

ADLER EDWARD I

Form 4

January 17, 2007

FORM 4
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box
if no longer
subject to
Section 16.
Form 4 or
Form 5
obligations
may continue.
See Instruction
1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF
SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
ADLER EDWARD I

(Last) (First) (Middle)

ONE TIME WARNER CENTER

(Street)

NEW YORK, NY 10019-8016

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading
Symbol

TIME WARNER INC [TWX]

3. Date of Earliest Transaction
(Month/Day/Year)

01/16/2007

4. If Amendment, Date Original
Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

____ Director ____ 10% Owner
____X____ Officer (give title below) ____ Other (specify below)

Executive Vice President

6. Individual or Joint/Group Filing(Check
Applicable Line)
____X____ Form filed by One Reporting Person
____ Form filed by More than One Reporting
Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D) Price			
Common Stock, par value \$.01	01/16/2007		M ⁽¹⁾		2,000	A \$ 14.52	31,200	D	
Common Stock, par value \$.01	01/16/2007		S ⁽¹⁾		2,000	D \$ 22.71	29,200	D	
Common Stock, par value \$.01							9,991	I	By Savings Plan ⁽²⁾

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Amount or Number of Shares
Employee Stock Option (right to buy)	\$ 14.52	01/16/2007		M ⁽¹⁾	2,000	⁽³⁾ 03/18/2007	Common Stock, par value \$.01	2,000

Reporting Owners

Reporting Owner Name / Address	Relationships
	Director 10% Owner Officer Other
ADLER EDWARD I ONE TIME WARNER CENTER NEW YORK, NY 10019-8016	Executive Vice President

Signatures

By: Brenda C. Karickhoff For: Edward I.
Adler

01/17/2007

__Signature of Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The transactions reported in this Form 4 were effected pursuant to a Rule 10b5-1 trading plan adopted by the Reporting Person on September 9, 2005.

(2) The Time Warner Savings Plan, a qualified employee benefit plan.

(3) This option is currently exercisable.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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Life Insurance

- - -

Accrued Vacation Pay

- 47,077 47,077

Total

\$- \$47,077 \$2,579,447

Linda LoRe(4)

Severance

\$1,137,500 \$- \$812,500

Restricted Stock(2)

92,000 - -

Medical Insurance

25,647 - 25,647

Accrued Vacation Pay

292,747 292,747 292,747

Total

\$1,547,894 \$292,747 \$1,130,894

Thomas Rende

Base Salary

\$- \$- \$878,333

Severance

- - 250,000

Medical Insurance

- - 65,542

Disability Insurance

- - 2,448

Life Insurance

- - 8,040

Accrued Vacation Pay

- 31,795 31,795

Total

\$- \$31,795 \$1,236,158

(1)The employment agreements for Messrs. Lynch and Rende do not contain any change in control provisions. Ms. LoRe's employment agreement, dated as of January 29, 2008, which expired on August 1, 2010, contained a change in control provision. The compensation that would have been payable to Ms. LoRe in connection with a change in control under her expired employment agreement is set forth in the table above.

(2)The value of restricted stock subject to accelerated vesting represents the closing price of our common stock of \$0.92 on July 30, 2010, the last trading day of the year ended July 31, 2010, multiplied by the shares of restricted stock subject to accelerated vesting.

(3)The value of stock options subject to accelerated vesting represents the closing price of our common stock of \$0.92 on July 30, 2010 the last trading day of the year ended July 31, 2010, less the option exercise price of \$0.38, multiplied by 120,000 shares underlying the portion of the option subject to accelerated vesting.

(4)

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The amounts reflected in the table above represent what would have been payable to Ms. LoRe had her employment terminated as of July 31, 2010 under her employment agreement, dated as of January 29, 2008, which expired on August 1, 2010. Therefore, such payments will not be owed to her upon any future termination.

