

Paul M. Basta
Marc Kieselstein, P.C.
Nicole L. Greenblatt
Benjamin J. Steele
KIRKLAND & ELLIS LLP
601 Lexington Avenue
New York, New York 10022-4611
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Counsel to the Debtors and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

| | | |
|---|---|-------------------------|
| In re: |) | |
| |) | Chapter 11 |
| UNITED RETAIL GROUP, INC., <i>et al.</i> , ¹ |) | |
| |) | Case No. 12-10405 (SMB) |
| |) | |
| Debtors. |) | Jointly Administered |
| |) | |

**NOTICE OF FILING OF REVISED PLAN AND DISCLOSURE
STATEMENT IN RESPONSE TO OBJECTIONS RECEIVED THERETO**

PLEASE TAKE NOTICE that on June 14, 2012, the Debtors filed their *Motion for Entry of An Order (I) Approving the Disclosure Statement for the Debtors' Joint Plan of Liquidation Pursuant to Chapter 11 of the Bankruptcy Code, (II) Establishing Solicitation and Tabulation Procedures, (III) Scheduling the Hearing on Plan Confirmation and (IV) Approving Related Notice Procedures* [Docket No. 621] (the "**Solicitation Procedures Motion**"), which among other things, established July 16, 2012 at 12:00 p.m. (ET) as the deadline to object to the Debtors' proposed Disclosure Statement (the "**Objection Deadline**").² See Docket No. 621.

PLEASE TAKE FURTHER NOTICE that a hearing to consider approval of the Disclosure Statement and Solicitation Procedures Motion is scheduled for **Thursday, July 19, 2012 at 10:00 a.m. (ET)** and shall be held in Courtroom No. 723 of the United States

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: United Retail Group, Inc. (3670); Avenue Gift Cards, Inc. (5281); United Distribution Services, Inc. (8531); United Retail Holding Corporation (1251); United Retail Incorporated (5670); and United Retail Logistics Operations Incorporated (5672). The Debtors' main corporate address is 365 West Passaic Street, Rochelle Park, New Jersey 07662.

² Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Disclosure Statement Motion.

Bankruptcy Court, Alexander Custom House, One Bowling Green, New York, New York 10004-1408 before the Honorable Stuart M. Bernstein, United States Bankruptcy Judge.

PLEASE TAKE FURTHER NOTICE that (i) on or before the Objection Deadline, the Debtors received one formal objection filed by the Official Committee of Unsecured Creditors (the “**Committee Objection**”) [Docket No. 672] and (ii) certain informal comments from the United States Trustee. The Committee Objection asserted that the Disclosure Statement did not contain “sufficient detail to enable parties-in-interest to evaluate the potential impact of [] wind-down costs on the projected distributions” (See Obj. at 2) and requested that the Debtors include a further discussion regarding (a) the tasks required after the Effective Date to wind down the Debtors’ estates, (b) the projected cost of such tasks, (c) the projected balance of the wind-down budget as of the Effective Date and (d) the impact on recoveries for general unsecured creditors that could result from exceeding the wind-down budget. The United States Trustee comments included, among other things, requests to (a) provide additional disclosure regarding the Plan Administrator’s insurance coverage and (b) remove Article IX.A “Discharge of Debtors” from the Plan.

PLEASE TAKE FURTHER NOTICE that in an effort to address and resolve the issues raised in the Committee Objection and the United States Trustee comments, the Debtors have revised the Disclosure Statement and the Plan, which are attached hereto as **Exhibit A** and **Exhibit B**, respectively. Redlines of the Disclosure Statement and the Plan are attached hereto as **Exhibit C** and **Exhibit D**, respectively, and include modifications made against the Disclosure Statement and the Plan that were filed on June 14, 2012. The Debtors understand from the Committee and the United States Trustee that these revisions have addressed and resolved the Committee’s and the United States Trustee’s objections to the Disclosure Statement.

New York, New York
Dated: July 18, 2012

/s/ Nicole L. Greenblatt

Paul M. Basta
Marc Kieselstein, P.C.
Nicole L. Greenblatt
Benjamin J. Steele
KIRKLAND & ELLIS LLP
601 Lexington Avenue
New York, New York 10022-4611
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Counsel to the Debtors and
Debtors in Possession

Exhibit A

**Disclosure Statement
(as amended on July 18, 2012)**

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

UNITED RETAIL GROUP, INC., *et al.*,¹

Debtors.

)
) Chapter 11
)
) Case No. 12-10405 (SMB)
)
) Jointly Administered
)

**DISCLOSURE STATEMENT FOR THE DEBTORS' JOINT PLAN OF LIQUIDATION
PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

Paul M. Basta
Marc Kieselstein, P.C.
Nicole L. Greenblatt
Benjamin J. Steele
Joseph A. Pack
KIRKLAND & ELLIS LLP
601 Lexington Avenue
New York, New York 10022
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

*Counsel to the Debtors
and Debtors in Possession*

Dated: July [#], 2012

| |
|--|
| <p><u>THIS DISCLOSURE STATEMENT IS SUBJECT TO BANKRUPTCY COURT APPROVAL AND IS NOT SUBMITTED IN SOLICITATION OF VOTES IN FAVOR OF THE DEBTORS' CHAPTER 11 PLAN.</u></p> |
|--|

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: United Retail Group, Inc. (3670); Avenue Gift Cards, Inc. (5281); United Distribution Services, Inc. (8531); United Retail Holding Corporation (1251); United Retail Incorporated (5670); and United Retail Logistics Operations Incorporated (5672). The Debtors' main corporate address is 365 West Passaic Street, Rochelle Park, New Jersey 07662.

THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS AUGUST [29], 2012, AT 4:00 P.M. EASTERN TIME. THE NOTICE AND CLAIMS AGENT MUST ACTUALLY RECEIVE YOUR BALLOT BEFORE THE VOTING DEADLINE.

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT FOR THE DEBTORS' JOINT PLAN OF LIQUIDATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE TO HOLDERS OF CLASS 3—GENERAL UNSECURED CLAIMS FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE PLAN. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE RELIED UPON OR USED BY ANY ENTITY FOR ANY OTHER PURPOSE.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(B) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND IS NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS. THIS DISCLOSURE STATEMENT WAS NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE AUTHORITY AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHORITY HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN.

NO LEGAL OR TAX ADVICE IS PROVIDED TO YOU BY THIS DISCLOSURE STATEMENT. THE DEBTORS URGE EACH HOLDER OF A CLAIM OR AN INTEREST TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN AND EACH OF THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY.

THIS DISCLOSURE STATEMENT MAY CONTAIN "FORWARD LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH STATEMENTS CONSIST OF ANY STATEMENT OTHER THAN A RECITATION OF HISTORICAL FACT AND CAN BE IDENTIFIED BY THE USE OF FORWARD LOOKING TERMINOLOGY SUCH AS "ANTICIPATE," "CONTINUE," "ESTIMATE," "EXPECT," "MAY" OR "PROJECT," OR THE NEGATIVE THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. YOU ARE CAUTIONED THAT ALL FORWARD LOOKING STATEMENTS ARE NECESSARILY SPECULATIVE AND THAT THERE ARE CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE REFERRED TO IN SUCH FORWARD LOOKING STATEMENTS. THE INFORMATION CONTAINED HEREIN AND ATTACHED HERETO IS AN ESTIMATE ONLY, BASED UPON INFORMATION CURRENTLY AVAILABLE TO THE DEBTORS.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION OR WAIVER. PARTIES MAY SEEK TO INVESTIGATE, FILE AND PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THIS DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN EVENTS IN THE DEBTORS' CHAPTER 11 CASES AND CERTAIN DOCUMENTS RELATED TO THE PLAN THAT ARE ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THE SUMMARIES DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH EVENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THE DEBTORS HAVE REVIEWED THE INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT. ALTHOUGH THE DEBTORS HAVE USED THEIR REASONABLE BUSINESS JUDGMENT TO ENSURE THE ACCURACY OF THIS INFORMATION, THE INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS DISCLOSURE STATEMENT HAS NOT BEEN AUDITED.

THE DEBTORS ARE MAKING THE STATEMENTS AND PROVIDING THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE DEBTORS HAVE NO AFFIRMATIVE DUTY TO DO SO. HOLDERS OF CLAIMS AND INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THIS DISCLOSURE STATEMENT WAS FILED.

THE DEBTORS HAVE NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE

DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

BEFORE DECIDING WHETHER AND HOW TO VOTE ON THE PLAN, EACH HOLDER OF A CLASS 3—GENERAL UNSECURED CLAIM SHOULD CONSIDER CAREFULLY ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN GREATER DETAIL IN ARTICLE VI BELOW, “RISK FACTORS.”

I. INTRODUCTION AND EXECUTIVE SUMMARY

A. PURPOSE OF THE DISCLOSURE STATEMENT

On February 1, 2012 (the “**Petition Date**”), the above-captioned debtors and debtors in possession (collectively, the “**Debtors**”) filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code² in the United States Bankruptcy Court for the Southern District of New York (the “**Bankruptcy Court**”). On February 3, 2012, the Bankruptcy Court entered an order [Docket No. 44]³ jointly administering the Chapter 11 Cases of United Retail Group, Inc.; Avenue Gift Cards, Inc.; United Distribution Services, Inc.; United Retail Holding Corporation; United Retail Incorporated and United Retail Logistics Operations Incorporated pursuant to Bankruptcy Rule 1015(b) under the lead case: *In re United Retail Group, Inc.*, Case No. 12-10405 (SMB). The Debtors are managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. On February 9, 2012, the United States Trustee for the Southern District of New York (the “**U.S. Trustee**”) appointed an official committee of unsecured creditors (the “**Committee**”) pursuant to section 1102 of the Bankruptcy Code [Docket No. 117].

The Debtors submit this disclosure statement (as amended, modified or supplemented, the “**Disclosure Statement**”) pursuant to section 1125 of the Bankruptcy Code for purposes of soliciting votes to accept or reject the Plan, a copy of which is attached to this Disclosure Statement as **Exhibit A**. The Plan has been filed with the Bankruptcy Court and the summaries of the Plan contained herein shall not be relied upon for any purpose other than to make a judgment with respect to, and determine how to vote on, the Plan.

Notice of this Disclosure Statement is being provided by the Debtors to the U.S. Trustee, the Committee and to all of the Debtors’ known creditors and interest holders. By Order dated July [19], 2012 [Docket No. __], the Disclosure Statement was approved by the Bankruptcy Court as containing “adequate information” under section 1125 of the Bankruptcy Code (the “**Disclosure Statement Order**”). The deadline to object to Plan Confirmation is **August [27], 2012 at 4:00 p.m. Eastern Time**. A hearing to consider confirmation of the Plan is scheduled to be held before the Bankruptcy Court on **September [6], 2012 at [__] Eastern Time**.

B. SUMMARY OF SOURCES AND USES OF CONSIDERATION FOR PLAN DISTRIBUTIONS

i. Consideration Provided Under the APA

As set forth in detail in Article II.E of this Disclosure Statement, on April 13, 2012, the Debtors closed the sale of substantially all of their assets to Avenue Stores, LLC (the “**Buyer**”),

² Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Debtors’ Joint Plan of Liquidation Pursuant to Chapter 11 of the Bankruptcy Code (the “**Plan**”).

³ Unless otherwise noted, docket references correspond to the docket of United Retail Group, Inc.’s chapter 11 case.

an affiliate of Versa Capital Management, LLC (“*Versa*”). The APA with the Buyer provides for the following consideration to be distributed to the Debtors’ creditors:⁴

- up to \$27 million in the aggregate for (1) amounts outstanding under the DIP Facility as of the Closing⁵ and (2) Administrative Claims (not including 503(b)(9) Claims, which are accounted for separately under the APA) and Priority Claims as of the Closing that ultimately are Allowed;
- up to \$4.7 million for Allowed 503(b)(9) Claims;⁶
- a minimum of \$1.5 million for the benefit of holders of Allowed General Unsecured Claims on account of such Claims;⁷ and
- up to \$2 million for costs associated with winding down the Debtors’ estates.

In addition, subject to certain limited exclusions set forth in the APA, the Buyer is responsible for all post-Closing operational expenses directly related to (i) the Debtors’ former stores with respect to which the underlying leases have not yet been assumed or rejected until such time as such assumption or rejection is effective, including costs associated with going-out-of-business sales for non-continuing stores, (ii) contracts in existence post-Closing that have not yet been assumed or rejected until such time as such assumption or rejection is effective and (iii) the cost of any supervisory employees of the Debtors employed on a temporary post-Closing

⁴ Versa backstopped the Buyer’s obligations under the APA with a \$13 million equity commitment to the Buyer, which was paid at the Closing, and a \$35 million guaranty of certain of the Buyer’s monetary obligations under the APA.

⁵ There were no outstanding funded obligations under the DIP Facility as of the Closing. At the Closing, in connection with the DIP Facility, \$500,000 was paid to Wells Fargo for financing fees and \$85,000 was paid to Wells Fargo’s counsel. These amounts were counted against the \$27 million combined cap for pre-Closing DIP Facility, Administrative and Priority Claims.

⁶ The Debtors estimate that aggregate 503(b)(9) Claims will be no more than approximately \$2.9 million.

⁷ The APA originally provided for payment of \$500,000 to holders of Allowed General Unsecured Claims on account of such Claims. In connection with the settlement of an adversary proceeding brought by the Committee against the Buyer (as further described in Article II.G of this Disclosure Statement), the APA was amended to provide that holders of Allowed General Unsecured Claims would receive the greater of (a) \$1.5 million and (b) 20% of the amount by which the aggregate of (i) amounts outstanding under the DIP Facility and (ii) administrative and priority claims, in each case as of the Closing, were less than \$27 million. *See Stipulation and Agreement of Settlement Among the Debtors, Redcats USA, Inc., the Official Committee of Unsecured Creditors and Ornatus URG Acquisition LLC* [Adv. Proc. No. 12-01165, Docket No. 15] (the “*Committee Stipulation*”). Thus, if the aggregate of DIP Facility, administrative and priority claims as of the Closing was greater than \$19.5 million, the Buyer would fund \$1.5 million for the benefit of holders of Allowed General Unsecured Claims, and if the aggregate of DIP Facility, administrative and priority claims as of the Closing was less than \$19.5 million, the Buyer’s contribution would increase proportionately. As of the Closing, DIP Facility, administrative and priority claims were estimated to be approximately \$19.96 million, and the Buyer funded \$1.5 million into escrow. To the extent post-Closing reconciliations performed up until the Effective Date demonstrate that these claims were less than \$19.5 million as of the Closing, the Buyer will fund any shortfall on the Effective Date pursuant to the Committee Stipulation.

basis. These expenses will be paid directly by the Buyer in the ordinary course of business, and the Buyer's obligations for such post-Closing operating expenses are uncapped, which should eliminate most if not all post-Closing claims entitled to administrative priority, other than claims for professional fees and U.S. Trustee fees, which fees are expected to be contained within the \$2 million wind-down expenses for which the Buyer is responsible.⁸ For a further discussion regarding the \$2 million wind-down budget, please see the **Risk Factors** at Article VI.A.viii of this Disclosure Statement.

The Claims caps and other Buyer obligations included in the APA were developed after significant analysis by the Debtors' management and advisors, were heavily negotiated with the Buyer and reflect the maximum recoveries available to these estates following a thorough marketing process. The Debtors believe the buckets of consideration contemplated by the APA (and enhanced pursuant to subsequent agreements described herein) should be sufficient to satisfy all Claims against the Debtors' estates. Based upon post-Closing reconciliations conducted through the date hereof, which are substantially complete, the Debtors believe total Administrative and Priority Claims as of the Closing were approximately \$16.3 million—an estimated \$10.7 million under the \$27 million cap. Of the \$27 million cap for Administrative Claims and Priority Claims as of the Closing, such claims were estimated on July 17, 2012 to be approximately \$16.3 million.⁹ These Claims generally were for day-to-day operating expenses of the Debtors' former business and have already been satisfied in the ordinary course, with the exception of \$4.192 million that was funded into escrow at the Closing to pay for accrued but unpaid professional fees as of the Closing.¹⁰ To the extent that allowed professional fees as of the Closing ultimately are less than \$4.192 million, the remainder of the escrow may be used to pay other Administrative Claims required to be paid under the APA up to the \$27 million cap. The Debtors expect that the approximately \$10.7 million remaining under the \$27 million cap will be sufficient to pay any Administrative and Priority Claims as of the Closing that are currently unknown or unliquidated.¹¹ Post-Closing liabilities generally will be satisfied from one of two sources: the \$2 million for wind-down costs of the Debtors' estates or the Buyer's uncapped commitment to fund post-Closing operating expenses of the Debtors as described above.

⁸ The post-Closing fees and expenses of the Plan Administrator, which were negotiated heavily by the Debtors' Board of Directors, are capped at \$1 million.

⁹ Although the Debtors have completed reconciling the vast majority of these Claims, certain Priority Claims remain unliquidated, and the Debtors have not established an Administrative Claim bar date outside what is contemplated by the Plan. Therefore, the current \$16.3 million estimate for Administrative Claims and Priority Claims as of the Closing may increase.

¹⁰ The Debtors have disbursed approximately \$3.185 million from the professional fee escrow to date. The Debtors expect to disburse approximately \$450,000 in additional professional fee payments from the escrow, leaving approximately \$558,000 to be returned to the Buyer or used to pay other Administrative Claims pursuant to the APA.

¹¹ Moreover, pursuant to the Committee Stipulation, to the extent that DIP Facility, Administrative and Priority Claims as of the Closing are less than \$19.5 million in the aggregate, the Buyer's contribution to the Unsecured Claims Funds will increase proportionately.

Moreover, although the APA generally contemplates that allowed claim amounts will be paid by the Buyer as and when due (with the exception of the \$1.5 million reserve for the benefit of unsecured creditors that will be included in the Unsecured Claims Funds (subject to increase on the Effective Date), which payment was made as of the Closing and currently is held in escrow by Cooley LLP, counsel to the Committee), the Debtors are mindful of the plan confirmation requirements under section 1129 of the Bankruptcy Code and, accordingly, the Debtors have drafted the Plan to provide creditors with greater certainty of payment. Toward that end, the Plan establishes “**Reserves**” to be funded on the Effective Date in accordance with Article VI.C.2 of the Plan and then used by the Plan Administrator to pay Allowed Claims, as follows:

- Article VI.C.2 of the Plan provides that, before the Effective Date, the Debtors will determine, after consultation with and the reasonable consent of the Buyer, an estimate of the maximum aggregate amount needed to fund the Reserves—the **Reserves Estimate**. The Reserves Estimate will be calculated by taking into account the caps set forth in the APA that are described above, the Buyer’s obligation to pay ongoing operating expenses of the Debtors’ former business after the Closing and any unused portion of the \$4.192 million that was funded into escrow at the Closing to pay for accrued but unpaid professional fees as of the Closing;
- Thereafter, the Buyer shall determine in its sole and absolute discretion the amount of each of the Reserves that it will fund—the **Buyer Reserve Contribution**. The Buyer Reserve Contribution shall be no less than the lesser of (i) 90% of Buyer’s then remaining obligations under the APA that relate to any of the Reserves categories and (ii) an amount to be agreed between the Buyer and the Debtors before the Effective Date.

It is a condition precedent to the effectiveness of the Plan that sufficient cash to fund the Reserves in an amount no less than the Reserves Estimate shall be available, including any Buyer Reserve Contribution that the Buyer has notified the Debtors that it intends to fund, subject to the effectiveness of the Plan. Any amounts left in the Reserves after all Allowed Claims have been paid pursuant to the Plan will be returned to the Buyer, unless any cash has been sourced other than from the Buyer, in which case it will be allocated pro rata in accordance with the relative contributions. In no event shall the Buyer have an obligation to fund any amounts in excess of amounts required to be paid by the Buyer pursuant to the APA.

ii. **Recoveries for General Unsecured Claims: The Redcats/Committee Settlement and the Redcats Unsecured Claims Contribution**

The Debtors are very pleased that following a comprehensive marketing process resulting in the sale of substantially all of the Debtors’ assets to the Buyer, and as a result of extensive good faith negotiations throughout these Chapter 11 Cases among the Debtors, the Buyer, Redcats and the Committee, the Plan incorporates certain compromises and additional consideration to unsecured creditors that maximize recoveries for holders of Allowed General Unsecured Claims.

Specifically, as noted above and discussed further herein, the APA originally provided for the Buyer to fund a cash reserve of \$500,000 for the benefit of holders of Allowed General

Unsecured Claims. In connection with the Committee Stipulation approved on March 20, 2012 [Adv. Proc. No. 12-01165, Docket No. 15], the total consideration paid by the Buyer for the benefit of holders of Allowed General Unsecured Claims increased from \$500,000 to a minimum of \$1.5 million.¹² That amount was funded into escrow at the Closing and comprises one piece of the Unsecured Claims Funds allocable to holders of Allowed General Unsecured Claims under the Plan.

As a result of a further settlement among the Committee and Redcats, the Plan contemplates that Redcats will contribute an additional \$1.25 million of consideration to the Unsecured Claims Funds — the ***Redcats Unsecured Claims Contribution***. Redcats' agreement to provide the Redcats Unsecured Claims Contribution is part of an overall settlement among Redcats and the Committee, which was reached after extensive, good-faith negotiations facilitated by the Debtors, and which includes the following:

- Contribution by Redcats of an additional \$1.25 million in Cash for the benefit of unsecured creditors;
- Redcats' agreement to waive any recovery on account of General Unsecured Claims asserted in certain proofs of claim filed against the Debtors, which Claims were asserted in excess of \$2 million — the ***Waived Redcats Unsecured Claims***; and
- The Committee's agreement to support the release and exculpation provisions of the Plan, including the release of Redcats by the Debtors, the Committee and holders of Claims who vote to accept the Plan.

The terms of the settlement, which are reflected in the Plan, (i) resolve the Committee's ongoing investigation of potential causes of action against Redcats, including all related discovery disputes and motion practice and (ii) significantly enhance projected recoveries to holders of Allowed General Unsecured Claims by (a) increasing the total cash available for distribution to such holders to \$2.75 million and (b) reducing the total pool of Allowed General Unsecured Claims through elimination of the Waived Redcats Unsecured Claims.

Although the Plan contemplates that \$2.75 million in Unsecured Claims Funds will be distributed to holders of Allowed Class 3 General Unsecured Claims, the Debtors cannot state with certainty what recovery will ultimately be available to holders of Claims in Class 3. Specifically, the Debtors cannot know with certainty, at this time, the aggregate amount of Claims in Class 3 that will ultimately be Allowed or whether certain funds currently designated for distribution to Class 3 will need to be allocated to shortfalls in the Reserves for Claims with

¹² As noted above, pursuant to the Committee Stipulation, the APA provides that the Buyer contribute for the benefit of holders of Allowed General Unsecured Claims an amount equal to the greater of (a) \$1.5 million and (b) 20% of the amount by which the aggregate of (i) amounts outstanding under the DIP Facility and (ii) administrative and priority claims, in each case as of the Closing, were less than \$27 million. Although the Buyer funded \$1.5 million at the Closing, to the extent (b)(i) and (ii) above are less than \$19.5 million in the aggregate as a result of reconciliations made through the Effective Date, the Buyer will increase its contribution to the Unsecured Claims Funds.

higher priority and first right to payment under the Bankruptcy Code.

The priority scheme in sections 503 and 507 of the Bankruptcy Code and the confirmation requirements set forth in section 1129 of the Bankruptcy Code mandate that Administrative Claims and Professional Fee Claims be paid in full before any distribution can be made to holders of Allowed Class 3 General Unsecured Claims. The Debtors are operating under a limited \$2 million wind-down budget pursuant to the terms of the APA. To the extent post-Closing Professional Fee Claims and post-Closing Administrative Claims that are not otherwise allocable to the Buyer under the APA exceed the \$2 million wind-down budget (or the Reserves are otherwise insufficiently funded to cover Allowed Claims with higher priority than Class 3 Claims), these costs must be covered by other sources of consideration available to the Debtors, including the Unsecured Claims Funds.

As of June 30, 2012, the Debtors had consumed or incurred approximately \$1.7 million of the \$2 million wind-down budget provided by the Buyer. *For further information regarding anticipated use of the Wind Down Budget and risks associated with recoveries to holders of Allowed Class 3 Claims please see Article VI.A.viii of this Disclosure Statement—Risks Affecting Potential Recoveries of Holders of Claims in the Voting Class.*

The Debtors believe that the Plan maximizes recoveries for holders of all Allowed Claims and strongly recommend that holders of Class 3 General Unsecured Claims (the only Class entitled to vote) vote to accept the Plan. The Debtors believe that any alternative to Confirmation of the Plan, such as a conversion of the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code or attempts by another party in interest to file a plan, would result in significant delay, litigation, additional costs and ultimately would reduce the recoveries available under the Plan.

iii. **Claims Reconciliation Process and Estimated Recoveries**

To facilitate timely distributions under the Plan, the Debtors intend to reconcile Claims as quickly and efficiently as possible with a goal of reconciling all Claims before the Effective Date. The Debtors expect that in connection with confirmation of the Plan, they will be able to demonstrate that the various categories of Allowed Claims are within their respective caps under the APA, thus ensuring an accurate Reserves Estimate, adequate funding of the Reserves and compliance with section 1129(a)(9) of the Bankruptcy Code.

The following table provides a summary of the current estimated amounts of total Claims and projected recoveries for both classified and unclassified Claims. **Holders of Allowed General Unsecured Claims, the only class of Claims entitled to vote on the Plan, will receive their pro rata share of Net Available Funds, which includes the \$2.75 million in Unsecured Claims Funds plus any additional cash Assets that are made available to these estates, less any amount of Cash needed to fund Reserve shortfalls for higher priority claims.**

Please see Article VI.A.viii of this Disclosure Statement—Risks Affecting Potential Recoveries of Holders of Claims in the Voting Class—for a discussion of risks to Class 3 recoveries.

The information below is provided in summary form for illustrative purposes only, is subject to material change based on contingencies related to the claims reconciliation process and is qualified in its entirety by reference to the provisions of the Plan and the APA.

| Type of Claim | Estimated Total Amount | Status | Voting Rights | Expected Recovery ¹³ |
|--|-----------------------------|------------|------------------|---------------------------------|
| Administrative Claims | \$2.9 million ¹⁴ | Unimpaired | N/A | 100% |
| Professional Fee Claims | approx. \$2 million | Unimpaired | N/A | 100% |
| Priority Tax Claims | < \$500,000 | Unimpaired | N/A | 100% |
| Class 1—Other Priority Claims | \$0 | Unimpaired | Deemed to Accept | 100% |
| Class 2—Secured Claims | < \$30,000 | Unimpaired | Deemed to Accept | 100% |
| Class 3—General Unsecured Claims | \$25-30 million | Impaired | Entitled to Vote | 9.2- 11% |
| Class 4—Interests in United Retail Group, Inc. | N/A | Impaired | Deemed to Reject | 0% |

C. CONFIRMATION OF THE PLAN

i. Requirements

The requirements for Confirmation of the Plan are set forth in section 1129 of the Bankruptcy Code. The requirements for approval of the Disclosure Statement are set forth in section 1125 of the Bankruptcy Code.

ii. Confirmation Hearing

To confirm the Plan, the Bankruptcy Court must hold the Confirmation Hearing to determine whether the Plan meets the requirements of section 1129 of the Bankruptcy Code. The Confirmation Hearing will take place in the Bankruptcy Court on **September [6], 2012 at [] Eastern Time.**

iii. Deadline to Object to Confirmation of the Plan

Any party in interest may object to the Confirmation of the Plan and appear at the Confirmation Hearing to pursue such objection. The Court has set **August [27], 2012 at 4:00 p.m. Eastern Time** as the deadline for filing and serving objections to the Confirmation of the Plan. Objections to the Confirmation of the Plan must be electronically filed with the Bankruptcy Court and served on counsel to the Debtors, the U.S. Trustee and counsel to each of the Committee, the Buyer and Redcats.

¹³ The estimated projected recoveries set forth in this table are estimates only and are therefore subject to change.

¹⁴ Substantially all Administrative Claims are 503(b)(9) Claims.

iv. **Effect of Confirmation and Consummation of the Plan**

Occurrence of the Effective Date serves to make the Plan binding upon the Debtors, all holders of Claims and Interests and other parties in interest, regardless of whether they cast a Ballot to accept or reject the Plan.

v. **Effect of Failure to Confirm the Plan**

If the Plan is not confirmed by at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Class 3-General Unsecured Claims (the only Impaired Class entitled to vote under the Plan) that have timely and properly voted to accept or reject the Plan, as required by section 1126 of the Bankruptcy Code, or if any other requirements for confirmation under the Bankruptcy Code are not met, the Debtors may seek to pursue another strategy to wind down their Estates. Other options that the Debtors may consider in the event that the Plan is not confirmed include an alternative chapter 11 plan, a dismissal of the Chapter 11 Cases and out-of-court dissolution, an assignment for the benefit of creditors, conversion to a chapter 7 cases or other strategies.

