

Wilhelmina International, Inc.  
Form S-1/A  
January 30, 2012

As filed with the Securities and Exchange Commission on January 30, 2012

Registration No. 333-178611

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

Amendment No. 1  
to  
FORM S-1

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

WILHELMINA INTERNATIONAL, INC.  
(Exact Name of Registrant as Specified in its Charter)

Delaware  
(State or Other Jurisdiction  
of Incorporation or  
Organization)

8742  
(Primary Standard  
Industrial Classification  
Code Number)

74-2781950  
(I.R.S. Employer  
Identification No.)

200 Crescent Court, Suite  
1400  
Dallas, Texas 75201  
(214) 661-7488  
(Address, Including Zip Code, and Telephone  
Number, Including Area Code, of Registrant's  
Principal Executive Offices)

Mark E. Schwarz  
Chief Executive Officer  
Wilhelmina International,  
Inc.  
200 Crescent Court, Suite  
1400  
Dallas, Texas 75201  
(214) 661-7488

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

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.  S

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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
filer	
Non-accelerated <input type="checkbox"/>	Smaller reporting <input type="checkbox"/> S
filer	company

(Do not check if a smaller reporting company)

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## CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, par value \$0.01 per share (1)	94,852,098 (2)	\$0.19 (3)	\$18,021,898.62	\$2,065.30 (4)

(1) Includes associated rights (the "Preferred Share Purchase Rights") to purchase shares of Series A Junior Participating Preferred Stock, par value \$0.01 per share, for a purchase price of \$10.00. The Preferred Share Purchase Rights are attached to the shares of common stock of the Registrant in accordance with the Rights Agreement, dated as of July 10, 2006, by and between the Registrant and The Bank of New York Trust Company, N.A., now known as The Bank of New York Mellon Trust Company, N.A., as Rights Agent, as amended from time to time (the "Rights Agreement"). The Preferred Share Purchase Rights are not exercisable until the occurrence of certain events specified in the Rights Agreement, are evidenced by the stock certificates representing the common stock and are transferable solely with the common stock. The value attributable to the Preferred Share Purchase Rights, if any, is reflected in the value of the common stock.

(2) Pursuant to Rule 416 under the Securities Act of 1933, as amended (the "Securities Act"), the shares being registered hereunder include such indeterminate number of shares of common stock as may be issuable with respect to the shares being registered hereunder as a result of stock splits, stock dividends or similar transactions.

(3) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) under the Securities Act, based on the average of the bid and asked price of the Registrant's common stock on the OTC Bulletin Board on December 15, 2011.

(4) Previously paid.

The 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 a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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

Subject to completion, dated January 30, 2012

PRELIMINARY PROSPECTUS

WILHELMINA INTERNATIONAL, INC.

Up to 94,852,098 Shares of Common Stock

This prospectus relates to the offer and resale of up to 94,852,098 shares of our common stock, par value \$0.01 per share, by the selling stockholders named in this prospectus. All of such shares of common stock are currently issued and outstanding.

The selling stockholders may offer, sell or distribute all or a portion of their shares publicly or through private transactions at prevailing market prices or at negotiated prices. We will not receive any of the proceeds from the sale of the securities owned by the selling stockholders. We will bear all costs, expenses and fees in connection with the registration of these shares. The selling stockholders will bear all commissions and discounts, if any, attributable to their sale of shares. See "Plan of Distribution" beginning on page 36 of this prospectus.

Our common stock is traded on the OTC Bulletin Board under the symbol "WHLM.OB". On January 30, 2012, the closing price of our common stock was \$0.20 per share. As of January 30, 2012, we had 129,440,752 shares of common stock outstanding.

Our principal executive offices are located at 200 Crescent Court, Suite 1400, Dallas, Texas 75201, and our telephone number is (214) 661-7488.

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**INVESTING IN OUR COMMON STOCK INVOLVES SIGNIFICANT RISKS. YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS BEGINNING ON PAGE 3 OF THIS PROSPECTUS BEFORE MAKING A DECISION TO INVEST IN OUR COMMON STOCK.**

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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.

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Our securities are not being offered in any jurisdiction where the offer is not permitted under applicable local laws.