Compensation Plans

Non-Equity Compensation Plan

2010 Annual Incentive Bonus Plan

On June 29, 2010, our board of directors adopted the 2010 Annual Incentive Bonus Plan, in which employees selected by our compensation committee will participate. The compensation committee has initially determined that Thomas Lynch and Thomas Rende will participate in the 2010 Annual Incentive Bonus Plan. Under this plan, commencing with the fiscal year ending July 30, 2011, participants will be eligible to receive an annual cash bonus of up to a percentage of the participant's base salary as determined by the compensation committee. The maximum cash bonus award for the named executive officers participating in the 2010 Annual Incentive Bonus Plan, expressed as a percentage of base salary as set forth in their respective employment agreements is as follows: Thomas J. Lynch, 65% and Thomas Rende, 35%.

The bonus payment for each participant is calculated based on two components: (1) our annual financial performance ("Company Performance Component"), representing up to 80% of the total eligible bonus; and (2) the participant's individual performance ("Individual Performance Component"), representing up to 20% of the total eligible bonus. If we achieve less than 80% of the Target Adjusted EBITDA (as defined below), no participant will be eligible to receive any bonus.

Company Performance Component. The Company Performance Component is based upon an evaluation of our Adjusted EBITDA (defined as earnings before interest, taxes, depreciation, amortization, stock compensation expense, any bonus awarded under the plan, and adjustments for non-recurring items as determined by the board of directors) against a target Adjusted EBITDA approved annually by the board of directors ("Target Adjusted EBITDA"). If we achieve 100% or more of the Target Adjusted EBITDA, each participant's total eligible bonus will range from 10% of the total eligible bonus upon achievement of 100% of the Target Adjusted EBITDA up to a maximum of 80% of the total eligible bonus upon achievement of 140% or more of the Target Adjusted EBITDA.

Individual Performance Component. The Individual Performance Component is based on an individual's achievement of performance objectives, as approved annually by the compensation committee. If we achieve 80% or more of the Target Adjusted EBITDA, up to 20% of the participant's total eligible bonus may be paid out upon the achievement of such individual performance objectives.

Equity Compensation Plans

Employee Stock Ownership Plan

Effective December 31, 2007, we decided to terminate our Employee Stock Ownership and Capital Accumulation Plan. As of November 29, 2010, there were no participants or shares remaining in the plan.

Amended and Restated 1988 Non-Qualified Stock Option Plan

On December 13, 1988, our shareholders approved the 1988 Non-Qualified Stock Option Plan covering up to 833,333 shares of common stock to provide an additional continuing form of long-term incentive to selected officers. On September 19, 2006, our board of directors approved the Amended and Restated 1988 Non-Qualified Stock Option Plan, which (i) increased the time period in which an employee terminated for any reason other than death or disability has to exercise the portion of the option which is exercisable on the date of termination from 30 days to 90 days following the date of termination; (ii) provides for continued exercisability of options after termination in the

discretion of the compensation committee as set forth in the stock option agreement at the time of grant; (iii) increased the time period in which an employee terminated due to disability has to exercise the option from 180 days to one year from the date of termination; and (iv) increased the time period in which the legal representative or legatee under the will of an employee who dies within 90 days (instead of 30 days) after the date of termination of employment or while employed by us or a subsidiary has to exercise the decedent employee's option from 180 days to one year from the date of death. Unless terminated by the board, the 1988 Non-Qualified Stock Option Plan shall remain effective until no further options may be granted and all options granted under the 1988 Non-Qualified Stock Option Plan are no longer outstanding. During fiscal year 2010, an option to purchase 100,000 shares was granted to our Chief Financial Officer and options to purchase an aggregate of 110,000 shares were granted to two employees under the 1988 Non-Qualified Stock Option Plan. During fiscal year 2009, an option to purchase 360,000 shares was granted to our Chief Executive Officer under this plan. As of November 29, 2010, there were options outstanding to purchase 732,500 shares, exercisable at prices ranging from \$0.38 per share to \$2.90 per share of our common stock at a weighted average exercise price of \$0.96 per share.