D. VOTING ON THE PLAN

i. **Impaired Claims or Interests**

Pursuant to section 1126 of the Bankruptcy Code, only the holders of Claims in Classes Impaired by the Plan and receiving a payment or distribution under the Plan may vote on the Plan. Pursuant to section 1124 of the Bankruptcy Code, a Class of Claims may be Impaired if the Plan alters the legal, equitable or contractual rights of the holders of such Claims or Interests treated in such Class. The holders of Claims not Impaired by the Plan (Class 1—Other Priority Claims; Class 2—Secured Claims; Unclassified Claims—Administrative Claims (including claims under section 503(b)(9) of the Bankruptcy Code (“**503(b)(9) Claims**”), Professional Fee Claims and Priority Tax Claims) are deemed to accept the Plan and do not have the right to vote on the Plan. The holders of Interests that will not receive any payment or distribution or retain any property pursuant to the Plan (Class 4—Interests in United Retail Group, Inc.) are deemed to reject the Plan and do not have the right to vote.

ii. **Eligibility to Vote on the Plan**

Unless otherwise ordered by the Bankruptcy Court, only holders of Allowed Claims in Class 3—General Unsecured Claims—may vote on the Plan.

iii. **Voting Procedure and Voting Deadline**

If you are entitled to vote on the Plan, to ensure that your vote is counted you must: (a) complete the Ballot; (b) indicate your decision either to accept or reject the Plan in the space so indicated on the Ballot; and (c) sign and return the Ballot to the address set forth on the Ballot. **BALLOTS SENT BY FACSIMILE OR ELECTRONIC MAIL WILL NOT BE ACCEPTED AND WILL NOT BE COUNTED.** Pursuant to Bankruptcy Rule 3017, the Bankruptcy Court has ordered that original Ballots for the acceptance or rejection of the Plan must be received by the Notice and Claims Agent on or before **August [29], 2012 at 4:00 p.m.**

Eastern Time. Please refer to the website of the Debtors' Notice and Claims Agent—available at <http://www.donlinrecano.com/unitedretail>—for further voting procedures and rules.

iv. **Acceptance of the Plan**

For the Plan to be accepted by an Impaired Class of Claims, holders of at least two-thirds (2/3) in amount of the Allowed Claims in such Class and more than one-half (1/2) in number of such holders must vote to accept the Plan, or the Plan must meet the requirements under section 1129(b) of the Bankruptcy Code for cramdown of any non-accepting Class of Claims. In any case, at least one Impaired Class of Claims, excluding the vote of insiders, must actually vote to accept the Plan. **YOU ARE URGED TO COMPLETE, DATE, SIGN AND PROMPTLY MAIL THE BALLOT ATTACHED TO THE NOTICE. PLEASE BE SURE TO COMPLETE THE BALLOT PROMPTLY AND LEGIBLY IDENTIFY THE EXACT AMOUNT OF YOUR CLAIM AND THE NAME OF THE CREDITOR.**

II. **THE DEBTORS AND THE CHAPTER 11 CASES**

A. **THE DEBTORS' FORMER BUSINESS**

As described in detail in the *Declaration of Dawn Robertson, Chief Executive Officer of United Retail Group, Inc., (I) In Support of the Debtors' Chapter 11 Petitions and First Day Pleadings and (II) Pursuant to Local Bankruptcy Rule 1007-2* [Docket No. 2] (the "**First Day Declaration**"), before selling substantially all of their assets to the Buyer,¹⁵ an affiliate of Versa, the Debtors owned and operated a leading nationwide specialty retailer of affordable fashion for women sizes 14 & up under the AVENUE® brand name. As of the Petition Date, the Debtors operated 433 leased retail stores in 37 states and an e-commerce website at www.avenue.com. As of the Petition Date, the Debtors employed 4,422 employees, 294 of which were located at the Debtors' corporate headquarters in Rochelle Park, New Jersey or at the Debtors' distribution facility in Troy, Ohio (the "**Troy Distribution Facility**"). The Debtors employed 4,128 sales associates in their Avenue stores, 1,244 of which were full time employees.

B. **ACQUISITION BY REDCATS**

Originally conceived in 1987 when national retailer Limited Brands, Inc. combined its LERNER WOMAN store group with its SIZES UNLIMITED store group, the consolidated concept chains were spun off as an independent division in 1989 and renamed United Retail Group. Following an initial public offering in 1992, United Retail Group operated as a public company that traded on the NASDAQ under the symbol "URGI." In November 2007, Redcats USA, Inc. acquired United Retail Group through a take-private transaction with a total acquisition price of \$199 million. Redcats is a web-driven, home-shopping leader with numerous successful brands in its portfolio, including The Sportsman's Guide®, The Golf Warehouse™, BrylaneHome® and the following brands sold on OneStopPlus.com®: Woman Within®, Jessica London®, Roaman's® and KingSize®.

¹⁵ Before the closing of the sale, the Buyer changed its name from Ornatus URG Acquisition, LLC to Avenue Stores, LLC.

C. THE DEBTORS' PREPETITION FINANCING

i. The Redcats Unsecured and Secured Claims

Before November 22, 2011, Redcats funded certain of the Debtors' expenses on an unsecured basis pursuant to a cash management agreement dated August 29, 2008 (the "**Cash Management Agreement**"). The Debtors relied exclusively on cash flow from operations and parent-funding pursuant to the Cash Management Agreement to fund, among other things, payroll, trade obligations, service contracts and other daily operating expenses. The Cash Management Agreement was effectively a cash pooling arrangement that allowed Redcats to sweep positive balances in the Debtors' operating accounts on a daily basis and net the cash against amounts owed to Redcats for, among other things, loans to the Debtors and/or costs associated with a variety of intercompany services Redcats provided to the Debtors. Thus, while Redcats largely funded the Debtors with the Debtors' own cash flow, negative balances accumulated over time, leading to an unsecured balance of approximately \$48.5 million owed to Redcats as of November 22, 2011 (the "**Redcats Unsecured Claim**").

In late 2011, Redcats informed the Debtors that it was no longer willing to fund the Debtors' operations on an unsecured basis. Accordingly, on November 22, 2011, the Debtors and Redcats amended the Cash Management Agreement (including subsequent amendments, the "**Amended Cash Management Agreement**"), pursuant to which Redcats agreed to provide funding to the Debtors on a second-lien secured basis (junior to the liens held by Wells Fargo pursuant to the Redcats ABL Facility described below), with such liens attaching to the Debtors' accounts receivable, inventory, other payment intangibles and instruments. As of the Petition Date, Redcats funded or was not reimbursed for \$12,521,674 in the aggregate under the Amended Cash Management Agreement (the "**Redcats Secured Claim**").

As described more fully below, in connection with entry into the APA (as defined below), the Buyer purchased the Redcats Unsecured Claim and the Redcats Secured Claim pursuant to a Claims Purchase Agreement dated February 1, 2012 (the "**Claims Purchase Agreement**").

ii. The Debtors' Prepetition Financing

To facilitate financing of foreign-product sourcing for many of Redcats' divisions, including the Debtors, on July 28, 2011, Redcats and certain of its affiliates, including Debtor United Retail Incorporated, as borrower, and Debtors Avenue Gift Cards, Inc. and United Retail Group, Inc., as guarantors, entered into a credit agreement with Wells Fargo Bank, N.A. ("**Wells Fargo**") and the other lenders party thereto that provides for a revolving asset-backed loan facility (the "**Redcats ABL Facility**"). The Redcats ABL Facility provides for, among other things, revolving credit with a maximum aggregate commitment of \$60 million, including the issuance of letters of credit (each, an "**LOC**"). The Redcats ABL Facility is secured by, among other things, a first lien on certain current assets of Redcats and its subsidiaries, which collateral formerly included the Debtors' accounts receivable, inventory, other payment intangibles and instruments, such that the Debtors were jointly and severally liable for amounts outstanding under the Redcats ABL Facility. In connection with the financing provided by Redcats under the Amended Cash Management Agreement, Redcats and Wells Fargo entered into an intercreditor

agreement memorializing Wells Fargo's and Redcats' respective first and second lien interests in the Debtors' assets.

As of the Petition Date, \$11.5 million was outstanding in LOCs issued for the benefit of the Debtors under the Redcats ABL Facility, which amounts were rolled into the Debtors' \$40 million debtor in possession revolving credit facility with Wells Fargo (the "**DIP Facility**") provided pursuant to the Super-Priority Senior Secured Debtor-in-Possession Credit Agreement (the "**DIP Credit Agreement**"). Following Bankruptcy Court approval of the DIP Facility, Wells Fargo released the Debtors from their obligations under the Redcats ABL Facility.

iii. **The Debtors' Total Prepetition Indebtedness**

On the Petition Date, the Debtors had outstanding debt obligations in the aggregate amount of approximately \$96.2 million comprised of (a) the \$48.5 million Redcats Unsecured Claim, (b) the \$12,521,674 Redcats Secured Claim, (c) \$11.5 million in outstanding LOCs issued for the benefit of the Debtors under the Redcats ABL Facility, and (d) approximately \$23.1 million owed to trade vendors.

D. THE DEBTORS' FIRST DAY MOTIONS

On the Petition Date, the Debtors filed certain motions requesting authority to continue certain obligations in the ordinary course of business on a postpetition basis and to pay certain prepetition obligations, including: (1) use of cash management system and prepetition bank accounts [Docket No. 4]; (2) employee wages and workers' compensation obligations [Docket No. 5]; (3) critical vendor obligations relating to certain merchandise vendors, marketing services and promotional activities [Docket No. 6]; (4) obligations to lien claimants, consignment vendors and 503(b)(9) claimants [Docket No. 7]; (5) customer program obligations [Docket No. 8]; (6) credit card processing obligations [Docket No. 9]; and (7) tax obligations [Docket No. 10]. After the hearing held on February 2, 2012 (the "**First Day Hearing**"), the Bankruptcy Court granted the relief sought in these motions on either an interim or final basis. Following the hearing held on February 22, 2012, the Bankruptcy Court granted final relief with respect to the critical vendor and wages motions.

In addition to the operational relief described above, on the Petition Date, the Debtors filed a motion [Docket No. 27] to obtain approval of the DIP Facility to fund operational and other expenses during the Chapter 11 Cases until the closing of the sale of the Debtors' assets. Following the First Day Hearing, on February 3, 2012, the Bankruptcy Court entered an interim order approving the DIP Facility and authorizing the Debtors to borrow up to \$25 million thereunder [Docket No. 42]. On February 23, 2012, the Bankruptcy Court entered a final order approving the DIP Facility [Docket No. 243]. The Debtors satisfied all outstanding loan obligations under the DIP Facility on April 13, 2012, the closing date for the sale of the Debtors' assets to the Buyer (the "**Closing**").

Finally, on the Petition Date, the Debtors filed the *Debtors' Motion for Entry of (I) an Order (A) Approving Bidding Procedures and Bid Protections in Connection with the Sale of Substantially all of Debtors' Assets, (B) Approving the Form and Manner of Notice, (C) Scheduling an Auction and a Sale Hearing and (D) Approving Procedures for Determining Cure*

Amounts and (II) an Order Authorizing and Approving the Sale of Substantially all of Debtors' Assets [Docket No. 35] (the "***Sale Motion***"), which requested approval of (a) bidding procedures for the sale of the Debtors' assets in a Court-supervised auction process, (b) the Buyer as the stalking horse bidder and bid protections in connection therewith and (c) the sale of the Debtors' assets to the Buyer or another successful bidder at an auction (the "***Sale***"). The Sale process is described in detail below.

E. SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS

In late 2011, the Debtors, after careful review and in consultation with their advisors, determined that a chapter 11 filing, combined with an expedited operational restructuring and an efficient sale of the Debtors' assets, was the best and most expedient way to maximize the value of the Debtors' assets for their Estates and all parties in interest. Before the Petition Date, the Debtors discussed a potential transaction with numerous parties (as discussed in detail below) before entering into the Asset Purchase Agreement (together with all exhibits, schedules, amendments and related agreements, the "***APA***") with the Buyer and Redcats.

i. The Debtors' Prepetition Marketing Efforts

As described in detail in the First Day Declaration and the Sale Motion, before the Petition Date, the Debtors and their advisors determined that a sale of substantially all of the Debtors' assets on a going concern basis would maximize value for their creditors and their estates and would preserve the value of their business. In October 2011, the Debtors retained Peter J. Solomon Company, L.P. ("***PJSC***") as their financial advisor to assist the Debtors' board of directors and management team in evaluating strategic alternatives regarding a sale of the Debtors' assets.¹⁶

In October and November 2011, the Debtors and PJSC launched a targeted marketing and sale process for the Debtors' assets, canvassing the marketplace to identify suitable potential financial or strategic buyers to operate the Debtors' assets as a going concern. The Debtors and PJSC also solicited bids from entities specializing in store closing and liquidation sales. PJSC contacted or was contacted by approximately 20 potential buyers that PJSC identified as parties interested or likely to be interested in acquiring the Debtors' assets.

After further discussions, the Debtors entered into nondisclosure agreements with a number of potential buyers (both strategic and financial). Each of the potential buyers signing a nondisclosure agreement received access to an electronic data room with confidential due diligence information on the Debtors, including projections and a business plan. The Debtors responded to numerous information requests from potential buyers, certain of which conducted meetings with the Debtors' management. After subsequent discussions with the Debtors and PJSC, three potential buyers submitted written proposals for the Debtors' assets.

¹⁶ Cathy Leonhardt, a partner and Managing Director of PJSC, submitted three declarations in support of the sale of the Debtors' assets [Ex. E to Docket No. 35, Docket No. 209 and Docket No. 478], which are incorporated by reference herein.

The Debtors worked with these three potential buyers to satisfy further diligence requests and clarify proposal terms. In late December, the Debtors focused their efforts on the only economically viable proposal, which was from Versa. In the weeks that followed, the Debtors, Versa and Redcats negotiated and documented the APA, bidding procedures, proposed form of the sale order and numerous ancillary documents. Negotiations among the parties were hard fought and complex. On the Petition Date, after extensive arm's-length and good-faith negotiations, the Debtors, the Buyer and Redcats executed the APA, whereby the Buyer would serve as the stalking horse bidder for the Debtors' assets, subject to higher or better offers through an auction process and the approval of the Court.

The APA provided for the following transactions to take place:

1. The Buyer would acquire substantially all of the Debtors' inventory, the Troy Distribution Facility and leases for at least 300 of the Debtors' 433 stores;
2. The Buyer would pay (a) amounts outstanding under the DIP Facility up to \$15 million (plus up to an additional \$1.85 million if certain letters of credit for workers' compensation were drawn), (b) wind-down costs for the Debtors' estates up to \$2 million, (c) \$500,000 to holders of unsecured claims on account of such claims,¹⁷ (d) administrative and priority claims up to \$11.1 million, (e) Redcats Asia Ltd. for trade payables up to \$2.2 million and (f) accounts payable that are 503(b)(9) Claims up to \$4.7 million;
3. The Buyer would credit bid all or a portion of the Redcats Secured Claim;
4. The Buyer would pay all cure costs in connection with assumption of executory contracts and unexpired leases;
5. The Buyer would be obligated to replace or cash collateralize merchandise letters of credit;
6. Versa committed to capitalizing the Buyer with \$13 million at closing and guaranteed certain payment obligations of the Buyer under the APA up to \$35 million; and
7. Redcats would pay the Buyer \$20 million in cash, prorated beginning at closing with respect to the number of leases assumed at closing (for example, if 200 leases were assumed at closing, Redcats would pay the Buyer \$13,333,333 at closing and continue to make incremental payments in connection with lease assumptions until 300 leases were assumed and the full \$20 million was paid to the Buyer).

¹⁷ Pursuant to an amendment to the APA, this \$500,000 amount was increased to \$1,500,000, as described in detail in Article II.G below.

ii. **Objections to the Bidding Procedures**

On February 22, 2012, the Bankruptcy Court held a hearing on approval of the bidding procedures. Seventeen landlords and Wells Fargo filed objections to the bidding procedures as filed with the Sale Motion. The landlords objected to, among other things, the sale objection and cure objection deadlines, the timing of cure payments and issues relating to adequate assurance that cure amounts would be paid in connection with the Sale. Wells Fargo objected to the priority granted to the break-up fee under the APA. To address the objecting parties' concerns, the Debtors amended the bidding procedures order to (a) incorporate (i) proposed dates for the overbid and Auction process and related Sale Hearing (as defined herein), which conformed to the milestones required by the DIP Credit Agreement and which were discussed during the First Day Hearing and (ii) further modifications to the assumption and assignment procedures and cure notice provisions to address concerns raised by landlords regarding having adequate time to object to the sale and their proposed cure amounts, and (b) grant superpriority status to the break-up fee in an amount equal to the break-up fee, provided that such superpriority claim would be junior and subordinate only to the superpriority claim granted to Wells Fargo under the DIP Facility, and paid only to the extent the DIP obligations were paid in full. These revisions to the bidding procedures order resolved the objections of the landlords and Wells Fargo.

In addition, on February 17, 2012, the Committee filed an objection to entry of the bidding procedures order [Docket No. 189]. Among other things, the Committee objected to the proposed expedited sale process, the amount of the break-up fee and the Buyer's ability to credit bid the Redcats Secured Claim as part of the consideration for the Sale. In objecting to the credit bid, the Committee requested that the bidding procedures be modified to allow parties in interest to challenge the validity of the credit bid post-sale closing, and to require that the Buyer provide cash to the Debtors' estates in the amount of the credit bid in the event that the Redcats Secured Claim was disallowed or recharacterized as equity. On February 21, 2012, the Debtors filed their *Response to the Committee's Objection to the Debtors' Proposed Bidding Procedures Order and Bidding Procedures* [Docket No. 208]. The Debtors argued that the swift sale of the Debtors' assets was necessary and in the best interest of the creditors, that the proposed break-up fee was fair and reasonable under the Bankruptcy Code and that the Buyer's right to credit bid the Redcats Secured Claim was proper.

At the February 22, 2012 hearing (the "***Second Day Hearing***"), the Bankruptcy Court overruled the Committee's objection to the break-up fee. The parties then agreed to revise the bidding procedures order to provide that the Buyer could credit bid the Redcats Secured Claim, except to the extent the claim was reduced or disallowed by order of the Bankruptcy Court in connection with a challenge brought by a party in interest. On February 23, 2012, the Bankruptcy Court entered the *Order (A) Approving Bidding Procedures and Bid Protections in Connection with the Sale of Substantially All of Debtors' Assets or the Liquidation of the Debtors' Merchandise (B) Approving the Stalking Horse Asset Purchase Agreement and Agency Agreement, (C) Approving the Form and Manner of Notice, (D) Scheduling an Auction and a Sale Hearing and (E) Approving Procedures for Determining Cure Amounts* [Docket No. 264] (the "***Bidding Procedures Order***").

F. THE DEBTORS' POSTPETITION MARKETING PROCESS

Following entry of the Bidding Procedures Order, the Debtors and PJSC again marketed the Debtors' assets to potential going-concern and liquidation bidders.

The Debtors and PJSC contacted 55 potential buyers (35 financial buyers, 18 strategic buyers and two liquidators) in addition to the 20 parties contacted before the Petition Date, to explore their interest in the Debtors' assets. Nine of these parties had contacted the Debtors or PJSC in between the Petition Date and the entry of the Bidding Procedures Order. In addition, the Debtors and PJSC contacted 15 parties who were initially contacted before the Petition Date. In connection with this process, PJSC sent a confidentiality agreement to 11 additional parties, including seven financial buyers and four strategic buyers. The Debtors also sent notice of the sale to all parties required by the Bidding Procedures Order and published notice of the sale in the national edition of the *Wall Street Journal*.

To facilitate potential buyers' due diligence efforts, the Debtors and PJSC established an electronic data room containing diligence materials about the Debtors' business and operations, which materials were selected by PJSC and the Debtors' management and contained significant information about all aspects of the Debtors' operations and the proposed sale of the Debtors' assets. 17 parties (including parties that had signed confidentiality agreements before the Petition Date) ultimately executed confidentiality agreements and were given access to the diligence materials, including an updated Confidential Information Memorandum (the "**CIM**"), which PJSC prepared in consultation with the Debtors' management and which contained, among other things, a business overview of the Debtors, a profile of the Debtors' recent history and current situation and a summary of the Debtors' financial performance, explanation of such performance and a five-year financial plan with key assumptions.

The auction process set forth in the Bidding Procedures Order afforded a full and fair opportunity for any interested bidder to make a higher or otherwise better offer for the Debtors' assets than that of the Buyer. During the marketing process, PJSC responded to several parties' questions and additional diligence requests. Additionally, PJSC held numerous calls with professionals representing the Creditors' Committee to keep them fully apprised of its efforts in the sale process. PJSC also held frequent calls with the Debtors' management and independent board members with respect to the same.

The Debtors received no qualified bids other than that of the Buyer before the qualified bid deadline of March 20, 2012 at 5:00 p.m. (ET). Therefore, on March 21, 2012, the Debtors filed the *Notice of Cancellation of Auction and Selection of Successful Bidder* [Docket No. 428], where the Buyer was deemed the successful bidder, and notice was provided that no auction would be held.

G. COMMITTEE ADVERSARY PROCEEDING

The Bidding Procedures Order authorized, among other things, the Buyer to credit bid the Redcats Secured Claim at the Auction. On March 12, 2012, the Committee commenced an adversary proceeding [Adv. Proc. No. 12-01165] (the "**Adversary Proceeding**") pursuant to which it filed a complaint against the Buyer, seeking declaratory and injunctive relief to prohibit

the Buyer from credit bidding all or any portion of the Redcats Secured Claim [Adv. Proc. Docket No. 1]. On March 15, 2012, the Debtors filed their *Response to the Motion of the Official Committee of Unsecured Creditors for a Preliminary Injunction Against the Credit Bid of Ornatus URG Acquisition, LLC and Declaratory Relief* [Adv. Proc. Docket No. 9]. In advance of an expedited hearing on March 15, 2012 on the Committee's request for a preliminary injunction, the Debtors, the Buyer, Redcats and the Committee reached a settlement of the adversary proceeding, which was memorialized in the Committee Stipulation [Adv. Proc. Docket No. 15].

Pursuant to the Committee Stipulation, the Debtors, the Committee, the Buyer and Redcats agreed (i) that the Redcats Secured Claim was an Allowed Secured Claim in the amount of \$12,521,674 and (ii) to amend the APA to (a) increase the amount of cash reserved for general unsecured creditors under the Debtors' chapter 11 plan from \$500,000 to a minimum of \$1.5 million,¹⁸ (b) waive the Buyer's right to assert or receive any recovery on account of the Redcats Secured Claim and the Redcats Unsecured Claim in the event that the Buyer was the successful bidder and the Closing occurred and (c) expand the scope of the avoidance actions that were to be acquired and not pursued by the Buyer to include all avoidance actions and other causes of action that could be asserted by the Debtors' estates against the Debtors' landlords, vendors and other counterparties to assumed contracts and open purchase orders. The terms of the Committee Stipulation were announced at the March 15, 2012 hearing and were approved by the Bankruptcy Court on March 20, 2012.

H. OBJECTIONS TO SALE AND CURE AMOUNTS

On March 1, 2012, the Debtors filed and served the *Notice to Counterparties to Potentially Assumed Executory Contracts and Unexpired Leases* [Docket No. 301] (the "**Cure Notice**"), which listed the proposed cure amount for each contract and lease based upon the Debtors' books and records. The Bidding Procedures Order provided that counterparties could object to the cure amounts scheduled in the Cure Notice and to the Sale generally on or before April 16, 2012.

As of April 16, 2012 objection deadline, the Debtors received 50 formal objections from landlords and contract counterparties asserting, among other things, that (a) the scheduled cure amounts were incorrect or did not account for accrued but unpaid or unbilled charges, (b) the Debtors had not provided adequate assurance with respect to the Buyer and/or (c) the Debtors had not provided store-closing guidelines and lease rejection procedures in connection with going-out-of-business sales for non-continuing stores.

On March 22, 2012, the Debtors filed an omnibus reply in support of the Sale Motion [Docket No. 442] (the "**Omnibus Reply**"), attached to which was a revised sale order that resolved most of the objecting parties' various concerns. Specifically, the sale order was

¹⁸ In connection with the Committee Stipulation, the APA was amended to provide that holders of allowed general unsecured claims would receive the greater of (a) \$1.5 million and (b) 20% of the amount by which the aggregate of (i) amounts outstanding under the DIP Facility and (ii) administrative and priority claims, in each case as of the Closing, were less than \$27 million. The Debtors have estimated that \$1.5 million is the greater of these two amounts.

modified to account for unliquidated reconciliations not already included in the noticed cure amounts, and to include lease rejection procedures as well as procedures for entering into side letters modifying the store closing sale guidelines. In the Omnibus Reply, the Debtors also proposed to schedule a separate status hearing to resolve disputed cure amounts to the extent such disputes could not be resolved consensually by the time of the sale hearing. On April 2, 2012, the Debtors filed a further revised form of the sale order [Docket No. 487], which reflected additional changes to the sale order reflecting comments from parties in interest.

I. SALE HEARING, SALE ORDER AND CLOSING

On April 3, 2012, the Bankruptcy Court held a hearing to approve the Sale. The Debtors resolved substantially all objections before the hearing, and no party raised an objection to the Sale at the hearing. Accordingly, the Bankruptcy Court approved the Sale, and on April 4, 2012, the Bankruptcy Court entered the *Order Authorizing (A) the Sale of Substantially All of the Debtors' Assets Free and Clear of All Claims, Liens, Rights, Interests and Encumbrances; (B) the Debtors to Enter Into and Perform Their Obligations Under the Asset Purchase Agreement; and (C) the Debtors to Assume and Assign Certain Executory Contracts and Unexpired Leases* [Docket No. 496] (the "**Sale Order**"). The Closing occurred on Friday, April 13, 2012.

III. SUMMARY OF THE PLAN

A. PURPOSE OF THE PLAN

The Plan provides for the distribution of the consideration provided under the APA and otherwise being contributed by Redcats to the holders of Allowed Claims.

Holders of Allowed Administrative Claims, Professional Fee Claims, Priority Tax Claims and Other Priority Claims will be paid in full in Cash (unless holders of such Claims agree to a different recovery).

Holders of Allowed Secured Claims will, at the option of the Debtors or the Plan Administrator, as applicable, be paid in full in Cash or receive the collateral securing any such Allowed Secured Claim or receive other treatment rendering such Claim Unimpaired in accordance with section 1124 of the Bankruptcy Code (unless holders of such Claims agree to a different recovery).

Holders of Allowed General Unsecured Claims will receive their pro rata share of Net Available Funds, which includes the \$2.75 million in Unsecured Claims Funds plus any additional Cash Assets that are made available to the Debtors' estates, less any Cash needed to fund Reserves for higher priority claims.¹⁹

¹⁹ The Plan provides that no payment shall be made on account of Allowed General Unsecured Claims until cash sufficient to pay all estimated Allowed and Disputed Administrative Claims, Professional Fee Claims, Other Priority Claims and Priority Tax Claims, Post-Effective Date Costs and Disputed General Unsecured Claims in accordance with the Plan has been deposited into the applicable Reserve or the Disputed Unsecured Claims Reserve, as applicable, as the Debtors or the Plan Administrator deem necessary.

Interests in United Retail Group, Inc., Intercompany Claims and Intercompany Interests will be canceled and will receive no distribution under the Plan.

The Debtors believe that the Plan maximizes recoveries for holders of Allowed Claims and strongly recommend that holders of Class 3 General Unsecured Claims (the only Class entitled to vote) vote to accept the Plan. The Debtors believe that any alternative to Confirmation of the Plan, such as a conversion of the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code or attempts by another party in interest to file a plan, would result in significant delay, litigation, additional costs and ultimately would reduce the recoveries available under the Plan.

B. CLASSIFICATION OF CLAIMS AND INTERESTS UNDER THE PLAN

All Claims and Interests, except the unclassified Claims, are placed in the Classes set forth in Article III of the Plan. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Professional Fee Claims and Priority Tax Claims have not been classified. A Claim shall be classified in a particular Class only to the extent that the Claim meets the description of Claims in that Class and shall be classified in other Classes to the extent that the Claim meets the description of such other Classes. A Claim or Interest is also classified in a particular Class for the purposes of voting on the Plan and receiving distributions pursuant to the Plan only to the extent that such Claim or Interest has not been paid, released, withdrawn or otherwise settled before the Effective Date.

C. SUMMARY OF CLASSIFICATION AND TREATMENT OF CLASSIFIED CLAIMS AND INTERESTS

| Class | Claims | Status | Voting Rights | Expected Recoveries |
|--------------|--|---------------|----------------------|----------------------------|
| 1 | Other Priority Claims | Unimpaired | Deemed to Accept | 100% |
| 2 | Secured Claims | Unimpaired | Deemed to Accept | 100% |
| 3 | General Unsecured Claims | Impaired | Entitled to Vote | 9.2-11% |
| 4 | Interests in United Retail Group, Inc. | Impaired | Deemed to Reject | 0% |

D. MEANS FOR IMPLEMENTATION OF THE PLAN

i. Effective Date

The Plan shall become effective on the first Business Day upon which all of the conditions specified in Article VI.D of the Plan have been satisfied or waived. Upon occurrence of the Effective Date, the Debtors will file with the Bankruptcy Court and post on the website of the Notice and Claims Agent a notice of confirmation and occurrence of the Effective Date. You will not receive further notice of the occurrence of the Effective Date and should monitor the Notice and Claims Agent's website—available at <http://www.donlinrecano.com/unitedretail>—for such notice.

ii. **Means of Implementation and Execution of the Plan**

Article VI of the Plan sets forth the means by which the Plan shall be implemented and executed, including the funding of the Reserves, the duties and powers of the Plan Administrator and the dissolution of the Debtors following the Effective Date.

Pursuant to section 2.5(a) of the APA and the definition of “Assumed Liabilities” set forth therein, the Buyer is the primary source of the Cash consideration for distributions under the Plan. As described above, the Buyer has agreed to pay in Cash:

- up to \$27 million in the aggregate for (1) amounts outstanding under the DIP Facility as of the Closing and (2) Administrative Claims (not including 503(b)(9) Claims, which are accounted for separately under the APA) and Priority Claims as of the Closing that ultimately are Allowed;
- up to \$4.7 million for Allowed 503(b)(9) Claims;
- a minimum of \$1.5 million for the benefit of holders of Allowed General Unsecured Claims on account of such Claims; and
- up to \$2 million for costs associated with winding down the Debtors’ estates.

Pursuant to Article VI.C.2 of the Plan, before the Effective Date, the Debtors and Buyer will agree on an estimate of the maximum aggregate amount of Allowed Secured Claims, Administrative Claims, Professional Fee Claims, Priority Tax Claims, Other Priority Claims and Post-Effective Date Costs (collectively, the “**Reserves Estimate**”). On the Effective Date, Buyer shall fund into the Reserves cash in an amount determined in its sole discretion that is no less than the lesser of (a) 90% of the Buyer’s then remaining obligations under the APA that relate to any of the Reserves categories and (b) an amount to be agreed between the Buyer and the Debtors before the Effective Date (the “**Buyer Reserve Contribution**”). Pursuant to Article VI.D of the Plan, it shall be a condition to the occurrence of the Effective Date that sufficient cash to fund the Reserves in an amount no less than the Reserves Estimate shall be available, including any Buyer Reserve Contribution that the Buyer has notified the Debtors that it intends to fund, subject to the effectiveness of the Plan.

