stock held as of the record date.

When does the rights offering expire?

The rights offering expires at 5:00 p.m. Eastern Time on January 16, 2008. We may extend the expiration date in our sole discretion (subject to obtaining FOH Holdings' consent) and for any reason. See ''The Rights Offering — Expiration Date; Amendments and Termination.''

If I properly exercise my subscription rights prior to the expiration of the rights offering, will I be assured of receiving shares of common stock in the rights offering?

No. After the expiration of the rights offering, we will not accept subscriptions until the conditions to the closing of the rights offering have been satisfied or waived. The closing of the rights offering is conditioned on (i) the satisfaction or waiver of the conditions specified in the merger agreement to the filing of the certificate of merger, other than the actual delivery of the various closing documents and (ii) our acceptance of subscriptions, which would occur immediately prior to the merger (and prior to any reverse stock split effected in connection with the merger).

Am I required to subscribe in the rights offering?

No.

What happens if I choose not to exercise my subscription rights?

If you do not exercise any of your subscription rights, you will own the same number of shares that you owned immediately prior to the rights offering. However, your percentage equity ownership

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in the combined company will be reduced because the merger will reduce the percentage ownership of the persons who hold Movie Star common stock at the effective time of the merger and any shares of our common stock that are not subscribed by you in the rights offering will be purchased by other shareholders or by the standby purchasers directly from us following the expiration of the rights offering. Accordingly, for you to retain the equity percentage you owned in Movie Star immediately prior to the rights offering (without taking into account the dilutive effect of the merger), you must exercise all of your subscription rights. See ‘‘The Standby Purchase Commitment and Other Transactions’’ at page 132.

Will my percentage ownership of common stock be reduced by any other known issuance of Movie Star's common stock?

Your percentage ownership of our common stock may be further reduced as follows:

- If the standby purchasers elect to exercise the guarantor warrants to purchase up to 1,193,182 shares of our common stock, which will be issued to them by us as compensation for their standby purchase obligation.
- We have also authorized, subject to shareholder approval, the issuance of 100,000 shares of our common stock, in accordance with our 2000 Performance Equity Plan, as amended.
- In connection with the merger, 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 3,629,329 shares of our Series A Preferred Stock which will be convertible into 3,024,437 shares of our common stock.

May I sell or transfer my subscription rights if I do not want to purchase any shares?

No. The subscription rights are not transferable. Only shareholders on the record date may exercise the subscription rights that are distributed.

How do I exercise my subscription rights if my shares are held in my name?

If you hold shares directly, you will receive a subscription rights certificate. You may exercise your subscription rights by completing and signing the purchase form that appears on the back of each subscription rights certificate. You must then send the completed and signed form, along with payment in full of the subscription price for all shares of Movie Star common stock to be purchased through the basic subscription privilege and, if exercised, the over-subscription privilege, to American Stock Transfer & Trust Company, the Subscription Agent.

The Subscription Agent must receive these documents and the subscription payment by no later than the time and date the rights offering expires.

We have provided more detailed instructions on how to exercise your subscription rights under ‘‘The Rights Offering — Exercise of Subscription Rights’’ beginning on page 125 and with the subscription rights certificate accompanying this prospectus.

How do I exercise my subscription rights if my shares are held in the name of my broker, custodian bank or other nominee?

If you hold your shares in a brokerage account, custodian bank or by another nominee, you will not receive a subscription rights certificate. We will ask your broker, custodian bank or other nominee to notify you of the rights offering. If you wish to exercise your subscription rights, you will need to have your broker, custodian bank or other nominee act for you. To indicate your decision, you should complete and return to your broker, custodian bank or other nominee the form entitled ‘‘Beneficial Owner Election Form.’’ You should receive this form from your broker, custodian bank or other nominee with the other rights offering materials. You should contact your broker, custodian bank or other nominee if you do not receive this form, but you believe you are entitled to participate in this offering.

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What should I do if I want to participate in the rights offering and I am a shareholder in a foreign country or in the armed services?

The Subscription Agent will mail subscription certificates to you if you are a rights holder whose address is outside the United States or if you have an army post office or a fleet post office address. To exercise your subscription rights, you must notify the Subscription Agent on or prior to 5:00 p.m. Eastern Time on January 16, 2008, and take all other steps that are necessary to exercise your subscription rights, on or prior to that time. If you do not follow these procedures prior to the expiration of the rights offering, your subscription rights will expire.

If I exercise my subscription rights in the rights offering, may I cancel or change my decision?

No. All exercises of subscription rights are irrevocable.

Will I be charged a sales commission or a fee if I exercise my subscription rights?

We will not charge a brokerage commission or a fee to subscription rights holders for exercising their rights. However, if you exercise your subscription rights through a broker or nominee, you will be responsible for any fees charged by your broker or nominee.

If I am a current Movie Star shareholder, what are the United States federal income tax consequences of exercising my subscription rights?

A holder of Movie Star common stock generally should not recognize income or loss for federal income tax purposes in connection with the receipt or exercise of subscription rights in the rights offering. We urge you to consult your own tax advisor with respect to the particular tax consequences of the rights offering or the related share issuance to you. See ‘‘Material United States Federal Income Tax Consequences’’ beginning on page 143.

Are there risks involved in exercising my subscription rights?

Yes. You should read and carefully consider the information set forth under ‘‘Risk Factors’’ beginning on page 15 and the information contained elsewhere in this prospectus. You should decide whether to subscribe for Movie Star common stock based upon your own assessment of your best interests.

What is the recommendation of Movie Star’s board of directors regarding the rights offering?

Movie Star’s board of directors makes no recommendation as to whether or not you should subscribe for additional shares of Movie Star common stock.

Whom should I contact with questions?

If you have questions or need assistance on how to subscribe for shares, you may contact Morrow & Co. Inc., our Information Agent for the rights offering, at the following telephone number and address:

Morrow & Co., Inc.
470 West Avenue, 3rd Floor
Stamford, Connecticut 06902
Tel: (800) 607-0088

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PROSPECTUS SUMMARY

You should read the following summary together with the entire prospectus, including the more detailed information in our and FOH Holdings' financial statements and related notes referred to elsewhere in this prospectus. You should carefully consider, among other things, the matters discussed in ''Risk Factors.''

MOVIE STAR, INC.

Our Business

Movie Star designs, manufactures (through independent contractors), imports, markets and distributes an extensive line of 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. Our products include pajamas, nightgowns, baby dolls, nightshirts, dusters, shifts, caftans, sundresses, rompers, short sets, beachwear, peignoir ensembles, robes, leisurewear, panties and daywear consisting of bodysuits, soft bras, slips, half-slips, teddies, camisoles and cami tap sets. These products are manufactured in various fabrics, designs, colors and styles depending upon seasonal requirements, changes in fashion and customer demand. Retail prices for our products range from approximately $5.00 for products such as nightshirts, to approximately $85.00 for products such as peignoir sets. We maintain an in-house design staff, which affords us the flexibility to work with merchandise buyers on fashion design and price points.

Our Corporate Information

Since our incorporation in 1935, we have competed on the basis of our fashion-forward designs, the desirability of our fabrics and styles, price, quality and the reliability of our service and delivery.

In August 2004, we acquired certain assets of Sidney Bernstein & Son Lingerie, Inc., a company engaged in the design, marketing and sale of women's lingerie and related apparel and accessories. This acquisition enabled us to broaden our customer base to include discount chains and other retailers that sell similar products at lower price points than our other product lines.

The intimate apparel business for department stores, specialty stores and regional chains is divided into four selling seasons per year. For each selling season, we create a new line of products that represents our own brand name, Cinema Etoile®. Our brand name does not have widespread consumer recognition, although it is well known to our customers. We sell our brand name products primarily during these selling seasons. We also develop specific products for some of our larger accounts, mass merchandisers and national chains, and make between five and eight presentations throughout the year to these accounts. Since we do not have long-term contracts with any of our customers, our business is subject to unpredictable increases and decreases in sales depending upon the size and number of orders that we receive each time we present our products.

On December 18, 2006, we entered into a merger agreement with FOH Holdings and Fred Merger Corp., our wholly-owned subsidiary. Under the terms of the merger agreement, Fred Merger Corp. will be merged with and into FOH Holdings, with FOH Holdings continuing as the surviving corporation as our wholly-owned subsidiary. Upon the consummation of the merger, we will change our name to ''Frederick's of Hollywood Group Inc.''

Our board of directors unanimously approved the merger agreement and the transactions contemplated thereby on the unanimous recommendation of a special committee. The special committee engaged special legal counsel and Chanin

Capital, LLC to serve as its financial advisor. On December 18, 2006, Chanin Capital, LLC delivered its opinion to the special committee on which our board of directors was entitled to rely, stating that, as of the date of the opinion, the consideration to be paid by us to the holders of FOH Holdings common stock is fair to the holders of our common stock from a financial point of view.

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Approximately 50% of FOH Holdings common stock is owned by Tokarz Investments, an affiliate of TTG Apparel, which is a current shareholder of Movie Star owning 3,532,644 shares of our common stock. The other approximately 50% of FOH Holdings common stock is owned by accounts and funds managed by and/or affiliated with Fursa Alternative Strategies, LLC.

The completion of the merger and this rights offering is subject to various conditions, including obtaining the requisite approval by our shareholders of (i) the issuance of shares of our common stock in connection with the transactions contemplated by the merger agreement and (ii) an amendment to our certificate of incorporation to (a) increase the number of authorized shares of our common stock to 200,000,000 shares and (b) authorize the issuance of up to 10,000,000 shares of preferred stock as more fully described below. The merger agreement also includes customary termination provisions for both Movie Star and FOH Holdings and provides that, in connection with the termination of the merger agreement under specified circumstances relating to our receipt of a proposal that is superior to the transaction with FOH Holdings, we may be required to pay FOH Holdings a termination fee of $300,000 plus the reimbursement of the reasonable fees and expenses of FOH Holdings and its stockholders relating to the merger.