Amended and Restated 2000 Performance Equity Plan

On February 22, 2000, the board of directors adopted the 2000 Performance Equity Plan covering 375,000 shares of common stock under which our officers, directors, key employees and consultants are eligible to receive incentive or non-qualified stock options, stock appreciation rights, restricted stock awards, stock reload options and other stock based awards. Shareholders approved the 2000 Performance Equity Plan on November 28, 2000. On January 23, 2008, our shareholders approved the Amended and Restated 2000 Performance Equity Plan, which increased the number of shares of our common stock available for issuance under the plan from 375,000 shares to 2,000,000 shares, added a 500,000 share limit on grants to any individual in any one calendar year in order for the plan to comply with Section 162(m) of the Internal Revenue Code and made other changes to comply with Section 409A of the Internal Revenue Code. The Amended and Restated 2000 Performance Equity Plan will terminate when no further awards may be granted and awards granted are no longer outstanding, provided that incentive options may only be granted until February 21, 2010. To the extent permitted under the provisions of the 2000 Performance Equity Plan, the compensation committee has authority to determine the selection of participants, allotment of shares, price and other conditions of awards. During fiscal years 2010 and 2009, 62,500 and 127,500 options, respectively, were granted to our employees under the 2000 Performance Equity Plan. As of November 29, 2010, there were options outstanding to purchase an aggregate of 666,750 shares, exercisable at prices ranging from \$0.17 per share to \$3.10 per share of our common stock at a weighted average exercise price of \$2.50 per share.

During the year ended July 31, 2010, we issued, pursuant to the 2000 Performance Equity Plan, 150,000, 100,000 and 75,000 shares of restricted stock to our Chief Executive Officer, our Chief Financial Officer and one employee, respectively. The 150,000 shares issued to our Chief Executive Officer vest in three equal annual installments of 50,000 shares each on January 2, 2012, 2013 and 2014, provided the executive is employed by us on each such date. The 100,000 shares issued to our Chief Financial Officer vest in three installments of 25,000, 25,000 and 50,000 shares on June 1, 2011, 2012 and 2013, respectively, provided the executive is employed by us on each such date. The 75,000 shares issued to one of our employees vest in three installments of 18,750, 18,750 and 37,500 shares on June 24, 2011, 2012 and 2013, respectively, provided the employee is employed by us on each such date.

During the year ended July 25, 2009, we issued, pursuant to the 2000 Performance Equity Plan, 100,000 shares of restricted stock to our Chief Executive Officer. 50,000 shares vested on January 2, 2010 and the remaining 50,000 shares will vest on January 2, 2011, provided that the executive is employed by us on such date.

Our Non-Employee Director Compensation Plan provides that each non-employee director may elect to receive the 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. In addition, on November 8, 2010, we made a one-time issuance of 20,000 shares of fully vested common stock to each of our four non-employee directors under the 2000 Performance Equity Plan. As of November 29, 2010, an aggregate of 381,021 shares of common stock have been issued to non-employee directors under the 2000 Performance Equity Plan.

Amended and Restated 2003 Employee Equity Incentive Plan

FOH Holdings adopted the 2003 Employee Equity Incentive Plan on December 1, 2003. The plan authorized FOH Holdings to issue incentive or nonqualified stock options to its employees and officers. The plan was amended and restated as of December 1, 2006, primarily to increase the number of shares covered under the plan and to permit the issuance of nonqualified stock options to independent directors. On January 28, 2008, the 2003 Employee Equity Incentive Plan and underlying options were assumed by us. As of November 29, 2010, there were options outstanding to purchase an aggregate of 941,208 shares, exercisable at prices ranging from \$1.12 per share to \$4.52 per share of our common stock at a weighted average exercise price of \$2.37 per share. No additional grants may be made under the 2003 Employee Equity Incentive Plan.