The date of this prospectus is \_\_\_\_\_, 2012

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You should rely only on the information contained in this prospectus and any free writing prospectus prepared by or on behalf of us. We have not authorized anyone to provide you with different information. This prospectus is an offer to sell only the shares offered hereby but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

Our business, financial conditions, results of operations and prospectus may have changed since that date.

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PROSPECTUS SUMMARY

This summary highlights and is qualified in its entirety by information contained elsewhere in this document. You should read this entire prospectus carefully, including the section entitled “Risk Factors” included in this document and our financial statements and the related notes incorporated by reference herein. Unless the context otherwise requires, “Wilhelmina,” the “Company,” “we,” “our,” “us” and similar expressions refer to Wilhelmina International, Inc. As used in this prospectus, the term “common stock” means Wilhelmina common stock, par value \$0.01 per share, and includes the associated rights to purchase shares of Series A Junior Participating Preferred Stock, par value \$0.01 per share, for a purchase price of \$10.00.

Our Company

We are one of the world’s leading fashion model and talent management companies.

Through our subsidiaries, we provide traditional, full-service fashion model and talent management services, specializing in the representation and management of models, entertainers, artists, athletes and other talent to various customers and clients. These customers and clients include leading retailers, designers, advertising agencies and catalog companies worldwide. Our business was founded in 1967 by Wilhelmina Cooper, a renowned fashion model.

Our core fashion model management business is headquartered in New York City and also includes locations in Los Angeles and Miami, as well as a growing network of licensees comprising leading modeling agencies in various local markets across the U.S. and in Panama. Our corporate headquarters are located in Dallas, Texas.

Wilhelmina is comprised of operating companies and divisions focused on the fashion model and talent management business, as well as business areas complimentary to the fashion model and talent management business such as licensing and television. These companies include:

- Wilhelmina International, Ltd., or Wilhelmina International;
- Wilhelmina – Miami, Inc., or Wilhelmina Miami;
- Wilhelmina Artist Management LLC, or WAM;
- Wilhelmina Licensing LLC, or Wilhelmina Licensing; and
- Wilhelmina Film & TV Productions LLC, or Wilhelmina TV.

Wilhelmina International (based in New York City), Wilhelmina West, Inc. (based in Los Angeles and a wholly owned subsidiary of Wilhelmina International) and Wilhelmina Miami are Wilhelmina’s core fashion model management companies. WAM is a talent management company that seeks to secure endorsement and spokesperson work for various high-profile talents from the worlds of sports, music and entertainment. Wilhelmina Licensing oversees the licensing of the “Wilhelmina” name, mainly to local modeling agencies across the U.S. Wilhelmina TV participates in the development of certain reality television shows such as “The Agency” (2007) and “She’s Got the Look” that seek to capitalize on the “Wilhelmina” brand.

The LW1 division, based in Los Angeles, offers models the opportunity to be showcased on TV and film through its membership in the Screen Actors Guild. Wilhelmina also owns a non-consolidated 50% interest in Wilhelmina Kids & Creative Management LLC, a New York City-based modeling agency that specializes in representing child models, from newborns to children 14 years of age.





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Corporate Information

Wilhelmina was formerly known as New Century Equity Holdings Corp. and Billing Concepts Corp., and was incorporated in the State of Delaware in 1996. Our principal executive offices are located at 200 Crescent Court, Suite 1400, Dallas, Texas 75201, and our telephone number is (214) 661-7488. Our website is [www.wilhelmina.com](http://www.wilhelmina.com)

The Offering

Common stock offered by the selling stockholders	We are registering the offer and resale of up to 94,852,098 shares of common stock by the selling stockholders named in this prospectus.
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Terms of the offering	The selling stockholders will determine when and how they will dispose of the common stock registered under this prospectus.
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Common stock outstanding	129,440,752 shares of our common stock are issued and outstanding as of January 30, 2012.
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Proceeds	We will not receive any of the proceeds from the sale of shares of common stock by the selling stockholders.
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Ticker symbol	WHLM.OB
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For additional information concerning the offering, see “Plan of Distribution” beginning on page 36.

Risk Factors

Before investing in our common stock, you should carefully read and consider the information set forth in “Risk Factors” beginning on page 3.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below before making an investment decision. If any of the following risks or uncertainties occur, our business, prospects, financial condition or operating results could be materially adversely affected, the trading price of our common stock could decline, and you may lose all or part of your investment. In assessing the risks described below, you should also refer to the other information contained in this prospectus, as well as our consolidated financial statements and the related notes and schedules incorporated herein by reference, before deciding to purchase any shares of our common stock.