On or as soon as practicable after the Effective Date, the Plan Administrator will make distributions from the Reserves to holders of Allowed Secured Claims, Administrative Claims, Professional Fee Claims, Priority Tax Claims and Other Priority Claims. Pursuant to Article V.L of the Plan, once the Plan Administrator has made all applicable distributions from the Reserves, any Cash remaining in the Reserves will be returned to the Buyer, together with any interest accrued thereon, unless any cash has been sourced other than from the Buyer, in which case it will be allocated pro rata in accordance with the relative contributions.

On the Effective Date, Cooley LLP will transfer the Buyer’s \$1.5 million contribution to the Unsecured Claims Funds to the Post-Effective Date Debtor, and Redcats will transfer the \$1.25 million Redcats Unsecured Claims Contribution to the Post-Effective Date Debtor. The Plan Administrator will make Pro Rata distributions of Net Available Funds to holders of

Allowed General Unsecured Claims on the later of (a) the Initial Distribution Date and (b) as soon as practicable after such Claim becomes an Allowed General Unsecured Claim. After the Initial Distribution Date, if any Cash is available from, among other things, the release of funds from the Disputed Unsecured Claims Reserve or unclaimed, undeliverable or time-barred distributions to holders of Allowed Claims pursuant to Article V.C of the Plan, and in any event, becomes Net Available Funds, each holder of an Allowed General Unsecured Claim will be paid its pro rata share of Cash (not to exceed the amount of the Allowed General Unsecured Claim) through distributions on distribution dates to be determined by the Plan Administrator, in consultation with the Plan Oversight Representative.

iii. Plan Administrator

Pursuant to Article VI.K of the Plan, on the Effective Date, a Plan Administrator shall be appointed to resolve claims, make distributions and wind down the Debtors' estates. The Plan Administrator shall be AP Services, LLC, which shall continue to perform its duties after the Effective Date consistent with the terms of employment set forth in Exhibit C to the *Debtors' Motion for Entry of an Order Authorizing the Debtors to (A) Retain AP Services, LLC to Provide the Debtors with a Wind-Down Administrator and (B) Employ Ms. Deborah Rieger-Paganis as Wind-Down Administrator* [Docket No. 551], which was approved by the Bankruptcy Court on May 17, 2012 [Docket No. 575].

As an officer of the Debtors, Ms. Rieger-Paganis is covered by the Debtors' director and officer insurance, which is provided by ACE Europe through the Debtors' ultimate parent, PPR SA. The insurance provides coverage for certain wrongful acts committed by the Debtors' directors and officers in their capacity as such, including actual, alleged or attempted breach of duty, breach of trust, breach of warranty of authority, neglect, error, omission, misstatement or misleading statement committed or attempted, or allegedly committed or attempted. Accordingly, the Debtors do not intend to purchase a bond to insure the performance of the Plan Administrator.

iv. Dissolution of the Committee and Appointment of Plan Oversight Representative

Pursuant to Article VI.N of the Plan, on the Effective Date, the Committee shall be dissolved and the members thereof shall be released and discharged of and from all further authority, duties, responsibilities and obligations to and arising from and in connection with the Chapter 11 Cases; *provided, however*, that after entry of the Confirmation Order, the Committee's functions shall be restricted to, and the Committee shall not be heard on any issue except (i) applications filed by Retained Professionals, (ii) motions or litigation seeking enforcement of provisions of the Plan and the transactions contemplated hereunder or in the Confirmation Order and (iii) any pending appeals or related proceedings.

On or before the Effective Date, the Committee shall appoint a Plan Oversight Representative to monitor the claims process and distributions contemplated by the Plan. The Plan Oversight Representative shall have consultation and notice rights but shall not have the right to direct the Post Effective Date Debtor or prevent the Post Effective Date Debtor from taking any action with respect to the Plan, including the claims reconciliation process.

v. **Cancellation of Securities and Agreements**

Pursuant to Article IX.G of the Plan, on the Effective Date, except as otherwise specifically provided for in the Plan, any and all notes, securities and other instruments evidencing any Claim or Interest shall be deemed canceled without further act or action under any applicable agreement, law, regulation, order or rule.

vi. **Substantive Consolidation**

Pursuant to Article VI.A of the Plan, the Plan shall serve as a motion by the Debtors seeking entry of an order substantively consolidating all of the Estates into a single consolidated Estate for all purposes associated with Confirmation, Consummation and distributions. On and after the Effective Date, (a) all Assets and liabilities of the Debtors shall be merged so that all of the Assets of the Debtors shall be available to pay all of the liabilities under the Plan, (b) no distributions shall be made under the Plan on account of Intercompany Claims, (c) all guarantees by the Debtors of the obligations of any other Debtor shall be eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of the Debtors shall be one obligation of United Retail Group, Inc. and (d) each and every Claim filed or to be filed in the case of any of the Debtors other than United Retail Group, Inc. shall be deemed filed against United Retail Group, Inc. If the Bankruptcy Court does not order substantive consolidation of the Debtors, nothing in the Plan or Disclosure Statement shall be deemed an admission that one of the Debtors is subject to or liable for any Claim against any other Debtor.

vii. **Administrative Claims Bar Date**

Article II.A of the Plan provides that, unless previously filed, requests for payment of Administrative Claims that have not been paid in the ordinary course of business must be filed and served on the Debtors and their counsel before the Administrative Claims Bar Date, which shall be the date that is 45 days after the Effective Date. Holders of Administrative Claims that do not file and serve such a request by the Administrative Claims Bar Date shall be forever barred, estopped and enjoined from asserting such Administrative Claims against the Debtors, their Estates or the Buyer, and such Administrative Claims shall be deemed discharged as of the Effective Date. Objections to such requests must be filed by the Debtors and served on the requesting party by the later of (a) 60 days after the Effective Date and (b) 60 days after the filing of the applicable request for payment of such Administrative Claims.

Generally speaking, subject to certain exclusions set forth in the APA, the Buyer is responsible for all post-Closing expenses related to operating the Debtors' former businesses, including expenses associated with going-out-of-business sales for non-continuing stores. Such amounts will be paid in the ordinary course of business.

viii. **Executory Contracts and Unexpired Leases**

Article VII.A of the Plan specifies that all Executory Contracts and Unexpired Leases of the Debtors not previously assumed, rejected or terminated pursuant to section 2.6 of the APA and the Sale Order, or by order of the Court entered before the Effective Date, or which are not

subject of a pending application to assume on the Effective Date, shall be deemed rejected on August 29, 2012.

Unless otherwise provided by an order of the Bankruptcy Court, all Proofs of Claim arising from the rejection of any of the Debtors' Executory Contracts or Unexpired Leases must be filed by holders of such Claims with the Notice and Claims Agent within 30 days after service of notice of the order of the Bankruptcy Court (including the Confirmation Order) approving any such rejection; *provided, however*, that the rejection claim bar date for Executory Contracts and Unexpired Leases rejected before the Confirmation Date shall be the applicable Bar Date or the date set forth in the order rejecting such lease or contract. Any holder of a Claim arising from the rejection of an Executory Contract or Unexpired Lease that does not timely file such Proof of Claim will be forever barred, estopped and enjoined from asserting such Claim against the Debtors, their Estates and property or the Buyer, unless otherwise ordered by the Bankruptcy Court and may not participate in any distribution in the Chapter 11 Cases on account of such Claim, and such Claim will be deemed fully satisfied, released and discharged, notwithstanding anything in the Schedules or a Proof of Claim to the contrary. All such Claims shall, as of the Effective Date, be subject to the permanent injunction set forth in Article IX.E of the Plan.

E. PROVISIONS GOVERNING DISTRIBUTIONS

i. Powers of and Distributions by the Plan Administrator

Pursuant to Article V of the Plan, the Plan Administrator shall make the distributions provided for under the Plan. Pursuant to Article VI.K and VI.L of the Plan, the Plan Administrator shall be empowered to, among other things: (a) effect all actions and execute all agreements, instruments and other documents necessary to perform their its under the Plan; (b) make all distributions contemplated under the Plan (with the consent of the Buyer with respect to distributions made from the Reserves); (c) establish and maintain the Reserves; (d) employ one or more agents or personnel to assist with such distributions without further order from the Bankruptcy Court; and (e) take such other actions as may be deemed by the Plan Administrator to be necessary and proper to implement the provisions of the Plan, including objecting to and settling claims and Causes of Action.

ii. Minimum Distributions

Pursuant to Article V.E of the Plan, the Plan Administrator shall not be required to make distributions or payments of less than \$25.00.

iii. Additional Provisions Governing Distributions

Article V.A of the Plan provides that:

- with respect to Allowed Administrative Claims, U.S. Trustee Fees, Allowed Professional Fee Claims, Allowed Priority Tax Claims, Allowed Other Priority Claims and Allowed Secured Claims, the Plan Administrator shall make distributions to the holders of such Claims in accordance with Article III of the Plan;

- with respect to Allowed General Unsecured Claims, the Plan Administrator shall make distributions, subject to the provisions for Disputed General Unsecured Claims set forth in Article VIII.A of the Plan, on the Initial Distribution Date and any subsequent distribution dates to the extent Net Available Funds exist subsequent to the Initial Distribution Date, until Net Available Funds have been disbursed in full; and
- in respect of the Final Distribution Date, the Plan Administrator is not obligated to make such a distribution if it is determined that there are insufficient Net Available Funds to make a cost-efficient distribution, taking into account the size of the distribution to be made and the number of recipients of such distribution, in which event, such funds, in the Plan Administrator's discretion, will be donated to a reputable charitable organization chosen by the Plan Administrator.

Article V of the Plan also contains provisions governing: (a) distributions on account of Claims Allowed after the Effective Date; (b) delivery of distributions and undeliverable or unclaimed distributions; (c) compliance with tax requirements and allocations; (d) Claims paid or payable by third persons; and (e) allocation between principal and accrued interest.

F. PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED AND DISPUTED CLAIMS

i. Distribution Process

Article VIII of the Plan specifies that the Plan Administrator: (a) will make no distributions on account of any Disputed Claim until such Claim becomes Allowed (but the Plan Administrator may make distributions on account of the undisputed portion of a Disputed Claim); (b) may, in its reasonable business judgment, object to any Claims and prosecute, settle, compromise, withdraw or resolve such objections; (c) may settle or compromise any Claim without further notice to or action, order, or approval of the Bankruptcy Court; and (d) may request that the Bankruptcy Court estimate any Disputed Claim pursuant to applicable law. Pursuant to Article VIII.B of the Plan, any Claim that has been paid, satisfied or superseded may be expunged from the Claims Register by the Notice and Claims Agent, and any Claim that has been amended may be adjusted on the Claims Register by the Notice and Claims Agent.

ii. Claims Objection Deadline

Any objections to Claims shall be filed no later than the Claims Objection Deadline, which shall be 120 days after the Effective Date and which may be extended for one 90 day period by the Plan Administrator by filing a notice thereof with the Bankruptcy Court, or such other period of limitation as may be specifically fixed by an order of the Bankruptcy Court or the relevant parties for objecting to such Claims.

iii. Disallowance of Claims

Except as otherwise agreed by the Plan Administrator, any and all Proofs of Claim filed after the applicable Claims Bar Date shall be deemed disallowed and expunged as of the Effective Date without any further notice to or action, order or approval of the Bankruptcy Court,

and holders of such Claims may not receive any distributions on account of such Claims, unless such late Proof of Claim is deemed timely filed by a Final Order of the Bankruptcy Court.

iv. **Amendments to Claims**

On or after the Effective Date, except as otherwise provided in the Plan, a Claim may not be filed or amended without the prior authorization of the Bankruptcy Court and the Plan Administrator, and any such new or amended Claim filed shall be deemed disallowed and expunged without any further notice to or action, order or approval of the Bankruptcy Court.

G. SETTLEMENT, RELEASE, INJUNCTION AND RELATED PROVISIONS

ARTICLE IX OF THE PLAN GOVERNS: (I) THE COMPROMISE AND SETTLEMENT OF CLAIMS, INTERESTS AND CONTROVERSIES; (II) THE RELEASE AND LIMITATION OF LIABILITY OF THE DEBTORS AND CERTAIN THIRD PARTIES, INCLUDING REDCATS; (III) RELEASES BY HOLDERS OF CLAIMS AND INTERESTS WHO VOTE TO ACCEPT THE PLAN; AND (IV) THE EXCULPATION OF CERTAIN PARTIES. ARTICLE IX.E ALSO PROVIDES FOR A PERMANENT INJUNCTION REGARDING THESE PROVISIONS. PLEASE REVIEW ARTICLE IX AND THE PROVISIONS THEREIN CAREFULLY.

Specifically, Article IX of the Plan contains (i) releases by the Debtors of all Claims against the Released Parties and (ii) releases by the Committee, its members and each holder of a Claim that affirmatively votes to accept the Plan (collectively, the “***Releasing Parties***”) of all Claims against the Released Parties. The Released Parties are (i) each of the Debtors, (ii) the Post-Effective Date Debtor, (iii) Redcats, (iv) the Committee and (v) with respect to each of (i) through (iv), such Entity’s directors, officers, direct and indirect shareholders, partners, members, employees, agents, affiliates, parents, subsidiaries, predecessors, successors, heirs, executors and assignees, attorneys, financial advisors, investment bankers, accountants and other professionals or representatives when acting in any such capacities.

The releases of the Released Parties by the Debtors and the Releasing Parties set forth in Article IX of the Plan are important to the success of the Debtors’ Plan, which embodies the settlement and resolution of complex issues and claims and reflects significant contributions, compromises and concessions made by the Released Parties in connection with these Chapter 11 Cases, the Sale and the development of the Plan. The proposed releases are reasonable and appropriate under the circumstances and fall well within the range of reasonableness, as they are supported by ample consideration, including (i) the discharge of debt and other good and valuable consideration to be paid pursuant the Plan and (ii) the services of the Released Parties in facilitating the expeditious implementation of the Sale and the liquidation contemplated by the Plan, including (A) Redcats’ contribution of \$20 million to the Buyer to facilitate the Sale and (B) Redcats’ further contribution of \$1.25 million to the Unsecured Claims Funds and waiver of the Waived Redcats Unsecured Claims, which will significantly enhance recoveries to holders of Allowed General Unsecured Claims. With respect to releases provided by holders of Claims, the Plan contemplates only consensual third party releases.

H. CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN

Article VI.D of the Plan sets forth the conditions that must occur before Confirmation of the Plan and the occurrence of the Effective Date. Article VI.E of the Plan describes the ability to waive such conditions. Article XII.D of the Plan provides that if the Effective Date does not occur, the Plan shall be null and void in all respects and nothing contained in the Plan or this Disclosure Statement shall: (1) constitute a waiver or release of any claims by or Claims against or Interests in the Debtors; (2) prejudice in any manner the rights of the Debtors, any holders or any other Entity; or (3) constitute an admission, acknowledgment, offer or undertaking by the Debtors, any holders, or any other Entity in any respect.

I. MODIFICATION, REVOCATION OR WITHDRAWAL OF THE PLAN

Article XII.C of the Plan provides that amendments or modifications of the Plan may be proposed in writing by the Debtors at any time before the Confirmation, provided that the Plan, as altered, amended or modified, satisfies the conditions of sections 1122 and 1123 of the Bankruptcy Code, and the Debtors shall have complied with section 1125 of the Bankruptcy Code. The Debtors also reserve the right to make such modifications at or before any hearings on Confirmation as are necessary to permit the Plan to be confirmed under section 1129 of the Bankruptcy Code.

A holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such holder.

Before the Effective Date, the Debtors may make appropriate technical adjustments and modifications to the Plan without further order or approval of the Bankruptcy Court, provided that such technical adjustments and modifications do not adversely affect in a material way the treatment of holders of Claims.

Article XII.D of the Plan further provides that the Debtors reserve the right to revoke or withdraw the Plan before entry of the Confirmation Order and to file subsequent chapter 11 plans.

J. RETENTION OF JURISDICTION

Article X of the Plan specifies that, notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court shall retain jurisdiction over the Chapter 11 Cases and all matters arising out of or related to the Chapter 11 Cases and the Plan.

IV. FEASIBILITY

The Bankruptcy Code requires that to confirm a chapter 11 plan, the Bankruptcy Court must find that confirmation of such plan is not likely to be followed by the liquidation or the need for further financial reorganization of the debtor(s) unless contemplated by the plan. The Plan provides for the liquidation and distribution of the Debtors' assets. Accordingly, the

Debtors believe that all Plan obligations will be satisfied without the need for further reorganization of the Debtors.

V. BEST INTERESTS OF CREDITORS AND PLAN ALTERNATIVES

A. CHAPTER 7 LIQUIDATION

Notwithstanding acceptance of the Plan by a voting Impaired Class, to confirm the Plan, the Bankruptcy Court must still independently determine that the Plan is in the best interests of each holder of a Claim or Interest in any such Impaired Class that has not voted to accept the Plan, meaning that the Plan provides each such holder with a recovery that has a value at least equal to the value of the recovery that each such holder would receive if the debtor was liquidated under chapter 7 of the Bankruptcy Code on the Effective Date. Accordingly, if an Impaired Class does not vote unanimously to accept the Plan, the best interests test requires the Bankruptcy Court to find that the Plan provides to each member of such Impaired Class a recovery on account of the Class member's Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the recovery that each such Class member would receive if the Debtors were liquidated under chapter 7.

The Debtors believe that the Plan satisfies the best interests test because, among other things, the recoveries expected to be available to holders of Allowed Claims under the Plan will be greater than the recoveries expected to be available in a chapter 7 liquidation.

In a typical chapter 7 case, a trustee is elected or appointed to liquidate a debtor's assets and to make distributions to creditors in accordance with the priorities established in the Bankruptcy Code. Generally, secured creditors are paid first from the proceeds of sales of their collateral. If any assets remain in the bankruptcy estate after satisfaction of secured creditors' claims from their collateral, administrative expenses are next to be paid. Unsecured creditors are paid from any remaining sale proceeds, according to their respective priorities. Unsecured creditors with the same priority share in proportion to the amount of their allowed claims in relationship to the total amount of allowed claims held by all unsecured creditors with the same priority. Finally, interest holders receive the balance that remains, if any, after all creditors are paid.

Substantially all of the Debtors' assets have already been liquidated through the Sale consummated by the Debtors pursuant to the Sale Order. Although the Plan effects a liquidation of the Debtors' remaining assets and a chapter 7 liquidation would achieve the same goal, the Debtors believe that the Plan provides a greater recovery to holders of Allowed General Unsecured Claims than would a chapter 7 liquidation. Liquidating the Debtors' Estates under the Plan likely provides holders of Allowed General Unsecured Claims with a more timely, larger recovery because of the fees and expenses which would be incurred in a chapter 7 liquidation, including the potential added time and expense incurred by the trustee and any retained professionals in familiarizing themselves with the Chapter 11 Cases.

Accordingly, the Debtors believe that the Plan is in the best interests of creditors.

B. ALTERNATIVE PLAN(S)

The Debtors do not believe that there are any alternative plans for the reorganization of liquidation of the Debtors' Estates. The Debtors believe that the Plan, as described herein, enables holders of Claims and Interests to realize the greatest possible value under the circumstances and that, compared to any alternative plan, the Plan has the greatest chance to be confirmed and consummated.

VI. RISK FACTORS

THE IMPLEMENTATION OF THE PLAN IS SUBJECT TO A NUMBER OF RISKS, INCLUDING THOSE ENUMERATED BELOW. BEFORE VOTING TO ACCEPT OR REJECT THE PLAN, ALL HOLDERS OF CLAIMS THAT ARE IMPAIRED AND ENTITLED TO VOTE ON THE PLAN SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH HEREIN, AS WELL AS ALL OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT AND OTHER DOCUMENTS DELIVERED TOGETHER HERewith AND/OR INCORPORATED BY REFERENCE HEREIN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION, OR ALTERNATIVES TO THE PLAN.

A. CERTAIN BANKRUPTCY CONSIDERATIONS

The occurrence or non-occurrence of any or all of the following contingencies, and any others, could affect distributions under the Plan but will not necessarily affect the validity of the vote of the Impaired Classes to accept or reject the Plan or necessarily require a re-solicitation of votes of holders of Claims in such Impaired Classes.

i. Failure to Satisfy Vote Requirements

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors intend to seek, as promptly as practicable thereafter, Confirmation of the Plan. In the event that sufficient votes are not received, the Debtors may seek to pursue another strategy to wind-down the Estates, such as an alternative chapter 11 plan, a dismissal of the Chapter 11 Cases and out-of-court dissolution, an assignment for the benefit of creditors, a conversion to a chapter 7 plan or other strategies. There can be no assurance that the terms of any such alternative strategies would be similar or as favorable as those proposed in the Plan.

ii. Parties in Interest May Object to the Debtors' Classification of Claims and Interests

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class. The Debtors believe that the classification scheme under the

Plan complies with the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

iii. **The Debtors May Not Be Able to Secure Confirmation of the Plan, or Confirmation May Be Delayed**

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that that Bankruptcy Court will confirm the Plan. A non-accepting holder of an Allowed Claim might challenge either the adequacy of this Disclosure Statement or whether the balloting procedures and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that this Disclosure Statement, the balloting procedures and the voting results are appropriate, the Bankruptcy Court can still decline to confirm the Plan if it finds that any of the statutory requirements for Confirmation have not been met, including the requirement that the terms of the Plan do not “unfairly discriminate” and are “fair and equitable” to non-accepting Classes.

Confirmation of the Plan is also subject to certain conditions as described in Article VI.D of the Plan. If the Plan is not confirmed, it is unclear what distributions, if any, holders of Allowed Claims will receive with respect to their Allowed Claims.

iv. **The Reserves May Not Be Fully Funded**

As described in Article III.D(ii) of this Disclosure Statement, the funding of the Reserves on or before the Effective Date is subject to the caps set forth in section 2.5(a) of the APA and the definition of “Assumed Liabilities” set forth therein. The Buyer is not obligated to fund the Reserves in excess of such caps. Moreover, the Buyer is only required to fund the Reserves on the Effective Date in an amount no less than the lesser of (i) 90% of the Buyer’s then remaining obligations under the APA that relate to any of the Reserves categories and (ii) an amount to be agreed between the Buyer and the Debtors before the Effective Date. Finally, the Buyer has no obligation to fund any amounts in excess of amounts required to be paid by the Buyer pursuant to the APA. Accordingly, there can be no assurance that the Reserves will be funded in an amount sufficient to make distributions to all holders of Allowed Claims to be paid from such Reserves.

v. **Nonconsensual Confirmation—Cramdown**

In the event that any impaired class of claims or interests does not accept (by voting to reject or being deemed to reject) a chapter 11 plan, a bankruptcy court may nevertheless confirm a plan at the proponents’ request if at least one impaired class has accepted the plan (without including the votes of insiders), and, as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan “does not discriminate unfairly” and is “fair and equitable” with respect to the dissenting impaired classes. Although the Debtors believe that the Plan will meet such tests, the Debtors cannot be certain that the Bankruptcy Court would reach the same conclusion.

vi. **Parties May Object to the Amount or Classification of a Claim**

Except as otherwise provided in the Plan, parties reserve the right to object to the amount or classification of any Claim under the Plan. The estimates contained in the Plan and this Disclosure Statement cannot be relied on by any holder of a Claim where such Claim is subject to an objection or is not yet Allowed. Any holder of a Claim that is subject to an objection may not receive its expected share of the estimated distributions described in the Plan and this Disclosure Statement unless and until the objection is resolved and the Claim is Allowed.

vii. **Risk of Non-Occurrence of the Effective Date**

Although the Debtors believe that the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing or as to whether the Effective Date will, in fact, occur.

viii. **Risks Affecting Potential Recoveries of Holders of Claims in the Voting Class**

Although the Debtors have estimated a 9.2-11% recovery for holders of Allowed Class 3 Claims, the Debtors cannot state with certainty what recovery will ultimately be available to holders of Claims in Class 3. Although the Plan contemplates that \$2.75 million of Unsecured Claims Funds will be distributed to holders of Allowed Class 3 General Unsecured Claims (subject to increase), the Debtors cannot unequivocally state, at this time, the aggregate amount of Claims in Class 3 that will ultimately be Allowed or whether certain funds currently designated for distribution to Class 3 will need to be allocated to shortfalls in the Reserves for Claims with higher priority and first right to payment under the Bankruptcy Code.

As described in Article I.B.ii above, the Debtors are operating under a limited \$2 million wind-down budget pursuant to the terms of the APA, which amount represents the total funds available to cover all post-Closing Allowed Professional Fee Claims and post-Closing Allowed Administrative Claims not otherwise allocable to the Buyer under the APA, including expenses associated with winding down the Debtors' estates both before and after the Effective Date. To the extent these costs exceed the \$2 million wind-down budget (or the Reserves are otherwise insufficiently funded to cover Allowed Claims with higher priority than Class 3 Claims), these costs must be covered by other sources of consideration available to the Debtors, including the Unsecured Claims Funds.

As of June 30, 2012, the Debtors have consumed or incurred approximately \$1.7 million of the \$2 million wind-down budget provided by the Buyer. Although the Debtors believe they have completed the lion's share of the work required to confirm a liquidating plan and wind down these estates — and that the continued spend by Professionals will be limited going forward — it is possible that the entire wind-down budget could be fully exhausted before the Effective Date.

Specifically, both before and after the Effective Date, the Debtors must complete a number of tasks to fully wind-down their estates, including:

- soliciting and tabulating votes on the Plan and preparing for the Confirmation Hearing and the Effective Date;
- preparing required filings for the Bankruptcy Court such as monthly operating reports;
- reconciling and objecting to Claims;
- winding down and dissolving the Debtors' legal entities;
- completing certain employee transition matters, such as the termination of the Debtors' 401(k) plan and the transfer of continuing participants in that plan to the Buyer's plans; and
- cooperating with Redcats to address tax returns and other tax matters.

There are reasons to believe, however, that to the extent Administrative Claims or Professional Fee Claims exceed the \$2 million wind-down budget, such claims will have a minimal, if any, impact on the estimated recoveries for holders of Class 3 Claims.

- *First*, certain of the wind-down tasks listed above are being performed by other parties at no cost to the Debtors. For example, the Buyer's employees are performing the vast majority of the claims reconciliation work, and Redcats performs the vast majority of the tax work.
- *Second*, the Debtors' estimate of \$25-30 million for the Class 3 Claims pool is conservative, and such estimate includes \$12.5 million in estimated rejection damage claims, equal to the average annual rent at 100 of the Debtors' former stores. The Debtors believe that actual rejection damages claims ultimately may be less than \$12.5 million. Moreover, the Debtors and their Professionals will only incur administrative expenses on reconciling or objecting to claims where the expected benefits of doing so will exceed the costs. Put another way, the Debtors will not spend a dollar to save pennies for unsecured creditors with bona fide claims.
- *Third*, certain of the Debtors' professionals hold retainers in the aggregate of more than \$300,000, which retainers will be applied to Professional Fee Claims to augment the wind-down budget.
- *Fourth*, pursuant to the Committee Stipulation, to the extent the \$27 million combined cap for pre-Closing DIP Facility, Administrative and Priority Claims ultimately is less than \$19.5 million, the Buyer is required to increase its contribution to the Unsecured Claims Funds, such that its total contribution is equal to 20% of the difference between \$27 million and the aggregate amount of pre-Closing DIP Facility, Administrative and Priority Claims. This calculation may ultimately yield additional recoveries to Class 3 creditors.

While the Debtors cannot project with certainty the ultimate recoveries for holders of Class 3 Claims, the Debtors believe that the Plan maximizes recoveries for holders of all

Allowed Claims and strongly recommend that holders of Class 3 General Unsecured Claims (the only Class entitled to vote) vote to accept the Plan. The Debtors believe that any alternative to Confirmation of the Plan, such as a conversion of the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code or attempts by another party in interest to file a plan, would result in significant delay, litigation, additional costs and ultimately would reduce the recoveries available under the Plan.

B. RISKS ASSOCIATED WITH INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT

i. Information Contained Herein is for Soliciting Votes

The information contained in this Disclosure Statement is for the purposes of soliciting acceptances of the Plan and may not be relied upon for any other purpose.

ii. No Legal or Tax Advice is Provided to You by this Disclosure Statement

This Disclosure Statement is not legal advice to you. The contents of this Disclosure Statement should not be construed as legal, business or tax advice. Each holder of a Claim or an Interest should consult his or her own legal counsel and accountant with regard to any legal, tax and other matters concerning his or her Claim or Interest. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to Confirmation of the Plan.

iii. No Admissions Made

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of fact or liability by any Entity (including the Debtors) nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Debtors, holders of Allowed Claims or Interests or any other parties in interest.

iv. Failure to Identify Litigation Claims or Projected Objections

No reliance should be placed on the fact that a particular Claim or projected objection to a particular Claim is, or is not, identified in this Disclosure Statement. The Debtors or the Plan Administrator may seek to object to Claims after the Confirmation or Effective Date of the Plan irrespective of whether this Disclosure Statement identifies such Claims or objections to such Claims.

v. Information Was Provided by the Debtors and Was Relied Upon by the Debtors' Professionals

The Professionals retained by the Debtors have relied upon information provided by the Debtors in connection with the preparation of this Disclosure Statement. Although Professionals retained by the Debtors have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not verified independently the information contained herein.

vi. **Potential Exists for Inaccuracies, and the Debtors Have No Duty to Update**

The statements contained in this Disclosure Statement are made by the Debtors as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has not been a change in the information set forth herein since that date. While the Debtors have used their reasonable business judgment to ensure that accuracy of all of the information provided in this Disclosure Statement and in the Plan, the Debtors nonetheless cannot, and do not, confirm the current accuracy of all statements appearing in this Disclosure Statement. Further, although the Debtors may subsequently update the information in this Disclosure Statement, the Debtors have no affirmative duty to do so unless ordered to do so by the Bankruptcy Court.

vii. **No Representations Outside this Disclosure Statement Are Authorized**

No representations concerning or relating to the Debtors, the Chapter 11 Cases or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan other than as contained in, or included with, this Disclosure Statement, should not be relied upon by you in arriving at your decision. You should promptly report unauthorized representations or inducements to counsel to the Debtors, counsel to the Committee and the U.S. Trustee.

C. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed, the alternatives include (a) continuation of the Chapter 11 Cases and formulation of an alternative chapter 11 plan or plans or (b) liquidation of the Debtors under chapter 7 of the Bankruptcy Code. A discussion of these alternatives is set forth in Article V herein, "Best Interests of Creditors and Plan Alternatives."