2010 Long-Term Incentive Equity Plan

On June 29, 2010, the board of directors adopted the 2010 Long-Term Incentive Equity Plan covering 4,000,000 shares of common stock under which our officers, directors, key employees and consultants are eligible to receive incentive or non-qualified stock options, stock appreciation rights, restricted stock awards, stock reload options and other stock based awards. This plan is subject to shareholder approval, which we are seeking to obtain at our next scheduled annual shareholders meeting. The 2010 Long-Term Incentive Equity Plan will terminate when no further awards may be granted and awards granted are no longer outstanding, provided that incentive options may only be granted until June 28, 2020. To the extent permitted under the provisions of the 2010 Long-Term Incentive Equity Plan, the compensation committee has authority to determine the selection of participants, allotment of shares, price and other conditions of awards. During the fiscal year ended July 31, 2010, an option to purchase 600,000 shares was granted to our Chief Executive Officer under the 2010 Long-Term Incentive Equity Plan at an exercise price of \$0.78 per share. The grant of the option is subject to and conditioned upon approval by our shareholders of the 2010 Long-Term Incentive Equity Plan, which we are seeking at the next scheduled annual shareholders meeting. If shareholder approval is not obtained, the option shall be deemed null and void.

Compensation Arrangements for Directors

We pay our non-employee directors in accordance with the terms of our Non-Employee Director Compensation Plan, which was adopted by our board of directors in December 2004 and became effective on January 1, 2005. Under the plan, each non-employee director receives (i) an annual stipend of \$20,000, payable quarterly in arrears, (ii) \$2,000 per day for board or committee meetings attended in person, regardless of the number of meetings held that day and (iii) \$1,000 per meeting for board or committee meetings attended telephonically, unless two or more teleconference call meetings are held back-to-back on the same call, in which case each non-employee director will receive \$1,000 for the entire call. Payment of the annual stipend and meeting fees are made, at the election of each non-employee director, in cash and/or shares of 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.

We also pay or reimburse each non-employee director for all transportation, hotel and other expenses reasonably incurred by the non-employee director in connection with attendance at board and committee meetings against itemized reports and receipts submitted with respect to any such expenses and approved in accordance with our customary procedures.

On November 8, 2010, we made a one time issuance of 20,000 shares of fully vested common stock to each of our four non-employee directors under the 2000 Performance Equity Plan.

The following table summarizes the compensation of our non-employee directors for the year ended July 31, 2010. Directors who are employees of our company do not receive separate compensation for their service as a director.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	All Other Compensation (\$)	Total (\$)
Peter Cole(2)	38,000	-	-	38,000
John L. Eisel(3)	16,000	24,000	-	40,000

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William F. Harley(4)	-	32,000	-	32,000
Michael A. Salberg(5)	26,667	-	-	26,667
Joel M. Simon(6)	27,583	4,084	-	31,667
Milton J. Walters(7)	30,750	10,251	-	41,001

- (1) Represents the dollar value of the compensation that the director elected to receive in shares of our common stock in lieu of cash compensation.
- (2) As compensation for Mr. Cole's services as a non-employee director and for his attendance at board and/or committee meetings, Mr. Cole received cash payments of \$38,000.
- (3) As compensation for Mr. Eisel's services as a non-employee director and for his attendance at board and/or committee meetings, Mr. Eisel received cash payments of \$16,000 and payments in common stock of 19,962 shares at a total value of \$24,000.

- (4) As compensation for Mr. Harley's services as a non-employee director and for his attendance at board and/or committee meetings, Mr. Harley received payments in common stock of 26,648 shares at a total value of \$32,000.
- (5) As compensation for Mr. Salberg's services as a non-employee director and for his attendance at board and/or committee meetings, Mr. Salberg received cash payments of \$26,667. Mr. Salberg's term as a director ended on May 12, 2010.
- (6) As compensation for Mr. Simon's services as a non-employee director and for his attendance at board and/or committee meetings, Mr. Simon received cash payments of \$27,583 and payments in common stock of 3,665 shares at a total value of \$4,084. Mr. Simon's term as a director ended on May 12, 2010.
- (7) As compensation for Mr. Walters' services as a non-employee director and for his attendance at board and/or committee meetings, Mr. Walters received cash payments of \$30,750 and payments in common stock of 8,497 shares at a total value of \$10,251.