In connection with the merger and related transactions, we have filed a proxy statement on Schedule 14A with the Securities and Exchange Commission, which we refer to as the proxy statement. Pursuant to the proxy statement, we are calling a special meeting of our shareholders in lieu of our annual meeting and asking our shareholders to vote on proposals to:

- approve the issuance of 39,370,436 shares of our common stock in connection with the merger, this 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 immediately prior to 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;
- adopt an Amended and Restated 2000 Performance Equity Plan to increase the number of shares of common stock available for issuance under the plan from 750,000 shares to 4,000,000 shares and to add a 500,000 share limit on grants to any individual in any one calendar year;
- 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.

On April 9, 2007, we entered into a consulting agreement with Performance Enhancement Partners, LLC, to provide Movie Star with the personal services of Peter Cole, a current member of our board of directors, to (i) act as the lead member of our board of directors to facilitate the timely and successful completion of the merger and (ii) serve as the Executive Chairman of the combined company following the closing of the transactions contemplated by the merger agreement until July 26, 2008.

The mailing address of our principal executive office is 1115 Broadway, New York, New York 10010, and our telephone number is (212) 798-4700. Our website address is www.moviestarinc.com. The information on, or that can be accessed through, our website is not part of this prospectus.

FOH HOLDINGS

FOH Holdings' Business

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 operates 138 stores nationwide as of October 31, 2007, operates an online store at www.fredericks.com and, in its 2007 fiscal year, mailed approximately 20 million catalogs.

FOH Holdings' Corporate Information

Frederick's of Hollywood, Inc., a Delaware corporation, was incorporated in 1962 as a successor to a business founded in 1946 by Frederick Mellinger. The purpose was to design sexy, beautiful lingerie that emulated European trends in the 1940s. Frederick's of Hollywood is known for its innovative introductions into the intimate apparel market in the United States and is generally credited by the media with introducing black lingerie into the American market in 1946, the padded bra and the push-up bra in the late 1940s, the bikini in the 1950s, the thong panty in 1981 and the first water bra in the 1990s.

Frederick's of Hollywood, Inc. went public in 1969. In 1996, a financial advisor was hired to explore strategic alternatives that would include the sale of the shares owned by the founding family stockholders' trusts. After operating as a public company for over two decades, Frederick's of Hollywood, Inc. was taken private by an investor group in September 1997 that formed FOH Holdings (formerly known as Royalty Corporation) for this purpose and Frederick's of Hollywood, Inc. became a wholly-owned subsidiary of FOH Holdings. In June 2000, a new investor group purchased substantially all of the outstanding capital stock of FOH Holdings. Shortly thereafter, in July 2000, FOH Holdings (excluding its subsidiary Fredericks.com, Inc.) filed for voluntary protection under Chapter 11 of the United States Bankruptcy Code. In January 2003, FOH Holdings emerged from bankruptcy.

Since its emergence from bankruptcy in January 2003, Frederick's of Hollywood has embarked on initiatives to improve the image and acceptance of the brand, align its operations and improve efficiencies. In particular, Frederick's of Hollywood focused its merchandising and marketing efforts on targeting a younger, more affluent, fashion-conscious customer and implemented a unified, merchandise buying approach across its sales channels.

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. FOH Holdings' website address is www.fredericks.com. The information on, or that can be accessed through, FOH Holdings' website is not part of this prospectus.

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RIGHTS OFFERING SUMMARY

Rights Granted We have granted to each holder of Movie Star common stock on the record date, ‘‘subscription rights,’’ which we also refer to as ‘‘rights,’’ consisting of a basic subscription privilege and an over-subscription privilege for each share of Movie Star common stock held by such record holder. Each basic subscription privilege will entitle the shareholder to subscribe for and purchase 0.691417 shares of Movie Star common stock, rounded down in the aggregate to the nearest whole number, at a subscription price of $1.76 per share.

To exercise your rights, you must deliver a properly completed subscription rights certificate to the Subscription Agent along with payment of the applicable subscription price in immediately available funds before 5:00 p.m. Eastern Time on January 16, 2008.

Securities Offered We are offering shares of Movie Star common stock, the rights of which are described below and in greater detail under ‘‘Description of Capital Stock,’’ beginning on page 145.

Exercise some or all of your subscription rights You may exercise some or all of your subscription rights, or you may choose not to exercise any of your subscription rights.

Record date November 27, 2007

Expiration date and time The subscription rights expire at 5:00 p.m. Eastern Time on January 16, 2008, unless we extend the subscription rights offering. Subscription rights not exercised by the expiration date will become null and void.

Conditions to Closing the Rights Offering The closing of the rights offering is conditioned on (i) the satisfaction or waiver of the conditions specified in the merger agreement to the filing of the certificate of merger, other than the actual delivery of the various closing documents and (ii) our acceptance of subscriptions, which would occur immediately prior to the merger (and prior to any reverse stock split effected in connection with the merger).

Subscription Agent By mail:

American Stock Transfer & Trust Company
Operations Center
Attn: Reorganization Department
P.O. Box 2042
New York, New York 10272-2042

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By hand or courier:

American Stock Transfer & Trust Company
Operations Center
Attn: Reorganization Department
6201 15thAvenue
Brooklyn, New York 11219

Reasons for the rights offering/Use of proceeds The merger agreement provides for a business combination transaction by means of a merger of Merger Sub with and into FOH Holdings in which FOH Holdings will be the surviving entity and become our wholly-owned subsidiary. In connection with the transactions contemplated by the merger agreement, we are distributing at no charge, non-transferable subscription rights to purchase our common stock. The net proceeds of the rights offering will be used for working capital to fund the expansion of new Frederick's of Hollywood stores, the renovation of certain existing Frederick's of Hollywood stores and other general corporate purposes. See ''Use of Proceeds.''

No board recommendation Our board of directors makes no recommendation regarding the exercise of rights under this offering. Shareholders who exercise subscription rights risk the complete loss of their investment. We refer you to the section entitled ''Risk Factors'' beginning on page 15.

Non-transferability of rights The rights are not transferable and may be exercised only by the shareholder of record on the record date.

No revocation If you exercise any rights, you are not allowed to revoke or change your exercise or request a refund of monies paid.

U.S. federal income tax consequences A holder of Movie Star common stock generally should not recognize income or loss for federal income tax purposes in connection with the receipt or exercise of subscription rights in the rights offering. We urge you to consult your own tax advisor with respect to the particular tax consequences of the rights offering or the related share issuance to you. See ''Material United States Federal Income Tax Consequences.''

Termination, withdrawal, amendment and extension We may withdraw, amend or extend the rights offering at any time prior to the expiration date. After the expiration date, we will terminate the rights offering only if the merger agreement is terminated. If we withdraw or terminate the rights offering, we will return all funds received in the rights offering, without interest, to those persons who exercised their rights and subscribed for shares in the rights offering.

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Selected 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, including the rights offering.

FOH Holdings’ consolidated balance sheet data as of July 28, 2007 and July 29, 2006 and the consolidated statements of operations data for the years ended July 28, 2007 and July 29, 2006, the five months ended July 30, 2005 and the seven months ended March 3, 2005, 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 prospectus.

Movie Star’s consolidated balance sheet data as of June 30, 2007 and 2006 and the consolidated statements of operations data for each of the three years in the period ended June 30, 2007, 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 prospectus.

Movie Star’s consolidated balance sheet data as of September 30, 2007 and the consolidated statements of operations data for the three months ended September 30, 2007 and September 30, 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 prospectus. 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 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 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 debtholder, 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 FOH Holdings as of these transactions. 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 FOH Holdings 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. The results are further separated by a heavy black line to indicate the effective date of the new basis of accounting.

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.

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

	Year ended July 28, 2007	Year ended July 29, 2006	Five Months ended July 30, 2005	Seven Months ended March 3, 2005
Statement of Operations Data:				
Net sales	$ 155,238	$ 136,705	$ 46,807	$ 76,785
Cost of goods sold, buying and occupancy	90,201	80,102	27,026	44,122
Gross profit	65,037	56,603	19,781	32,663
Selling, general and administrative expenses	61,996	57,579	20,279	35,173
Operating income (loss) from continuing operations	3,041	(976)	(498)	(2,510)
Interest expense, net	2,093	2,422	700	1,102
Income (loss) from continuing operations before income tax provision (benefit)	948	(3,398)	(1,198)	(3,612)
Income tax provision (benefit)	548	127	(128)	(953)
Income (loss) from continuing operations	400	(3,525)	(1,070)	(2,659)
Income (loss) from discontinued operations(a)	41	240	(166)	440
Net income (loss)	$ 441	$ (3,285)	$ (1,236)	$ (2,219)

	At July 28, 2007	At July 29, 2006	At July 30, 2005
Balance Sheet Data:			
Working capital (deficiency)	$ (4,638)	$ (299)	$ (1,562)
Goodwill	$ 6,678	$ 7,299	$ 7,299
Trademarks	$ 18,090	$ 18,090	$ 18,090
Total assets	$ 70,525	$ 60,734	$ 58,733
Total debt–related party	$ 19,429	$ 18,742	$ 18,095
Stockholders' equity	$ 12,641	$ 12,059	$ 11,344

	Year ended July 28, 2007	Year ended July 29, 2006	Five Months ended July 30, 2005	Seven Months ended March 3, 2005
Store Operating Data(b):				
Percentage increase (decrease) in comparable store sales(c)	9.2 %	6.5 %	(3.6)%	(4.1)%
Total square footage at the end of the period(d)	235,229	225,634	229,626	229,536
Average monthly retail sales per square foot	$ 33.00	$ 31.07	$ 21.41	$ 37.56
Number of retail stores:				
Open at beginning of period	134	140	140	145
Opened during the period	5	5	—	4
Closed during the period	(6)	(11)	—	(9)
Open at the end of the period	133	134	140	140