VII. TAX CONSEQUENCES OF THE PLAN

THE DEBTORS HAVE NOT REQUESTED A RULING FROM THE INTERNAL REVENUE SERVICE OR AN OPINION OF COUNSEL WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN. THUS, NO ASSURANCE CAN BE GIVEN AS TO THE TAX CONSEQUENCES OF THE PLAN. EACH HOLDER OF A CLAIM OR INTEREST IS URGED TO CONSULT ITS OWN TAX ADVISOR FOR THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

VIII. CONCLUSION AND RECOMMENDATION

The Debtors believe the Plan is in the best interests of all holders of Claims and Interests and urge all holders of Claims entitled to vote to accept the Plan and to evidence such acceptance by returning their Ballots so they will be received by the Notice and Claims Agent no later than **August [29], 2012 at 4:00 p.m. Eastern Time.**

Dated: July [#], 2012

Respectfully submitted,

UNITED RETAIL GROUP, INC.
On behalf of itself and the other Debtors

By: /s/ Deborah Rieger-Paganis

Name: Deborah Rieger-Paganis

Title: Wind-down Administrator

EXHIBIT A

**Debtors' Joint Plan of Liquidation Pursuant to
Chapter 11 of the Bankruptcy Code**

Exhibit B

**Chapter 11 Plan
(as amended on July 18, 2012)**

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

| | | |
|---|---|-------------------------|
| In re: |) | |
| |) | Chapter 11 |
| |) | |
| UNITED RETAIL GROUP, INC., <i>et al.</i> , ¹ |) | Case No. 12-10405 (SMB) |
| |) | |
| Debtors. |) | Jointly Administered |
| |) | |

**DEBTORS' JOINT PLAN OF LIQUIDATION
PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

**THIS CHAPTER 11 PLAN IS BEING SUBMITTED FOR
APPROVAL BY THE BANKRUPTCY COURT. THIS CHAPTER 11 PLAN
HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. ACCORDINGLY, THIS IS
NOT A SOLICITATION OF AN ACCEPTANCE OR REJECTION OF THE CHAPTER 11
PLAN WITHIN THE MEANING OF SECTION 1125 OF THE BANKRUPTCY CODE,
11 U.S.C. § 1125. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL
A DISCLOSURE STATEMENT IS APPROVED BY THE BANKRUPTCY COURT.**

KIRKLAND & ELLIS LLP

Paul M. Basta
Mark Kieselstein, P.C.
Nicole L. Greenblatt
Benjamin J. Steele
Joseph A. Pack
601 Lexington Avenue
New York, New York 10022-4611
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Counsel to the Debtors and Debtors in Possession

Dated: July [#], 2012

¹ The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor's federal tax identification number, are: United Retail Group, Inc. (3670); Avenue Gift Cards, Inc. (5281); United Distribution Services, Inc. (8531); United Retail Holding Corporation (1251); United Retail Incorporated (5670); and United Retail Logistics Operations Incorporated (5672). The Debtors' main corporate address is 365 West Passaic Street, Rochelle Park, New Jersey 07662.

**DEBTORS' JOINT PLAN OF LIQUIDATION
PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

United Retail Group, Inc.; Avenue Gift Cards, Inc.; United Distribution Services, Inc.; United Retail Holding Corporation; United Retail Incorporated; and United Retail Logistics Operations Incorporated, as debtors and debtors in possession in the above-captioned chapter 11 cases, hereby propose this joint plan of liquidation pursuant to chapter 11 of the Bankruptcy Code. Reference is made to the Disclosure Statement (as defined herein), distributed contemporaneously herewith, for a discussion of the Debtors' (as defined herein) history, business operations, risk factors, a summary and analysis of the Plan (as defined herein) and certain related matters.

TABLE OF CONTENTS

| | Page |
|--|-----------|
| ARTICLE I RULES OF INTERPRETATION, COMPUTATION OF TIME, GOVERNING LAW AND DEFINED TERMS | 1 |
| A. Rules of Interpretation, Computation of Time and Governing Law..... | 1 |
| B. Defined Terms. | 1 |
| ARTICLE II TREATMENT OF UNCLASSIFIED CLAIMS ADMINISTRATIVE, PRIORITY TAX AND PROFESSIONAL FEE CLAIMS..... | 11 |
| A. Allowed Administrative Claims. | 11 |
| B. Professional Fee Claims..... | 12 |
| C. U.S. Trustee Fees. | 12 |
| D. Priority Tax Claims..... | 12 |
| E. The Redcats Secured Claim and the Redcats Unsecured Claim..... | 13 |
| F. The Waived Redcats Unsecured Claims..... | 13 |
| G. Cancellation of Intercompany Claims and Intercompany Interests..... | 13 |
| ARTICLE III CLASSIFICATION AND TREATMENT OF CLASSIFIED CLAIMS AND INTERESTS | 14 |
| A. Classification..... | 14 |
| B. Summary of Classification..... | 14 |
| ARTICLE IV ACCEPTANCE OR REJECTION OF THE PLAN..... | 16 |
| A. Acceptance by an Impaired Class. | 16 |
| B. Nonconsensual Confirmation..... | 17 |
| ARTICLE V PROVISIONS GOVERNING DISTRIBUTIONS..... | 17 |
| A. Timing and Delivery of Distributions..... | 17 |
| B. Delivery of Distributions. | 17 |
| C. Unclaimed Distributions. | 18 |
| D. Allocation of Plan Distributions Between Principal and Interest. | 18 |
| E. Means of Cash Payment..... | 18 |
| F. Compliance with Tax Requirements..... | 18 |
| G. Record Date. | 18 |
| H. Distributions After Effective Date. | 19 |
| I. Distributions After Allowance..... | 19 |
| J. Fractional Cents. | 19 |
| K. Third Party Agreements; Subordination. | 19 |
| L. Release of Funds in Reserves. | 19 |
| M. Certificate of Completion of Distributions. | 19 |
| ARTICLE VI MEANS FOR IMPLEMENTATION OF THE PLAN..... | 20 |
| A. Substantive Consolidation/Merger/Dissolution. | 20 |
| B. Settlement of Certain Claims..... | 20 |
| C. Implementing Actions..... | 20 |

TABLE OF CONTENTS (CONT'D)

| | Page |
|--|-------------------------------------|
| D. Conditions to Plan Effectiveness. | 22 |
| E. Waiver of Conditions. | 22 |
| F. Satisfaction of Conditions. | 22 |
| G. Continuing Existence of the Post-Effective Date Debtor. | 23 |
| H. Corporate Action. | 23 |
| I. Vesting of Assets in the Post-Effective Date Debtor. | 23 |
| J. Subsequent Dissolution/Records. | 24 |
| K. Plan Administrator. | 24 |
| L. Duties and Powers of the Plan Administrator. | 24 |
| M. No Agency Relationship, Limitation of Liability of Plan Administrator, Indemnification and Insurance. | 25 |
| N. Dissolution of the Committee and Appointment of Plan Oversight Representative. | 25 |
| O. Causes of Action. | 26 |
| P. Remaining Assets. | 26 |
| Q. Counterclaims. | 27 |
| R. Post Confirmation Date Professional Fees. | 27 |
| S. Closing of the Debtors' Chapter 11 Cases. | 27 |
| ARTICLE VII TREATMENT OF EXECUTORY CONTRACTS AND LEASES | 28 |
| A. Contracts and Leases Not Specifically Assumed and Assigned are Rejected. | 28 |
| B. Bar Date for Filing Claim For Rejection Damages. | 28 |
| C. Preexisting Obligations to the Debtors Under Executory Contracts and Unexpired Leases. | 28 |
| ARTICLE VIII PROVISIONS REGARDING TREATMENT OF DISPUTED, CONTINGENT AND UNLIQUIDATED CLAIMS | 28 |
| A. Disputed General Unsecured Claims Reserve. | 28 |
| B. Objections to and Resolution of Disputed Claims. | 29 |
| C. No Distributions Pending Allowance. | 29 |
| D. Estimation of Claims. | 29 |
| E. No Post-Effective Date Interest. | 29 |
| ARTICLE IX EFFECTS OF CONFIRMATION OF THE PLAN | 30 |
| A. Discharge of Debtors. | Error! Bookmark not defined. |
| B. Release of Liens. | 30 |
| C. Exemption from Certain Taxes and Fees. | 30 |
| D. Releases by the Debtors. | 30 |
| E. Releases by Holders of Claims and Interests. | 31 |
| F. Injunction Enjoining Holders of Claims Against the Debtors. | 32 |
| G. Exculpation of Debtors. | 32 |
| H. Cancellation of Existing Notes, Securities and Instruments. | 33 |
| I. Disallowance of Claims. | 33 |
| J. Amendments to Claims. | 33 |

TABLE OF CONTENTS (CONT'D)

| | Page |
|---|-------------|
| K. Compromise and Settlement of Claims, Equity Interests and Controversies. | 33 |
| L. Special Provision Governing Accrued Professional Fee Claims and Final Fee Applications. | 34 |
| M. Asset Purchase Agreement. | 34 |
| ARTICLE X RETENTION OF JURISDICTION..... | 34 |
| A. Claims and Actions. | 34 |
| B. Retention of Jurisdiction. | 34 |
| ARTICLE XI NOTICE PROVISIONS | 36 |
| A. Notices. | 36 |
| B. Limitation on Notice. | 37 |
| ARTICLE XII MISCELLANEOUS PROVISIONS | 38 |
| A. Setoffs/Counterclaims. | 38 |
| B. Plan Supplement. | 38 |
| C. Amendment or Modification of the Plan. | 38 |
| D. Revocation and Withdrawal of the Plan. | 39 |
| E. Severability. | 39 |
| F. No Liability for Solicitation. | 39 |
| G. Business Days. | 40 |
| H. Headings. | 40 |
| I. Exhibits. | 40 |
| J. Entire Agreement | 40 |

ARTICLE I

RULES OF INTERPRETATION, COMPUTATION OF TIME, GOVERNING LAW AND DEFINED TERMS

A. Rules of Interpretation, Computation of Time and Governing Law.

1. For purposes of this document: (a) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter gender; (b) any reference herein to a contract, lease, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions or as may have been amended in accordance with its terms; (c) any reference herein to an existing document or exhibit having been filed or to be filed shall mean that document or exhibit, as it may thereafter be amended, modified or supplemented; (d) unless otherwise specified, all references herein to “Articles” are references to Articles hereof or hereto; (e) unless otherwise stated, the words “herein,” “hereof” and “hereto” refer to the Plan in its entirety rather than to a particular portion of the Plan; (f) captions and headings to Articles are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (g) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (h) any term used in capitalized form herein that is not otherwise defined, but that is used in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be; and (i) all references to amounts to be paid from the Plan Administrator mean amounts to be paid from the Plan Administrator in accordance with the Plan.

2. The provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein.

3. Except to the extent the Bankruptcy Code or Bankruptcy Rules apply, and subject to the provisions of any contract, lease, instrument, release, indenture or other agreement or document entered into expressly in connection herewith, the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflict of laws thereof.

B. Defined Terms.

As used in the Plan, capitalized terms have the meanings set forth below.

1. “*Administrative Claim*” means any Claim for costs and expenses of administration of the Chapter 11 Cases with priority under section 507(a)(2) of the Bankruptcy Code other than Professional Fee Claims.

2. “*Administrative Claims Bar Date*” means the date that is 45 days after the Effective Date.

3. “*Administrative and Secured Claims Reserve*” means a Cash reserve, which shall be maintained by the Post-Effective Date Debtor in an interest-bearing account and administered by the Plan Administrator, in the estimated amount necessary to pay in full all Allowed and Disputed Administrative Claims and Secured Claims outstanding as of the Effective Date as and to the extent such Claims become Allowed Claims.

4. “*Affiliate*” shall have the meaning set forth in section 101(2) of the Bankruptcy Code.

5. “*Allowed*” means a Claim or Interest (a) which has been scheduled as undisputed, non-contingent and liquidated in the Schedules (subject to the Debtors’ right to amend the Schedules) and as to which no objection or request for estimation has been filed on or before any Claim objection deadline set by the Bankruptcy Court or the expiration of such other period fixed by the Bankruptcy Court, (b) as to which a Proof of Claim has been properly and timely filed and either (i) no objection thereto has been timely filed, or if an objection has been timely filed, such portion of which is not subject to such objection, or (ii) such Claim has been allowed (but only to the extent allowed) by a Final Order, (c) which is compromised, settled or otherwise resolved pursuant to the authority granted to the Debtors before the Effective Date, and thereafter by the Plan Administrator, under the Plan or (d) which has been expressly allowed under the provisions of the Plan. “*Allowed Claim*” shall not, for purposes of computation of distributions under the Plan, include interest on such Claim from and after the Petition Date.

6. “*Asset Purchase Agreement*” or “*APA*” means the *Asset Purchase Agreement by and among United Retail Group, Inc., the Other Sellers Named Therein, Redcats USA, Inc. and Ornatus URG Acquisition, LLC*, dated February 1, 2012, as amended in accordance with its terms (collectively with all related agreements, documents or instruments and all exhibits, schedules, addenda and amendments thereto) as approved by the Bankruptcy Court pursuant to the Sale Order, dated April 4, 2012 [Docket No. 496].

7. “*Assets*” means all of the rights, title and interest of the Debtors and Post-Effective Date Debtor in, to and under any and all of its assets and property, whether tangible, intangible, real or personal, of any nature whatsoever, including all property of the Estates under and pursuant to section 541 of the Bankruptcy Code, including Cash, the Causes of Action, rights and interests in property, and files, books and records of the Estates, in each case other than (a) any asset required to be transferred to the Buyer pursuant to the APA, (b) any Unexpired Lease or other contract with respect to which the Buyer has not yet made a designation pursuant to Section 2.6 of the APA, (c) any amounts that have been deposited by the Buyer into any Reserve established hereunder plus any interest thereon (to the extent owed) to the extent any such amounts are returnable to the Buyer as provided in Article V.L of the Plan, (d) any amounts deposited in respect of Carve-Out Expenses that have not been paid out as Carve-Out Expenses or used in respect of Administrative Claims as permitted by and in accordance with the APA and that certain letter agreement, dated as of April 13, 2012, among the Debtors, the Buyer, AlixPartners, LLP and AP Services, LLC and (e) any other amounts that the Buyer is entitled to under the APA. For the avoidance of doubt, “*Assets*” shall only include Cash to the extent such Cash was not Cash as of the closing under the APA and became Cash as a result of the sale or other conversion of assets that constitute “*Excluded Assets*” under the APA following the closing under the APA.

8. “*Bankruptcy Code*” means title 11 of the United States Code, as now in effect or as hereafter amended, as applicable to the Chapter 11 Cases.

9. “*Bankruptcy Court*” means the United States Bankruptcy Court for the Southern District of New York.

10. “*Bankruptcy Rules*” means the Federal Rules of Bankruptcy Procedure, as applicable to the Chapter 11 Cases and the Bankruptcy Court’s general, local and chambers rules.

11. “*Bar Date*” means any deadlines fixed by the Bankruptcy Court for the filing of a Proof of Claim or request for payment of Administrative Claims. The Bar Dates in the Chapter 11 Cases are (a) April 27, 2012 for non-governmental units and (b) July 30, 2012 for governmental units pursuant to that certain *Order (I) Setting Bar Dates for Filing Proofs of Claim, (II) Approving Procedures for Filing Proofs of Claim and (III) Approving Notice Thereof* entered by the Bankruptcy Court on March 22, 2012 [Docket No. 443]. The Plan establishes an Administrative Claims Bar Date that is 45 days after the Effective Date, as described in Article IIA.1 of the Plan. Professional Fee Claims are not subject to a Bar Date and are separately governed by Article IIB of the Plan.

12. “*Business Day*” means any day, other than a Saturday, Sunday or “legal holiday” as defined in Bankruptcy Rule 9006(a).

13. “*Buyer*” means Avenue Stores, LLC f/k/a Ornatus URG Acquisition, LLC (individually, and collectively with any affiliate designees of Ornatus URG Acquisition, LLC to which it assigns or has assigned any of its rights under the APA in accordance with Section 9.5 thereof).

14. “*Buyer Reserve Contribution*” has the meaning set forth in Article VI.C.2.

15. “*Carve-Out Expenses*” has the meaning set forth in the *Final Order Authorizing the Debtors to Obtain Interim Post Petition Financing And Grant Security Interests and Superpriority Administrative Expense Status Pursuant To 11 U.S.C. §§ 105 AND 364(c); (B) Modifying The Automatic Stay Pursuant To 11 U.S.C. § 362; (C) Authorizing Debtors To Enter Into Agreements With Wells Fargo Bank, N.A.* entered on February 23, 2012 [Docket No. 243].

16. “*Cash*” means lawful currency of the United States and its equivalents; *provided, however*, that any distributions by the Plan Administrator under the Plan will be deemed to be made in Cash if made by check drawn on any United States bank.

17. “*Causes of Action*” means, other than the Transferred Causes of Action, any and all claims, actions, adversary proceedings, causes of action, liabilities, obligations, rights, suits, debts, sums of money, damages, judgments and demands whatsoever, whether pending or not pending, known or unknown, whether or not scheduled as an asset of the Debtors, disputed or undisputed, legal or equitable, absolute or contingent, that are already pending or that have accrued or are accruing to the Debtors or the Estates, or that may be pursued derivatively by or on behalf of the Debtors or the Estates.

18. “*Chapter 11 Cases*” means the bankruptcy cases commenced by the Debtors in the Bankruptcy Court on February 1, 2012, which bankruptcy cases are jointly administered under Case No. 12-10405 (SMB).

19. “*Claim*” means a “claim” as defined in section 101(5) of the Bankruptcy Code and, except as otherwise provided in the context, means a claim against the Debtors or the Estates.

20. “*Claim Objection Deadline*” means the date by which the Plan Administrator shall file and serve all objections to Claims, which date shall be no later than one hundred and twenty (120) days after the Effective Date and may be extended for one ninety (90) day period by the Plan Administrator by filing a notice of the extended Claim Objection Deadline with the Bankruptcy Court. Thereafter, the Claim Objection Deadline may be further extended only by an order of the Bankruptcy Court.

21. “*Claims Register*” means the official Claims Register as maintained by the Notice and Claims Agent.

22. “*Class*” means any of the categories of Claims or Interests established under the Plan pursuant to sections 1122 and 1123(a) of the Bankruptcy Code.

23. “*Class 3 Distribution Date(s)*” or “*Distribution Date(s)*” means the date(s) on which the Plan Administrator, in consultation with the Plan Oversight Representative, determines that distributions to holders of Allowed General Unsecured Claims should be made under the Plan.

24. “*Class 3 Final Distribution Date*” or “*Final Distribution Date*” means the last date on which a final distribution of the Net Available Funds (including the Unsecured Claims Funds) and Disputed General Unsecured Claims Reserve are made to holders of Allowed General Unsecured Claims under the terms of the Plan. The Final Distribution Date shall be a date, as determined by the Plan Administrator in consultation with the Plan Oversight Representative that is after (a) the liquidation into Cash of all remaining Assets (other than any assets abandoned by the Debtors) and collection of other sums due or otherwise remitted or returned to the Debtors, and (b) all Cash in the Reserves has been distributed or returned to the Buyer in accordance with Article VL the Plan.

25. “*Class 3 Initial Distribution Date*” or “*Initial Distribution Date*” means the date, as determined by the Plan Administrator in consultation with the Plan Oversight Representative when the first distribution to holders of Allowed General Unsecured Claims are made under the Plan; *provided, however*, that the Initial Distribution Date may also be the Final Distribution Date if so determined by the Plan Administrator.

26. “*Committee*” means the Official Committee of Unsecured Creditors appointed in the Chapter 11 Cases by the U.S. Trustee, which shall be dissolved on the Effective Date.

27. “*Confirmation Date*” means the date upon which the Bankruptcy Court enters the Confirmation Order.

28. “*Confirmation Hearing*” means the hearing before the Bankruptcy Court on the motion for entry of the Confirmation Order.

29. “*Confirmation Order*” means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

30. “*Contingent Claim*” means any Claim, the liability for which attaches or is dependent upon the occurrence or happening of, or is triggered by, an event that has not yet occurred, happened or been triggered as of the date on which such Claim is sought to be estimated or an objection to such Claim is filed, whether or not such event is within the actual or presumed contemplation of the holder of such Claim and whether or not a relationship between the holder of such Claim and the applicable Debtor now or hereafter exists or previously existed.

31. “*Debtors*” means United Retail Group, Inc.; Avenue Gift Cards, Inc.; United Distribution Services, Inc.; United Retail Holding Corporation; United Retail Incorporated; and United Retail Logistics Operations Incorporated, as debtors and debtors in possession in the Chapter 11 Cases.

32. “*Disallowed*” means, as it relates to any type of Claim, all or any portion thereof that (a) has been disallowed by Final Order, (b) is scheduled as zero or as contingent, disputed or unliquidated and as to which no Proof of Claim has been timely filed with the Bankruptcy Court pursuant to either the Bankruptcy Code or any order establishing a Bar Date, (c) is not scheduled and as to which no Proof of Claim has been timely filed with the Bankruptcy Court pursuant to either the Bankruptcy Code or any order establishing a Bar Date, (d) has been withdrawn by agreement of the holder thereof and the Debtor, before the Effective Date, or thereafter has been withdrawn by agreement of the Plan Administrator and the holder thereof, or (e) has been withdrawn by the holder thereof.

33. “*Disclosure Statement*” means the disclosure statement with respect to the Plan, approved by the Bankruptcy Court in accordance with section 1125 of the Bankruptcy Code, as it may be altered, amended or modified from time to time in accordance with the provisions of the Bankruptcy Code and the Bankruptcy Rules.

34. “*Disclosure Statement Order*” means the Order of the Bankruptcy Court approving the Disclosure Statement [Docket No. [#]].

35. “*Disputed*” means, with reference to any Claim, any such Claim (a) to the extent neither (x) an Allowed Claim or a Disallowed Claim under the Plan or a Final Order nor (y) deemed an Allowed Claim under sections 502, 503 or 1111 of the Bankruptcy Code, (b) which has been or hereafter is listed by a Debtor on its Schedules as unliquidated, disputed or contingent and which has not been resolved by written agreement of the parties or a Final Order or (c) as to which the Debtor or the Plan Administrator or any other party in interest has interposed a timely objection and/or request for estimation in accordance with the Bankruptcy Code, the Bankruptcy Rules and the Local Rules, which objection or request for estimation has not been withdrawn or determined by a Final Order. Because holders of Allowed Interests will not receive any distribution on account of such Interests, it is unnecessary to characterize any Interests, or part thereof, as Disputed.

36. “*Disputed General Unsecured Claims Reserve*” means a Cash reserve to be funded with a portion of the Unsecured Claims Funds and maintained by the Post-Effective Date Debtor in an interest bearing account, in the estimated amount agreed by the Debtors and the Committee or Plan Oversight Representative, as applicable, or ordered by the Bankruptcy Court, necessary to make distributions to holders of Disputed General Unsecured Claims pursuant to Article IIIB.3, if and to the extent that such Disputed General Unsecured Claims become Allowed.

37. “*Effective Date*” means the date that is the first Business Day after the Confirmation Date on which (a) no stay of the Confirmation Order is in effect and (b) all conditions precedent to the Effective Date have been either satisfied or waived.

38. “*Entity*” shall have the meaning set forth in section 101(15) of the Bankruptcy Code.

39. “*Estates*” means the estates created pursuant to section 541 of the Bankruptcy Code upon the commencement of the Chapter 11 Cases.

40. “*Executory Contract*” means a contract entered into before the Petition Date to which one or more of the Debtors is a party that is subject to assumption or rejection under sections 365 or 1123 of the Bankruptcy Code.

41. “*Final Decree*” means the final decree entered by the Bankruptcy Court closing the Chapter 11 Cases after the Effective Date pursuant to Bankruptcy Rule 3022.

42. “*Final Order*” means a judgment, order, ruling or other decree issued and entered by the Bankruptcy Court or by any state or other federal court or other tribunal having jurisdiction over the subject matter thereof which judgment, order, ruling or other decree has not been reversed, stayed, modified or amended and as to which (a) the time to appeal or petition for review, rehearing or certiorari or move for re-argument has expired or shall have been waived in writing in form and substance satisfactory to the Debtor, before the Effective Date, and thereafter to the Plan Administrator and as to which no appeal or petition for review, rehearing or certiorari or motion for re-argument is pending or (b) any appeal or petition for review, rehearing, certiorari or re-argument has been finally decided and no further appeal or petition for review, rehearing, certiorari or re-argument can be taken or granted; *provided, however*, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules or applicable state court rules of civil procedure, may be filed with respect to such order shall not cause such order not to be a Final Order.

43. “*General Unsecured Claim*” means any Claim that is not an Administrative Claim, a Priority Tax Claim, an Other Priority Claim, a Secured Claim, a Claim in respect of Post-Effective Date Costs or an Intercompany Claim. “General Unsecured Claim” shall not mean and does not include the Waived Redcats Unsecured Claims, the treatment of which are described in Article II.E and Article II.F of the Plan, respectively.

44. “*Impaired*” means, when used in reference to a Claim or Interest, a Claim or Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.

45. “*Intercompany Claim*” means any Claim held by a Debtor against another Debtor.
46. “*Intercompany Interest*” means any Interest in a Debtor held by another Debtor.
47. “*Interest*” means any ownership interest, equity or share in the Debtor (including all options, warrants or other rights to obtain such an interest or share in the Debtor) whether or not certificated, transferable, preferred, common, voting or denominated “stock” or a similar security.
48. “*Lien*” means a lien as defined in section 101(37) of the Bankruptcy Code.
49. “*Local Rules*” means the Local Rules for the Bankruptcy Court, as now in effect or as the same may be amended from time to time.
50. “*Net Available Funds*” means the Post-Effective Date Debtor’s Cash Assets on hand as of a given date less Cash in or used to fund: (a) the Reserves or (b) the Disputed General Unsecured Claims Reserve. For the avoidance of doubt, Net Available Funds includes the Unsecured Claims Funds.
51. “*Notice and Claims Agent*” means Donlin Recano & Company, Inc.
52. “*Other Priority Claim*” means any Claim, other than an Administrative Claim or a Priority Tax Claim, entitled to priority in right of payment under section 507(a) of the Bankruptcy Code.
53. “*Other Priority Claims Reserve*” means a Cash reserve, which shall be maintained by the Post-Effective Date Debtor in an interest-bearing account, in the estimated amount necessary to pay all Other Priority Claims outstanding as of the Effective Date as and to the extent such Claims become Allowed Claims.
54. “*Person*” means a person as defined in section 101(41) of the Bankruptcy Code including governmental units.
55. “*Petition Date*” means February 1, 2012, the date on which the Debtors commenced the Chapter 11 Cases filing voluntary petition for relief under Chapter 11 of the Bankruptcy Code.
56. “*Plan*” means this liquidating chapter 11 plan (including all exhibits, supplements, appendices and schedules annexed hereto), either in its present form or as it may be altered, amended, modified or supplemented (including pursuant to a Plan Supplement) from time to time in accordance with the provisions of the Bankruptcy Code and the Bankruptcy Rules or any order entered by the Bankruptcy Court.
57. “*Plan Administrator*” means the person or entity selected by the Debtors charged with overseeing, among other things, (a) the Claims resolution process, (b) distributions and (c) the wind-down process of the Post-Effective Date Debtor. Upon the Effective Date, the Plan Administrator shall be AP Services, LLC, which shall continue to perform its duties on a post-Effective Date basis on terms consistent with the Wind-Down Administrator Retention Order.

58. “*Plan Oversight Representative*” means the person appointed by the Committee before the Effective Date charged with monitoring the Post Effective Date Debtor’s property and distributions contemplated by the Plan.

59. “*Plan Supplement*” means the supplement or supplements to the Plan containing certain documents relevant to the implementation of the Plan (as such may be amended from time to time), if any.

60. “*Post-Effective Date Costs*” means wind-down costs and expenses of the Estates related to winding down the Estates, including prosecuting Causes of Action, if any, and only to the extent necessary, reviewing and objecting to Disputed Claims and making distributions from and after the Effective Date, in respect of U.S. Trustee fees and the fees and expenses of the Plan Administrator and its professionals.

61. “*Post-Effective Date Costs Reserve*” means a Cash reserve, which shall be maintained by the Post-Effective Date Debtor in an interest-bearing account and administered by the Plan Administrator, in the estimated amount necessary to pay all Post-Effective Date Costs; *provided, however*, that the Buyer shall have no obligation to pay in excess of \$2 million for all wind-down costs and expenses relating to winding down the Estates, whether incurred prior to the Effective Date or included as Post-Effective Date Costs.

62. “*Post-Effective Date Debtor*” means United Retail Group, Inc., on and after the Effective Date.

63. “*Priority Tax Claim*” means a Claim of a governmental unit entitled to priority in payment under section 502(i) or section 507(a)(8) of the Bankruptcy Code.

64. “*Priority Tax Claims Reserve*” means a Cash reserve, which shall be maintained by the Post-Effective Date Debtor in an interest-bearing account and administered by the Plan Administrator, in the estimated amount necessary to pay all Allowed and Disputed Priority Tax Claims outstanding as of the Effective Date as and to the extent such Claims become Allowed Claims.

65. “*Pro Rata*” or “*Pro Rata Share*” means the proportion that an Allowed Claim in a particular Class bears to the aggregate amount of Allowed Claims in that Class entitled to share in the same recovery as such Allowed Claim under the Plan.

66. “*Professional Fee Claims*” means Claims for professional fees, expenses and other reimbursable costs incurred by Retained Professionals (a) under section 503(b) of the Bankruptcy Code and entitled to administrative priority under section 507(a)(2) of the Bankruptcy Code for expenses incurred and services rendered, subject to award under sections 330 of the Bankruptcy Code and (b) under the Wind-Down Administrator Retention Order.

67. “*Professional Fee Claims Reserve*” means a Cash reserve, which shall be maintained by the Post-Effective Date Debtor in an interest-bearing account and administered by the Plan Administrator in the estimated amount necessary to pay all Professional Fee Claims outstanding as of the Effective Date as and to the extent such Claims become Allowed Claims.

68. “*Proof of Claim*” means any proof of Claim filed with the Bankruptcy Court with respect to the Debtors pursuant to any order establishing a Bar Date.