ITEM 12. – SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information regarding the beneficial ownership of our common stock as of November 29, 2010 by:

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

The percentage of beneficial ownership indicated below is based on 38,421,972 shares of our common stock outstanding on November 29, 2010.

Name and Address of Beneficial Owner(1)	Beneficial Ownership of Our Common Stock on November 29, 2010	
	Number of Shares	Percent of Class
TTG Apparel, LLC 287 Bowman Avenue Purchase, New York 10577	1,766,322 (2)	4.6%
Tokarz Investments, LLC 287 Bowman Avenue Purchase, New York 10577	8,704,515(2)(3)	22.5%
Fursa Alternative Strategies LLC, on behalf of certain funds and accounts affiliated with or managed by it or its affiliates P.O. Box 813 Amityville, New York 11701	18,868,871(4)	46.9%

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Thomas J. Lynch	860,000(5)	2.2%
Peter Cole	598,112(6)	1.6%
Thomas Rende	436,720(7)	1.1%
Linda LoRe	875,249(8)	2.2%
John L. Eisel	135,024(9)	*

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Name and Address of Beneficial Owner(1)	Beneficial Ownership of Our Common Stock on November 29, 2010	
	Number of Shares	Percent of Class
William F. Harley Fursa Alternative Strategies LLC P.O. Box 813 Amityville, New York 11701	130,389 (10)	*
Milton J. Walters	105,487 (11)	*
All directors and executive officers as a group (7 individuals)	3,140,981 (12)	7.9%

* Less than 1%.

- (1) Unless otherwise noted, the business address of each of Thomas J. Lynch, Linda LoRe, Peter Cole, Thomas Rende, John L. Eisel and Milton J. Walters is c/o Frederick's of Hollywood Group Inc., 6255 Sunset Boulevard, Hollywood, California 90028.
- (2) According to a Schedule 13D, dated January 28, 2008, and filed with the SEC on February 5, 2008, Michael T. Tokarz is the sole controlling person and manager of each of TTG Apparel, LLC and Tokarz Investments, LLC.
- (3) Includes 317,538 shares of common stock issuable upon exercise of currently exercisable warrants.
- (4) Represents (a) 17,051,333 shares of common stock and (b) 1,817,538 shares of common stock issuable upon exercise of currently exercisable warrants. Of these securities, the following securities are subject to a Pledge Agreement between Fursa Master Global Event Driven Fund LP and Scotia Capital (USA) Inc. ("Pledge Agreement"): (i) 11,359,292 shares of common stock and (ii) 1,152,181 shares of common stock issuable upon exercise of currently exercisable warrants.
- (5) Includes (a) currently exercisable options to purchase 240,000 shares of common stock, (b) options to purchase 120,000 shares that become exercisable within 60 days of November 29, 2010 and (c) 250,000 shares of restricted stock, of which 50,000 shares are vested and 50,000 shares will vest on each January 2, 2011, 2012, 2013 and 2014. Excludes options to purchase 600,000 shares of common stock that are not exercisable within 60 days of November 29, 2010.
- (6) Includes (a) 70,000 shares of common stock held by Performance Enhancement Partners, LLC and (b) currently exercisable options to purchase 162,500 shares of common stock granted to Performance Enhancement Partners, LLC. Peter Cole, as sole member of Performance Enhancement Partners, has voting and dispositive power over these shares.
- (7) Includes (a) currently exercisable options to purchase 176,250 shares of common stock, (b) 157,644 shares of common stock held jointly with Mr. Rende's spouse, (c) 1,650 shares of common stock owned by Mr. Rende's spouse and (d) 100,000 shares of restricted stock, of which 25,000 shares will vest on each June 1, 2011 and 2012 and 50,000 shares will vest on June 1, 2013. Excludes options to purchase 115,000 shares of common stock that are not exercisable within 60 days of November 29, 2010.