Risks Relating to Our Business

Competition in the fashion model industry could result in us losing market share and charging lower prices for services, which could reduce our revenue.

We compete in the fashion model management industry with numerous competitors, from large multi-national companies such as DNA Model Management, Elite Model Management, Ford Models, IMG Models, Marilyn Model Agency, NEXT Model Management and Women Model Management, to hundreds of local and boutique agencies. We also compete in the general talent management industry. "Talent" means any model, entertainer, artist, athlete or other talent or celebrity. Through WAM, Wilhelmina endeavors to secure product endorsement contracts from branded consumer products companies for Talent represented by Wilhelmina.

In each of our markets, our competitors may possess greater resources, greater name recognition, greater geographic reach and longer operating histories than Wilhelmina, which may give competitors an advantage in obtaining future clients and attracting qualified models and other Talent in their markets. Increased competition may lead to, among other things, loss of business and market share and pricing pressures that could negatively impact our business.

In addition, because an agency's principal asset is its people, and freedom of entry into the fashion model management business is almost unlimited, a small agency may, on occasion, be able to develop business with our clients, particularly if the small agency is successful in recruiting other successful Talent.

Our prospects and financial results may be adversely affected if we fail to identify, sign and retain quality Talent.

We are dependent on identifying, signing and retaining models and other Talent who are well received by clients and are likely to generate repeat business. Our competitive position is dependent on our continuing ability to attract and develop Talent whose work can achieve a high degree of client acceptance. Our financial results may be adversely affected if we are unable to identify, sign and/or retain such Talent under terms that are economically attractive to us. Our business would be adversely affected by any of the following:

- inability to recruit new models;
- the loss of popularity of models among clients;
- increased competition to maintain existing relationships with models;

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- non-renewals of current agreements with models; and
- poor performance or negative publicity of models.

Most of our current model contracts have a term of two years. Upon expiration, models may choose not to renew these contracts on reasonable terms or at all. In addition, in certain instances, our Talent may seek representation with a competitive agency in breach of contract, notwithstanding our contractual relationship. If models decide to re-locate to another agency, we may be unable to recoup costs expended to develop and promote such models, or to find a quality replacement that is satisfactory to our clients.

In addition, the fashion model industry is a youthful business, and models' careers are inherently limited in length. The loss or maturing of Talent, particularly key Talent responsible for significant gross billings, negatively impacts us. If we are unable to replace lost Talent, including by successfully recruiting or developing new Talent, our business will suffer. New Talent is also important for us to continually show Talent alternatives to clients, who regularly seek new "looks".

We have relied upon our ability to enforce contracts entered into by models and other Talent we represent. If we are unable to protect and enforce our contractual rights, we may suffer a loss of revenue.

Our success depends, to a large degree, on our current Talent under management and, in the future, scouting new Talent and entering into new contracts. To protect our contractual rights, we have traditionally vigorously defended our contractual rights vis-à-vis models and other Talent, as well as other agencies and companies, for both financial reasons and to encourage ongoing strict adherence to contracts by all models and other Talent. Such strict enforcement through litigation and other legal means could result in substantial costs and diversion of resources and the potential loss of contractual rights, which could impair our results of operations and financial condition.

If we fail to attract and retain qualified and experienced agents, our revenue could decline and our business could be harmed.

We compete with other fashion model management businesses for qualified agents or "bookers." Attracting and retaining qualified bookers in the fashion model industry is particularly important because, generally, a small number of bookers have primary responsibility for Talent relationships. Because Talent responsibility is so concentrated, the loss of key bookers may lead to the loss of Talent relationships. The loss of key bookers could also result in the loss of other bookers and employees loyal to such key bookers. Any decrease in the quality of our reputation, management instability, a reduction in bookers' compensation levels or restructuring of our compensation program, whether as a result of insufficient revenue or for any other reason, could impair our ability to retain existing bookers or attract additional qualified bookers with the requisite experience, skills and established Talent relationships. Our failure to retain our most productive bookers or maintain the quality of service to which our clients are accustomed could also result in a loss of clients, which could in turn cause our revenue to decline and our business to be harmed.