69. “*Record Date*” means, for purposes of voting on the Plan, the date on which the Bankruptcy Court approves the Disclosure Statement, and for purposes of making distributions under the Plan, the Confirmation Date.

70. “*Redcats*” means (a) Redcats USA, Inc., its non-Debtor Affiliates (including Redcats Asia, Ltd.) and each of their respective current and former officers, directors, employees, direct and indirect shareholders and (b) with respect to each of the foregoing, all attorneys, financial advisors, accountants, investment bankers, investment advisors, actuaries, professionals, non-Debtor Affiliates, predecessors and successors in interest and current and former members (including ex officio members), each in their respective capacities as such.

71. “*Redcats Secured Claim*” means the secured claim in the amount of approximately \$12,521,674 as of the Petition Date, recorded on the Claims Register as the secured portion of Proof of Claim Nos. 148 through 153.

72. “*Redcats Unsecured Claim*” means the unsecured claim in the amount of approximately \$48,477,497 as of the Petition Date, recorded on the Claims Register as the unsecured portion of Proof of Claim Nos. 148 through 153.

73. “*Redcats Unsecured Claims Contribution*” means \$1,250,000 in Cash for the benefit of holders of Allowed General Unsecured Claims to be funded by Redcats on the Effective Date and maintained by the Post-Effective Date Debtor in an interest-bearing account and administered by the Plan Administrator. For the avoidance of doubt, the Unsecured Claims Funds includes the Redcats Unsecured Claims Contribution.

74. “*Released Parties*” means, collectively, (a) each of the Debtors, (b) the Post-Effective Date Debtor, (c) Redcats, (d) the Committee and (e) with respect to each of (a) through (d) above, such Entity’s directors, officers, direct and indirect shareholders, partners, members, employees, agents, affiliates, parents, subsidiaries, predecessors, successors, heirs, executors and assignees, attorneys, financial advisors, investment bankers, accountants and other professionals or representatives when acting in any such capacities.

75. “*Releasing Parties*” means, collectively, (a) the Committee and the members thereof and (b) each holder of a Claim that affirmatively votes to accept the Plan, each solely in its capacity as such.

76. “*Reserves*” means, collectively, the Administrative and Secured Claims Reserve, the Professional Fee Claims Reserve, the Priority Tax Claims Reserve, the Other Priority Claims Reserve and the Post-Effective Date Costs Reserve. Reserves do not include the General Unsecured Claims Funds or the Disputed General Unsecured Claims Reserve. For the avoidance of doubt, (a) the Reserves may be held in a single bank account provided that the Plan Administrator sets aside the appropriate amounts for each Reserve within the single bank account and (b) to the extent agreed in writing by the Buyer in its sole discretion, any Cash funded to a specific Reserve may be used to fund any shortfall in any other specific Reserve.

Cash in the Reserves in excess of amounts required to fund Allowed Claims shall be released in accordance with Article VL of the Plan.

77. “*Reserves Estimate*” has the meaning set forth in Article VIC.2 of the Plan.

78. “*Retained Professional*” means those Persons retained pursuant to (a) an order of the Court in accordance with sections 327 and 1103 of the Bankruptcy Code and (b) the Wind-Down Administrator Retention Order.

79. “*Sale*” means the sale of substantially all of the Debtors’ assets pursuant to the Sale Order.

80. “*Sale Order*” means the *Order Authorizing (A) the Sale of Substantially All of the Debtors’ Assets Free and Clear of all Claims, Liens, Rights, Interests and Encumbrances; (B) the Debtors to Enter into and Perform Their Obligations Under the Asset Purchase Agreement; and (C) the Debtors Assume and Assign Certain Executory Contracts and Unexpired Leases entered on April 4, 2012 [Docket No. 496].*

81. “*Schedules*” means the schedules of assets and liabilities and statements of financial affairs filed by the Debtors with the Bankruptcy Court pursuant to Bankruptcy Rule 1007, and any amendments and modifications thereto through the Confirmation Date.

82. “*Secured Claim*” means a Claim that is secured by a valid unavoidable lien on property in which the Estates have an interest, or that is subject to recoupment or setoff under section 553 of the Bankruptcy Code to the extent of the value of the holder’s interest in the Estates interest in such property, or to the extent of the amount subject to recoupment or setoff, as determined by the Bankruptcy Court pursuant to sections 506(a), 553 and/or 1129(b)(2)(A)(i)(II) of the Bankruptcy Code, as applicable. “Secured Claim” shall not mean and does not include the Redcats Secured Claim, the treatment of which is described in Article IIE of the Plan.

83. “*Transferred Causes of Action*” means any and all of the Debtors’ causes of action that were transferred to the Buyer pursuant to the Sale Order and the APA.

84. “*U.S. Trustee*” means the Office of the United States Trustee for the Southern District of New York.

85. “*U.S. Trustee Fees*” means all fees and charges assessed against the Estates by the U.S. Trustee and due pursuant to 11 U.S.C. § 1930.

86. “*Unexpired Lease*” means a lease entered into before the Petition Date to which one or more of the Debtors is a party that remains subject to assumption or rejection under sections 365 or 1123 of the Bankruptcy Code and section 2.6 of the APA.

87. “*Unimpaired*” means, when used in reference to a Claim, a Claim that is not impaired within the meaning of section 1124 of the Bankruptcy Code.

88. “*Unliquidated Claim*” means any Claim, the amount of liability for which has not been fixed, whether pursuant to agreement, applicable law or otherwise, as of the date on which such Claim is asserted or sought to be estimated.

89. “*Unsecured Claims Funds*” means (a) \$1.5 million in Cash funded by the Buyer in connection with the Sale, held before the Effective Date by Cooley LLP and after the Effective Date by the Plan Administrator, and (b) the Redcats Unsecured Claims Contribution, in each case together with any interest accruing thereon, to be distributed Pro Rata to holders of Allowed General Unsecured Claims on account of such Claims.

90. “*Waived Redcats Unsecured Claims*” means any and all Claims asserted by Redcats pursuant to Proof of Claim Nos. 443, 539, 540 and 621 seeking any right to a recovery as a General Unsecured Claim (but excluding any Claims seeking any right to a recovery as Administrative Claims, which are not waived).

91. “*Wind-Down Administrator Retention Order*” means the *Order Authorizing the Debtors to (A) Retain APServices, LLC and (B) Employ Deborah Rieger-Paganis as Responsible Officer* entered by the Bankruptcy Court on May 17, 2012 [Docket No. 575].

ARTICLE II

TREATMENT OF UNCLASSIFIED CLAIMS ADMINISTRATIVE, PRIORITY TAX AND PROFESSIONAL FEE CLAIMS

A. *Allowed Administrative Claims.*

Except to the extent that any entity entitled to payment of any Allowed Administrative Claim agrees to a less favorable treatment or unless otherwise ordered by the Bankruptcy Court, each holder of an Allowed Administrative Claim shall receive Cash in an amount equal to such Allowed Administrative Claim on the later of (i) the Effective Date and (ii) as soon as practicable after such Claim becomes Allowed; *provided, however*, that Allowed Administrative Claims representing obligations incurred in the ordinary course of business of the Debtors shall be paid in full in accordance with the terms and conditions of the particular transactions and any applicable agreements.

1. Administrative Claims Bar Date.

Unless previously filed, requests for payment of Administrative Claims that have not been paid in the ordinary course of business must be filed and served on the Debtors and their counsel before the Administrative Claims Bar Date, which shall be the date that is 45 days after the Effective Date. Holders of Administrative Claims that do not file and serve such a request by the Administrative Claims Bar Date shall be forever barred, estopped and enjoined from asserting such Administrative Claims against the Debtors, their Estates or the Buyer, and such Administrative Claims shall be deemed discharged as of the Effective Date. Objections to such requests must be filed by the Debtors and served on the requesting party by the later of (a) 60 days after the Effective Date and (b) 60 days after the filing of the applicable request for payment of such Administrative Claims.

2. Administrative and Secured Claims Reserve.

On the Effective Date, the Debtors shall fund the Administrative and Secured Claims Reserve in Cash as described in Article VIC hereof. Any amounts remaining in the Administrative and Secured Claims Reserve after payment of all Allowed Administrative Claims and all Allowed Secured Claims shall be released to the Buyer in accordance with Article VL of the Plan or, if otherwise agreed in writing by the Buyer in its sole discretion, allocated among any other Reserves as needed.

B. *Professional Fee Claims.*

Each holder of a Professional Fee Claim seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Confirmation Date must (i) file and serve their respective final applications for allowances of such Professional Fee Claim no later than the date that is 60 days after the Effective Date or such other date as may be fixed by the Court and (ii) if granted such an award by the Court, be paid in Cash in such amounts as are Allowed by the Court (a) on the date such Professional Fee Claim becomes an Allowed Professional Fee Claim, or as soon thereafter as is practicable or (b) upon such other terms as may be mutually agreed upon between such holder of a Professional Fee Claim and the Post-Effective Date Debtor. The Debtors shall pay Retained Professionals or other Entities in the ordinary course of business for any work performed after the Confirmation Date.

1. Professional Fee Claims Reserve.

On the Effective Date, the Debtors shall fund the Professional Fee Claims Reserve with Cash, as described in Article VIC of the Plan. Any amounts remaining in the Professional Fee Claims Reserve after payment of all Allowed Professional Fee Claims shall be released to the Buyer in accordance with Article VL of the Plan or, if otherwise agreed in writing by the Buyer in its sole discretion, allocated among any other Reserves as needed.

C. *U.S. Trustee Fees.*

Quarterly fees owed to the Office of the U.S. Trustee shall be paid when due in accordance with applicable law and the Post-Effective Date Debtor shall continue to file reports to show the calculation of such fees for the Estates until a Final Decree is entered closing the Chapter 11 Cases or dismissal or conversion of the Chapter 11 Cases.

D. *Priority Tax Claims.*

Except to the extent that a holder of an Allowed Priority Tax Claim has been paid by the Debtors before the Effective Date or agrees to a less favorable treatment, each holder of an Allowed Priority Tax Claim shall receive Cash in an amount equal to such Allowed Priority Tax Claim on the later of (i) the Effective Date and (ii) as soon as practicable after such Priority Tax Claim becomes an Allowed Priority Tax Claim.

1. Priority Tax Claims Reserve.

On the Effective Date, the Debtors shall fund the Priority Tax Claims Reserve with Cash as described in Article VIC of the Plan. Any amounts remaining in the Priority Tax Claims Reserve after payment of all Allowed Priority Tax Claims shall be released to the Buyer in accordance with Article VL of the Plan or, if otherwise agreed in writing by the Buyer in its sole discretion, allocated among any other Reserves as needed.

E. The Redcats Secured Claim and the Redcats Unsecured Claim.

The Redcats Secured Claim and Redcats Unsecured Claim were transferred by Redcats to the Buyer pursuant to the Claim Purchase Agreement, dated February 1, 2012, in connection with execution of the APA. Pursuant to the *Stipulation and Agreement of Settlement Among the Debtors, Redcats USA, Inc., the Official Committee of Unsecured Creditors and Avenue Stores, LLC*, dated March 20, 2012 [Adv. Proc. 12-01165, Docket No. 15], the Buyer has agreed that it will not assert any right to a recovery on account of the Redcats Secured Claim or the Redcats Unsecured Claim. Accordingly, on the Effective Date, the Redcats Secured Claim and Redcats Unsecured Claim will be disallowed and expunged in their entirety.

F. The Waived Redcats Unsecured Claims.

On or before the Bar Date, Redcats filed certain Claims against one or more of the Debtors seeking (i) reimbursement for certain costs and expenses funded by Redcats on behalf of the Debtors on account of workers' compensation obligations, (ii) contingent recovery pursuant to indemnity claims relating to a pending patent infringement suit and (iii) payment for goods delivered to the Debtors before the Petition Date. *See* Proof of Claim Nos. 443, 539, 540 and 621.

Pursuant to a settlement by and between Redcats and the Committee, which settlement is incorporated in the Plan and described in Article VIB of the Plan, Redcats has agreed to waive any right to a recovery on account of any General Unsecured Claims. Accordingly, on the Effective Date, any General Unsecured Claims filed by Redcats and reflected in Proof of Claim Nos. 443, 539, 540 and 621 will be disallowed and expunged in their entirety. For the avoidance of doubt, Redcats has not waived its right to assert a recovery for any Administrative Claims, including those asserted in the above-referenced Proofs of Claim.

G. Cancellation of Intercompany Claims and Intercompany Interests.

On the Effective Date, all Intercompany Claims and Intercompany Interests shall be cancelled without receiving any distribution and shall be of no further force and effect.

ARTICLE III

CLASSIFICATION AND TREATMENT OF CLASSIFIED CLAIMS AND INTERESTS

A. *Classification.*

The classification of Claims and Interests listed below shall be for all purposes including voting, confirmation and distributions pursuant to the Plan. Pursuant to sections 1122 and 1123 of the Bankruptcy Code, set forth below is a designation of Classes of Claims and Interests. Administrative Claims and Priority Tax Claims are excluded from classification in accordance with section 1123(a)(1) of the Bankruptcy Code. A Claim or Interest is placed in a particular Class only to the extent that the Claim or Interest falls within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes. A Claim is also placed in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released or otherwise settled before the Effective Date.

B. *Summary of Classification*

| Class | Claims | Status | Voting Rights | Expected Recoveries |
|-------|--|------------|------------------|---------------------|
| 1 | Other Priority Claims | Unimpaired | Deemed to Accept | 100% |
| 2 | Secured Claims | Unimpaired | Deemed to Accept | 100% |
| 3 | General Unsecured Claims | Impaired | Entitled to Vote | 9.2-11% |
| 4 | Interests in United Retail Group, Inc. | Impaired | Deemed to Reject | 0% |

I. Class 1 - Allowed Other Priority Claims.

- (i) *Classification:* Class 1 consists of all Allowed Other Priority Claims.
- (ii) *Voting:* Class 1 is Unimpaired and presumed to have accepted the Plan. Class 1 is not entitled to vote on the Plan.
- (iii) *Treatment:* Except to the extent that a holder of an Allowed Other Priority Claim agrees to a less favorable treatment, each holder of an Allowed Other Priority Claim shall be paid in full in Cash on the later of (a) the Effective Date and (b) as soon as practicable after such Claim becomes an Allowed Other Priority Claim.
- (iv) *Other Priority Claims Reserve:* On the Effective Date, the Debtors shall fund the Priority Claims Reserve with Cash as described in Article VIC of the Plan. Any amounts remaining in the Other Priority Claims Reserve after payment of all Allowed and Disputed Other Priority Claims shall be released to the Buyer in accordance with Article VL of the Plan or, if

otherwise agreed in writing by the Buyer in its sole discretion, allocated among any other Reserves as needed.

2. Class 2 - Allowed Secured Claims.

- (i) *Classification:* Class 2 consists of Allowed Secured Claims.
- (ii) *Voting:* Class 2 is Unimpaired and is presumed to have accepted the Plan. Class 2 is not entitled to vote on the Plan.
- (iii) *Treatment:* Except to the extent that a holder of an Allowed Secured Claim has been paid by the Debtors before the Effective Date or agrees to a less favorable treatment, at the sole option of the Debtors or the Plan Administrator, as applicable, in consultation with the Plan Oversight Representative, each holder of an Allowed Secured Claim shall receive (a) Cash from the Administrative and Secured Claims Reserve in an amount equal to such Allowed Secured Claim, including any interest on such Allowed Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, (b) the collateral securing its Allowed Secured Claim and any interest on such Allowed Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, or (c) such other treatment that renders the Allowed Secured Claim Unimpaired, in full and complete satisfaction of such Allowed Secured Claim on the later of (1) the Effective Date and (2) as soon as practicable after such Claim becomes an Allowed Secured Claim.
- (iv) *Administrative and Secured Claims Reserve:* On the Effective Date, the Debtors shall fund the Administrative and Secured Claims Reserve with Cash as described in Article VIC of the Plan. Any amounts remaining in the Administrative and Secured Claims Reserve after payment of all Allowed and Disputed Secured Claims and Allowed and Disputed Administrative Claims (as described in Article IIA of the Plan) shall be released to the Buyer in accordance with Article VL of the Plan or, if otherwise agreed in writing by the Buyer in its sole discretion, allocated among any other Reserves as needed.

3. Class 3 - Allowed General Unsecured Claims.

- (i) *Classification:* Class 3 consists of all Allowed General Unsecured Claims.
- (ii) *Voting:* Class 3 is Impaired and entitled to vote on the Plan.
- (iii) *Treatment:* Except to the extent that a holder of an Allowed General Unsecured Claim agrees to a less favorable treatment, each holder of an Allowed General Unsecured Claim shall receive its Pro Rata share (not to exceed the amount of the Allowed General Unsecured Claim) of any Net Available Funds as of the Initial Distribution Date on the later of (a) the Initial Distribution Date and (b) as soon as practicable after such Claim

becomes an Allowed General Unsecured Claim. If after the Initial Distribution Date, any Cash is available from the liquidation of the Debtors' remaining Assets, the prosecution and enforcement of any Causes of Action, the release of funds from the Disputed Unsecured Claims Reserve or unclaimed, undeliverable or time-barred distributions to holders of Allowed Claims pursuant to Article VC of the Plan, and in any event, becomes Net Available Funds, each holder of an Allowed General Unsecured Claim will be paid its Pro Rata share of Cash (not to exceed the amount of the Allowed General Unsecured Claim) through distributions on distribution dates to be determined by the Plan Administrator, in consultation with the Plan Oversight Representative.

- (iv) No payment shall be made on account of Allowed General Unsecured Claims until Cash sufficient to pay all estimated Allowed and Disputed Administrative Claims, Professional Fee Claims, Other Priority Claims and Priority Tax Claims, Post-Effective Date Costs and Disputed General Unsecured Claims in accordance with the Plan has been deposited into the applicable Reserve or the Disputed Unsecured Claims Reserve, as applicable, as the Debtors or the Plan Administrator deem necessary.
- (v) Allowed General Unsecured Claims will not include interest from and after the Petition Date or any penalty on such Claim. Any such interest or penalty component of any such Claim, if Allowed, will be paid only in accordance with section 726(b) of the Bankruptcy Code.

4. Class 4 –Interests in United Retail Group, Inc.

- (i) Classification: Class 4 consists of all Interests in United Retail Group, Inc.
- (ii) Voting: Class 4 is Impaired and is deemed to have rejected the Plan.
- (iii) Treatment: On the Effective Date, all Interests in United Retail Group, Inc. shall be cancelled without any distribution.

ARTICLE IV

ACCEPTANCE OR REJECTION OF THE PLAN

A. *Acceptance by an Impaired Class.*

In accordance with section 1126(c) of the Bankruptcy Code and except as provided in section 1126(e) of the Bankruptcy Code, Class 3, which is the only Impaired Class entitled to vote under the Plan, shall have accepted the Plan if the Plan is accepted by the holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Class 3-General Unsecured Claims that have timely and properly voted to accept or reject the Plan.

B. Nonconsensual Confirmation.

If Class 3-General Unsecured Claims does not accept the Plan by the requisite statutory majorities provided in section 1126(c) of the Bankruptcy Code, the Debtors reserve the right to amend the Plan, subject to the Buyer's consent to the extent the Buyer is adversely affected thereby. With respect to Class 4 that is deemed to reject the Plan, the Debtors shall request that the Bankruptcy Court confirm the Plan pursuant to section 1129(b) of the Bankruptcy Code.

ARTICLE V

PROVISIONS GOVERNING DISTRIBUTIONS

A. Timing and Delivery of Distributions.

Subject to Article VI.L, with respect to Allowed Administrative Claims, U.S. Trustee Fees, Allowed Professional Fee Claims, Allowed Priority Tax Claims, Allowed Other Priority Claims, and Allowed Secured Claims, the Plan Administrator shall make distributions to the holders of such Claims in accordance with Article III of the Plan.

With respect to Allowed General Unsecured Claims, the Plan Administrator shall make distributions, subject to the provisions for Disputed General Unsecured Claims set forth in Article VIIIA of the Plan, on the Initial Distribution Date and any subsequent distribution dates to the extent Net Available Funds exist subsequent to the Initial Distribution Date, until Net Available Funds have been disbursed in full.

In respect of the Final Distribution Date, the Plan Administrator is not obligated to make such a distribution if it is determined that there are insufficient Net Available Funds to make a cost-efficient distribution, taking into account the size of the distribution to be made and the number of recipients of such distribution, in which event, such funds, in the Plan Administrator's discretion, will be donated to a reputable charitable organization chosen by the Plan Administrator.

B. Delivery of Distributions.

Cash distributions by check shall be mailed to each holder of an Allowed Claim that is entitled to such distributions under the Plan at the address of such creditor in the Debtors' books and records.

If any Claim holder's distribution is returned as undeliverable, no further distributions to such holder shall be made unless and until the Plan Administrator is notified of such holder's then current address, at which time all missed distributions shall be made to such holder without interest. Any notification of a Claim holders' then current address must be received by the Plan Administrator within ninety (90) days after the distribution was originally made, after which time such Claim holder's distribution shall be forfeited and treated as an unclaimed distribution in accordance with Article V.C of the Plan. Nothing in the Plan shall require the Post-Effective Date Debtor or the Plan Administrator to attempt to locate any holder of an Allowed Claim.

C. Unclaimed Distributions.

All distributions (i) made under the Plan that are unclaimed for a period of one hundred and twenty (120) days after the distribution thereof or (ii) less than \$25.00 that are withheld in accordance with Article V.E of the Plan shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and any entitlement of any holder of any Claims to such distributions shall be forfeited, extinguished and forever barred. Any such unclaimed distributions shall (a) with respect to Class 1, Class 2 or unclassified Claims, be returned to the Buyer or (b) with respect to Class 3 Claims, be added to Net Available Funds and distributed Pro Rata to other holders of Class 3 Claims in accordance with the Plan.

D. Allocation of Plan Distributions Between Principal and Interest.

To the extent that any Allowed Claim entitled to a distribution under the Plan consists of indebtedness and other amounts (such as accrued but unpaid interest thereon), such distribution shall be allocated first to the principal amount of the Claim (as determined for federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the Claim, to such other amounts, except for General Unsecured Claims, which shall not be entitled to interest and penalties, as provided in Article IIIB.3(v) of the Plan.

E. Means of Cash Payment.

Cash distributions made pursuant to the Plan shall be in United States funds, by check drawn on a domestic bank, or, if the Plan Administrator so elects in its sole discretion, by wire transfer from a domestic bank. No Cash distribution need be made if the distribution would be less than \$25.00.

F. Compliance with Tax Requirements.

In connection with the consummation of the Plan, the Post-Effective Date Debtor and the Plan Administrator shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority and all distributions hereunder shall be subject to any such withholding and reporting requirements. Notwithstanding the foregoing, each holder of an Allowed Claim that is to receive a distribution under the Plan shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed on such holder by any governmental unit, including income, withholding and other tax obligations, on account of such distribution. The Plan Administrator has the right, but not the obligation, to not make a distribution until such Claim holder has made arrangements satisfactory to the Plan Administrator for payment of any such tax obligations, the failure of which may result in forfeiture of the distribution.

G. Record Date.

The record date for purposes of distributions under the Plan shall be the date the Court enters its order approving the Disclosure Statement. The Plan Administrator shall rely on the Claims Register except to the extent a notice of transfer of Claim or Interest has been filed with the Court before the record date pursuant to Bankruptcy Rule 3001 or the Plan Administrator has actual notice of a permitted transfer.

H. Distributions After Effective Date.

Distributions made after the Effective Date to holders of Claims that become Allowed Claims after the Effective Date shall be deemed to have been made on the Effective Date.

I. Distributions After Allowance.

To the extent that a Disputed Claim becomes an Allowed Claim, distributions, if any, shall be made to the holder of such Allowed Claim in accordance with the provisions of the Plan.

J. Fractional Cents.

When any payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole cent (rounding down in the case of less than \$0.005 and rounding up in the case of \$0.005 or more).

K. Third Party Agreements; Subordination.

Except as set forth herein, distributions to the various classes of Claims hereunder shall not affect the right of any Person to levy, garnish, attach or employ any other legal process with respect to such distributions by reason of any claimed contractual subordination rights or otherwise. Distributions made by the Plan Administrator shall not be inconsistent with such contractual subordination provisions and may be modified only by a Final Order directing that distributions be made other than as provided in the Plan and Confirmation Order; *provided, however*, that the Plan Administrator (or any of its agents, representatives, professionals or employees) shall not be liable to any Person on account of distributions which are ultimately determined to be inconsistent with inter-creditor contractual subordination agreements or rights, unless such distributions were made in bad faith or with malicious intent.

L. Release of Funds in Reserves.

No later than 210 days after the Effective Date (unless Buyer consents in writing to any extension, which consent shall not be unreasonably withheld), any Cash remaining in any of the Reserves after all applicable distributions or other payments have been made from all Reserves shall be released therefrom by the Plan Administrator and returned to the Buyer, together with any interest accrued on such amounts.

M. Certificate of Completion of Distributions.

Upon the completion of all distributions under the Plan, the Plan Administrator shall file a certificate of completion of distributions with the Court.

ARTICLE VI

MEANS FOR IMPLEMENTATION OF THE PLAN

A. *Substantive Consolidation/Merger/Dissolution.*

The Plan shall serve as a motion requesting the substantive consolidation of the Debtors into a single entity, United Retail Group, Inc. Entry of the Confirmation Order shall constitute approval, pursuant to section 105(a) of the Bankruptcy Code, effective as of the Effective Date, of the substantive consolidation of the Chapter 11 Cases. On and after the Effective Date, (i) all Assets and liabilities of the Debtors shall be merged so that all of the Assets of the Debtors shall be available to pay all of the liabilities under the Plan, (ii) no distributions shall be made under the Plan on account of Intercompany Claims, (iii) all guarantees by the Debtors of the obligations of any other Debtor shall be eliminated so that any claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of the Debtors shall be one obligation of United Retail Group, Inc., and (iv) each and every Claim filed or to be filed in the case of any of the Debtors other than United Retail Group, Inc. shall be deemed filed against United Retail Group, Inc.

B. *Settlement of Certain Claims.*

Pursuant to Bankruptcy Rule 9019, and in consideration for the classification, distribution, releases and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims or controversies resolved pursuant to the Plan. Specifically, as described in Article IIF and VI.C of the Plan, the Plan contemplates enhanced recoveries to holders of Allowed General Unsecured Claims through (i) a further contribution of \$1,250,000 by Redcats for the benefit of holders of Allowed General Unsecured Claims, which Redcats Unsecured Claims Contribution shall be funded on the Effective Date and (ii) a waiver by Redcats of the Waived Redcats Unsecured Claims, which reduces the total pool of General Unsecured Claims. All distributions made to creditors holding Allowed Claims in any Class are intended to be and shall be final.

C. *Implementing Actions.*

On the Effective Date, the following shall occur to implement the Plan:

1. All Debtors, other than United Retail Group, Inc. shall be deemed merged into United Retail Group, Inc. or dissolved without any further action by the Debtors, including the filing of any documents with the Secretary of State for any state in which the Debtors are incorporated or any other jurisdiction; *provided, however*, that the Debtors shall have the authority to take all necessary actions to merge or dissolve the Debtors in and withdraw the Debtors from applicable state(s);
2. The Reserves shall be funded as follows: Before the Effective Date, the Debtors will determine, after consultation with and the reasonable consent of the Buyer, an estimate of the maximum aggregate amount needed to fund the Reserves (i.e., the Administrative and Secured Claims Reserve, the Other Priority Claims Reserve, the Priority Tax Claims Reserve, the Professional Fee Claims Reserve, and the

Post-Effective Date Costs Reserve), taking into account (i) Section 2.5(a) of the APA with respect to Administrative and Other Priority Claims as of the closing under the APA, (ii) the definition of “Assumed Liabilities” in the APA, (iii) the Buyer’s obligations pursuant to Sections 2.5(a), 2.10(d) and 6.4(d) of the APA with respect to the Buyer’s payment of certain ongoing ordinary course operating expenses after the closing of the Sale, (iv) the Buyer’s payments to date and those reasonably estimated to occur during the succeeding 150-day period in respect of ongoing ordinary course operating expenses, and (v) any portion of the Cash deposited by the Buyer in respect of Carve-Out Expenses that the Debtors and the Buyer estimate will be made available to satisfy Allowed Administrative Claims (collectively, the “**Reserves Estimate**”). Thereafter, the Buyer shall determine in its sole and absolute discretion the amount of each of the Reserves that it will fund, taking into account the fact that the APA does not require any advance funding of any amounts in respect of such Claims (the “**Buyer Reserve Contribution**”); provided that the Buyer Reserve Contribution shall be no less than the lesser of (i) 90% of the Buyer’s then remaining obligations under the APA that relate to any of the Reserves categories and (ii) \$[TBD]. Notwithstanding anything in the Plan to the contrary, to the extent that any amount reserved for any Administrative Claim, Secured Claim, Other Priority Claim, Priority Tax Claim, Professional Fee Claim or Post-Effective Date Cost could be considered to fall under more than one of the foregoing categories, such amount shall only be deemed to fall under one such category, and the Reserves Estimate shall be calculated without duplication. On the Effective Date, the Buyer shall wire the Debtors Cash in the amount of the Buyer Reserve Contribution, subject to the effectiveness of the Plan. Notwithstanding anything in the Plan to the contrary, in no event shall the Buyer have an obligation to fund any amounts in excess of amounts required to be paid by the Buyer pursuant to the APA.² In the event that the Buyer has funded the Buyer Reserve Contribution and the Plan does not become effective or the Plan becomes effective and thereafter is abandoned, the Debtors shall promptly return the Buyer Reserve Contribution by wiring such Cash to the Buyer at the account from which the Buyer funded it. Notwithstanding anything to the contrary contained herein, in no event shall any amounts included in the Buyer Reserve Contribution that the Buyer has allocated to any particular Reserve be reallocated to any other Reserve without the consent of the Buyer, which consent shall not be unreasonably withheld;

3. Cooley LLP shall transfer the Buyer’s \$1.5 million contribution to the Unsecured Claims Funds to the Post-Effective Date Debtor, and Redcats shall fund the Redcats Unsecured Claims Contribution; and
4. Subject to Article VI.L, the Plan Administrator shall make all distributions required pursuant to the Plan to be made on the Effective Date to holders of Allowed Claims pursuant to the Plan.