(8) Includes (a) currently exercisable options to purchase 500,249 shares of common stock, (b) options to purchase 25,000 shares that become exercisable within 60 days of November 29, 2010 and (c) 200,000 shares of restricted stock, of which 100,000 shares are vested and 50,000 shares vest on each of December 31, 2010 and 2011. Excludes options to purchase 60,113 shares of common stock that are not exercisable within 60 days of November 29, 2010.

(9) Includes currently exercisable options to purchase 6,000 shares of common stock.

(10) As Chief Investment Officer of Fursa, William F. Harley exercises voting and dispositive power over shares beneficially owned by certain funds and accounts affiliated with, managed by, or over which Fursa or any of its affiliates exercises investment authority, including, without limitation, with respect to voting and dispositive rights, described in Footnote 4 above. Mr. Harley disclaims beneficial ownership of the shares described in Footnote 4 above except to the extent of his pecuniary interest therein. Accordingly, such shares are not included in Mr. Harley's beneficial ownership.

(11) Includes (a) 50,290 shares of common stock held by Sagebrush Group, Inc. and (b) currently exercisable options to purchase 26,718 shares of common stock. Excludes options to purchase 4,452 shares of common stock that are not exercisable within 60 days of November 29, 2010. Milton Walters, as the sole shareholder of Sagebrush Group, Inc., has voting and dispositive power over the shares held by Sagebrush Group, Inc.

(12) Includes an aggregate of 1,256,717 shares of common stock that Thomas J. Lynch, Peter Cole, Thomas Rende, Linda LoRe, John L. Eisel and Milton J. Walters have the right to acquire upon exercise of outstanding options that are exercisable within 60 days of November 29, 2010.

Equity Compensation Plan Information

The following sets forth certain information as of July 31, 2010 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	732,500	\$ 0.96	100,833
2000 Performance Equity Plan	681,750(1)	\$ 2.47	452,876(2)
2003 Employee Equity Incentive Plan	975,974	\$ 2.38	—
January 2008 Warrants(3)	635,076	\$ 3.31	—
Plans not approved by shareholders			
March 2010 Warrants(4)	2,543,760	\$ 1.41	—
May 2010 Warrants(5)	1,500,000	\$ 2.33	—
2010 Long-Term Incentive Equity Plan(6)	600,000	\$ 0.78	3,400,000
Total	7,669,060	\$ 1.87	3,953,709

(1) Includes 18,000 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 July 31, 2010, an aggregate of 264,748 shares of common stock have been issued to non-employee directors.

On June 1, 2010, we issued 100,000 shares of restricted stock to our Chief Financial Officer under the 2000 Performance Equity Plan. 25,000 shares vest on each of June 1, 2011 and 2012 and 50,000 shares vest on June 1, 2013 provided that he is employed by us on each such date.

On June 24, 2010, we issued 75,000 shares of restricted stock to one of our employees under the 2000 Performance Equity Plan. 18,750 shares vest on each of June 24, 2011 and 2012 and 37,500 shares vest on June 24, 2013 provided

that the employee is employed by us on each such date.

On June 29, 2010, we issued 150,000 shares of restricted stock to our Chairman and Chief Executive Officer under the 2000 Performance Equity Plan. 50,000 shares vest on each of January 2, 2012, 2013 and 2014 provided that he is employed by us on each such date.

On January 29, 2009, we issued 100,000 shares of restricted stock to our Chairman and Chief Executive Officer under the 2000 Performance Equity Plan. 50,000 shares vested on January 2, 2010 and 50,000 shares will vest on January 2, 2011 provided that he is employed by us on such date.

(3) On January 28, 2008, as sole consideration for their commitments to act as standby purchasers in connection with our \$20 million rights offering, we issued to Fursa and Tokarz Investments, LLC warrants to purchase an aggregate of 596,592 shares of common stock, subject to adjustment. Pursuant to the anti-dilution adjustment provisions contained in the warrants, following the consummation of our private placement to accredited investors on March 16, 2010 (the "Private Placement"), the number of shares of common stock issuable upon exercise of the warrants was increased from an aggregate of 596,592 shares to an aggregate of 635,076 shares and the exercise price was decreased from \$3.52 per share to \$3.31 per share. The warrants expire on January 28, 2011.