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If we are unable to retain key management personnel or hire additional skilled personnel, we may not be able to successfully manage our business in the future.

Our key management personnel, including personnel at our principal operating subsidiary, Wilhelmina International, Ltd., and their skills and relationships with clients are among our most important assets. An important aspect of our competitiveness is our ability to attract and retain key management personnel, and our future success depends upon the continued service or involvement of key management personnel. If we lose the services of one or more of our key management personnel, or if one or more of them decides to join a competitor or otherwise compete directly or indirectly with us, we may not be able to successfully manage our business or achieve our business objectives. The loss of the services of any of our key management personnel or other key employees could have a material adverse effect on our business, prospects, financial condition and results of operations. We have not entered into employment agreements with any of our key personnel and currently have no “Key Man” life insurance policies.

In addition to retaining our agents and key existing management personnel, our future success may also depend on our ability to identify, attract, hire, train, and motivate other highly skilled management, agents and administrative personnel. Competition for such personnel is intense in the fashion model and Talent management industry, and there can be no assurance that we will be able to successfully attract, assimilate or motivate sufficiently qualified personnel. The failure to attract and retain the necessary personnel could have a material adverse effect on our business.

If we are unable to maintain our professional reputation and brand name, our business will be harmed.

We strongly depend on our overall reputation and brand name recognition, which we believe is strong in the industry, to secure new engagements and to sign qualified Talent. Our success also depends on the individual reputations of the Talent that we represent. In addition, any adverse effect on our reputation might negatively impact our model search and licensing businesses, which is driven largely by the value of the Wilhelmina brand. If any client is dissatisfied with our services, this may adversely affect our ability to secure new engagements.

If any factor, including poor performance, hurts our reputation, we may experience difficulties in competing successfully for both new client engagements and qualified Talent. Failing to maintain our professional reputation and the goodwill associated with our brand name could seriously harm our business.

Our revenue and net income may be affected by adverse economic conditions.

Recessions may impact gross billings for modeling services. An important segment of the modeling industry is advertising, with advertising assignments typically generating amongst the highest daily fees in the business. Because advertising expenditures are viewed by companies as discretionary and are curtailed during economic downturns, agency gross billings may also decline over recessionary periods. There can be no assurance that current economic conditions will improve or even remain stable. Although we believe that larger agencies, such as Wilhelmina, are less affected by negative economic fluctuations than local agencies (as advertisers frequently cut spending with smaller modeling agencies first), our business, financial condition and results of operations could suffer if economic conditions weaken.

If some of our clients experience financial distress, their weakened financial position could negatively affect our financial position and results.

We have a large and diverse client base, and at any given time, one or more of our clients may experience financial distress, file for bankruptcy protection or go out of business. If any client with whom we have a substantial amount of business experiences financial difficulty, it could delay or jeopardize the collection of accounts receivable, may result

in significant reductions in services provided by us and may have a material adverse effect on our financial position, results of operations and liquidity.

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Our operations are headquartered in and largely concentrated on New York City, which is generally recognized as the center of the global fashion industry. This lack of geographic diversification increases our risk profile.

Wilhelmina's operations are headquartered in New York City, which is generally recognized as the global center of the fashion industry. As a result of this geographic concentration, our business, results of operations and financial condition depend largely upon the state of the New York City-based fashion industry and advertising market. Deterioration in economic and business conditions in these sectors and the economic and business conditions in New York City could have a material adverse impact on the demand for our and our advertising sector clients' services, which in turn may have a material adverse effect on our results of operations and financial position.

A major disaster in New York City could result in material loss to Wilhelmina. New York City, as a major urban area, is at risk from terrorist attack. Many of our clients could experience interruption of their business or financial distress, file for bankruptcy protection or go out of business after a major disaster, including a terrorist attack. Most of our Talent resides in New York City and may also be severely affected in the event of such a disaster. If there are terrorist attacks in New York City or within close proximity, we may experience a decrease in the demand for our model and Talent management services, which may have a material adverse effect on our results of operations and overall profitability.

Terms of the settlement of a class action lawsuit may adversely impact our ability to sign models on favorable terms.