² Please refer to Section III of the Disclosure Statement for a description of the Buyer’s obligations under the APA.

D. Conditions to Plan Effectiveness.

Notwithstanding anything herein to the contrary, the Plan may not be consummated, and the Effective Date shall not occur, unless and until each of the following conditions shall have been either satisfied or waived:

1. The Court has entered an order confirming the Plan in form and substance satisfactory to the Debtors;
2. No stay of the Confirmation Order is in effect;
3. All documents, instruments and agreements (including with respect to funding the Reserves Estimate, including the Buyer Reserve Contribution), in form and substance satisfactory to the Debtors or other party thereto, provided for under or necessary to implement the Plan have been executed and delivered by the parties thereto, unless such execution or delivery has been waived by the parties benefited thereby; provided that no waiver shall occur to the extent the Buyer would be adversely affected thereby without the prior written consent of the Buyer;
4. The Debtors shall have received all authorizations, consents, regulatory approvals, rulings, opinions or other documents that are determined by the Debtors to be necessary to implement the Plan;
5. Sufficient Cash to fund the Reserves in an amount no less than the Reserves Estimate shall be available, including any Buyer Reserve Contribution that the Buyer has notified the Debtors that it intends to fund, subject to the effectiveness of the Plan; and
6. The Redcats Unsecured Claims Contribution shall be funded.

E. Waiver of Conditions.

The Debtors may, after consultation with the Committee, waive any of the conditions set forth in Articles VI.D.1 through VI.D.4 of the Plan, except to the extent the Buyer would be adversely affected thereby, in which event any such waiver will require the written consent of the Buyer. Additionally, the Debtors' rights under the "mootness doctrine" shall be unaffected by any provision hereof. The failure to satisfy any condition may be asserted by the Debtors regardless of the circumstances giving rise to the failure of such condition to be satisfied. If the Debtors fail to assert the non-satisfaction of any such conditions, such failure shall not be deemed a waiver of any other rights thereunder.

F. Satisfaction of Conditions.

Except as expressly provided or permitted in the Plan, any actions required to be taken on the Effective Date shall take place and shall be deemed to have occurred simultaneously, and no such action shall be deemed to have occurred before the taking of any other such action. In the event that the Effective Date does not occur within the one hundred and fiftieth (150th) day after

entry of the Confirmation Order, (i) the Confirmation Order shall be vacated, (ii) the Debtors and all holders of Claims and Interests shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred and (iii) the Debtors' obligations and entitlements with respect to Claims and Interests shall remain unchanged and nothing contained herein shall constitute or be deemed a waiver or release of any Claims or Interests by or against the Debtors or any other person or to prejudice in any manner the rights of the Debtors or any person in any further proceedings involving the Debtors.

G. Continuing Existence of the Post-Effective Date Debtor.

From and after the Effective Date, the Post-Effective Date Debtor shall continue in existence for the purpose of (i) winding up its affairs as expeditiously and efficaciously as reasonably possible, (ii) liquidating, by conversion to Cash or other methods, any Assets of the Debtors, as expeditiously as reasonably possible, (iii) in consultation with the Plan Oversight Representative and subject to the prior written consent of the Buyer, enforcing and prosecuting claims, interests, rights and privileges of the Debtors, in an efficacious manner and only to the extent the benefits of such enforcement are reasonably believed to outweigh the costs with respect thereto, (iv) resolving Disputed Claims, (v) administering the Plan in an efficacious manner, and (vi) filing appropriate tax returns.

H. Corporate Action.

Upon the Effective Date, all transactions and applicable matters provided for under the Plan shall be deemed to be authorized and approved by the Debtors without any requirement of further action by the Debtors, the Debtors' shareholders or members, or the Debtors' boards of directors, managers or other governing bodies.

I. Vesting of Assets in the Post-Effective Date Debtor.

1. Unless otherwise dealt with under the Plan, Assets shall vest in the Post-Effective Date Debtor for the purpose of liquidating the Estates and consummating the Plan.
2. From and after the Effective Date, the Post-Effective Date Debtor may administer the Estates pursuant to the terms of the Plan and may use, acquire and dispose of Assets free of any restrictions imposed under the Bankruptcy Code.
3. The Post-Effective Date Debtor may, after consultation with the Plan Oversight Representative, convey, transfer and assign any and all Assets and take all actions necessary to effectuate the same.
4. As of the Effective Date, all Assets shall be held free and clear of all liens, claims and interests of holders of Claims and Interests, except as otherwise provided in the Plan.
5. The Plan Administrator shall be authorized, without any supervision or approval of the Court or the U.S. Trustee, to employ and compensate such persons, including counsel and accountants, as it may deem necessary to enable it to

perform its functions hereunder under the parameters established hereunder, and the reasonable fees and costs of such employment and other expenditures shall be paid by the Post-Effective Date Debtor.

J. Subsequent Dissolution/Records.

Upon a certification to be filed with the Court by the Plan Administrator of the Final Distribution in accordance with Article VB of the Plan and completion of all its duties under the Plan and entry of a Final Decree closing the last of the Chapter 11 Cases, the Post-Effective Date Debtor shall be deemed to be dissolved without any further action by the Post-Effective Date Debtor, including the filing of any documents with the Secretary of State for the state in which the Post-Effective Date Debtor is incorporated or any other jurisdiction. The Post-Effective Date Debtor, however, shall have the authority to take all necessary actions to dissolve the Post-Effective Date Debtor in and withdraw the Post-Effective Date Debtor from applicable state(s). Further, subject to applicable law, upon the aforementioned certification and entry of a Final Decree, the Post-Effective Date Debtor shall be authorized to discard or destroy any and all prepetition or postpetition books and records of the Debtors in its possession that are Assets, subject to any provisions contrary in the APA.

K. Plan Administrator.

The Plan Administrator shall act for the Post-Effective Date Debtor in the same fiduciary capacity as applicable to a board of directors and officers, subject to the provisions hereof (and all bylaws, articles of incorporation and related corporate documents are deemed amended by this Plan to permit and authorize the same). On the Effective Date, (a) the authority, power and incumbency of the persons acting as directors and officers of the Debtors shall be terminated and such directors and officers shall be deemed to have resigned and (b) Deborah Rieger-Paganis, a representative of the Plan Administrator, shall be appointed as the sole director and sole officer of the Post-Effective Date Debtor and shall succeed to the powers of United Retail Group, Inc.'s officers and directors. From and after the Effective Date, the Plan Administrator shall be the sole representative of, and shall act for, the Post-Effective Date Debtor. All distributions to be made under this Plan shall be made by the Plan Administrator. In the event the Plan Administrator is terminated or resigns for any reason, the Plan Administrator shall designate a successor.

L. Duties and Powers of the Plan Administrator.

The Plan Administrator, together with its representatives and professionals, shall, in consultation with the Plan Oversight Representative, administer the Plan with respect to the Post-Effective Date Debtor; it being understood that, notwithstanding anything herein to the contrary, no amounts shall be distributed from the Reserves unless such distribution has first been consented to in writing by the Buyer, which consent shall not be unreasonably withheld. Unless Buyer agrees otherwise, no amounts may be distributed from the Reserves such that the Buyer directly or indirectly would pay any amounts in excess of such amounts required to be paid by the Buyer under the APA. In such capacity, and without limiting the prior two sentences hereof and any other limitations set forth in this Plan, the powers of the Plan Administrator shall include any and all powers and authority necessary to implement the Plan and to administer and distribute Assets and wind up the business and affairs of the Debtors and the Post-Effective Date

Debtor, including: (i) serving as the sole officer and director of the Post-Effective Date Debtor; (ii) liquidating Assets; (iii) abandoning Assets; (iv) pursuing Causes of Action; it being understood that no such Causes of Action shall be funded from the Reserves unless the proceeds thereof shall be used to diminish any Claim against any Reserve; (v) investing Cash; (vi) taking all steps to execute all instruments and documents necessary to effectuate the distributions to be made under the Plan; (vii) making distributions contemplated by the Plan; (viii) complying with the Plan and the obligations hereunder; (ix) commencing and prosecuting all proceedings related to the Plan; (x) maintaining all bank accounts in the name of the Debtors and Post-Effective Date Debtor; (xi) employing, retaining, terminating or replacing professionals to represent it with respect to its responsibilities or otherwise effectuating the Plan to the extent necessary; (xii) paying any and all reasonable fees and expenses of the Post-Effective Date Debtor; (xiii) administering and paying taxes, including filing tax returns; (xix) requesting an expedited determination of any unpaid tax liability of the Post-Effective Date Debtor under section 505 of the Bankruptcy Code; (xx) representing the interest of the Post-Effective Date Debtor or the Estates before any taxing authority in all matters, including any action, suit, proceeding or audit; (xxi) taking all steps reasonably necessary and practicable to terminate the corporate existence of the Debtors and the Post-Effective Date Debtor; and (xxii) exercising such other powers as may be vested in it pursuant to order of the Court or pursuant to the Plan, or as it reasonably deems to be necessary and proper to carry out the provisions of the Plan.

M. No Agency Relationship, Limitation of Liability of Plan Administrator, Indemnification and Insurance.

The Plan Administrator and its agents shall not be deemed to be the agent for any creditor in connection with the Cash held or distributed pursuant to the Plan. The Plan Administrator and its agents shall not be liable to the Debtor or any third party for any mistake of fact or law or error of judgment or any act or omission of any kind unless it constitutes gross negligence. The Plan Administrator shall be indemnified and held harmless, including the costs of defending such claims, by the Post-Effective Date Debtor and the Estates against any and all claims arising out of the performance of its duties under the Plan, except to the extent its actions constitute fraud, gross negligence, criminal conduct, malpractice, misuse of confidential information that causes damages or ultra vires act as determined by a Final Order. The Plan Administrator may obtain, at the expense of the Post-Effective Date Debtor and the Estates, commercially reasonable liability or other appropriate insurance with respect to the indemnification obligations of the Plan Administrator. The Plan Administrator may conclusively rely, and shall be fully protected personally in acting upon, any statement, instrument, opinion, report, notice, request, consent, order or other instrument or document that it believes to be genuine and to have been signed or presented by the proper party. The Plan Administrator may rely upon written information previously generated by the Debtors or the Post-Effective Date Debtor.

N. Dissolution of the Committee and Appointment of Plan Oversight Representative.

On or before the Effective Date, the Committee shall appoint the Plan Oversight Representative, who shall monitor the claims process and distributions contemplated by the Plan and who shall have consultation and notice rights with respect to relevant action taken by the Plan Administrator on behalf of the Post-Effective Date Debtor. On the Effective Date, the Committee shall be dissolved and the members thereof shall be released and discharged of and

from all further authority, duties, responsibilities and obligations to and arising from and in connection with the Chapter 11 Cases; *provided, however*, that after entry of the Confirmation Order, the Committee's functions shall be restricted to, and the Committee shall not be heard on any issue except (i) applications filed by Retained Professionals, (ii) motions or litigation seeking enforcement of provisions of the Plan and the transactions contemplated hereunder or in the Confirmation Order and (iii) any pending appeals or related proceedings.

O. Causes of Action.

Pursuant to section 1123(b)(3)(B) of the Bankruptcy Code, as of the Effective Date, any Causes of Action that are already pending or that are accruing to the Debtors shall vest in the Post-Effective Date Debtor. As of the Effective Date, the Plan Administrator shall have the authority to prosecute such Causes of Action on behalf of and for the benefit of the Estates and their creditors; it being understood that no costs incurred in connection therewith shall be paid for by the Reserves unless the proceeds thereof shall be used to diminish any Claim against any Reserve. The Plan Administrator shall have the authority to compromise, settle, resolve, discontinue, abandon or dismiss all such Causes of Action without approval of the Court. Any Cash received by the Estates as a result of prosecution or settlement of any Causes of Action or of enforcement of any judgment or order obtained in connection with any Cause of Action shall be added to Net Available Funds and distributed therefrom in accordance with the terms of the Plan.

No Cause of Action is released by confirmation of the Plan, and confirmation of the Plan shall not have any res judicata or collateral estoppel effect on the Debtors' prosecution of any Cause of Action.

P. Remaining Assets.

To the extent not previously authorized under the Sale Order and/or any other order(s) of the Court, on and after the Effective Date, without further approval of the Court, the Plan Administrator shall, in consultation with the Plan Oversight Representative and in accordance with the terms of the Plan, liquidate any Assets of the Debtors and in connection therewith, may, in consultation with the Plan Oversight Representative, use, sell, assign, transfer, abandon or otherwise dispose of at public or private sale any of the Assets for the purpose of liquidating or converting such Assets to Cash, making distributions in full and consummating the Plan. Except in the case of intentional fraud or gross negligence, no Person or party in interest shall have a cause of action against the Plan Administrator and/or any of their respective consultants, professionals or agents, arising from or related to the disposition of non-Cash Assets in accordance with this Article VI.P.

To the extent not previously authorized under the Sale Order and/or any other order(s) of the Court, on and after the Effective Date, the Plan Administrator is authorized and empowered to fully perform under, consummate and implement any agreement, together with all additional instruments and documents that may be reasonably necessary or desirable to consummate a sale, assignment, transfer or other disposal of the Assets, and to take all further actions as may reasonably be requested by a purchaser or transferee for the purpose of selling, assigning,

transferring, granting, conveying and conferring to a purchaser or transferee, or reducing to possession, any or all of the Assets free and clear of any and all Liens and other encumbrances.

Pursuant to section 1142(b) of the Bankruptcy Code, a non-Debtor entity is authorized and directed to execute or deliver or to join in the execution or delivery of any instrument required to effect a sale, assignment, transfer, abandonment or other disposal of the Debtors' Assets and to perform any other act, including the satisfaction of any Encumbrance, that is necessary to effectuate a sale, assignment, transfer, abandonment or other disposal of the Assets.

Q. Counterclaims.

The Post-Effective Date Debtor shall not be subject to any counterclaims with respect to any Causes of Action constituting Assets that have vested in the Post-Effective Date Debtor pursuant to the Plan; *provided, however*, that such Causes of Action will be subject to any set-off rights.

R. Post Confirmation Date Professional Fees.

Subject to Article VI.L, from and after the Confirmation Date, the Debtors or the Plan Administrator, as applicable, shall, in the ordinary course of business and without the necessity for any approval by the Court, pay the reasonable fees and expenses of professionals thereafter incurred (including on behalf of the Post-Effective Date Debtor and the Plan Oversight Representative), including those fees and expenses incurred in connection with the implementation and consummation of the Plan. From and after the Effective Date, on a monthly basis, the Plan Administrator's professionals shall serve a detailed invoice to the Plan Administrator. The Plan Administrator promptly, but no less than two Business Days following receipt thereof, shall provide such invoice to the Buyer. If the Plan Administrator or the Buyer (by informing the Plan Administrator in writing) disputes the reasonableness of any such invoice within fifteen (15) days of service of such invoice, the Plan Administrator or the affected professional may submit such dispute to the Court for determination of reasonableness of such invoice, and the disputed portion of such invoice shall not be paid until the dispute is resolved. If no objections are raised to an invoice in accordance with the deadline established above, then, subject to Article VI.L, the Plan Administrator shall promptly pay such invoice in full.

S. Closing of the Debtors' Chapter 11 Cases.

When all Disputed Claims have become Allowed Claims or Disallowed Claims, all remaining Cash has been distributed in accordance with the Plan and the business and affairs of the Post-Effective Date Debtor have been otherwise wound up, the Plan Administrator shall seek authority from the Bankruptcy Court to close the Chapter 11 Cases in accordance with the Bankruptcy Code and Bankruptcy Rules.

ARTICLE VII

TREATMENT OF EXECUTORY CONTRACTS AND LEASES

A. Contracts and Leases Not Specifically Assumed and Assigned are Rejected.

All Unexpired Leases and Executory Contracts of the Debtors not expressly assumed, rejected or terminated pursuant to Section 2.6 of the APA and the Sale Order, or by order of the Court entered before the Effective Date, or which are not subject of a pending application to assume on the Effective Date, shall be deemed rejected on August 29, 2012.

B. Bar Date for Filing Claim For Rejection Damages.

If the rejection of an Executory Contract or Unexpired Lease by the Debtors pursuant to Article VII.A hereof results in damages to the counterparty to such contract or lease, then a Claim for damages or any other amounts related in any way to such contract or lease shall be forever barred and shall not be enforceable against the Debtors, their successors and assigns or their property, unless a proof of claim is filed with the Court and served on the Plan Administrator within thirty (30) days after the service of notice of the order (including the Confirmation Order) rejecting such Executory Contract or Unexpired Lease, which notice shall prominently state that such Executory Contracts and Unexpired Leases have been rejected; *provided, however*, that the rejection claim bar date for Executory Contracts and Unexpired Leases rejected before the Confirmation Date shall be the applicable Bar Date or the date set forth in the order rejecting such lease or contract.

C. Preexisting Obligations to the Debtors Under Executory Contracts and Unexpired Leases.

Rejection or repudiation of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of preexisting obligations owed to the Debtors under such contracts or leases as modified, amended, supplemented, or restated. In particular, notwithstanding any non-bankruptcy law to the contrary, the Plan Administrator expressly reserves and does not waive any right to receive, or any continuing obligation of a counterparty to provide, warranties or continued maintenance obligations on goods previously purchased, or services previously received, by the contracting Debtors from counterparties to rejected or repudiated Executory Contracts or Unexpired Leases.

ARTICLE VIII

PROVISIONS REGARDING TREATMENT OF DISPUTED, CONTINGENT AND UNLIQUIDATED CLAIMS

A. Disputed General Unsecured Claims Reserve.

A Disputed General Unsecured Claims Reserve shall be managed by the Plan Administrator for the treatment of Disputed General Unsecured Claims. The Debtors shall deposit Cash from the Unsecured Claims Funds into the Disputed General Unsecured Claims Reserve an amount equal to the Pro Rata share of the distribution allocable to Disputed General

Unsecured Claims, as if such Claims were Allowed Claims. The Disputed General Unsecured Claims Reserve shall be maintained by the Post-Effective Date Debtor for the benefit of the holders of Allowed General Unsecured Claims whose distributions are unclaimed and the holders of such Disputed General Unsecured Claims pending a determination of their entitlement thereto under the terms of the Plan.

B. Objections to and Resolution of Disputed Claims.

After the Effective Date, the Plan Administrator shall have the right to make and file objections to Claims and to withdraw such objections. Subject to the preceding sentence, all objections shall be litigated to Final Order; *provided, however*, that the Plan Administrator shall have the authority to compromise, settle or otherwise resolve any Claim without approval of the Court or notice to any party other than the Buyer to the extent such Claim will be a Claim against the Reserves; *provided further, however*, that the Plan Administrator reserves the right to seek relief before the Court with respect to any Disputed Claim.

Any Claim that has been paid, satisfied or superseded may be expunged from the Claims Register by the Notice and Claims Agent, and any Claim that has been amended may be adjusted on the Claims Register by the Notice and Claims Agent.

C. No Distributions Pending Allowance.

Notwithstanding any other provision hereof, if any portion of a Claim is Disputed, no payment or distribution provided hereunder shall be made on account of such portion of the Claim unless and until such Disputed Claim becomes Allowed.

D. Estimation of Claims.

After the Effective Date, the Plan Administrator may at any time request that the Bankruptcy Court estimate, or establish procedures for the estimation or arbitration of, any Contingent Claim, Unliquidated Claim or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether any of the Debtors or any other person previously objected to such Claim, and the Bankruptcy Court shall retain jurisdiction to estimate any Claim at any time. In the event that the Bankruptcy Court estimates any Contingent Claim, Unliquidated Claim or Disputed Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Plan Administrator may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation and resolution procedures are intended to be cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court, which shall be requested on notice to all relevant parties in interest, including the Buyer and the Plan Oversight Representative.

E. No Post-Effective Date Interest.

To the extent that a Disputed Claim becomes an Allowed Claim after the Effective Date, the holder of such Claim shall not be entitled to any interest thereon.

ARTICLE IX

EFFECTS OF CONFIRMATION OF THE PLAN

A. *Release of Liens.*

Except as otherwise provided herein or in any contract, instrument, release or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any Assets shall be fully released, settled and compromised.

B. *Exemption from Certain Taxes and Fees.*

Pursuant to, and to the fullest extent permitted by, section 1146(a) of the Bankruptcy Code, any transfers of property pursuant to, in contemplation of, or in connection with, the Plan or pursuant to: (i) the issuance, distribution, transfer, or exchange of any debt, equity security interest, or other interest in the Debtors; (ii) the creation, modification, consolidation, assumption, termination, refinancing and/or recording of any mortgage, deed of trust or other security interest, or the securing of additional indebtedness by such or other means; (iii) the making, assignment or recording of any lease or sublease; or (iv) the making, delivery or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan including any deeds, bills of sale, assignments or other instrument of transfer executed in connection with any transaction arising out of, contemplated by, or in any way related to the Plan, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, regulatory filing or recording fee, or other similar tax or governmental assessment, and the appropriate state or local government officials or agents shall, and shall be directed to, forgo the collection of any such tax, recordation fee or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax, recordation fee or government assessment. The Bankruptcy Court shall retain specific jurisdiction with respect to these matters.

C. *Releases by the Debtors.*

On the Effective Date and effective as of the Effective Date, to the fullest extent permitted by applicable law, for good and valuable consideration provided by the Released Parties, including (i) the discharge of debt and all other good and valuable consideration paid pursuant hereto; and (ii) the services of the Released Parties facilitating the expeditious implementation of the Sale and the liquidation contemplated by the Plan, each of the Debtors unconditionally, irrevocably and forever discharges and releases the Released Parties from any and all Claims and Interests, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Sale, the Debtors' and Post-Effective Date Debtor's liquidation

and wind-down, the Chapter 11 Cases, the negotiation and preparation of the Plan or the Disclosure Statement or upon any other act or omission, transaction, agreement, document, event or other occurrence taking place on or before the Confirmation Date, including those that the Debtors or Plan Administrator would have been legally entitled to assert in its or their own right (whether individually or collectively) other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes fraud, gross negligence, criminal conduct, malpractice, misuse of confidential information that causes damages or ultra vires act as determined by a Final Order.

The foregoing Debtor Release shall not apply to any express contractual or financial obligations or any right or obligations arising under or that is part of the Plan or any agreements entered into pursuant to, in connection with or contemplated by the Plan.

Nothing in this Article IX.D shall limit the liability of the Debtors' professionals to their respective clients pursuant to DR 6-102 of the Code of Professional Responsibility, N.Y. Comp. Codes R. & Regs. tit. 22 § 1200.8 Rule 1.8(h)(1) (2009), and any other statutes, rules or regulations dealing with professional conduct to which such professionals are subject.

D. Releases by Holders of Claims and Interests.

On the Effective Date and effective as of the Effective Date, to the fullest extent permitted by applicable law, each of the Releasing Parties shall be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever released and discharged the Released Parties from any and all Claims and Interests, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative claims asserted on behalf of a Debtor, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such entity would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' and Post-Effective Date Debtor's liquidation and wind-down, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors or the Post-Effective Date Debtor, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between the Debtors and any Released Party, the liquidation of Claims before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Plan, the Disclosure Statement, the Plan Supplement, any related agreements to the foregoing, instruments or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Confirmation Date, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes fraud, gross negligence, criminal conduct, malpractice, misuse of confidential information that causes damages or ultra vires act as determined by a Final Order.

Notwithstanding anything to the contrary in the foregoing, the Release by holders of Claims and Interests set forth above does not release any Post-Effective Date obligations of any party under the Plan or any document, instrument or agreement (including those set forth in the Plan Supplement, if any) executed to implement the Plan.

E. Injunction Enjoining Holders of Claims Against the Debtors.

This Plan is the sole means for resolving, paying or otherwise dealing with Claims and Interests. To that end, except as expressly provided herein, at all times on and after the Effective Date, through and including the date of entry of a Final Decree closing the Chapter 11 Cases, all Persons who have been, are, or may be holders of Claims against or Interests in the Debtors arising before the Effective Date shall be enjoined from taking any of the following actions against or affecting the Plan Administrator, the Debtors, their Estates, the Post-Effective Date Debtor, or their property, and with respect to such Claims or Interests (other than actions brought to enforce any rights or obligations under this Plan or the APA):

1. commencing or continuing in any manner, directly or indirectly any suit, action, or other proceeding of any kind against the Debtors, their Estates or their property (including all suits, actions, and proceedings that are pending as of the Effective Date);
2. enforcing, levying, attaching, collecting, or otherwise recovering by any manner or means whether directly or indirectly any judgment, award, decree, or order against the Debtors, their Estates or their property;
3. creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any Lien against the Debtors, their Estates or their property;
4. asserting any right of subrogation, or recoupment of any kind, directly or indirectly against any obligation due to the Debtors, their Estates or their property; and
5. proceeding in any manner in any place whatsoever against the Debtors, their Estates, or their property, or their property that does not conform to or comply with the provisions of this Plan.

F. Exculpation of Debtors.

Upon and effective as the Effective Date, the Debtors, the Committee and all of their respective current and former members (including ex officio members), officers, directors, employees, partners, attorneys, financial advisors, accountants, managed funds, investment bankers, investment advisors, actuaries, professionals, agents and representatives (in each case in their respective capacities as such) (collectively, the “**Exculpated Parties**”) will all be deemed to have solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including section 1125(e) of the Bankruptcy Code.

Except with respect to any acts or omissions expressly set forth in and preserved by the Plan or for any matters arising under the APA, the Exculpated Parties shall neither have, nor incur any liability to any Entity for any prepetition or postpetition act taken or omitted to be taken through and including the Effective Date in connection with, or arising from or relating in any way to, the Chapter 11 Cases; formulating, negotiating, preparing, disseminating, implementing, administering, or effecting the Consummation of the Sale, the Disclosure Statement, the APA or any contract, instrument, release or other agreement or document created

or entered into in connection with the Plan or any other prepetition or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring and liquidation of the Debtors; the solicitation of votes for the Plan and the pursuit of Confirmation and Consummation of the Plan; and the administration of the Plan and/or the property to be distributed under the Plan. In all respects, each Exculpated Party shall be entitled to rely upon the advice of counsel concerning his, her or its respective duties under, pursuant to or in connection with the Plan.

Notwithstanding anything herein to the contrary, nothing in the foregoing “Exculpation of Debtors” shall (1) exculpate any Person or Entity from any liability resulting from any act or omission constituting fraud, gross negligence, criminal conduct, malpractice, misuse of confidential information that causes damages or ultra vires act as determined by a Final Order or (2) limit the liability of the professionals of the Exculpated Parties to their respective clients pursuant to N.Y. Comp. Codes R. & Regs. tit. 22 § 1200.8 Rule 1.8(h)(1) (2009).

G. Cancellation of Existing Notes, Securities and Instruments.

On the Effective Date, unless otherwise provided herein, any and all notes, securities and other instruments evidencing any Claim or Interest shall be deemed canceled without further act or action under any applicable agreement, law, regulation, order or rule.

H. Disallowance of Claims.

Except as otherwise agreed by the Debtors, any and all Proofs of Claim filed after the applicable Claims Bar Date shall be deemed disallowed and expunged as of the Effective Date without any further notice to or action, order or approval of the Bankruptcy Court, and holders of such Claims may not receive any distributions on account of such Claims, unless such late Proof of Claim is deemed timely filed by a Final Order.

I. Amendments to Claims.

On or after the Effective Date, except as otherwise provided herein, a Claim may not be amended without the prior authorization of the Bankruptcy Court, and any such amended Claim filed shall be deemed disallowed and expunged without any further notice to or action, order or approval of the Bankruptcy Court.

J. Compromise and Settlement of Claims, Equity Interests and Controversies.

Notwithstanding anything contained herein to the contrary, the allowance, classification, and treatment of all Allowed Claims and their respective distributions and treatments hereunder takes into account and conforms to the relative priority and rights of the Claims and the Interests in each Class in connection with any contractual, legal and equitable subordination rights relating thereto whether arising under general principles of equitable subordination, section 510 of the Bankruptcy Code or otherwise. As of the Effective Date, any and all such rights described in the preceding sentence are settled, compromised, and released pursuant hereto. The Confirmation Order will constitute the Bankruptcy Court’s finding and determination that the settlements reflected in the Plan are: (i) in the best interests of the Debtors, their Estates, and all holders of Claims; (ii) fair, equitable, and reasonable; (iii) made in good faith; and (iv) approved by the

Bankruptcy Court pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019. In addition, the allowance, classification and treatment of Allowed Claims take into account any Causes of Action, whether under the Bankruptcy Code or otherwise under applicable non-bankruptcy law, that may exist between the Debtors, on the one hand, and the Debtor Releasees in Article IX.D on the other hand and, as of the Effective Date, any and all such Causes of Action are settled, compromised and released pursuant hereto.

K. Special Provision Governing Accrued Professional Fee Claims and Final Fee Applications.

For the avoidance of doubt, the foregoing releases described in this Article IX shall not waive, affect, limit, restrict or otherwise modify the right of any party in interest to object to any Professional Fee Claim or final fee application filed by any Professional in the Chapter 11 Cases.

L. Asset Purchase Agreement.

Notwithstanding anything herein to the contrary, nothing in the Plan shall be deemed to modify or otherwise affect the terms and conditions of the Sale Order, the APA or the Related Agreements (as defined in the APA), other than the Buyer's obligation to fund the Buyer Reserve Contribution, which obligation shall only exist to the extent the confirmed Plan is not materially different in a manner that would be adverse to the Buyer than the Plan existing as of the date hereof. In the event of a conflict between the Plan, on the one hand, and the Sale Order, the APA and/or the Related Agreements, on the other hand, the Sale Order, the APA and/or the Related Agreements, as applicable, shall control. The Buyer's only obligation hereunder is to fund the Buyer Reserve Contribution.

ARTICLE X

RETENTION OF JURISDICTION

A. Claims and Actions.

The Court shall retain jurisdiction over the Chapter 11 Cases, including such jurisdiction as is necessary to ensure that the purposes and intent of the Plan are implemented. The Court shall also expressly retain jurisdiction to hear and determine all Claims against the Debtors or the Post-Effective Date Debtor.