(a)

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. (b) Represents financial measures used by FOH Holdings' management to assess business performance. (c) 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 net merchandise sales from new or permanently relocated store locations 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. (d) 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)

	Three Months Ended September 30,		Fiscal Years Ended June 30,		
	2007	2006	2007	2006	2005
Statement of Operations Data:					
Net sales	$ 11,939	$ 18,690	$ 63,493	$ 51,639	$ 58,533
Cost of sales	8,577	12,867	43,144	37,528	44,304
Selling, general and administrative expenses	4,502	4,487	17,434	16,310	19,024
Insurance recovery	—	—	—	(1,450)	—
Merger-related fees	358	539	2,391	246	—
Gain on sale of property, plant and equipment	—	—	(496)	—	—
	13,437	17,893	62,473	52,634	63,328
Operating (loss) income from continuing operations	(1,498)	797	1,020	(995)	(4,795)
Interest income	—	—	(5)	(3)	(1)
Interest expense	112	187	609	476	282
(Loss) income from continuing operations before income tax (benefit) provision	(1,610)	610	416	(1,468)	(5,076)
Income tax (benefit) provision	(644)	244	270	(468)	(1,954)
Net (loss) income	$ (966)	$ 366	$ 146	$ (1,000)	$ (3,122)
Basic net (loss) income per share	$ (.06)	$ .02	$ .01	$ (.06)	$ (.20)
Diluted net (loss) income per share	$ (.06)	$ .02	$ .01	$ (.06)	$ (.20)
Basic weighted average number of shares outstanding	16,432	15,763	16,089	15,700	15,625
Diluted weighted average number of shares outstanding	16,432	15,950	16,671	15,700	15,625

	At September 30,	At June 30,	
	2007	2007	2006
Balance Sheet Data:			
Working capital	$ 7,954	$ 9,590	$ 8,932
Total assets	$ 27,581	$ 22,338	$ 23,221
Short-term debt – Including current maturities of long-term debt and capital lease obligations	$ 9,660	$ 4,183	$ 4,955
Long-term debt – Including deferred lease and other long-term liabilities	$ 345	$ 379	$ 398
Shareholders’ equity	$ 13,681	$ 14,605	$ 13,782

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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 prospectus. The merger of FOH Holdings with a subsidiary of 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. 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 prospectus. The unaudited pro forma condensed consolidated statements of operations for the year ended July 28, 2007 give effect to the merger and the other transactions contemplated by the merger agreement as if they had occurred on July 30, 2006. The Unaudited Pro Forma Condensed Consolidated Balance Sheets as of July 28, 2007 and June 30, 2007 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 July 28, 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.''

	Year Ended July 28, 2007
	(in thousands, except per share data)
Pro Forma Statement of Operations Information:	
Net sales	$ 215,530
Income from continuing operations	$ 230
Less: Preferred stock dividends	$ (563)
Loss available to common shareholders	$ (333)
Loss from continuing operations per share:	
— basic	$ (0.01)
— diluted	$ (0.01)
Shares used in computing basic and diluted loss per share:	
— basic	46,504
— diluted	46,504

	As of July 28, 2007
	(in thousands)
Pro Forma Balance Sheet Information:	
Cash and cash equivalents	$ 20,251
Total current assets	$ 59,527
Total liabilities	$ 62,018
Shareholders' equity	$ 53,643

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RISK FACTORS

You should carefully consider the following factors, together with the other information contained in this prospectus, before exercising subscription rights to purchase the shares of Movie Star common stock that we are offering. An investment in Movie Star common stock involves a high degree of risk and may not be appropriate for investors who cannot afford to lose some or all of their investment.

Risks Relating to the Rights Offering

Pursuant to the standby purchase agreement, our largest shareholder and the FOH Holdings stockholders 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.

Pursuant to the standby purchase agreement, 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 the unsubscribed shares, and TTG Apparel and Tokarz Investments have agreed to purchase the remaining 50%. 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 an aggregate of 1,193,182 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 an aggregate of 38.8% of the combined company’s outstanding common stock, after giving effect to the shares purchased under their standby purchase commitments, the issuance of the guarantor warrants and the issuance of the Series A preferred stock, and the Fursa standby purchasers would then beneficially own in the aggregate 37.9% of the combined company’s outstanding common stock, after giving effect to the shares purchased under their standby purchase commitments, the issuance of the guarantor warrants and the issuance of the Series A Preferred Stock. Following the 18-month period after the consummation of the merger during which TTG Apparel, Tokarz Investments and the Fursa standby purchasers are limited in their abilities to act together and are subject to those actions that will require a supermajority vote of the combined company’s directors, this substantial ownership of the combined company’s common stock would enable them to 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.

As a holder of Movie Star common stock, you may suffer further dilution of your percentage ownership of Movie Star common stock if you do not purchase shares in this rights offering, and a lack of participation by Movie Star common shareholders may result in our largest shareholder and the FOH Holdings stockholders holding a greater controlling interest in the outstanding shares of Movie Star common stock.

The issuance of shares of our common stock to the holders of FOH Holdings common stock in the merger will cause your percentage ownership of our outstanding shares of common stock to decline significantly. If you do not fully exercise your subscription rights, your proportionate voting and ownership interest will be further reduced and the percentage that your original shares represent of our expanded equity after exercise of the subscription rights will be diluted. For example, if you owned 1% of our outstanding common stock (approximately 164,353 shares) on the record date, the new shares to be issued in the merger will reduce your ownership percentage to approximately 0.41% of the shares outstanding immediately after the merger. If you do not exercise any of your subscription rights, then your percentage ownership will be further reduced to approximately 0.32%. The magnitude of the reduction of your percentage ownership will depend upon the extent to which you participate in the rights offering.

The subscription price per share is not an indication of our value, and you may not be able to sell shares purchased upon the exercise of your subscription rights at a price equal to or greater than the subscription price.

The subscription price per share does not necessarily bear any relationship to the value of our assets, operations, cash flows, earnings, financial condition or any other established criteria for value.

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As a result, you should not consider the subscription price as an indication of the current value of our company or Movie Star common stock. You may not be able to sell shares purchased in this offering at a price equal to or greater than the subscription price.

The rights offering may cause the price of Movie Star common stock to decrease immediately, and this decrease may continue.

The subscription price per share of $1.76 is 85% of the average of the closing prices of Movie Star common stock on the American Stock Exchange during the 20 trading days immediately preceding the record date. This discount, along with the number of shares we propose to issue and ultimately will issue if the rights offering is completed, may result in an immediate decrease in the market value of Movie Star common stock. This decrease may continue after the completion of the rights offering. On November 26, 2007, the closing price of Movie Star common stock was $1.93 per share.

If you exercise your subscription rights, you may not revoke the exercise of your subscription rights even if there is a decline in Movie Star common stock prior to the expiration date of the subscription period, and you may be unable to sell any shares you purchase at a profit.

The public trading market price of Movie Star common stock may decline after you elect to exercise your subscription rights. If that occurs, you may have committed to buy shares of common stock at a price above the prevailing market price and you may not revoke or change your exercise rights. Following the exercise of your subscription rights, you may not be able to sell your shares of Movie Star common stock at a price equal to or greater than the subscription price.

Your ability to sell shares of Movie Star common stock purchased in the rights offering may be delayed by the time required to deliver the corresponding stock certificates to you.

Until shares are delivered following the closing of the rights offering, you may not be able to sell the shares of Movie Star common stock that you purchase in the rights offering. Certificates representing shares of Movie Star common stock purchased will be delivered as soon as practicable after the closing of the rights offering.

You may not revoke the exercise of your subscription rights even if we decide to extend the expiration date of the subscription period.

We may, in our sole discretion (subject to obtaining FOH Holdings' consent), extend the expiration date of the subscription period. During any potential extension of time, the public trading market price of Movie Star common stock may decline below the subscription price and result in a loss on your investment upon the exercise of rights to acquire shares of Movie Star common stock. If the expiration date is extended after you send in your subscription forms and payment, you still may not revoke or change your exercise of rights.

You will not receive interest on subscription funds returned to you.

If we withdraw or terminate the rights offering, neither we nor the Subscription Agent will have any obligation with respect to the subscription rights except to return, without interest, any subscription payments to you.

The subscription rights are not transferable, and there is no market for the subscription rights.

You may not sell, give away or otherwise transfer your subscription rights. The subscription rights are only transferable by operation of law. Because the subscription rights are non-transferable, there is no market or other means for you to directly realize any value associated with the subscription rights.

Because we may terminate the offering, your participation in the offering is not assured.

Once you exercise your subscription rights, you may not revoke the exercise for any reason unless we amend the rights offering under certain circumstances. If we decide to withdraw the rights offering or the rights offering is terminated, we will not have any obligation with respect to the subscription rights except to return any subscription payments, without interest.

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If you do not act promptly and follow all of the subscription instructions, your subscription rights may be rejected.

Shareholders who desire to purchase shares in the rights offering must act promptly to ensure that all required forms and payments are actually received by the Subscription Agent prior to 5:00 p.m. Eastern Time on January 16, 2008, the expiration date of the rights offering. If you fail to complete and sign the required subscription forms, send an incorrect payment amount, or otherwise fail to follow the subscription procedures that apply to your desired transaction, the Subscription Agent may, depending on the circumstances, reject your subscription or accept it to the extent of payment received. If you are making your payment of the subscription price by an uncertified check, your payment will be deemed to have been received by the Subscription Agent only upon clearance of such uncertified check. Neither we nor our Subscription Agent will undertake to contact you concerning, or attempt to correct, an incomplete or incorrect subscription form or payment. We have the sole discretion to determine whether a subscription exercise properly follows subscription procedures.