In 2002, a class action lawsuit was filed on behalf of some 10,000 current and former models against 13 of the then leading modeling agencies, including Wilhelmina, alleging price collusion. The lawsuit was settled in June 2004 pursuant to a settlement agreement by which we and other modeling agencies are bound. The terms of the settlement agreement include, among others, that we will:

- refrain from entering into any agreement or understanding with any other agency regarding models' commissions or communicate pricing with any other agency (except under limited circumstances);
- disclose to the settling defendant models all compensation received by us on all bookings for that model; and
- enter into contracts that (i) provide in clear language the contract's term and duration, (ii) include full disclosure of all relevant compensation terms and practices, (iii) include a description of the management services that are available to the model pursuant to the contract and (iv) do not automatically renew for the full contract term.

The restrictions imposed upon us pursuant to the settlement agreement may have an adverse effect on our ability to remain competitive in the industry. Furthermore, no assurance can be given that we will not in the future be subject to similar or other class action lawsuits that could have a material adverse effect on our business practices.

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Limitations on the availability of visas for our models will impact our business.

Our foreign born models typically require visas in order to work in the United States. If visas for models become difficult to obtain or renew or are otherwise delayed for our models, by law such models may be unable to work in the United States and our business will be impacted. Periodically, the United States Immigration and Nationalization Service (INS) promulgates interpretations of its rules which result in limitations on the availability of visas for our foreign born fashion models. In addition, current federal law imposes annual limits on H-1B visas. While many of our models are U.S. born, we also have, recruit and develop foreign born models. If limitations on the availability of visas were to occur, certain of our competitors, including non-U.S. agencies or U.S. agencies with international operations, could be in a competitively stronger position than us in part because such competitors could serve clients with foreign born models outside the United States.

We may undertake acquisitions to expand our business, which may dilute the ownership of existing stockholders.

As we pursue our business plan, we may pursue acquisitions of businesses, both domestic and international. International acquisitions in particular would permit us to expand our global footprint and provide additional sources of models and Talent. To finance any acquisitions however, it may be necessary for us to raise additional funds through public or private financings. Additional funds may not be available on favorable terms or at all, and, in the case of equity financings, would result in additional dilution to existing stockholders. If we acquire any business and are unable to integrate the newly acquired entities effectively, our business and results of operations may suffer. The time and expense associated with finding suitable and compatible businesses or services could also disrupt our ongoing business and divert management's attention. Future acquisitions by us could result in large and immediate write-offs or assumptions of debt and contingent liabilities, any of which could substantially harm our business and results of operations.

Any acquisitions that we attempt or complete could prove difficult to integrate or require a substantial commitment of management time and other resources.

Any strategy of acquiring other businesses involves a number of unique risks including: (i) completing due diligence successfully, (ii) exposure to unforeseen liabilities of acquired companies and (iii) increased risk of costly and time-consuming litigation, including stockholder lawsuits. If we pursue acquisitions, we may be unable to address these problems successfully. Moreover, our future operating results will depend to a significant degree on our ability to integrate acquisitions (if any) successfully and manage operations while also controlling our expenses. Integrating newly acquired businesses or services is likely to be expensive and time consuming. We may be unable to select, manage or absorb or integrate any future acquisitions successfully, particularly acquisitions of large companies. Any acquisition, even if effectively integrated, may not benefit our stockholders.

We may need additional debt or equity to sustain growth, but we do not have commitments for such funds.

We may need to finance future growth through a combination of borrowings, cash flow from operations, and equity financing. Our ability to continue growing at the pace we have recently grown could depend in part on our ability to obtain either additional debt or equity financing. The terms on which debt and equity financing is available to us varies from time to time and is influenced by our performance and by external factors, such as the economy generally and developments in the market, which are beyond our control. If we are unable to obtain additional debt or equity financing on acceptable terms, we may have to curtail our growth by delaying new initiatives. While we maintain a credit facility, our efforts to secure significant funds through debt financing have not been successful and, given the cautiousness of banks following the 2008 downturn, do not look likely in the foreseeable future.





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We might not be successful in positioning the “Wilhelmina” brand for future consumer product initiatives.

We are considering steps to position the “Wilhelmina” brand for future consumer product initiatives, including fashion apparel (such as lingerie and sportswear), cosmetics and beauty, and health and lifestyle products. If consumer response to the “Wilhelmina” brand is not as favorable as management anticipates, or if our reputation is adversely affected, these consumer product initiatives might not be successful and we would incur substantial expense that could have a material adverse effect on our results of operations.