B. Retention of Jurisdiction.

The Court shall also retain jurisdiction for the purpose of classification of Claims or Interests and the determination of such objections as may be filed with respect to the Claims and Interests, including proceedings for estimation of Claims or Interests pursuant to section 502(c) of the Bankruptcy Code. The Court shall further retain jurisdiction for the following additional purposes:

1. To resolve any matters related to the assumption and assignment or rejection of any Executory Contract or Unexpired Lease to which a Debtor is party or with respect to which a Debtor may be liable in any manner;

2. To determine any and all Causes of Action, adversary proceedings, applications and contested matters;
3. To allow, disallow, determine, liquidate, classify, estimate, or establish the priority, secured or unsecured status, or amount of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the secured or unsecured status, priority, amount, or allowance of Claims or Interests and to ensure that distributions to holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;
4. To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated;
5. To issue orders in aid of execution and consummation of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;
6. To consider any amendments to or modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Court, including the Confirmation Order;
7. To hear and determine all applications for compensation and reimbursement of expenses of Retained Professionals;
8. To decide and resolve any and all matters that may arise in connection with or relate to any previous order of the Bankruptcy Court and to enforce any such orders;
9. To hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan, the Confirmation Order, any transactions or payments contemplated by the Plan, any agreement, instrument, or other document governing or relating to any of the foregoing or any settlement approved by the Bankruptcy Court;
10. To issue injunctions and effect any other actions that may be necessary or appropriate to restrain interference by any person or entity with the consummation, implementation or enforcement of the Plan, the Confirmation Order or any other order of the Bankruptcy Court;
11. To recover all assets of the Debtors, wherever located;
12. To hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code (including any request by the Debtors or the Post-Effective Date Debtor for an expedited determination of tax under section 505(b) of the Bankruptcy Code);

13. To hear and determine all disputes involving the existence, scope and nature of the discharges granted under the Plan, the Confirmation Order or the Bankruptcy Code;
14. To adjudicate, decide, or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters;
15. To enter a final decree closing the Chapter 11 Cases; and
16. To hear any other matter not inconsistent with the Bankruptcy Code, including the entry and implementation of orders as may be necessary or appropriate to execute, implement, or consummate the provisions of the Plan and all contracts, instruments, releases, indentures, and other agreements or documents created in connection with the Plan or the Disclosure Statement.

ARTICLE XI

NOTICE PROVISIONS

A. Notices.

Except as otherwise set forth in the Plan, all notices or requests in connection with the Plan shall be in writing and will be deemed to have been given when received by personal delivery, facsimile, e-mail, overnight courier or first class mail and addressed to:

| | |
|---|---|
| If to the Debtors or Plan Administrator: | United Retail Group, Inc. 365 West Passaic Street Rochelle Park, New Jersey 07662 Attn: Deborah Rieger-Paganis Email: dpaganis@alixpartners.com Fax: 201-909-2162 with a copy to: Kirkland & Ellis LLP 601 Lexington Avenue New York, New York 10022 Attn: Marc Kieselstein, P.C. and Nicole Greenblatt, Esq. Email: marc.kieselstein@kirkland.com and nicole.greenblatt@kirkland.com Fax: 212-446-6460 |
| If to the Committee: | Cooley LLP 1114 Avenue of the Americas New York, New York 10036 Attn: Jay Indyke, Esq., Jeffrey Cohen, Esq. and Michael Klein, Esq. Email: jindyke@cooley.com, jcohen@cooley.com and mklein@cooley.com Fax: 212-479-6275 |

| | |
|-------------------------|--|
| If to the Buyer: | <p>Versa Capital Management, LLC Cira Centre 2929 Arch Street, 18th Floor Philadelphia, Pennsylvania 19104-2868 Attn: Tom Kennedy Email: TKennedy@versa.com Fax: 215-609-3499</p> <p>with a copy to:</p> <p>Sullivan & Cromwell, LLP 125 Broad Street New York, New York 10004 Attn: Alexandra D. Korry, Esq. Email: korrya@sullcrom.com Fax: 212-558-3588</p> |
| If to Redcats: | <p>Redcats USA, Inc. 2300 Southeastern Avenue Indianapolis, Indiana 46201 Attn: Amberly Martin, Esq. Email: amberly.martin@redcatsusa.com Fax: 212-208-0965</p> <p>with a copy to:</p> <p>Wachtell, Lipton, Rosen & Katz 51 West 52nd Street New York, New York 10019 Attn: Richard G. Mason, Esq. and Austin T. Witt, Esq. Email: rgmason@wlrk.com and awitt@wlrk.com Fax: 212-403-2000</p> |

B. Limitation on Notice.

The Debtors shall give the following notice with regard to the following matters, which notice shall be deemed to be good and sufficient notice of such matters with no requirement for any additional or further notice:

1. Notice of Entry of Confirmation Order and Effective Date.

Notice of the entry of the Confirmation Order and the occurrence of the Effective Date shall be sufficient when filed with the Bankruptcy Court and posted on the website of the Notice and Claims Agent at www.donlinrecano.com/unitedretail.

2. Post-Confirmation Date Service.

From and after the Effective Date, notices of appearances and demands for service of process filed with the Court before such date shall no longer be effective. After the Effective Date, no further notices shall be required to be sent to any entities or Persons, except to the Plan Administrator, the U.S. Trustee and any creditor who files a renewed request for service of pleadings and whose Claim has not been fully satisfied.

3. General Notice to Creditors.

All notices and requests to creditors of any Class shall be sent to them at the addresses set forth on their Proofs of Claim or, if no proof of claim was filed, to their last known address as reflected in the Debtors' records. Any creditor may designate in writing any other address for purposes of this Article, which designation shall be effective upon receipt by the Post-Effective Date Debtor.

ARTICLE XII

MISCELLANEOUS PROVISIONS

A. *Setoffs/Counterclaims.*

Except (i) as otherwise provided in the Plan and (ii) with respect to Transferred Causes of Action, the Debtors may, but shall not be required to, set off or counterclaim against any Claim and the payments or other distributions to be made pursuant to the Plan in respect of the Claim, claims of any nature whatsoever the Estates may have against the holder of the Claim, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors of any claim that the Estates may have against the holder; *provided, however,* that the Debtors will not seek to set off or counterclaim for any obligation that is not yet due. Setoffs or counterclaims arising from events after the Petition Date shall reduce the payouts under any Allowed Claim dollar for dollar. Setoffs or counterclaims arising from pre-petition events shall only reduce the amount of the Allowed Claim and therefore, shall only reduce the payout amount proportionally with the reduction in the Allowed Claim. If any counterclaim or setoff asserted by the Debtors exceeds the amount of any Claim, the holder of such Claim shall not be entitled to any distribution under the Plan, and the Debtors will reserve the right to recover any such excess counterclaim or set-off from the holder of the applicable Claim.

B. *Plan Supplement.*

The Plan Supplement, if any, and the documents contained therein shall be filed with the Bankruptcy Court no later than seven (7) days before the deadline to object to the Plan, provided that the documents included therein may thereafter be amended and supplemented before execution, so long as no such amendment or supplement materially affects the rights of holders of Claims or adversely affects the Buyer. The Plan Supplement and the documents contained therein are incorporated into and made a part of the Plan as if set forth in full herein.

C. *Amendment or Modification of the Plan.*

Alterations, amendments or modifications of or to the Plan may be proposed in writing by the Debtors after consultation with the Committee at any time before the Confirmation, provided that the Plan, as altered, amended or modified, satisfies the conditions of sections 1122 and 1123 of the Bankruptcy Code, and the Debtors shall have complied with section 1125 of the Bankruptcy Code. The Debtors also reserve the right to make such modifications at or before any hearings on Confirmation as are necessary to permit the Plan to be confirmed under section 1129 of the Bankruptcy Code. Notwithstanding the foregoing or anything else herein to the contrary,

no alternations, amendments or modifications of or to the Plan, the Schedules or the Disclosure Statement shall be effected that would adversely affect the rights or obligations of the Buyer or Redcats without the prior written consent of the Buyer or Redcats, as applicable.

A holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such holder.

Before the Effective Date, the Debtors may make appropriate technical adjustments and modifications to the Plan without further order or approval of the Bankruptcy Court, provided that such technical adjustments and modifications do not adversely affect in a material way the treatment of holders of Claims.

D. Revocation and Withdrawal of the Plan.

The Debtors reserve the right to, after consultation with the Committee, revoke or withdraw the Plan at any time before entry of a Confirmation Order. If the Debtors revoke or withdraw the Plan before the Confirmation Date, if the Confirmation does not occur, or the Effective Date does not occur within 120 days after the Confirmation Date, then the Plan shall be deemed to be null and void. In such event, nothing contained herein or in any Disclosure Statement relating to the Plan shall be deemed to constitute an admission of validity, waiver or release of any Claims by or against the Debtors or any Person or to prejudice in any manner the rights of the Debtors or any Person in any proceeding involving the Debtors.

E. Severability.

In the event that the Court determines, before the Confirmation Date, that any provision in the Plan is invalid, void or unenforceable, such provision shall be invalid, void or unenforceable with respect to the holder or holders of such Claims or Interests as to which the provision is determined to be invalid, void or unenforceable. The invalidity, voidness or unenforceability of any such provision shall in no way limit or affect the enforceability and operative effect of any other provision of the Plan (unless any such invalidity, voidness or unenforceability would adversely affect any of the Buyer's rights or expand any of the Buyer's obligations under any other provision of the Plan, in which event the Plan shall be deemed invalid, void and unenforceable unless modified to the extent necessary to mitigate such adverse effect or expansion or the Buyer otherwise consents).

F. No Liability for Solicitation.

Pursuant to section 1125 of the Bankruptcy Code, Persons that solicit acceptances or rejections of the Plan, in good faith and in compliance with the applicable provisions of the Bankruptcy Code, shall not be liable on account of such solicitation, for violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan.

G. Business Days.

If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

H. Headings.

Headings are used in the Plan for convenience and reference only, and shall not constitute a part of the Plan for any other purpose.

I. Exhibits.

All Exhibits to the Plan are incorporated into and are a part of the Plan as if set forth in full herein.

J. Entire Agreement

The Plan and the Confirmation Order supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan, other than the Sale Order and the APA (including the Related Agreements).

Dated: July [#], 2012
New York, New York

Respectfully submitted,

United Retail Group, Inc., on behalf of itself and the
other Debtors

By: /s/ Deborah Rieger-Paganis

Name: Deborah Rieger-Paganis

Title: Wind-Down Administrator

Exhibit C

**Redline of Disclosure Statement
(marked against Docket No. 620 filed on June 14, 2012)**

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

| | | |
|---|---|-------------------------|
| In re: |) | |
| |) | Chapter 11 |
| UNITED RETAIL GROUP, INC., <i>et al.</i> , ¹ |) | |
| |) | Case No. 12-10405 (SMB) |
| Debtors. |) | |
| |) | Jointly Administered |

**DISCLOSURE STATEMENT FOR THE DEBTORS' JOINT PLAN OF LIQUIDATION
PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

Paul M. Basta
Marc Kieselstein, P.C.
Nicole L. Greenblatt
Benjamin J. Steele
Joseph A. Pack
KIRKLAND & ELLIS LLP
601 Lexington Avenue
New York, New York 10022
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

*Counsel to the Debtors
and Debtors in Possession*

Dated: ~~June 14~~, July [#], 2012

| |
|--|
| <p><u>THIS DISCLOSURE STATEMENT IS SUBJECT TO BANKRUPTCY COURT APPROVAL AND IS NOT SUBMITTED IN SOLICITATION OF VOTES IN FAVOR OF THE DEBTORS' CHAPTER 11 PLAN.</u></p> |
|--|

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: United Retail Group, Inc. (3670); Avenue Gift Cards, Inc. (5281); United Distribution Services, Inc. (8531); United Retail Holding Corporation (1251); United Retail Incorporated (5670); and United Retail Logistics Operations Incorporated (5672). The Debtors' main corporate address is 365 West Passaic Street, Rochelle Park, New Jersey 07662.

THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS ~~1~~AUGUST [29], 2012, AT 4:00 P.M. EASTERN TIME. THE NOTICE AND CLAIMS AGENT MUST ACTUALLY RECEIVE YOUR BALLOT BEFORE THE VOTING DEADLINE.

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT FOR THE DEBTORS' JOINT PLAN OF LIQUIDATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE TO HOLDERS OF CLASS 3—GENERAL UNSECURED CLAIMS FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE PLAN. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE RELIED UPON OR USED BY ANY ENTITY FOR ANY OTHER PURPOSE.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(B) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND IS NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS. THIS DISCLOSURE STATEMENT WAS NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE AUTHORITY AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHORITY HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN.

NO LEGAL OR TAX ADVICE IS PROVIDED TO YOU BY THIS DISCLOSURE STATEMENT. THE DEBTORS URGE EACH HOLDER OF A CLAIM OR AN INTEREST TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN AND EACH OF THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY.

THIS DISCLOSURE STATEMENT MAY CONTAIN "FORWARD LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH STATEMENTS CONSIST OF ANY STATEMENT OTHER THAN A RECITATION OF HISTORICAL FACT AND CAN BE IDENTIFIED BY THE USE OF FORWARD LOOKING TERMINOLOGY SUCH AS "ANTICIPATE," "CONTINUE," "ESTIMATE," "EXPECT," "MAY" OR "PROJECT," OR THE NEGATIVE THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. YOU ARE CAUTIONED THAT ALL FORWARD LOOKING STATEMENTS ARE NECESSARILY SPECULATIVE AND THAT THERE ARE CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE REFERRED TO IN SUCH FORWARD LOOKING STATEMENTS. THE INFORMATION CONTAINED HEREIN AND ATTACHED HERETO IS AN ESTIMATE ONLY, BASED UPON INFORMATION CURRENTLY AVAILABLE TO THE DEBTORS.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION OR WAIVER. PARTIES MAY SEEK TO INVESTIGATE, FILE AND PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THIS DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN EVENTS IN THE DEBTORS' CHAPTER 11 CASES AND CERTAIN DOCUMENTS RELATED TO THE PLAN THAT ARE ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THE SUMMARIES DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH EVENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THE DEBTORS HAVE REVIEWED THE INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT. ALTHOUGH THE DEBTORS HAVE USED THEIR REASONABLE BUSINESS JUDGMENT TO ENSURE THE ACCURACY OF THIS INFORMATION, THE INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS DISCLOSURE STATEMENT HAS NOT BEEN AUDITED.

THE DEBTORS ARE MAKING THE STATEMENTS AND PROVIDING THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE DEBTORS HAVE NO AFFIRMATIVE DUTY TO DO SO. HOLDERS OF CLAIMS AND INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THIS DISCLOSURE STATEMENT WAS FILED.

THE DEBTORS HAVE NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE

DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

BEFORE DECIDING WHETHER AND HOW TO VOTE ON THE PLAN, EACH HOLDER OF A CLASS 3—GENERAL UNSECURED CLAIM SHOULD CONSIDER CAREFULLY ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN GREATER DETAIL IN ARTICLE VI BELOW, “RISK FACTORS.”

I. INTRODUCTION AND EXECUTIVE SUMMARY

A. PURPOSE OF THE DISCLOSURE STATEMENT

On February 1, 2012 (the “**Petition Date**”), the above-captioned debtors and debtors in possession (collectively, the “**Debtors**”) filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code² in the United States Bankruptcy Court for the Southern District of New York (the “**Bankruptcy Court**”). On February 3, 2012, the Bankruptcy Court entered an order [Docket No. 44]³ jointly administering the Chapter 11 Cases of United Retail Group, Inc.; Avenue Gift Cards, Inc.; United Distribution Services, Inc.; United Retail Holding Corporation; United Retail Incorporated and United Retail Logistics Operations Incorporated pursuant to Bankruptcy Rule 1015(b) under the lead case: *In re United Retail Group, Inc.*, Case No. 12-10405 (SMB). The Debtors are managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. On February 9, 2012, the United States Trustee for the Southern District of New York (the “**U.S. Trustee**”) appointed an official committee of unsecured creditors (the “**Committee**”) pursuant to section 1102 of the Bankruptcy Code [Docket No. 117].

The Debtors submit this disclosure statement (as amended, modified or supplemented, the “**Disclosure Statement**”) pursuant to section 1125 of the Bankruptcy Code for purposes of soliciting votes to accept or reject the Plan, a copy of which is attached to this Disclosure Statement as **Exhibit A**. The Plan has been filed with the Bankruptcy Court and the summaries of the Plan contained herein shall not be relied upon for any purpose other than to make a judgment with respect to, and determine how to vote on, the Plan.

Notice of this Disclosure Statement is being provided by the Debtors to the U.S. Trustee, the Committee and to all of the Debtors’ known creditors and interest holders. By Order dated [July \[19\]](#), 2012 [Docket No. ___], the Disclosure Statement was approved by the Bankruptcy Court as containing “adequate information” under section 1125 of the Bankruptcy Code (the “**Disclosure Statement Order**”). The deadline to object to Plan Confirmation is ~~1~~[August \[27\]](#), 2012 at 4:00 p.m. Eastern Time. A hearing to consider confirmation of the Plan is scheduled to be held before the Bankruptcy Court on ~~1~~[September \[6\]](#), 2012 at [___] Eastern Time.

B. SUMMARY OF SOURCES AND USES OF CONSIDERATION FOR PLAN DISTRIBUTIONS

i. Consideration Provided Under the APA

As set forth in detail in Article II.E of this Disclosure Statement, on April 13, 2012, the Debtors closed the sale of substantially all of their assets to Avenue Stores, LLC (the “**Buyer**”), an

² Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Debtors’ Joint Plan of Liquidation Pursuant to Chapter 11 of the Bankruptcy Code (the “**Plan**”).

³ Unless otherwise noted, docket references correspond to the docket of United Retail Group, Inc.’s chapter 11 case.

affiliate of Versa Capital Management, LLC (“*Versa*”). The APA with the Buyer provides for the following consideration to be distributed to the Debtors’ creditors:⁴

- up to \$27 million in the aggregate for (1) amounts outstanding under the DIP Facility as of the Closing⁵ and (2) Administrative Claims (not including 503(b)(9) Claims, which are accounted for separately under the APA) and Priority Claims as of the Closing that ultimately are Allowed;
- up to \$4.7 million for Allowed 503(b)(9) Claims;⁶
- a minimum of \$1.5 million for the benefit of holders of Allowed General Unsecured Claims on account of such Claims;⁷ and
- up to \$2 million for costs associated with winding down the Debtors’ estates.

In addition, subject to certain limited exclusions set forth in the APA, the Buyer is responsible for all post-Closing operational expenses directly related to (i) the Debtors’ former stores with respect to which the underlying leases have not yet been assumed or rejected until such time as such assumption or rejection is effective, including costs associated with going-out-of-business sales for non-continuing stores, (ii) contracts in existence post-Closing that

⁴ Versa backstopped the Buyer’s obligations under the APA with a \$13 million equity commitment to the Buyer, which was paid at the Closing, and a \$35 million guaranty of certain of the Buyer’s monetary obligations under the APA.

⁵ There were no outstanding funded obligations under the DIP Facility as of the Closing. At the Closing, in connection with the DIP Facility, \$500,000 was paid to Wells Fargo for financing fees and \$85,000 was paid to Wells Fargo’s counsel. These amounts were counted against the \$27 million combined cap for pre-Closing DIP Facility, Administrative and Priority Claims.

⁶ The Debtors estimate that aggregate 503(b)(9) Claims will be no more than approximately \$2.9 million.

⁷ The APA originally provided for payment of \$500,000 to holders of Allowed General Unsecured Claims on account of such Claims. In connection with the settlement of an adversary proceeding brought by the Committee against the Buyer (as further described in Article II.G of this Disclosure Statement), the APA was amended to provide that holders of Allowed General Unsecured Claims would receive the greater of (a) \$1.5 million and (b) 20% of the amount by which the aggregate of (i) amounts outstanding under the DIP Facility and (ii) administrative and priority claims, in each case as of the Closing, were less than \$27 million. *See Stipulation and Agreement of Settlement Among the Debtors, Redcats USA, Inc., the Official Committee of Unsecured Creditors and Ornatus URG Acquisition LLC* [Adv. Proc. No. 12-01165, Docket No. 15] (the “*Committee Stipulation*”). ~~As of the Closing, it was determined that \$1.5 million was the greater of these two amounts and the Buyer funded such amount into escrow at Closing.~~ Thus, if the aggregate of DIP Facility, administrative and priority claims as of the Closing was greater than \$19.5 million, the Buyer would fund \$1.5 million for the benefit of holders of Allowed General Unsecured Claims, and if the aggregate of DIP Facility, administrative and priority claims as of the Closing was less than \$19.5 million, the Buyer’s contribution would increase proportionately. As of the Closing, DIP Facility, administrative and priority claims were estimated to be approximately \$19.96 million, and the Buyer funded \$1.5 million into escrow. To the extent post-Closing reconciliations performed up until the Effective Date demonstrate that these claims were less than \$19.5 million as of the Closing, the Buyer will fund any shortfall on the Effective Date pursuant to the Committee Stipulation.

have not yet been assumed or rejected until such time as such assumption or rejection is effective and (iii) the cost of any supervisory employees of the Debtors employed on a temporary post-Closing basis. These expenses will be paid directly by the Buyer in the ordinary course of business, and the Buyer's obligations for such post-Closing operating expenses are uncapped, which should eliminate most if not all post-Closing claims entitled to administrative priority, other than claims for professional fees and U.S. Trustee fees, which fees are expected to be contained within the \$2 million wind-down expenses for which the Buyer is responsible.⁸ For a further discussion regarding the \$2 million wind-down budget, please see the Risk Factors at Article VI.A.viii of this Disclosure Statement.

The Claims caps and other Buyer obligations included in the APA were developed after significant analysis by the Debtors' management and advisors ~~and~~, were heavily negotiated with the Buyer and reflect the maximum recoveries available to these estates following a thorough marketing process. The Debtors believe the ~~amounts included therein will~~ buckets of consideration contemplated by the APA (and enhanced pursuant to subsequent agreements described herein) should be sufficient to satisfy all Claims against the Debtors' estates. Based upon post-Closing reconciliations conducted through the date hereof, which are substantially complete, the Debtors believe total Administrative and Priority Claims as of the Closing were approximately \$16.3 million—an estimated \$10.7 million under the \$27 million cap. Of the \$27 million cap for Administrative Claims and Priority Claims as of the Closing, such claims ~~as of the Closing~~ were estimated on July 17, 2012 to be approximately ~~\$19.96~~ 16.3 million.⁹ These Claims generally were for day-to-day operating expenses of the Debtors' former business and have already been satisfied in the ordinary course, with the exception of \$4.192 million that was funded into escrow at the Closing to pay for accrued but unpaid professional fees as of the Closing.¹⁰ To the extent that allowed professional fees as of the Closing ultimately are less than \$4.192 million, the remainder of the escrow may be used to pay other Administrative Claims ~~or Priority Claims~~ required to be paid under the APA up to the \$27 million cap. The Debtors ~~believe~~ expect that the approximately ~~\$7~~ 10.7 million remaining under the \$27 million cap will be sufficient to pay any Administrative and Priority Claims as of the Closing that ~~were~~ are currently unknown ~~as of the Closing or unliquidated.~~¹¹ Post-Closing liabilities generally will be satisfied from one of two sources: the \$2 million for wind-down costs

⁸ The post-Closing fees and expenses of the Plan Administrator, which were negotiated heavily by the Debtors' Board of Directors, are capped at \$1 million.

⁹ Although the Debtors have completed reconciling the vast majority of these Claims, certain Priority Claims remain unliquidated, and the Debtors have not established an Administrative Claim bar date outside what is contemplated by the Plan. Therefore, the current \$16.3 million estimate for Administrative Claims and Priority Claims as of the Closing may increase.

¹⁰ The Debtors have disbursed approximately \$3.185 million from the professional fee escrow to date. The Debtors expect to disburse approximately \$450,000 in additional professional fee payments from the escrow, leaving approximately \$558,000 to be returned to the Buyer or used to pay other Administrative Claims pursuant to the APA.

¹¹ Moreover, pursuant to the Committee Stipulation, to the extent that DIP Facility, Administrative and Priority Claims as of the Closing are less than \$19.5 million in the aggregate, the Buyer's contribution to the Unsecured Claims Funds will increase proportionately.

of the Debtors' estates or the Buyer's uncapped commitment to fund post-Closing operating expenses of the Debtors as described above.

Moreover, although the APA generally contemplates that allowed claim amounts will be paid by the Buyer as and when due (with the exception of the \$1.5 million reserve for the benefit of unsecured creditors that will be included in the Unsecured Claims Funds (subject to increase on the Effective Date), which payment was made as of the Closing and currently is held in escrow by Cooley LLP, counsel to the Committee), the Debtors are mindful of the plan confirmation requirements under section 1129 of the Bankruptcy Code and, accordingly, the Debtors have drafted the Plan to provide creditors with greater certainty of payment. Toward that end, the Plan establishes "**Reserves**" to be funded ~~by the Buyer~~ on the Effective Date in accordance with Article VI.C.2 of the Plan and then used by the Plan Administrator to pay Allowed Claims, as follows:

- Article VI.C.2 of the Plan provides that, before the Effective Date, the Debtors will determine, after consultation with and the reasonable consent of the Buyer, an estimate of the maximum aggregate amount needed to fund the Reserves—the **Reserves Estimate**. The Reserves Estimate will be calculated by taking into account the caps set forth in the APA that are described above, the Buyer's obligation to pay ongoing operating expenses of the Debtors' former business after the Closing and any unused portion of the \$4.192 million that was funded into escrow at the Closing to pay for accrued but unpaid professional fees as of the Closing;
- Thereafter, the Buyer shall determine in its sole and absolute discretion the amount of each of the Reserves that it will fund—the **Buyer Reserve Contribution**. The Buyer Reserve Contribution shall be no less than the lesser of (i) 90% of Buyer's then remaining obligations under the APA that relate to any of the Reserves categories and (ii) ~~\$(TBD)]~~ an amount to be agreed between the Buyer and the Debtors before the Effective Date.

It is a condition precedent to the effectiveness of the Plan that sufficient cash to fund the Reserves in an amount no less than the Reserves Estimate shall be available, including any Buyer Reserve Contribution that the Buyer has notified the Debtors that it intends to fund, subject to the effectiveness of the Plan. Any amounts left in the Reserves after all Allowed Claims have been paid pursuant to the Plan will be returned to the Buyer, unless any cash has been sourced other than from the Buyer, in which case it will be allocated pro rata in accordance with the relative contributions. In no event shall the Buyer have an obligation to fund any amounts in excess of amounts required to be paid by the Buyer pursuant to the APA.

ii. **Recoveries for General Unsecured Claims: The Redcats/Committee Settlement and the Redcats Unsecured Claims Contribution**

The Debtors are very pleased that following a comprehensive marketing process resulting in the sale of substantially all of the Debtors' assets to the Buyer, and as a result of extensive good faith negotiations throughout these Chapter 11 Cases among the Debtors, the Buyer, Redcats and the Committee, the Plan incorporates certain compromises and additional consideration to unsecured creditors that maximize recoveries for holders of Allowed General Unsecured Claims.

Specifically, as noted above and discussed further herein, the APA originally provided for the Buyer to fund a cash reserve of \$500,000 for the benefit of holders of Allowed General Unsecured Claims. In connection with the Committee Stipulation approved on March 20, 2012 [Adv. Proc. No. 12-01165, Docket No. 15], the total consideration paid by the Buyer for the benefit of holders of Allowed General Unsecured Claims increased from \$500,000 to a minimum of \$1.5 million.¹² That amount was funded into escrow at the Closing and comprises one piece of the Unsecured Claims Funds ~~being distributed~~allocable to holders of Allowed General Unsecured Claims under the Plan.

As a result of a further settlement among the Committee and Redcats, the Plan contemplates that Redcats will contribute an additional \$1.25 million of consideration to the Unsecured Claims Funds — the ***Redcats Unsecured Claims Contribution***. Redcats' agreement to provide the Redcats Unsecured Claims Contribution is part of an overall settlement among Redcats and the Committee, which was reached after extensive, good-faith negotiations facilitated by the Debtors, and which includes the following:

- Contribution by Redcats of an additional \$1.25 million in Cash for the benefit of unsecured creditors;
- Redcats' agreement to waive any recovery on account of General Unsecured Claims asserted in certain proofs of claim filed against the Debtors, which Claims were asserted in excess of \$2 million — the ***Waived Redcats Unsecured Claims***; and
- The Committee's agreement to support the release and exculpation provisions of the Plan, including the release of Redcats by the Debtors, the Committee and holders of Claims who vote to accept the Plan.

The terms of the settlement, which are reflected in the Plan, (i) resolve the Committee's ongoing investigation of potential causes of action against Redcats, including all related discovery disputes and motion practice and (ii) significantly enhance projected recoveries to holders of Allowed General Unsecured Claims by (a) increasing the total cash available for distribution to such holders to \$2.75 million and (b) reducing the total pool of Allowed General Unsecured Claims through elimination of the Waived Redcats Unsecured Claims.

Although the Plan contemplates that \$2.75 million in Unsecured Claims Funds will be distributed to holders of Allowed Class 3 General Unsecured Claims, the Debtors cannot state with certainty what recovery will ultimately be available to holders of Claims in Class 3. Specifically, the Debtors cannot know with certainty, at this time, the aggregate amount of Claims in Class 3 that will ultimately be Allowed or whether certain funds currently

¹² As noted above, pursuant to the Committee Stipulation, the APA provides that the Buyer contribute for the benefit of holders of Allowed General Unsecured Claims an amount equal to the greater of (a) \$1.5 million and (b) 20% of the amount by which the aggregate of (i) amounts outstanding under the DIP Facility and (ii) administrative and priority claims, in each case as of the Closing, were less than \$27 million. Although the Buyer funded \$1.5 million at the Closing, to the extent (b)(i) and (ii) above are less than \$19.5 million in the aggregate as a result of reconciliations made through the Effective Date, the Buyer will increase its contribution to the Unsecured Claims Funds.

designated for distribution to Class 3 will need to be allocated to shortfalls in the Reserves for Claims with higher priority and first right to payment under the Bankruptcy Code.