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. Any reverse stock split would become effective after the closing of the rights offering. Accordingly, if the reverse stock split is effected, the number of shares each shareholder purchases through the rights offering will be reduced to reflect the reverse split. 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 November 26, 2007 of $1.93 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 $3.86, 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.

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 prospectus, 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

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considerably higher than we originally anticipated when the merger agreement was executed. During the 12-month period ended November 26, 2007, our common stock traded in a range from a low of $1.09 to a high of $3.50 and ended that period at $1.93. See ‘‘Price Range of Movie Star Common Stock and Dividends’’ on page 27 for more detailed share price information.

The combined company may fail to realize some or all of the anticipated benefits of the merger, which could adversely affect the value of Movie Star common stock.

The merger involves the integration of two companies that have previously operated independently. Movie Star and FOH Holdings expect the combined company to realize financial and operational benefits, including enhanced earnings growth, overhead savings, operating cost savings and other synergies. However, to realize the anticipated benefits from the merger, the businesses of Movie Star and Frederick’s of Hollywood must be combined in a manner that maximizes the potential for earnings growth and cost savings. If we are not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully, or at all, or may take longer to realize than expected.

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

Movie Star and Frederick’s of Hollywood have operated as independent companies and will continue to do so until the completion of the merger. The process of consolidating functions and integrating organizations, procedures and operations could be more costly than expected or could result in the loss of key employees, the disruption of each company’s ongoing business or inconsistencies in standards, controls, procedures and policies that could adversely affect the combined company’s ability to maintain relationships with customers, suppliers, employees and others.

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 prospectus. 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.

The merger agreement contains provisions that might discourage a third party from making an alternative proposal that would be more financially beneficial to our shareholders than the FOH Holdings merger.

The merger agreement limits our ability to initiate, solicit, facilitate or encourage certain acquisition or merger proposals from a third party. Under the terms of the merger agreement, subject to limited exceptions, before we can terminate the merger agreement in favor of a superior proposal from a third party, we must give 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 out-of-pocket expenses in connection with the merger. These provisions might discourage a potential third party with 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.

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Our executive officers and directors 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 recommended that our shareholders vote to adopt the proposals set forth in the proxy statement that we filed with the SEC. 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, as well as the issuance of stock options and other stock-based awards relating to such continuing employment and service. 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 the 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 orwaivers are appropriate and in our shareholders' best interest. See ''Executive Compensation—Compensation Arrangements for Executive Officers.''

The unaudited pro forma financial information included in this prospectus 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 prospectus 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 prospectus. See ''Unaudited Pro Forma Condensed Consolidated Financial Information.''

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.

Under the merger agreement, the FOH Holdings stockholders are required to 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. 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 $9.1 million, respectively.

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FOH Holdings has had two material weaknesses and other deficiencies in its internal accounting controls in the past, and additional material weaknesses or other deficiencies may be identified in the future. These material weaknesses could cause material weaknesses in the internal control over financial reporting of the combined company, which could hamper the combined company's ability to ensure timely and accurate financial reporting, causing investors to lose confidence and the stock price to decline.

In connection with the audit of FOH Holdings' consolidated financial statements for the fiscal year ended July 28, 2007, which did not include an audit of the effectiveness of FOH Holdings' internal control 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, finding that:

- 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.

If these weaknesses are not adequately remediated or were to recur, or if additional weaknesses are identified or new or improved controls are not implemented successfully in a timely manner, the combined company's ability to assure timely and accurate financial reporting may be adversely affected. As a result, errors in financial reporting may occur and the combined company may be required to restate its financial statements and shareholders could lose confidence in the accuracy and reliability of its financial statements. This could cause the market price of the combined company's stock to decline and could also lead to stockholder litigation.

Investor confidence and the combined company's stock price may be adversely impacted if the combined company has one or more material weaknesses in its internal control over financial reporting.

The SEC, as directed by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring public companies to include in their Annual Report on Form 10-K a report of management on the company's internal control over financial reporting that contains an assessment by management of the effectiveness of the company's internal control over financial reporting. The company's independent registered public accounting firm also must form an opinion on the effectiveness of internal control over financial reporting. The combined company will be required to comply with these rules following the consummation of the merger. Management and our independent registered accounting firm may conclude that the internal control over financial reporting are not effective. Furthermore, effective internal control over financial reporting is important to the production of reliable financial reports and to help prevent fraud. As a result, a failure to achieve and maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of the combined company's financial statements, which could harm the business and 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.

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, some 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. Many of these companies have greater financial, technical and sourcing capabilities than we do. 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 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.

The 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 and the extended lead times may make it difficult to respond rapidly to new or changing product trends or price changes. If the combined company is unable to successfully anticipate, identify or react to changing styles or trends and misjudges the market for its products or its customers’ purchasing habits, then its product offerings may be poorly received by the ultimate consumer and may require substantial discounts to sell, which would reduce sales revenue and lower profit margins. In addition, the combined company will incur additional costs if it needs to redesign its product offerings. Brand image also may suffer if customers believe that the combined company is unable to offer innovative products, respond to the latest fashion trends or maintain product quality.

The combined company will depend on key personnel and it may not be able to operate and grow the business effectively if it loses the services of any key personnel or is unable to attract qualified personnel in the future.

The combined company will be dependent upon the continuing service of key personnel and the hiring of other qualified employees. In particular, the combined company will be dependent upon the management and leadership of Peter Cole, who will be the Executive Chairman of the combined company, Melvyn Knigin, who will be the Chief Executive Officer of the Movie Star division, Linda LoRe, who will be the Chief Executive Officer of the Frederick’s of Hollywood division, and Thomas Rende, who will be the Chief Financial Officer of the combined company. The loss of any of them or other key personnel could affect the combined company’s ability to operate the business effectively. Other than a $5 million policy on the life of Mr. Knigin, neither we nor Frederick’s of Hollywood carries key man insurance for any management or other key personnel. 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 influenced, in part, by the volume of mall traffic. 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 malls 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 management’s ability to operate retail stores in desirable locations with capital investments and lease costs that allow for the opportunity 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.

Movie Star relies on one key customer, and a significant decrease in business from or the loss of this key customer could substantially reduce revenues.

Wal-Mart accounted for approximately 25% and 51% of our sales for fiscal years 2006 and 2007, respectively. We do not have a long-term contract with Wal-Mart and, therefore, our business is subject to significant unpredictable increases and decreases in sales depending upon the size and number of orders we receive from Wal-Mart. Accordingly, a significant decrease in business from or loss of Wal-Mart as a customer would have a material adverse effect on our business, financial condition and results of operations, which, in turn, would affect the business, financial condition and results of operations of the combined company.

The extent of our and Frederick’s of Hollywood’s foreign sourcing and manufacturing may adversely affect the combined company’s business, financial condition and results of operations.

Substantially all of our and Frederick’s of Hollywood’s products are manufactured outside the United States. As a result of the magnitude of foreign sourcing and manufacturing, our respective businesses are, and the business of the combined company will be, subject to the following risks:

- political and economic instability in foreign countries, including heightened terrorism and other security concerns, which could subject imported or exported goods to additional or more frequent inspections, leading to delays in deliveries or impoundment of goods, or to an increase in transportation costs of raw materials or finished product;
- the imposition of regulations and quotas relating to imports, including quotas imposed by bilateral textile agreements between the United States and foreign countries, including China, where both companies conduct business;
- the imposition of duties, taxes and other charges on imports;
- significant

fluctuation of the value of the U.S. dollar against foreign currencies;

- restrictions on the transfer of funds to or from foreign countries; and

- violations by foreign contractors of labor and wage standards and resulting adverse publicity.

If these risks limit or prevent us or Frederick's of Hollywood from selling, manufacturing or acquiring products from foreign suppliers, the operations of the combined company could be disrupted until alternative suppliers are found, which could negatively impact its business, financial condition and results of operations.

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Both companies operate on very tight delivery schedules and, if there are delays and expected delivery dates cannot be met, it could negatively affect the combined company's profitability.

If there is a delay in the delivery of goods and delivery schedules cannot be met, 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 result 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. Both companies may also incur extra costs to meet customer delivery dates, 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 either company experiences disruptions at its distribution center 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.

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, which are primarily utilized to manage information necessary to price and ship products, manage production and inventory and generate reports to evaluate each company's respective business operations, are dated and are comprised 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 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 calls for the opening of 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

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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. Frederick’s of Hollywood has historically operated its channels separately and accounts for sales and use tax separately. Currently, its mail order and Internet subsidiaries collect and pay sales tax to the relevant state taxing authority on sales made to residents in any state in which Frederick’s of Hollywood has a physical presence. Frederick’s of Hollywood and its subsidiaries are periodically audited by state government authorities. It is possible that one or more states may disagree with Frederick’s of Hollywood’s method of assessing and remitting these taxes, including sales tax on catalog and Internet sales. It is expected that the combined company 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 and 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 and believe these trademarks and product designs are important to each of our businesses and the combined company’s competitive position and success. As appropriate, both companies rely on trademark and copyright laws to protect these designs even if not formally registered as marks, copyrights or designs. 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 which 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.

Risks Related to Movie Star Common Stock

Our stock price has been highly volatile.

The trading price of Movie Star common stock has been highly volatile. For example, the trading price of Movie Star common stock has ranged from $1.28 per share on December 18, 2006, the day prior to our announcement of the merger, to $1.93 per share on November 26, 2007, with intraday low and high prices ranging from $1.28 to $3.50 per share. Our stock price is subject to wide fluctuations in response to a variety of factors, including:

- quarterly variations in operating results;
- general economic conditions; and
- other events or factors that are beyond our control.