(4) In connection with the consummation of the Private Placement, we issued to the investors two-and-a-half year Series A warrants to purchase up to an aggregate of 1,162,820 shares of common stock at an exercise price of \$1.25 per share, and five-year Series B warrants to purchase up to an aggregate of 1,162,820 shares of common stock at an exercise price of \$1.55 per share. In addition, we issued to Avalon Securities Ltd. and its designees, who acted as placement agent in the transaction, warrants to purchase an aggregate of 218,030 shares of common stock at an exercise price of \$1.21 per share. Except for the exercise price, these warrants are identical to the Series B warrants issued to investors in the Private Placement.

(5) On May 18, 2010, in connection with the consummation of the transactions contemplated by the Debt Exchange and Preferred Stock Conversion Agreement, dated as of February 1, 2010, with accounts and funds managed by and/or affiliated with Fursa, we issued to Fursa three, five and seven-year warrants, each to purchase 500,000 shares of common stock (for an aggregate of 1,500,000 shares of common stock) at exercise prices of \$2.00, \$2.33 and \$2.66 per share, respectively.

(6) On June 29, 2010, our board of directors adopted the 2010 Long-Term Incentive Equity Plan (including an Incentive Stock Option Plan). This plan is subject to shareholder approval, which we are seeking to obtain at our next scheduled annual shareholders meeting. 4,000,000 shares of common stock are authorized under the 2010 Long-Term Incentive Equity Plan for the issuance of qualified and non-qualified stock options and other stock-based awards to eligible participants. Options granted under the 2010 Long-Term Incentive Plan are not subject to a uniform vesting schedule. On June 29, 2010, we granted options to purchase 600,000 shares of common stock under the 2010 Long-Term Incentive Equity Plan to our Chief Executive Officer at an exercise price of \$0.78 per share, which vest as follows: 150,000 shares vest on January 2, 2012, 200,000 shares vest on January 2, 2013 and 250,000 shares vest on January 2, 2014. These options were outstanding as of July 31, 2010.

ITEM 13. – CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Related Party Policy

Our Code of Ethics requires us to avoid, wherever possible, all related party transactions that could result in actual or potential conflicts of interest, except under guidelines approved by the board of directors (or the audit committee). Related party transactions are defined under SEC rules as transactions in which (1) the aggregate amount involved will or may be expected to exceed the lesser of \$120,000 or one percent of the average of our total assets in any calendar year, (2) we or any of our subsidiaries is a participant, and (3) any related party, which includes (a) an executive officer, director or nominee for election as a director, (b) a greater than 5 percent beneficial owner of our common stock, or (c) an immediate family member of the persons referred to in clauses (a) and (b), has or will have a direct or indirect material interest. A conflict of interest situation can arise when a person takes actions or has interests that may make it difficult to perform his or her work objectively and effectively. Conflicts of interest may also arise if a person, or a member of his or her family, receives improper personal benefits as a result of his or her position.

Our audit committee, pursuant to its written charter, is responsible for reviewing and approving related-party transactions to the extent we enter into such transactions. The audit committee will consider all relevant factors when determining whether to approve a related party transaction, including whether the related party transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related party's interest in the transaction. No director may participate in the approval of any transaction in which he or she is a related party, but that director is required to provide the audit committee with all material information concerning the transaction. Additionally, we require each of our directors and executive officers to complete a directors' and officers' questionnaire on an annual basis that elicits information about related party transactions. These procedures are intended to determine whether any such related party transaction impairs the independence of a director or presents a conflict of interest on the part of a director, employee or officer.

Related Party Transactions

On May 18, 2010, we completed the transactions contemplated by the Debt Exchange and Preferred Stock Conversion Agreement, dated as of February 1, 2010, with accounts and funds managed by and/or affiliated with Fursa. At the closing, we issued to Fursa an aggregate of 8,664,373 shares of our common stock upon exchange of approximately \$14,285,000 of outstanding secured long-term debt ("Tranche C Debt") and accrued interest, and conversion of approximately \$8,795,000 of Series A Preferred Stock, including accrued dividends, representing all of our outstanding shares of Series A Preferred Stock, at an effective price of approximately \$2.66 per share.

