



INSIDER TRADING POLICY

Background

The Board of Directors of Frederick's of Hollywood Group Inc. ("FOHG") has adopted this Insider Trading Policy for directors, officers, employees and consultants of FOHG and its subsidiaries with respect to the trading of FOHG's securities, as well as the securities of publicly-traded companies with whom FOHG and/or its subsidiaries have a business relationship.

Federal and state securities laws prohibit the purchase or sale of a company's securities by persons who are aware of material information about that company that is not generally known or available to the public. These laws also prohibit persons who are aware of such material nonpublic information from disclosing this information to others who may trade. Companies and their controlling persons are also subject to liability if they fail to take reasonable steps to prevent insider trading by company personnel. It is important that you understand the breadth of activities that constitute illegal insider trading and the consequences, which can be severe.

This Policy is designed to prevent insider trading or allegations of insider trading, and to protect our company's reputation for integrity and ethical conduct. It is your obligation to understand and comply with this Policy. Should you have any questions regarding this Policy, please contact Marci Frankenthaler, General Counsel at (212) 798-4892 (marcif@fohgroup.com).

Scope of Policy

Persons Covered. As a director, officer, employee or consultant of FOHG or its subsidiaries, this Policy applies to you. The same restrictions that apply to you also apply to your family members who reside with you, anyone else who lives in your household and any family members who do not live in your household but whose transactions in FOHG securities are directed by you or are subject to your influence or control (such as parents or children who consult with you before they trade in FOHG securities). This group of people is sometimes referred to in this Policy as "Insiders."

Companies Covered. The prohibition on insider trading in this Policy is not limited to trading in FOHG's securities. It includes trading in the securities of other firms, such as customers or suppliers of FOHG and those with which FOHG may be negotiating major transactions, such as an acquisition, investment or sale. Information that is not material to FOHG may nevertheless be material to one of those other firms.

Transactions Covered. Trading includes purchases and sales of stock, derivative securities such as put and call options, and convertible debentures or preferred stock. This Policy's trading restrictions generally do not apply to the exercise of stock options. The trading restrictions do apply, however, to

any sale of the underlying stock or to a cashless exercise of the stock option through a broker, as this entails selling a portion of the underlying stock to cover the costs of exercise.

Statement of Policy

No Trading on Material Nonpublic Information. You may not trade in FOHG's securities, directly or through family members or other persons or entities, while in possession of material information about FOHG which is not publicly available. This restriction on trading does not apply to transactions made under a trading plan (described below) that has been adopted pursuant to Rule 10b5-1(c) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and that has been approved in writing by the Chief Financial Officer and General Counsel of FOHG (an "approved Rule 10b5-1 trading plan").

No Tipping. You may not pass on material nonpublic information to others or recommend to anyone the purchase or sale of any securities when you are aware of such information. This practice, known as "tipping," also violates the securities laws and can result in the same civil and criminal penalties that apply to insider trading, even though you personally did not trade or gain any benefit from another's trading.

Trading Restricted to "Window" Periods. To help prevent inadvertent violations of the federal securities laws and to avoid even the appearance of trading while in possession of material nonpublic information, unless you have entered into an approved Rule 10b5-1 trading plan, as described below, you will be prohibited from buying and selling FOHG securities at all times, except during specified "window" periods. A window period begins on the third (3rd) trading day after the public release by FOHG of any financial or other material information and ends fifteen (15) calendar days prior to the end of the then current quarter. You will be notified of the commencement and duration of window periods. Even within the designated window periods, trading will be permitted only if no development of major importance remains unannounced.

Pre-clearance Procedures for Covered Persons. Directors, executive officers subject to Section 16 of the Exchange Act and certain designated employees and consultants of FOHG and its subsidiaries who generally have access to material nonpublic information about FOHG and its subsidiaries, together with family members that reside with them and other members of their household ("Covered Persons"), may not engage in any transaction involving FOHG's securities, including entry into an approved Rule 10b5-1 trading plan, without first obtaining pre-clearance of the transaction in writing from FOHG's Chief Financial Officer and General Counsel. Unless you have been notified by FOHG that you are a Covered Person, you should assume that you are not. A request for pre-clearance should be submitted at least two business days in advance of the proposed transaction(s).

No Violation of Securities Laws. No Insider may offer or sell FOHG's securities in violation of the registration requirements of the federal or any applicable state securities laws. FOHG's General Counsel must be consulted prior to any contemplated sale of FOHG's securities under an exemption from registration, such SEC Rule 144, which may involve complex legal issues and impose reporting requirements on certain senior corporate officers and directors.

Exception for Approved 10b5-1 Trading Plans

Trades in FOHG's securities that are executed pursuant to an approved Rule 10b5-1 trading plan are not subject to the prohibition on trading on the basis of material nonpublic information contained in this Policy or to the restrictions set forth above relating to window periods and pre-clearance procedures.