In addition, our stock has been subject to significant price and volume fluctuations since the public announcement of the merger. These fluctuations have often been unrelated or disproportionate to our operating performance. Further, any negative change in the public's perception of the prospects of the retail industry could further depress our stock price regardless of our results. Other broad market fluctuations may lower the trading price of Movie Star common stock. Following significant declines in the market price of a company's securities, securities class action litigation may be instituted against that company. Litigation could result in substantial costs and a diversion of management's attention and resources.

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USE OF PROCEEDS

We will receive aggregate gross proceeds of $20 million from the issuance of our common stock upon the exercise of subscription rights and pursuant to the standby purchase agreement, before deducting expenses of this rights offering, which are estimated to be approximately $1,700,000. These net proceeds will be used for working capital to fund the expansion of new Frederick's of Hollywood stores, the renovation of certain existing Frederick's of Hollywood stores and other general corporate purposes. Currently, the store expansion and renovation plan is being developed and will not be finalized until all store locations have been identified for expansion or renovation. Therefore, the specific allocation of these proceeds is currently undeterminable. However, we anticipate that with respect to store expansion, the proceeds will be used to fund leasehold improvements (offset by tenant allowances), purchases of store fixtures and initial funding of the inventory. For store renovations, we anticipate that the proceeds will be primarily used for leasehold improvements. These costs may vary widely, depending on the design, size and location of the store.

The following table describes the expected allocation of the net proceeds of the rights offering:

	Application of net proceeds	Percentage of net proceeds
Working capital to fund the expansion of Frederick's of Hollywood stores and renovation of certain existing stores	$ 16,300,000	89.1 %
General corporate purposes	2,000,000	10.9 %
Total	$ 18,300,000	100.0 %

We believe that the net proceeds of the rights offering will be sufficient to fund the opening and renovation of between 40 and 50 Frederick's of Hollywood stores. We will have significant discretion in the use of the net proceeds of the rights offering. Investors will be relying on the judgment of our management regarding the application of the proceeds of the offering.

Until we use the net proceeds as discussed above, we intend to invest the net proceeds from the rights offering in short term direct obligations of the United States or Federal agencies, in each case with maturities of one year or less, short term certificates of deposit or other time deposits with banks or corporate bonds with a Moody's or Standard & Poor's investment grade rating, or to reduce short-term interest expense by temporarily reducing the needs of the combined company under its revolving credit facilities. We expect that the proceeds from the rights offering, along with anticipated operating cash flows, will provide us with sufficient capital to fund our growth plan for at least the next 36 months.

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PRICE RANGE OF MOVIE STAR COMMON STOCK AND DIVIDENDS

Movie Star's common stock is traded on the American Stock Exchange under the symbol ''MSI.'' The following table sets forth for the indicated periods the reported high and low sales prices per share.

	High	Low
Year Ending June 30, 2008		
First Quarter	$ 2.66	$ 2.00
Second Quarter (through November 26, 2007)	2.45	1.84
Year Ended June 30, 2007		
First Quarter	$ 0.87	$ 0.72
Second Quarter	1.68	0.75
Third Quarter	3.50	1.60
Fourth Quarter	2.90	1.96
Year Ended June 30, 2006		
First Quarter	$ 0.93	$ 0.66
Second Quarter	0.75	0.46
Third Quarter	0.82	0.55
Fourth Quarter	0.98	0.67

On December 18, 2006, the day prior to the announcement of the execution of the merger agreement, the closing sale price of our common stock was $1.28. On November 26, 2007, the closing sale price of our common stock was $1.93.

FOH Holdings is a privately held company and there is no established public trading market for FOH Holdings common stock.

Holders

As of November 26, 2007, there were approximately 740 shareholders of record of Movie Star common stock. We believe that there are a significant number of beneficial owners of our common stock whose shares are held in ''street name.''

Dividend Policy

Movie Star has not paid any cash dividends on its common stock to date and does not intend to pay dividends prior to the completion of the merger. It is the present intention of our board of directors to retain all earnings, if any, for use in our business operations and, accordingly, our board does not anticipate declaring any cash dividends in the foreseeable future. The payment of dividends subsequent to the merger will be within the discretion of our board of directors and will be contingent upon our revenues and earnings, if any, capital requirements, general financial condition subsequent to completion of the merger and such other factors as such board will consider.

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Equity Compensation Plan Information

The following sets forth certain information as of June 30, 2007 concerning our equity compensation plans:

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans
Plans approved by shareholders			
1988 Non-Qualified Stock Option Plan	900,000	$ 1.03	766,666
1994 Incentive Stock Option Plan	110,000	$ 0.63	0
2000 Performance Equity Plan	331,000 (1)	$ 0.90	125,649 (2)
Plans not approved by shareholders			
Warrant(3)	50,000	$ 0.44	0
Total	1,391,000	$ 0.95	892,315

(1) Includes 36,000 shares of common stock issuable upon exercise of options under our 2000 Performance Equity Plan granted to non-employee directors pursuant to our Non-Employee Director Compensation Plan.

(2) Our Non-Employee Director Compensation Plan provides that each non-employee director may elect to receive his or her annual stipend and meeting fees in cash and/or shares of our common stock under our 2000 Performance Equity Plan in such proportion as is determined by each non-employee director. If a non-employee director elects to be paid in stock, either in full or in part, the number of shares of common stock to be issued is determined by dividing the dollar amount of the stipend and meeting fees earned during the quarter (or a percentage thereof, if the non-employee director elects to receive stock payment in part) by the last sale price of our common stock on the last trading day of each calendar quarter in which the fees were earned. As of June 30, 2007, an aggregate of 191,351 shares of common stock have been issued to non-employee directors.

(3) See Note 13 to the Consolidated Financial Statements of Movie Star for a description of the warrant.

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Dilution

If you purchase a share of our common stock in the rights offering, you will suffer immediate per share ‘‘dilution’’ in an amount equal to the difference between the price you paid per share and the net tangible book value per share after the rights offering. Net tangible book value per share represents the amount of our tangible assets less the amount of our liabilities divided by the number of shares of our common stock outstanding.

As of June 30, 2007, our net tangible book value available to our shareholders was approximately $9,112,000, or $0.55 per share of our common stock. Our net tangible book value per share is based upon 16,423,326 shares outstanding as of June 30, 2007.

On a combined basis prior to giving effect to the rights offering, the pro forma net tangible book value for FOH Holdings as of July 28, 2007 and for Movie Star as of June 30, 2007 would have been approximately $850,000, or $0.02 per share of common stock. Our pro forma net tangible book value gives effect to (i) the issuance of 23,689,181 shares of our common stock in the merger and (ii) the issuance of 100,000 shares of our common stock to Performance Enhancement Partners, LLC on the closing date of the merger. Our pro forma net tangible book value per share is based upon 40,212,507 shares of our common stock outstanding.

Giving effect to the issuance of 11,363,636 shares of common stock offered by us in the rights offering at an offering price of $1.76 per share, our net tangible book value on a pro forma as adjusted basis, for FOH Holdings as of July 28, 2007 and for Movie Star as of June 30, 2007 would have been $20,850,000, or $0.40 per share. This represents an immediate increase in net tangible book value of $0.38 per share to our existing shareholders and an immediate dilution of $1.36 per share to investors in the rights offering.

The following table illustrates this dilution per share of common stock as of the closing of the rights offering on an adjusted pro forma net tangible book value basis:

Rights offering price per share		$ 1.76
Net tangible book value per share available to common shareholders as of June 30, 2007	$ 0.55	
Decrease attributable to pro forma adjustments before the rights offering	$ (0.53)	
Pro forma net tangible book value per share before the rights offering	$ 0.02	
Increase per share attributable to investors in the rights offering	$ 0.38	
Pro forma net tangible book value per share after the rights offering		$ 0.40
Dilution per share to investors in the rights offering		$ 1.36

The following table shows the number of shares of our common stock to be owned by shareholders prior to the rights offering and by investors in the rights offering:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percentage	Amount	Percentage	
Shareholders prior to rights offering	40,212,507	78.0 %	$ 850,000	4.0 %	$ 0.02
Investors in rights offering	11,363,636	22.0 %	$ 20,000,000	96.0 %	$ 1.76
Total	51,576,143	100.0 %	$20,850,000	100.0 %	$ 0.40

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

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 28, 2007 and July 29, 2006 and the consolidated statements of operations data for the years ended July 28, 2007 and July 29, 2006, the five months ended July 30, 2005 and the seven months ended March 3, 2005, 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 prospectus. FOH Holdings' consolidated balance sheet data as of July 30, 2005, July 31, 2004 and July 26, 2003 and the consolidated statements of operations data for the year ended July 31, 2004, the seven months ended July 26, 2003 and the five months ended December 31, 2002 have been derived from FOH Holdings' audited consolidated financial statements, which are not included in this prospectus.

Movie Star's consolidated balance sheet data as of June 30, 2007 and 2006 and the consolidated statements of operations data for each of the three years in the period ended June 30, 2007, 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 prospectus. Movie Star's consolidated balance sheet data as of June 30, 2005, 2004 and 2003 and the consolidated statements of operations data for the years ended June 30, 2004 and 2003 have been derived from Movie Star's audited consolidated financial statements, which are not included in this prospectus.

Movie Star's consolidated balance sheet data as of September 30, 2007 and the consolidated statements of operations data for the three months ended September 30, 2007 and September 30, 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 prospectus. 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 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 prospectus 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 prospectus reflect the financial results of the First Successor.

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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. The results are further separated by a heavy black line to indicate the effective date of the new basis of accounting.

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 and permanently relocated 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 retail sales per square foot — Average monthly retail 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 July 28, 2007.
- Gross profit — FOH Holdings reports gross profit 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 benefits for the design, buying, and merchandising personnel, warehouse and distribution costs, and store occupancy costs. FOH Holdings' management uses product margin (net

sales less cost of goods sold) as a primary measure to manage the business and assess the performance of its operations. 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.