We also issued to Fursa three, five and seven-year warrants, each to purchase 500,000 shares of common stock (for an aggregate of 1,500,000 shares of common stock) at exercise prices of \$2.00, \$2.33 and \$2.66 per share, respectively. The warrants are exercisable for cash or on a cashless basis, at Fursa's option. At any time after the first anniversary of the issuance date, we may redeem the warrants, in whole but not in part, upon not less than 20 business days' written notice to Fursa, at a redemption price of \$0.01 per share, if the last sale price of the common stock is at least 200% of the exercise price of the warrants for 10 consecutive trading days ending on the day prior to the date on which notice of redemption is given to Fursa. Following the transaction, Fursa's aggregate beneficial ownership of our common stock increased from approximately 33% to approximately 47%. As Fursa is a related party, the transaction resulted in an increase to shareholders' equity of \$23,080,000.

Independence of Directors

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

ITEM 14. – PRINCIPAL ACCOUNTANT FEES AND SERVICES

On January 5, 2009, we were notified that, effective December 31, 2008, the shareholders of Mahoney Cohen & Company, CPA, P.C. (“Mahoney Cohen”) became shareholders of Mayer Hoffman McCann P.C. pursuant to an asset purchase agreement and that Mahoney Cohen resigned as our independent registered public accounting firm. The New York practice of Mayer Hoffman McCann P.C. now operates under the name Mayer Hoffman McCann CPAs (“MHM”). In January 2009, the audit committee engaged MHM as our independent registered public accounting firm. The audit report of Mahoney Cohen on our consolidated financial statements as of and for the year ended July 26, 2008 did not contain an adverse opinion or a disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope or accounting principles. In connection with the audit of our consolidated financial statements for the fiscal year ended July 26, 2008 and through Mahoney Cohen’s resignation, there were (i) no disagreements between us and Mahoney Cohen on any matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of Mahoney Cohen, would have caused Mahoney Cohen to make reference to the subject matter of the disagreement in their report on our financial statements for such year and (ii) no reportable events within the meaning set forth in Item 304(a)(1)(v) of Regulation S-K.

During the year ended July 26, 2008 and through the date of MHM’s engagement, we did not consult with MHM regarding any of the matters or reportable events set forth in Item 304(a)(2)(i) and (ii) of Regulation S-K.

The following table summarizes the aggregate fees (rounded to the nearest \$1,000) billed to us by Mahoney Cohen and MHM for professional services for the years ended July 31, 2010 and July 25, 2009:

	Years Ended,	
	July 31, 2010	July 25, 2009
Audit Fees(1)	\$ 387,000	\$ 415,000
Audit Related Fees(2)	42,000	21,000
Tax Fees(3)	108,000	115,000
	\$ 537,000	\$ 551,000

(1) Represents the aggregate fees billed for professional services rendered in connection with the audit of our consolidated financial statements and the review of the consolidated financial statements included in our Quarterly Reports on Form 10-Q.

(2) Represents the aggregate fees billed in connection with the reviews of various SEC filings and employee benefit plan audits.

(3) Represents the aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.

PART IV

ITEM 15. – EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(b). Exhibits:

EXHIBIT INDEX

EXHIBIT NUMBER	EXHIBIT	METHOD OF FILING
31.1	Certification by Chief Executive Officer	Filed herewith
31.2	Certification by Principal Financial and Accounting Officer	Filed herewith
32	Section 1350 Certification	Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

November 29, 2010

FREDERICK'S OF HOLLYWOOD GROUP INC.

By: /s/ THOMAS J. LYNCH
Thomas J. Lynch
Chairman and Chief Executive Officer
(Principal Executive Officer)

By: /s/ THOMAS RENDE
Thomas Rende
Chief Financial Officer
(Principal Financial and Accounting
Officer)