SEC Rule 10b5-1 provides an affirmative defense from insider trading liability under the federal securities laws for trading plans that meet certain requirements. In general, a Rule 10b5-1 trading plan must be entered into when the person is not aware of material nonpublic information. Once the plan is adopted, a person must not exercise any influence over the number or dollar amount of securities to be traded, the price at which they are to be traded or the date of the trade. The plan must either specify (including by formula) the amount, pricing and timing of transactions in advance or delegate discretion on those matters to an independent third party.

FOHG requires that all Rule 10b5-1 trading plans be approved in writing in advance by the Chief Financial Officer and General Counsel. Rule 10b5-1 trading plans generally may only be adopted during a window period and may only be adopted during a time that the person adopting the plan is not aware of any material nonpublic information.

Definition of Material Nonpublic Information

Material nonpublic information includes information that is not available to the public at large which could affect the market price of the security and to which a reasonable investor would attach importance in deciding whether to buy, sell or retain the security. You should assume that information is material if an investor might consider it important in deciding whether to buy or sell securities, even if the information by itself would not determine an investor's decision.

Information is considered available to the public only after it has been released to the public through appropriate channels (*e.g.*, by means of a press release or a public statement by a senior officer) and enough time has elapsed to permit the securities market to absorb and evaluate the information – you should assume a full three trading days after release.

Whether information is material is always a question of fact. Common examples of information that frequently will be regarded as material are:

- news of a significant pending transaction such as a proposed merger, acquisition, major sales or other commercial agreement, tender offer, sale of assets or disposition of a subsidiary;
- unannounced or unexpected results of operations or financial projections;
- Major events regarding FOHG's securities, including changes in dividend policies, the declaration of a stock split or the offering of additional securities or other major financing transactions;
- changes in directors or senior management;

- introductions of new products or services;
- impending bankruptcy or financial liquidity problems; or
- the gain or loss of major contracts, orders, suppliers, customers or finance sources.

Of course, there are numerous other examples of material information and the determination will necessarily depend on the circumstances existing at the time.

Additional Guidance

No Insider may (i) engage in short selling of FOHG's securities (*i.e.*, selling securities you do not own) or (ii) buy or sell put or call options on FOHG's securities, whether in the public option markets or otherwise, except in certain limited circumstances and then only if the Insider has received pre-clearance in writing from FOHG's Chief Financial Officer and General Counsel.

Post-Termination Transactions

This Policy continues to apply to your transactions in FOHG's securities even after you have terminated employment or the rendering of other services to FOHG or a subsidiary. If you are aware of material nonpublic information when your employment or service relationship terminates, you may not trade in FOHG securities until that information has become public or is no longer considered to be material.

Unauthorized Disclosure

Maintaining the confidentiality of company information is essential for competitive, security and other business reasons, as well as to comply with securities laws. You should treat all information you hear about FOHG or its business plans in connection with your employment as confidential and proprietary to FOHG. Inadvertent disclosure of confidential or inside information may expose FOHG and you to significant risk of investigation and litigation.

The timing and nature of FOHG's disclosure of material information to outsiders is subject to legal rules, the breach of which could result in substantial liability to you, FOHG and its management. Accordingly, it is important that response to inquiries about FOHG by the press, investment analysts or others in the financial community be made on FOHG's behalf only through authorized individuals.

Exceptions

The terms of FOHG's insider trading policy described above shall be strictly adhered to. Exceptions to this policy may be made only under certain limited circumstances, and only with the prior written approval of FOHG's Chief Financial Officer and General Counsel.

Section 16 Insiders

In addition to the general prohibition on insider trading, directors and “executive officers” of a public company, as well as persons owning 10% or more of the stock of the company, also are subject to the reporting and profit recapture provisions of Section 16 of the Exchange Act, which impose special filing requirements and potential sanctions (including loss of profits) on these persons for certain trades, regardless of whether they actually traded on inside information. In general, “executive officers” are the senior corporate officers of a public company. Unless you have been notified by FOHG that you fall into the category of an executive officer, you should assume that you are not. You may fall into that category in the future, in which case you will be notified by FOHG and advised of your legal obligations. Directors always are subject to the provisions of Section 16.

Violations of Law and Policy

Violation of federal laws against insider trading and selling unregistered securities is a crime and may subject the violator to severe criminal and civil penalties, including imprisonment and substantial fines. In addition, violation of those laws and FOHG’s policy described above is grounds for immediate termination of employment. FOHG will cooperate with the appropriate government authorities in any investigation of insider trading by its Insiders or others.

Inquiries

Your compliance with this policy is of the utmost importance both for you and for FOHG. If you have any questions about this policy or any particular trading activity which you would like to engage in, you should contact FOHG’s General Counsel, Marci Frankenthaler at (212) 798-4892 or marcif@fohgroup.com. Do not try to resolve uncertainties on your own, as the rules relating to insider trading are often complex, not always intuitive, and carry severe consequences.