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- 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)

[Second Successor] [First Successor] [Predecessor] Year
ended
July 28,
2007 Year
ended
July 29,
2006 Five
Months
ended
July 30,
2005 Seven
Months
ended
March 3,
2005 Year
ended
July 31,
2004 Seven
Months
ended
July 26,
2003 Five
Months
ended
December 31,
2002 Statement of Operations Data: Net sales $ 155,238 $ 136,705 $
46,807 $ 76,785 $ 128,164 $ 61,066 $ 52,624 Cost of goods sold, buying and occupancy 90,201
80,102 27,026 44,122 71,621 41,643 31,390 Gross profit 65,037 56,603 19,781
32,663 56,543 19,423 21,234 Selling, general and administrative expenses 61,996 57,579
20,279 35,173 54,931 19,422 20,940 Operating income (loss) from continuing operations 3,041
(976) (498) (2,510) 1,612 1 294 Interest expense, net 2,093 2,422 700 1,102
1,592 836 335 Reorganization items (income) expense(a) — — — — — — (15,112) Gain on debt
extinguishment(b) — — — — — — (20,471) Income (loss) from continuing operations before income tax
provision (benefit) 948 (3,398) (1,198) (3,612) 20 (835) 35,542 Income tax provision
(benefit) 548 127 (128) (953) 8 557 (105) Income (loss) from continuing operations 400
(3,525) (1,070) (2,659) 12 (1,392) 35,647 Income (loss) from discontinued operations(c)
41 240 (166) 440 950 2 565 Net income (loss) $ 441 $ (3,285) $ (1,236) $ (2,219
) $ 962 $ (1,390) $ 36,212 At

July 28,
2007 At
July 29,
2006 At
July 30,
2005 At
July 31,
2004 At
July 26,
2003 Balance Sheet Data: Working capital (deficiency) $ (4,638) $ (299)
$ (1,562) $ 2,080 $ 1,377 Goodwill $ 6,678 $ 7,299 $ 7,299 $ 585 $ 585
Trademarks $ 18,090 $ 18,090 $ 18,090 $ 13,900 $ 13,900 Total assets $ 70,525 $
60,734 $ 58,733 $ 39,848 $ 38,540 Total debt – related party $ 19,429 $ 18,742 $ 18,095
$ 17,287 $ 17,309 Stockholders’ equity (deficiency) $ 12,641 $ 12,059 $ 11,344 $ 174
$ (788) Store Operating
Data(d): Percentage increase (decrease) in comparable store sales(e) 9.2 %
6.5 % (3.6)% (4.1)% 11.4 % 1.5 % 0.5 % Total square footage at the end of the
period(f) 235,229 225,634 229,626 229,536 231,578 243,638 257,589 Average monthly
retail sales per square foot $ 33.00 $ 31.07 $ 21.41 $ 37.56 $ 32.00 $ 28.63 $ 35.31 Number of
retail stores: Open at beginning of period 134 140 140 145 155
166 166 Opened during the period 5 5 — 4 2 1 Closed during the period (6) (11)
— (9) (12) (11) (1) Open at the end of the period 133 134 140 140 145 155
166
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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 net merchandise sales from new or permanently relocated store locations 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)

	Three Months Ended September 30,		Fiscal Years Ended June 30,				
	2007	2006	2007	2006	2005	2004	2003
Statement of Operations Data:							
Net sales	$ 11,939	$ 18,690	$ 63,493	$ 51,639	$ 58,533	$ 53,691	$ 64,916
Cost of sales	8,577	12,867	43,144	37,528	44,304	37,581	44,345
Selling, general and administrative expenses	4,502	4,487	17,434	16,310	19,024	15,824	14,623
Insurance recovery	—	—	—	(1,450)	—	—	—
Merger-related fees	358	539	2,391	246			
Gain on sale of property, plant and equipment	—	—	(496)	—	—	—	—
	13,437	17,893	62,473	52,634	63,328	53,405	58,968
Operating (loss) income from continuing operations	(1,498)	797	1,020	(995)	(4,795)	286	5,948
Interest income	—	—	(5)	(3)	(1)	(12)	(4)
Interest expense	112	187	609	476	282	76	351
(Loss) income from continuing operations before income tax (benefit) provision	(1,610)	610	416	(1,468)	(5,076)	222	5,601
Income tax (benefit) provision	(644)	244	270	(468)	(1,954)	94	2,170
Net (loss) income	$ (966)	$ 366	$ 146	$ (1,000)	$ (3,122)	$ 128	$ 3,431
Basic net (loss) income per share	$ (.06)	$ .02	$ .01	$ (.06)	$ (.20)	$ .01	$ .23
Diluted net (loss) income per share	$ (.06)	$ .02	$ .01	$ (.06)	$ (.20)	$ .01	$ .22
Basic weighted average number of shares outstanding	16,432	15,763	16,089	15,700	15,625	15,574	15,133
Diluted weighted average number of shares outstanding	16,432	15,950	16,671	15,700	15,625	16,199	15,407

	At September 30,	At June 30,				
	2007	2007	2006	2005	2004	2003
Balance Sheet Data:						
Working capital	$ 7,954	$ 9,590	$ 8,932	$ 10,673	$ 16,543	$ 15,979
Total assets	$ 27,581	$ 22,338	$ 23,221	$ 24,907	$ 20,779	$ 24,089
Short-term debt – Including current maturities of long-term debt and capital lease obligations	$ 9,660	$ 4,183	$ 4,955	$ 4,794	$ —	$ 2,304
Long-term debt – Including deferred lease and other long-term liabilities	$ 345	$ 379	$ 398	$ 390	$ 374	$ 325
Shareholders’ equity	$ 13,681	$ 14,605	$ 13,782	$ 14,677	$ 17,747	$ 17,264

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated financial information gives effect to the merger of FOH Holdings, the accounting acquirer, with Merger Sub, a wholly-owned subsidiary of Movie Star, in a reverse acquisition transaction accounted for as a purchase by FOH Holdings. The unaudited pro forma condensed consolidated balance sheet combines the historical condensed consolidated balance sheets as of July 28, 2007 for FOH Holdings and as of June 30, 2007 for Movie Star and gives effect to the merger and the other transactions contemplated by the merger agreement as if they had occurred on July 28, 2007. The unaudited pro forma condensed consolidated statements of operations for the year ended July 28, 2007 give effect to the merger and the other transactions contemplated by the merger agreement as if they had occurred on July 30, 2006. Because FOH Holdings is the accounting acquirer, the pro forma reporting periods have been conformed to FOH Holdings' reporting periods. The unaudited pro forma consolidated financial statements reflect the following events:

- the issuance to FOH Holdings' stockholders of 23,689,181 shares of Movie Star common stock in connection with the merger;
- the issuance of 11,363,636 shares of Movie Star common stock (with a market value of $20.0 million) for cash in the rights offering and warrants to purchase 1,193,182 shares of Movie Star common stock to the standby purchasers; and
- the conversion of $7.5 million of FOH Holdings' long-term debt into an 3,629,329 shares of Series A Preferred Stock that are convertible into 3,024,437 shares of our common stock.

The merger will be accounted for using the purchase method of accounting as a reverse acquisition. As such, Movie Star will be treated as the accounting acquiree. The pre-acquisition financial statements of FOH Holdings will be treated as the historical financial statements of the combined company and Movie Star's historical stockholders' equity will not be carried forward to the merged company as of the date of the merger. The fair value of Movie Star's assets and related assumed liabilities are based on preliminary estimates. Additional analysis will be required to determine the fair value of Movie Star's assets and assumed liabilities, primarily with respect to intangible assets and certain assumed liabilities. These amounts will change from the amounts shown based on the final valuations. Upon the closing of the transactions, we do not expect the final allocation of the acquisition consideration to result in significant differences from the pro forma amounts reflected in the unaudited pro forma consolidated financial statements. The pro forma consolidated financial statements should be read in conjunction with ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and the historical consolidated financial statements, including related notes covering the relevant periods, for each of Movie Star and FOH Holdings, included elsewhere in this prospectus.

The unaudited pro forma financial statements are based on assumptions that we and FOH Holdings believe are reasonable under the circumstances and are intended for informational purposes only. They are not necessarily indicative of our future financial position or results of operations or of the financial positions or results of operations that would have actually occurred had the acquisition of Movie Star taken place as of the dates or for the periods presented. The combined pro forma results do not reflect the conforming of Movie Star's accounting policies with the accounting policies of FOH Holdings that will be made subject to the consummation of the merger. The following assumptions were made:

- 11,363,636 shares of Movie Star common stock will be issued in the rights offering at a subscription price of $1.76 per share, which represents the average of the closing prices of our common stock for the 20 trading days ending on

November 26, 2007, less a 15% discount;

- guarantor warrants will be issued to the standby purchasers representing the right to purchase, in the aggregate, 1,193,182 shares of our common stock, or 10.5% of the total number of shares being offered in the rights offering;

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- 3,629,329 shares of Series A Preferred Stock, which will be convertible into 3,024,437 shares of common stock, will be issued in connection with the merger and the other transactions contemplated by the merger agreement at an initial issuance price of $2.0665 per share, which represents the average of the closing prices of our common stock for the 20 trading days ending on November 26, 2007.
- The merger will be accounted for using the purchase method of accounting and Movie Star's assets and related assumed liabilities will be valued at fair value based on preliminary estimates. Although we do not expect the differences to be significant the final allocation of the acquisition consideration will result in differences from the pro forma amounts reflected in the unaudited pro forma financial statements. Included in the consideration being paid are an estimated $3,000,000 in transaction costs that are being capitalized.
- In connection with the merger, Movie Star will also 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 Movie Star's 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 Movie Star 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 Movie Star's 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. We have assumed that all of the escrowed shares will be returned to their respective parties.