If we are unable to adequately protect the “Wilhelmina” brand name, our business could suffer significant harm.

We have invested significant resources in the “Wilhelmina” brand in order to obtain and protect the brand’s current public recognition. The “Wilhelmina” brand is essential to our success and competitive position. It is also important for television activities and consumer product initiatives. If we fail to protect our intellectual property rights adequately, we may lose an important advantage in the markets in which we compete. Third parties have in the past and may continue to misappropriate or infringe on the “Wilhelmina” brand. If third parties misappropriate or infringe our intellectual property, our image, brand and the goodwill associated therewith may be harmed and our competitive position may be harmed, any of which could have a material adverse effect on our business.

The protection of the “Wilhelmina” brand name requires substantial resources.

We rely upon trademark laws, license agreements and nondisclosure agreements to protect the “Wilhelmina” brand name used in our business. The steps we have taken to protect and enforce our proprietary rights to our brand name may not be adequate. For instance, we may not be able to secure trademark or service mark registrations for marks in the U.S. or in foreign countries. Third parties may infringe upon or misappropriate our trademarks, service marks and similar proprietary rights, which could have an adverse effect on our business, financial condition and results of operations. If we believe a third-party (including a counterparty or licensee) has misappropriated or misused our intellectual property, litigation may be necessary to enforce and protect those rights, which would divert management resources, would be expensive and may not effectively protect our intellectual property.

Third parties may claim that we are infringing their intellectual property, and we could suffer significant litigation or licensing expenses or be prevented from selling products or services as a result.

We are not aware of any claims of infringement or challenges to our right to use any of our trademarks in the U.S. Nevertheless, we could be subject to claims that we are misappropriating or infringing intellectual property or other proprietary rights of others. Given that proprietary rights to photography, artwork and similar intellectual property rights are a fundamental part of marketing in the fashion industry, we may be exposed at times to claims with respect to such rights. Such claims, even if not meritorious, can be expensive to defend and divert management’s attention from our operations. If we become liable to third parties for infringing these rights, we could be required to pay a substantial damage award and cease displaying, offering or selling works, products or services that use or contain the infringing intellectual property. We may be unable to develop non-infringing products or services or obtain a license on commercially reasonable terms. We may also be required to indemnify licensees and customers if they become subject to third-party claims relating to intellectual property that they license or otherwise provide to them, which could be costly.

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Our businesses require licensing in key states in which we operate, and the loss of any of our licenses could have a material adverse effect on our business.

Certain states in which we operate, including the states of California and Florida, require talent agency licenses to operate in the model management and Talent representation businesses in which we operate. Our good standing in such states and our ability to successfully renew such licenses is not guaranteed. Any inability to renew our licenses could have a material adverse effect on our business. In addition to our licenses, certain subsidiaries are franchise holders of the Screen Actors Guild. Any loss of such franchise will limit the activities in which we can engage and negatively impact our business.

We may be unable to realize the benefits of our net operating loss carryforwards, or NOLs.

NOLs may be carried forward to offset federal taxable income in future years and reduce income taxes otherwise payable on such taxable income, subject to certain adjustments. Based on current federal corporate income tax rates, our NOLs, if fully utilized, could provide a benefit to us of future tax savings. However, our ability to use these tax benefits in future years will depend upon the amount of our otherwise taxable income. If we do not have sufficient taxable income in future years to use the tax benefits before they expire, we will lose the benefit of these NOL carryforwards, permanently.

Additionally, if we underwent an ownership change within the meaning of Sections 382 and 383 of the United States Internal Revenue Code of 1986, as amended, or the Code, the NOL carryforward limitations would impose an annual limit on the amount of the taxable income and capital gain that may be offset by our NOLs generated prior to the ownership change. If an ownership change were to occur, we may be unable to use a significant portion of our NOL carryforwards to offset taxable income. In general, an ownership change occurs when, as of any testing date, the aggregate of the increase in percentage points of the total amount of a corporation's stock owned by "5-percent shareholders" (within the meaning of Section 382 and 383 of the Code) whose percentage ownership of the stock has increased as of such date over the lowest percentage of the stock owned by each such "5-percent shareholder" at any time during the three-year period preceding such date, is more than 50 percentage points. In general, persons who own 5% or more of a corporation's stock are "5-percent shareholders," and all other persons who own less than 5% of a c