Included in the Movie Star historical financial statements are material non-recurring items that consist of:

- Merger-related fees of $2,391,000 for the year ended June 30, 2007. Included in the merger-related fees are legal fees, costs associated with Movie Star's financial advisor, which included the issuance of a fairness opinion to Movie Star's special committee, and accounting costs for due diligence. These fees are being expensed as a result of the merger being treated as a reverse acquisition.
- Movie Star recorded a gain on the sale of property, plant and equipment of $496,000 for the year ended June 30, 2007, which resulted primarily from the sale of its closed distribution facility in Petersburg, Pennsylvania. On October 17, 2006, the transaction was completed for approximately $683,000 in cash. As a result of this transaction, a gain of approximately $482,000 was recorded, net of related costs.

In addition, the following non-recurring expenses attributable to the transactions contemplated by the merger agreement have been excluded from the unaudited pro forma condensed consolidated statements of operations of Movie Star for the year ended June 30, 2007. These items consist of:

- A grant to Performance Enhancement Partners, LLC, on the closing date of the merger, of non-qualified options to purchase 275,000 shares of Movie Star common stock at an exercise price equal to the fair market value of a share of Movie Star common stock on the grant date. These options will vest within one year of the closing date of the merger.

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Unaudited Pro Forma Condensed Consolidated Balance Sheet
As of July 28, 2007
(amounts in thousands)

	FOH Holdings	Movie Star	Pro forma Adjustments	FOH Holdings and Movie Star Pro Forma Consolidated
Assets:				
Current assets				
Cash and equivalents	$ 1,898	$ 53	$ 18,300 (a)	$ 20,251
Accounts receivable	858	8,266	(312)(b)	8,812
Merchandise inventories	16,683	6,816	165 (b)(c)	23,664
Prepaid expenses and other current assets	6,458	291	(2,600)(d)	4,149
Deferred income tax assets	1,133	1,518	—	2,651
Total current assets	27,030	16,944	15,553	59,527
Property, plant and equipment, net	17,365	943	644 (c)	18,952
Goodwill	6,678	537	5,311 (d)	12,526
Intangibles and other assets	19,452	3,914	8,790 (e)	32,156
Total Assets	$ 70,525	$ 22,338	$ 30,298	$ 123,161
Liabilities and Shareholders’ Equity:				
Current liabilities				
Revolving line of credit and term loans	$ 6,740	$ 4,126	$ —	$ 10,866
Current portion of long-term debt	4,343	57	—	4,400
Accounts payable and accrued expenses	20,585	3,171	175 (b)(c)(d)	23,931
Total current liabilities	31,668	7,354	175	39,197
Deferred rent	2,744	269	(269)(c)	2,744
Long-term debt	15,086	—	(7,500)(f)	7,586
Other	17	110	—	127
Deferred income tax liabilities	8,369	—	3,995 (g)	12,364
Total Liabilities	57,884	7,733	(3,599)	62,018
Series A preferred stock	—	—	7,500 (f)	7,500
Total shareholders’ equity	12,641	14,605	26,397 (a)	53,643
Total Liabilities and Shareholders’ Equity	$ 70,525	$ 22,338	$ 30,298	$ 123,161

See Accompanying Notes to Unaudited Condensed Consolidated Pro Forma Financial Statements

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Unaudited Pro Forma Condensed Consolidated Statement of Operations
For the year ended July 28, 2007
(amounts in thousands, except per share amounts)

	FOH Holdings	Movie Star	Pro forma Adjustments	FOH Holdings and Movie Star Pro Forma Consolidated
Net sales	$ 155,238	$ 63,493	$ (3,201)(h)	$ 215,530
Cost of goods sold	90,201	43,144	(3,091)(h)	130,254
Gross profit	65,037	20,349	(110)	85,276
Selling, general and administrative expenses	61,996	17,434	1,479 (h)	80,909
Merger-related fees	—	2,391	—	2,391
Gain on sale of property, plant and equipment	—	(496)	—	(496)
Operating income	3,041	1,020	(1,589)	2,472
Interest expense, net	2,093	604	(608)(i)	2,089
Income before income taxes and discontinued operations	948	416	(981)	383
Income tax provision	548	270	(665)(j)	153
Income from continuing operations	$ 400	$ 146	$ (316)	$ 230
Income from continuing operations		$ 146		$ 230
Less: Preferred stock dividends		—		(563)(k)
Income (loss) available to common shareholders		$ 146		$ (333)
Basic net income (loss) per share		$ 0.01		$ (0.01)
Diluted net income (loss) per share		$ 0.01		$ (0.01)
Weighted average shares outstanding – basic		16,089		46,504 (k)
Weighted average shares outstanding – diluted		16,671		46,504 (k)

See Accompanying Notes to Unaudited Condensed Consolidated Pro Forma Financial Statements

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Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information
(amounts in thousands, except where the context indicates otherwise)

(a) Stockholders' Equity: Stockholders' equity is computed as follows:

Equity portion of the purchase price (note d)	$ 22,702
Cash raised from rights offering	20,000
Less: Estimated offering issuance costs	(1,700)
Less: Historical Movie Star equity prior to the transactions	(14,605)
Pro forma adjustment to stockholders' equity	$ 26,397

Movie Star assumes raising aggregate gross proceeds of $20 million in cash from the rights offering. The subscription price of $1.76 per share is based upon the average of the per share closing prices of Movie Star common stock for the 20 trading days ending on November 26, 2007 less a 15% discount. Based upon a subscription price of $1.76 per share and expected gross proceeds of $20 million, Movie Star expects to issue 11,363,636 shares.

(b) Intercompany Transactions: The following represents the pro forma adjustments to eliminate the impact of intercompany sales between FOH Holdings and Movie Star:

Accounts Receivable: Elimination of receivable due to Movie Star from FOH Holdings	$ (312)
Inventory: Elimination of intercompany profit included in FOH Holdings inventory	(206)
Inventory: Intercompany timing difference	138
Accounts Payable: Elimination of accounts payable due from FOH Holdings to Movie Star	174
	$ (206)

In the normal course of business, Movie Star sells apparel goods to FOH Holdings. The adjustments reflected above are to eliminate the impact of these intercompany sales on the unaudited pro forma condensed consolidated balance sheet. In addition, the unaudited pro forma condensed consolidated statements of operations reflect the elimination of $3,201 of sales from Movie Star to FOH Holdings during the year ended July 28, 2007, as well as the elimination of $206 of profit included in FOH Holdings' ending inventory as of July 28, 2007.

(c) Net Tangible Assets: The following represents the estimated purchase accounting adjustments attributable to net tangible assets resulting from the transactions contemplated by the merger agreement:

Inventory	$ 233
Property, plant and equipment	644
Deferred rent – short term	51
Deferred rent – long term	269
	$ 1,197

The purchase accounting adjustment to inventory is to adjust the inventory to fair value less the estimated selling and distribution costs plus a normal profit margin. The purchase accounting adjustment to property, plant and equipment primarily relates to the step-up of land and a building. The adjustment to deferred rent is to eliminate the historical deferred rent recorded by Movie Star due to the application of purchase accounting.

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(d) Goodwill and Intangible Assets: A preliminary allocation of the purchase price has been made to the major categories of assets acquired and liabilities assumed in the accompanying pro forma financial statements. Although, the final allocation of the purchase price will result in differences from the pro forma amounts included herein, we do not expect the differences to be significant. The following represents the estimated value attributable to goodwill and intangibles resulting from the transactions contemplated by the merger agreement:

Fair value of common stock issued (15,792,787 shares of Movie Star common stock issued and outstanding at $1.36 per share)	$ 21,478
Issuance of 100,000 shares of Movie Star common stock to Performance Enhancement Partners, LLC	207
Estimated transaction costs (of which $2,600 has been accrued and $400 is to be accrued)	3,000
Stock options	1,017
Total purchase price	$ 25,702
Historical Movie Star net assets acquired	$ 14,605
Adjustment to historical net assets due to the elimination of intercompany activity (note b)	(206)
Adjusted historical net assets	$ 14,399
Excess purchase price over adjusted historical net assets acquired	$ 11,303
Fair Value Adjustments:	
Step-up of net tangible assets acquired (see note c)	$ (1,197)
Elimination of historical goodwill	537
Record intangible assets (see note e)	(8,790)
Deferred income taxes associated with step-up adjustments (see note g)	3,995
Excess purchase price over fair value of net assets acquired	5,848
Less adjustment to remove historical goodwill	(537)
Pro forma adjustment to goodwill	$ 5,311

The fair value of the common stock issued is based upon 15,792,787 issued and outstanding shares of Movie Star common stock as of December 18, 2006, the day prior to the announcement of the execution of the merger agreement at a price of $1.36 per share, the average of the closing prices of Movie Star common stock on the two trading days before and two trading days after December 18, 2006.

Upon the successful closing of the merger, Performance Enhancement Partners, LLC will be awarded 100,000 fully vested shares of Movie Star common stock. The fair value of the shares to be awarded have been included as a pro forma adjustment to the purchase price and to stockholders' equity based upon the estimated fair value of the shares on the date of issuance. For convenience purposes, we have assumed that the fair value of the 100,000 shares to be issued will be $207,000 based on the average closing share price of $2.0665 per share for the twenty trading days ending on November 26, 2007.

The purchase price attributable to stock options represents the fair value of Movie Star's vested and unvested options valued using the Black-Scholes option pricing model as of December 18, 2006, net of the fair value of the Movie Star stock options attributable to future vesting requirements as of the expected consummation date.

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(e) Intangible and other assets: Represents the establishment of indefinite-lived and definite-lived intangible assets resulting from the transactions contemplated by the merger agreement:

Trademark (indefinite-lived)	$ 4,400
Customer relationships	3,900
Other intangibles	490
Pro forma adjustment to other assets	$ 8,790

(f) Long-term Debt: Represents the conversion of $7.5 million of FOH Holdings long-term debt into 3,629,329 shares of Series A 7.5% convertible redeemable preferred stock that will be issued upon the closing of the transactions contemplated by the merger agreement. This debt was converted utilizing a conversion rate that was based on a price of $2.0665 per share, which represents the average of the per share closing prices of Movie Star common stock for the twenty trading days ending on November 26, 2007. These shares are convertible into shares of Movie Star common stock at a conversion rate of 1.2 shares of Series A Preferred Stock for 1 share of common stock. The conversion rate equals a conversion price of $2.48 per share, which is a 20% premium to the original price of $2.0665 per share. Because the redemption of the Series A Preferred Stock is outside of Movie Star's control, it is considered to be mezzanine equity and has been recorded separately from stockholders' equity.

(g) Deferred income tax liabilities: Represents deferred income taxes corresponding to estimated temporary differences resulting from the transactions contemplated by the merger agreement. Deferred income taxes are computed as follows:

Identifiable intangible assets resulting from the transactions (note e)	$ 8,790
Fair value adjustments to net tangible assets resulting from the transactions (note c)	1,197
Purchase accounting adjustments resulting in temporary tax differences	9,987
Assumed statutory tax rate	40.0 %
Pro forma adjustment to other non-current liabilities for deferred income taxes	$ 3,995

The deferred income tax liability adjustment has been determined by using the overall assumed statutory tax rate for the year ended July 28, 2007. For purposes of the pro forma financial statements it has been assumed that goodwill is not tax deductible.

(h) Sales, cost of goods sold and selling, general and administrative expenses: Reflects the impact of the elimination of intercompany sales activity, the effects of purchase accounting adjustments and adjustments to consulting and compensation expenses.

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	Fiscal Year Ended July 28, 2007
Pro forma adjustment to net sales for the elimination of intercompany sales (note b)	$ (3,201)
Pro forma elimination of intercompany profit included in inventory (note b)	110
Pro forma elimination of intercompany cost of goods sold, buying and occupancy (note b)	(3,201)
Total pro forma adjustment to cost of goods sold, buying and occupancy	$ (3,091)
Pro forma depreciation of property, plant and equipment	$ 19
Pro forma amortization of customer relationship intangibles	975
Pro forma amortization of other intangibles	84
Pro forma elimination of management fee	(200)
Pro forma adjustment of compensation expense	601
Total pro forma adjustment to selling, general and administrative expenses	$ 1,479

The pro forma adjustment related to the elimination of intercompany profit included in ending inventory is to reverse profit recognized by Movie Star on the sale of inventory to FOH Holdings that had not yet been sold to the end customer.

It has been assumed that the pro forma adjustment to fixed assets relates to land and a building. The building has a weighted average remaining life of 25 years, and the associated depreciation expense would be included in selling, general and administrative expenses. It also has been assumed that the customer relationships and other intangibles will have an estimated life of 10 and 4 years, respectively, and that the amortization expense would be included in selling, general and administrative expenses. There is no amortization expense associated with the trademark because it has an indefinite life. The customer relationships are being amortized by an accelerated method based upon customer retention rates and other intangible assets are amortized on a straight line basis. Upon the consummation of the transactions contemplated by the merger agreement, estimated yearly amortization expense to be recorded for the customer relationships is expected to be as follows: $975, $731, $548, $411, $308, and $711 in total thereafter.

Management fees reflect an adjustment to selling, general and administrative expenses for the elimination of management fees paid by FOH Holdings. All management fee agreements will be terminated upon the closing of the transactions contemplated by the merger agreement.

Compensation expense reflects an adjustment to selling, general and administrative expenses for incremental stock compensation expense to be recorded in connection with the revaluation of Movie Star's unvested stock options outstanding and additional annual expenses of $500 for consulting services to be provided by the new Executive Chairman.

(i) Interest Expense: The pro forma adjustment to interest expense reflects the elimination of FOH Holdings' interest expense on its $7.5 million of long-term debt that is being converted into Series A Preferred Stock in connection with the transactions contemplated by the merger agreement. Interest expense incurred on the $7.5 million of long term debt was $608 for the year ended July 28, 2007.

(j) Income Taxes: An assumed statutory tax rate of 40% was used to calculate the consolidated pro forma tax expense for the year ended July 28, 2007.

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(k) Earnings per share: The following is the calculation of the pro forma number of basic and diluted shares:

	Fiscal Year Ended July 28, 2007
Issuance of common stock in connection with the rights offering	11,364
Issuance of common stock in connection with the merger (less outstanding shares held in escrow)	18,951
Issuance of common stock to consultant	100
Pro forma adjustment to the number of basic shares outstanding	30,415
Plus: Historical basic shares outstanding	16,089
Pro forma basic shares outstanding	46,504
Pro forma adjustment to the number of basic shares outstanding	30,415
Dilutive impact of outstanding escrowed shares	4,738
Dilutive impact of FOH Holdings options	732
Dilutive impact of warrants issued	177
Pro forma adjustment to diluted shares outstanding	36,062
Plus: Historical weighted average diluted shares outstanding	16,671
Pro forma dilutive average shares outstanding	52,733

Pursuant to the escrow agreement, 20% of the shares of Movie Star’s 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. These escrowed shares have been excluded from the basic earnings per share calculation because as of the consummation date of the merger, all of the conditions necessary for the shares to be returned will not have been met.

The pro forma adjustments related to the rights offering reflect the assumed issuance of 11,363,636 shares of Movie Star common stock in connection with the rights offering, and an offering price that is based upon the average of the per share closing prices of Movie Star common stock for the twenty trading days ending on November 26, 2007 less a 15% discount. We have assumed that 23.7 million shares of common stock will be issued in connection with the merger. The basic average shares also have been adjusted for the issuance of 100,000 shares of Movie Star common stock to be issued upon the closing of the transactions contemplated by the merger agreement to Performance Enhancement Partners, LLC in connection with its consulting agreement with Movie Star.

The pro forma adjustment to the diluted shares outstanding reflects the dilutive impact of FOH Holdings options that will be assumed by Movie Star, as well as the dilutive impact of guarantor warrants that will be issued as compensation to the standby purchasers under the standby purchase agreement. These dilutive shares of common stock, the options and the guarantor warrants were not included in the computation of the diluted net loss per share available to common shareholders on a consolidated basis for the year ended July 28, 2007 since their effect would be antidilutive. The income available to common shareholders has been reduced to reflect dividends of 7.5 percent accumulated on the Series A Preferred Stock.

For pro forma purposes, it has been assumed that the Series A Preferred Stock to be issued upon the closing of the transactions contemplated by the merger agreement will not have a dilutive impact because it has been assumed that the holders of the Series A Preferred Stock would not exercise their conversion right until the Movie Star common stock price exceeds $2.48 per share.

MOVIE STAR'S MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This following discussion and analysis should be read in conjunction with Movie Star's consolidated financial statements and notes thereto included elsewhere in this prospectus.

Overview

We are engaged in the design, manufacture, distribution and sale of 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. In fiscal 2007, approximately 58% of our sales were to mass merchandisers, 14% to specialty stores, 10% to department stores and 6% to discount retailers. The balance of our sales were unevenly distributed among national chain stores, regional chain stores and direct mail catalog marketers.

The intimate apparel industry is characterized by numerous small companies selling unbranded merchandise, and by several large companies that have developed widespread consumer recognition of the brand names associated with the merchandise sold by these companies. In addition, retailers to whom we sell our products have sought to expand the development and marketing of their own private-label brands and to obtain intimate apparel products directly from the same or similar sources from which we obtain our products. Consolidation within the retail industry has led to the creation of larger retailers that are able to source their own products rather than utilize companies like ours. Many of these companies have greater financial, technical and sourcing capabilities than we do.

In addition to sourcing and producing merchandise themselves, from time to time some of our retail customers eliminate specific product categories that we previously have sold to them or select competing vendors. Customers continuously select different vendors based not only on product design, the desirability of fabrics and styles, price, quality and reliability of service and delivery, but also on branding capabilities. We believe that retail customers producing products themselves and selecting vendors with branding capabilities are material trends that could adversely affect our sales in the future and in turn have a negative impact on our operating performance and our liquidity.

The intimate apparel business for department stores, specialty stores and regional chains is divided into four selling seasons per year. For each selling season, we create a new line of products that represents our own brand name, Cinema Etoile®. Our brand name does not have widespread consumer recognition, although it is well known by our customers. We sell our brand name products primarily during these selling seasons. We also develop specific products (private label) for our larger accounts, mass merchandisers and national chains, and make between five and eight presentations throughout the year to these accounts. 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 that we receive each time we present our products.

Our business is subject to seasonal variations. Consistent with what we believe is the general pattern associated with sales to the retail industry, our results of operations are somewhat more meaningful on a seasonal basis rather than on a quarterly basis. In that regard, our net sales and net earnings generally have been higher during the period from July to December (which includes our first and second fiscal quarters), during which time our customers generally increase inventory levels in anticipation of both holiday and Valentine's day sales. However, during the years that we were able to increase sales in the second half of our fiscal year (January through June) and create a more even balance between the first and second halves of our fiscal year, we increased our overall profitability. This trend is unpredictable and is primarily dependent upon the size and number of orders that we receive each time we present our products to our larger customers.

Management considers certain key indicators when reviewing our results of operations and liquidity and capital resources. Because our results of operations are subject to seasonal variations, we review our quarterly and year to date sales revenue in conjunction with our backlog of orders to determine our total position for the year. When reviewing the sales and backlog of open orders, a material factor that we consider is the gross profit percentage. We also consider our selling, general

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