The priority scheme in sections 503 and 507 of the Bankruptcy Code and the confirmation requirements set forth in section 1129 of the Bankruptcy Code mandate that Administrative Claims and Professional Fee Claims be paid in full before any distribution can be made to holders of Allowed Class 3 General Unsecured Claims. The Debtors are operating under a limited \$2 million wind-down budget pursuant to the terms of the APA. To the extent post-Closing Professional Fee Claims and post-Closing Administrative Claims that are not otherwise allocable to the Buyer under the APA exceed the \$2 million wind-down budget (or the Reserves are otherwise insufficiently funded to cover Allowed Claims with higher priority than Class 3 Claims), these costs must be covered by other sources of consideration available to the Debtors, including the Unsecured Claims Funds.

As of June 30, 2012, the Debtors had consumed or incurred approximately \$1.7 million of the \$2 million wind-down budget provided by the Buyer. For further information regarding anticipated use of the Wind Down Budget and risks associated with recoveries to holders of Allowed Class 3 Claims please see Article VI.A.viii of this Disclosure Statement—Risks Affecting Potential Recoveries of Holders of Claims in the Voting Class.

The Debtors believe that the Plan maximizes recoveries for holders of all Allowed Claims and strongly recommend that holders of Class 3 General Unsecured Claims (the only Class entitled to vote) vote to accept the Plan. The Debtors believe that any alternative to Confirmation of the Plan, such as a conversion of the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code or attempts by another party in interest to file a plan, would result in significant delay, litigation, additional costs and ultimately would reduce the recoveries available under the Plan.

iii. **Claims Reconciliation Process and Estimated Recoveries**

To facilitate timely distributions under the Plan, the Debtors intend to reconcile Claims as quickly and efficiently as possible with a goal of reconciling all Claims before the Effective Date. The Debtors expect that in connection with confirmation of the Plan, they will be able to demonstrate that the various categories of Allowed Claims are within their respective caps under the APA, thus ensuring an accurate Reserves Estimate, adequate funding of the Reserves and compliance with section 1129(a)(9) of the Bankruptcy Code.

The following table provides a summary of the current estimated amounts of total Claims and projected recoveries for both classified and unclassified Claims. **Holders of Allowed General Unsecured Claims, the only class of Claims entitled to vote on the Plan, will receive their pro rata share of Net Available Funds, which includes the \$2.75 million in Unsecured Claims Funds plus any additional cash Assets that are made available to these estates, less any amount of Cash needed to fund Reserve shortfalls for higher priority claims.**

Please see Article VI.A.viii of this Disclosure Statement—Risks Affecting Potential Recoveries of Holders of Claims in the Voting Class—for a discussion of risks to Class 3 recoveries.

The information below is provided in summary form for illustrative purposes only, is subject to material change based on contingencies related to the claims reconciliation process and is qualified in its entirety by reference to the provisions of the Plan and the APA.

| Type of Claim | Estimated Total Amount | Status | Voting Rights | Expected Recovery ⁹¹³ |
|--|---|------------|------------------|----------------------------------|
| Administrative Claims | \$2.91 ¹⁰ <u>\$2.9</u> million | Unimpaired | N/A | 100% |
| Professional Fee Claims | < approx. \$2 million | Unimpaired | N/A | 100% |
| Priority Tax Claims | < \$600,000 ¹⁴ <u>\$500,000</u> | Unimpaired | N/A | 100% |
| Class 1—Other Priority Claims | \$0 | Unimpaired | Deemed to Accept | 100% |
| Class 2—Secured Claims | < \$13,000 ¹⁴ <u>\$30,000</u> | Unimpaired | Deemed to Accept | 100% |
| Class 3—General Unsecured Claims | \$25-30 million | Impaired | Entitled to Vote | 9.2- 11% |
| Class 4—Interests in United Retail Group, Inc. | N/A | Impaired | Deemed to Reject | 0% |

C. CONFIRMATION OF THE PLAN

i. Requirements

The requirements for Confirmation of the Plan are set forth in section 1129 of the Bankruptcy Code. The requirements for approval of the Disclosure Statement are set forth in section 1125 of the Bankruptcy Code.

ii. Confirmation Hearing

To confirm the Plan, the Bankruptcy Court must hold the Confirmation Hearing to determine whether the Plan meets the requirements of section 1129 of the Bankruptcy Code. The Confirmation Hearing will take place in the Bankruptcy Court on ~~1~~¹³September 16, 2012 at [] Eastern Time.

⁹ ~~The estimated projected recoveries set forth in this table are estimates only and are therefore subject to change.~~

¹³ The estimated projected recoveries set forth in this table are estimates only and are therefore subject to change.

¹⁰ ~~Substantially all Administrative Claims are 503(b)(9) Claims.~~

¹⁴ Substantially all Administrative Claims are 503(b)(9) Claims.

iii. **Deadline to Object to Confirmation of the Plan**

Any party in interest may object to the Confirmation of the Plan and appear at the Confirmation Hearing to pursue such objection. The Court has set ~~1—~~**August [27], 2012 at 4:00 p.m. Eastern Time** as the deadline for filing and serving objections to the Confirmation of the Plan. Objections to the Confirmation of the Plan must be electronically filed with the Bankruptcy Court and served on counsel to the Debtors, the U.S. Trustee and counsel to each of the Committee, the Buyer and Redcats.

iv. **Effect of Confirmation and Consummation of the Plan**

Occurrence of the Effective Date serves to make the Plan binding upon the Debtors, all holders of Claims and Interests and other parties in interest, regardless of whether they cast a Ballot to accept or reject the Plan.

v. **Effect of Failure to Confirm the Plan**

If the Plan is not confirmed by at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Class 3-General Unsecured Claims (the only Impaired Class entitled to vote under the Plan) that have timely and properly voted to accept or reject the Plan, as required by section 1126 of the Bankruptcy Code, or if any other requirements for confirmation under the Bankruptcy Code are not met, the Debtors may seek to pursue another strategy to wind down their Estates. Other options that the Debtors may consider in the event that the Plan is not confirmed include an alternative chapter 11 plan, a dismissal of the Chapter 11 Cases and out-of-court dissolution, an assignment for the benefit of creditors, conversion to a chapter 7 cases or other strategies.

D. VOTING ON THE PLAN

i. **Impaired Claims or Interests**

Pursuant to section 1126 of the Bankruptcy Code, only the holders of Claims in Classes Impaired by the Plan and receiving a payment or distribution under the Plan may vote on the Plan. Pursuant to section 1124 of the Bankruptcy Code, a Class of Claims may be Impaired if the Plan alters the legal, equitable or contractual rights of the holders of such Claims or Interests treated in such Class. The holders of Claims not Impaired by the Plan (Class 1—Other Priority Claims; Class 2—Secured Claims; Unclassified Claims—Administrative Claims (including claims under section 503(b)(9) of the Bankruptcy Code (“**503(b)(9) Claims**”), Professional Fee Claims and Priority Tax Claims) are deemed to accept the Plan and do not have the right to vote on the Plan. The holders of Interests that will not receive any payment or distribution or retain any property pursuant to the Plan (Class 4—Interests in United Retail Group, Inc.) are deemed to reject the Plan and do not have the right to vote.

ii. **Eligibility to Vote on the Plan**

Unless otherwise ordered by the Bankruptcy Court, only holders of Allowed Claims in Class 3—General Unsecured Claims—may vote on the Plan.

iii. **Voting Procedure and Voting Deadline**

If you are entitled to vote on the Plan, to ensure that your vote is counted you must: (a) complete the Ballot; (b) indicate your decision either to accept or reject the Plan in the space so indicated on the Ballot; and (c) sign and return the Ballot to the address set forth on the Ballot. **BALLOTS SENT BY FACSIMILE OR ELECTRONIC MAIL WILL NOT BE ACCEPTED AND WILL NOT BE COUNTED.** Pursuant to Bankruptcy Rule 3017, the Bankruptcy Court has ordered that original Ballots for the acceptance or rejection of the Plan must be received by the Notice and Claims Agent on or before ~~+~~August [29], 2012 at 4:00 p.m. Eastern Time. Please refer to the website of the Debtors' Notice and Claims Agent—available at <http://www.donlinrecano.com/unitedretail>—for further voting procedures and rules.

iv. **Acceptance of the Plan**

For the Plan to be accepted by an Impaired Class of Claims, holders of at least two-thirds (2/3) in amount of the Allowed Claims in such Class and more than one-half (1/2) in number of such holders must vote to accept the Plan, or the Plan must meet the requirements under section 1129(b) of the Bankruptcy Code for cramdown of any non-accepting Class of Claims. In any case, at least one Impaired Class of Claims, excluding the vote of insiders, must actually vote to accept the Plan. **YOU ARE URGED TO COMPLETE, DATE, SIGN AND PROMPTLY MAIL THE BALLOT ATTACHED TO THE NOTICE. PLEASE BE SURE TO COMPLETE THE BALLOT PROMPTLY AND LEGIBLY IDENTIFY THE EXACT AMOUNT OF YOUR CLAIM AND THE NAME OF THE CREDITOR.**

II. **THE DEBTORS AND THE CHAPTER 11 CASES**

A. **THE DEBTORS' FORMER BUSINESS**

As described in detail in the *Declaration of Dawn Robertson, Chief Executive Officer of United Retail Group, Inc., (I) In Support of the Debtors' Chapter 11 Petitions and First Day Pleadings and (II) Pursuant to Local Bankruptcy Rule 1007-2* [Docket No. 2] (the "**First Day Declaration**"), before selling substantially all of their assets to the Buyer, ~~+~~H15 an affiliate of Versa, the Debtors owned and operated a leading nationwide specialty retailer of affordable fashion for women sizes 14 & up under the AVENUE® brand name. As of the Petition Date, the Debtors operated 433 leased retail stores in 37 states and an e-commerce website at www.avenue.com. As of the Petition Date, the Debtors employed 4,422 employees, 294 of which were located at the Debtors' corporate headquarters in Rochelle Park, New Jersey or at the Debtors' distribution facility in Troy, Ohio (the "**Troy Distribution Facility**"). The Debtors employed 4,128 sales associates in their Avenue stores, 1,244 of which were full time employees.

B. **ACQUISITION BY REDCATS**

Originally conceived in 1987 when national retailer Limited Brands, Inc. combined its LERNER WOMAN store group with its SIZES UNLIMITED store group, the consolidated

~~+~~H15 Before the closing of the sale, the Buyer changed its name from Ornatus URG Acquisition, LLC to Avenue Stores, LLC.

concept chains were spun off as an independent division in 1989 and renamed United Retail Group. Following an initial public offering in 1992, United Retail Group operated as a public company that traded on the NASDAQ under the symbol “URGI.” In November 2007, Redcats USA, Inc. acquired United Retail Group through a take-private transaction with a total acquisition price of \$199 million. Redcats is a web-driven, home-shopping leader with numerous successful brands in its portfolio, including The Sportsman’s Guide®, The Golf Warehouse™, BrylaneHome® and the following brands sold on OneStopPlus.com®: Woman Within®, Jessica London®, Roaman’s® and KingSize®.

C. THE DEBTORS’ PREPETITION FINANCING

i. The Redcats Unsecured and Secured Claims

Before November 22, 2011, Redcats funded certain of the Debtors’ expenses on an unsecured basis pursuant to a cash management agreement dated August 29, 2008 (the “**Cash Management Agreement**”). The Debtors relied exclusively on cash flow from operations and parent-funding pursuant to the Cash Management Agreement to fund, among other things, payroll, trade obligations, service contracts and other daily operating expenses. The Cash Management Agreement was effectively a cash pooling arrangement that allowed Redcats to sweep positive balances in the Debtors’ operating accounts on a daily basis and net the cash against amounts owed to Redcats for, among other things, loans to the Debtors and/or costs associated with a variety of intercompany services Redcats provided to the Debtors. Thus, while Redcats largely funded the Debtors with the Debtors’ own cash flow, negative balances accumulated over time, leading to an unsecured balance of approximately \$48.5 million owed to Redcats as of November 22, 2011 (the “**Redcats Unsecured Claim**”).

In late 2011, Redcats informed the Debtors that it was no longer willing to fund the Debtors’ operations on an unsecured basis. Accordingly, on November 22, 2011, the Debtors and Redcats amended the Cash Management Agreement (including subsequent amendments, the “**Amended Cash Management Agreement**”), pursuant to which Redcats agreed to provide funding to the Debtors on a second-lien secured basis (junior to the liens held by Wells Fargo pursuant to the Redcats ABL Facility described below), with such liens attaching to the Debtors’ accounts receivable, inventory, other payment intangibles and instruments. As of the Petition Date, Redcats funded or was not reimbursed for \$12,521,674 in the aggregate under the Amended Cash Management Agreement (the “**Redcats Secured Claim**”).

As described more fully below, in connection with entry into the APA (as defined below), the Buyer purchased the Redcats Unsecured Claim and the Redcats Secured Claim pursuant to a Claims Purchase Agreement dated February 1, 2012 (the “**Claims Purchase Agreement**”).

ii. The Debtors’ Prepetition Financing

To facilitate financing of foreign-product sourcing for many of Redcats’ divisions, including the Debtors, on July 28, 2011, Redcats and certain of its affiliates, including Debtor United Retail Incorporated, as borrower, and Debtors Avenue Gift Cards, Inc. and United Retail Group, Inc., as guarantors, entered into a credit agreement with Wells Fargo Bank, N.A. (“**Wells Fargo**”) and the other lenders party thereto that provides for a revolving asset-backed loan facility

(the “**Redcats ABL Facility**”). The Redcats ABL Facility provides for, among other things, revolving credit with a maximum aggregate commitment of \$60 million, including the issuance of letters of credit (each, an “**LOC**”). The Redcats ABL Facility is secured by, among other things, a first lien on certain current assets of Redcats and its subsidiaries, which collateral formerly included the Debtors’ accounts receivable, inventory, other payment intangibles and instruments, such that the Debtors were jointly and severally liable for amounts outstanding under the Redcats ABL Facility. In connection with the financing provided by Redcats under the Amended Cash Management Agreement, Redcats and Wells Fargo entered into an intercreditor agreement memorializing Wells Fargo’s and Redcats’ respective first and second lien interests in the Debtors’ assets.

As of the Petition Date, \$11.5 million was outstanding in LOCs issued for the benefit of the Debtors under the Redcats ABL Facility, which amounts were rolled into the Debtors’ \$40 million debtor in possession revolving credit facility with Wells Fargo (the “**DIP Facility**”) provided pursuant to the Super-Priority Senior Secured Debtor-in-Possession Credit Agreement (the “**DIP Credit Agreement**”). Following Bankruptcy Court approval of the DIP Facility, Wells Fargo released the Debtors from their obligations under the Redcats ABL Facility.

iii. **The Debtors’ Total Prepetition Indebtedness**

On the Petition Date, the Debtors had outstanding debt obligations in the aggregate amount of approximately \$96.2 million comprised of (a) the \$48.5 million Redcats Unsecured Claim, (b) the \$12,521,674 Redcats Secured Claim, (c) \$11.5 million in outstanding LOCs issued for the benefit of the Debtors under the Redcats ABL Facility, and (d) approximately \$23.1 million owed to trade vendors.

D. THE DEBTORS’ FIRST DAY MOTIONS

On the Petition Date, the Debtors filed certain motions requesting authority to continue certain obligations in the ordinary course of business on a postpetition basis and to pay certain prepetition obligations, including: (1) use of cash management system and prepetition bank accounts [Docket No. 4]; (2) employee wages and workers’ compensation obligations [Docket No. 5]; (3) critical vendor obligations relating to certain merchandise vendors, marketing services and promotional activities [Docket No. 6]; (4) obligations to lien claimants, consignment vendors and 503(b)(9) claimants [Docket No. 7]; (5) customer program obligations [Docket No. 8]; (6) credit card processing obligations [Docket No. 9]; and (7) tax obligations [Docket No. 10]. After the hearing held on February 2, 2012 (the “**First Day Hearing**”), the Bankruptcy Court granted the relief sought in these motions on either an interim or final basis. Following the hearing held on February 22, 2012, the Bankruptcy Court granted final relief with respect to the critical vendor and wages motions.

In addition to the operational relief described above, on the Petition Date, the Debtors filed a motion [Docket No. 27] to obtain approval of the DIP Facility to fund operational and other expenses during the Chapter 11 Cases until the closing of the sale of the Debtors’ assets. Following the First Day Hearing, on February 3, 2012, the Bankruptcy Court entered an interim order approving the DIP Facility and authorizing the Debtors to borrow up to \$25 million thereunder [Docket No. 42]. On February 23, 2012, the Bankruptcy Court entered a final order

approving the DIP Facility [Docket No. 243]. The Debtors satisfied all outstanding loan obligations under the DIP Facility on April 13, 2012, the closing date for the sale of the Debtors' assets to the Buyer (the "**Closing**").

Finally, on the Petition Date, the Debtors filed the *Debtors' Motion for Entry of (I) an Order (A) Approving Bidding Procedures and Bid Protections in Connection with the Sale of Substantially all of Debtors' Assets, (B) Approving the Form and Manner of Notice, (C) Scheduling an Auction and a Sale Hearing and (D) Approving Procedures for Determining Cure Amounts and (II) an Order Authorizing and Approving the Sale of Substantially all of Debtors' Assets* [Docket No. 35] (the "**Sale Motion**"), which requested approval of (a) bidding procedures for the sale of the Debtors' assets in a Court-supervised auction process, (b) the Buyer as the stalking horse bidder and bid protections in connection therewith and (c) the sale of the Debtors' assets to the Buyer or another successful bidder at an auction (the "**Sale**"). The Sale process is described in detail below.

E. SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS

In late 2011, the Debtors, after careful review and in consultation with their advisors, determined that a chapter 11 filing, combined with an expedited operational restructuring and an efficient sale of the Debtors' assets, was the best and most expedient way to maximize the value of the Debtors' assets for their Estates and all parties in interest. Before the Petition Date, the Debtors discussed a potential transaction with numerous parties (as discussed in detail below) before entering into the Asset Purchase Agreement (together with all exhibits, schedules, amendments and related agreements, the "**APA**") with the Buyer and Redcats.

i. The Debtors' Prepetition Marketing Efforts

As described in detail in the First Day Declaration and the Sale Motion, before the Petition Date, the Debtors and their advisors determined that a sale of substantially all of the Debtors' assets on a going concern basis would maximize value for their creditors and their estates and would preserve the value of their business. In October 2011, the Debtors retained Peter J. Solomon Company, L.P. ("**PJSC**") as their financial advisor to assist the Debtors' board of directors and management team in evaluating strategic alternatives regarding a sale of the Debtors' assets.¹²¹⁶

In October and November 2011, the Debtors and PJSC launched a targeted marketing and sale process for the Debtors' assets, canvassing the marketplace to identify suitable potential financial or strategic buyers to operate the Debtors' assets as a going concern. The Debtors and PJSC also solicited bids from entities specializing in store closing and liquidation sales. PJSC contacted or was contacted by approximately 20 potential buyers that PJSC identified as parties interested or likely to be interested in acquiring the Debtors' assets.

¹²¹⁶ Cathy Leonhardt, a partner and Managing Director of PJSC, submitted three declarations in support of the sale of the Debtors' assets [Ex. E to Docket No. 35, Docket No. 209 and Docket No. 478], which are incorporated by reference herein.

After further discussions, the Debtors entered into nondisclosure agreements with a number of potential buyers (both strategic and financial). Each of the potential buyers signing a nondisclosure agreement received access to an electronic data room with confidential due diligence information on the Debtors, including projections and a business plan. The Debtors responded to numerous information requests from potential buyers, certain of which conducted meetings with the Debtors' management. After subsequent discussions with the Debtors and PJSC, three potential buyers submitted written proposals for the Debtors' assets.

The Debtors worked with these three potential buyers to satisfy further diligence requests and clarify proposal terms. In late December, the Debtors focused their efforts on the only economically viable proposal, which was from Versa. In the weeks that followed, the Debtors, Versa and Redcats negotiated and documented the APA, bidding procedures, proposed form of the sale order and numerous ancillary documents. Negotiations among the parties were hard fought and complex. On the Petition Date, after extensive arm's-length and good-faith negotiations, the Debtors, the Buyer and Redcats executed the APA, whereby the Buyer would serve as the stalking horse bidder for the Debtors' assets, subject to higher or better offers through an auction process and the approval of the Court.

The APA provided for the following transactions to take place:

1. The Buyer would acquire substantially all of the Debtors' inventory, the Troy Distribution Facility and leases for at least 300 of the Debtors' 433 stores;
2. The Buyer would pay (a) amounts outstanding under the DIP Facility up to \$15 million (plus up to an additional \$1.85 million if certain letters of credit for workers' compensation were drawn), (b) wind-down costs for the Debtors' estates up to \$2 million, (c) \$500,000 to holders of unsecured claims on account of such claims,¹³¹⁷ (d) administrative and priority claims up to \$11.1 million, (e) Redcats Asia Ltd. for trade payables up to \$2.2 million and (f) accounts payable that are 503(b)(9) Claims up to \$4.7 million;
3. The Buyer would credit bid all or a portion of the Redcats Secured Claim;
4. The Buyer would pay all cure costs in connection with assumption of executory contracts and unexpired leases;
5. The Buyer would be obligated to replace or cash collateralize merchandise letters of credit;
6. Versa committed to capitalizing the Buyer with \$13 million at closing and guaranteed certain payment obligations of the Buyer under the APA up to \$35 million; and

¹³¹⁷ Pursuant to an amendment to the APA, this \$500,000 amount was increased to \$1,500,000, as described in detail in Article II.G below.

7. Redcats would pay the Buyer \$20 million in cash, prorated beginning at closing with respect to the number of leases assumed at closing (for example, if 200 leases were assumed at closing, Redcats would pay the Buyer \$13,333,333 at closing and continue to make incremental payments in connection with lease assumptions until 300 leases were assumed and the full \$20 million was paid to the Buyer).

ii. **Objections to the Bidding Procedures**

On February 22, 2012, the Bankruptcy Court held a hearing on approval of the bidding procedures. Seventeen landlords and Wells Fargo filed objections to the bidding procedures as filed with the Sale Motion. The landlords objected to, among other things, the sale objection and cure objection deadlines, the timing of cure payments and issues relating to adequate assurance that cure amounts would be paid in connection with the Sale. Wells Fargo objected to the priority granted to the break-up fee under the APA. To address the objecting parties' concerns, the Debtors amended the bidding procedures order to (a) incorporate (i) proposed dates for the overbid and Auction process and related Sale Hearing (as defined herein), which conformed to the milestones required by the DIP Credit Agreement and which were discussed during the First Day Hearing and (ii) further modifications to the assumption and assignment procedures and cure notice provisions to address concerns raised by landlords regarding having adequate time to object to the sale and their proposed cure amounts, and (b) grant superpriority status to the break-up fee in an amount equal to the break-up fee, provided that such superpriority claim would be junior and subordinate only to the superpriority claim granted to Wells Fargo under the DIP Facility, and paid only to the extent the DIP obligations were paid in full. These revisions to the bidding procedures order resolved the objections of the landlords and Wells Fargo.

In addition, on February 17, 2012, the Committee filed an objection to entry of the bidding procedures order [Docket No. 189]. Among other things, the Committee objected to the proposed expedited sale process, the amount of the break-up fee and the Buyer's ability to credit bid the Redcats Secured Claim as part of the consideration for the Sale. In objecting to the credit bid, the Committee requested that the bidding procedures be modified to allow parties in interest to challenge the validity of the credit bid post-sale closing, and to require that the Buyer provide cash to the Debtors' estates in the amount of the credit bid in the event that the Redcats Secured Claim was disallowed or recharacterized as equity. On February 21, 2012, the Debtors filed their *Response to the Committee's Objection to the Debtors' Proposed Bidding Procedures Order and Bidding Procedures* [Docket No. 208]. The Debtors argued that the swift sale of the Debtors' assets was necessary and in the best interest of the creditors, that the proposed break-up fee was fair and reasonable under the Bankruptcy Code and that the Buyer's right to credit bid the Redcats Secured Claim was proper.

At the February 22, 2012 hearing (the "***Second Day Hearing***"), the Bankruptcy Court overruled the Committee's objection to the break-up fee. The parties then agreed to revise the bidding procedures order to provide that the Buyer could credit bid the Redcats Secured Claim, except to the extent the claim was reduced or disallowed by order of the Bankruptcy Court in connection with a challenge brought by a party in interest. On February 23, 2012, the Bankruptcy Court entered the *Order (A) Approving Bidding Procedures and Bid Protections in Connection with the Sale of Substantially All of Debtors' Assets or the Liquidation of the Debtors' Merchandise (B) Approving the Stalking Horse Asset Purchase Agreement and Agency*

Agreement, (C) Approving the Form and Manner of Notice, (D) Scheduling an Auction and a Sale Hearing and (E) Approving Procedures for Determining Cure Amounts [Docket No. 264] (the “**Bidding Procedures Order**”).

F. THE DEBTORS’ POSTPETITION MARKETING PROCESS

Following entry of the Bidding Procedures Order, the Debtors and PJSC again marketed the Debtors’ assets to potential going-concern and liquidation bidders.

The Debtors and PJSC contacted 55 potential buyers (35 financial buyers, 18 strategic buyers and two liquidators) in addition to the 20 parties contacted before the Petition Date, to explore their interest in the Debtors’ assets. Nine of these parties had contacted the Debtors or PJSC in between the Petition Date and the entry of the Bidding Procedures Order. In addition, the Debtors and PJSC contacted 15 parties who were initially contacted before the Petition Date. In connection with this process, PJSC sent a confidentiality agreement to 11 additional parties, including seven financial buyers and four strategic buyers. The Debtors also sent notice of the sale to all parties required by the Bidding Procedures Order and published notice of the sale in the national edition of the *Wall Street Journal*.

To facilitate potential buyers’ due diligence efforts, the Debtors and PJSC established an electronic data room containing diligence materials about the Debtors’ business and operations, which materials were selected by PJSC and the Debtors’ management and contained significant information about all aspects of the Debtors’ operations and the proposed sale of the Debtors’ assets. 17 parties (including parties that had signed confidentiality agreements before the Petition Date) ultimately executed confidentiality agreements and were given access to the diligence materials, including an updated Confidential Information Memorandum (the “**CIM**”), which PJSC prepared in consultation with the Debtors’ management and which contained, among other things, a business overview of the Debtors, a profile of the Debtors’ recent history and current situation and a summary of the Debtors’ financial performance, explanation of such performance and a five-year financial plan with key assumptions.

The auction process set forth in the Bidding Procedures Order afforded a full and fair opportunity for any interested bidder to make a higher or otherwise better offer for the Debtors’ assets than that of the Buyer. During the marketing process, PJSC responded to several parties’ questions and additional diligence requests. Additionally, PJSC held numerous calls with professionals representing the Creditors’ Committee to keep them fully apprised of its efforts in the sale process. PJSC also held frequent calls with the Debtors’ management and independent board members with respect to the same.

The Debtors received no qualified bids other than that of the Buyer before the qualified bid deadline of March 20, 2012 at 5:00 p.m. (ET). Therefore, on March 21, 2012, the Debtors filed the *Notice of Cancellation of Auction and Selection of Successful Bidder* [Docket No. 428], where the Buyer was deemed the successful bidder, and notice was provided that no auction would be held.

G. COMMITTEE ADVERSARY PROCEEDING

The Bidding Procedures Order authorized, among other things, the Buyer to credit bid the Redcats Secured Claim at the Auction. On March 12, 2012, the Committee commenced an

adversary proceeding [Adv. Proc. No. 12-01165] (the “**Adversary Proceeding**”) pursuant to which it filed a complaint against the Buyer, seeking declaratory and injunctive relief to prohibit the Buyer from credit bidding all or any portion of the Redcats Secured Claim [Adv. Proc. Docket No. 1]. On March 15, 2012, the Debtors filed their *Response to the Motion of the Official Committee of Unsecured Creditors for a Preliminary Injunction Against the Credit Bid of Ornatus URG Acquisition, LLC and Declaratory Relief* [Adv. Proc. Docket No. 9]. In advance of an expedited hearing on March 15, 2012 on the Committee’s request for a preliminary injunction, the Debtors, the Buyer, Redcats and the Committee reached a settlement of the adversary proceeding, which was memorialized in the Committee Stipulation [Adv. Proc. Docket No. 15].

Pursuant to the Committee Stipulation, the Debtors, the Committee, the Buyer and Redcats agreed (i) that the Redcats Secured Claim was an Allowed Secured Claim in the amount of \$12,521,674 and (ii) to amend the APA to (a) increase the amount of cash reserved for general unsecured creditors under the Debtors’ chapter 11 plan from \$500,000 to a minimum of \$1.5 million,⁴¹⁸ (b) waive the Buyer’s right to assert or receive any recovery on account of the Redcats Secured Claim and the Redcats Unsecured Claim in the event that the Buyer was the successful bidder and the Closing occurred and (c) expand the scope of the avoidance actions that were to be acquired and not pursued by the Buyer to include all avoidance actions and other causes of action that could be asserted by the Debtors’ estates against the Debtors’ landlords, vendors and other counterparties to assumed contracts and open purchase orders. The terms of the Committee Stipulation were announced at the March 15, 2012 hearing and were approved by the Bankruptcy Court on March 20, 2012.

H. OBJECTIONS TO SALE AND CURE AMOUNTS

On March 1, 2012, the Debtors filed and served the *Notice to Counterparties to Potentially Assumed Executory Contracts and Unexpired Leases* [Docket No. 301] (the “**Cure Notice**”), which listed the proposed cure amount for each contract and lease based upon the Debtors’ books and records. The Bidding Procedures Order provided that counterparties could object to the cure amounts scheduled in the Cure Notice and to the Sale generally on or before April 16, 2012.

As of April 16, 2012 objection deadline, the Debtors received 50 formal objections from landlords and contract counterparties asserting, among other things, that (a) the scheduled cure amounts were incorrect or did not account for accrued but unpaid or unbilled charges, (b) the Debtors had not provided adequate assurance with respect to the Buyer and/or (c) the Debtors had not provided store-closing guidelines and lease rejection procedures in connection with going-out-of-business sales for non-continuing stores.

On March 22, 2012, the Debtors filed an omnibus reply in support of the Sale Motion [Docket No. 442] (the “**Omnibus Reply**”), attached to which was a revised sale order that resolved most of the objecting parties’ various concerns. Specifically, the sale order was modified to

⁴¹⁸ In connection with the Committee Stipulation, the APA was amended to provide that holders of allowed general unsecured claims would receive the greater of (a) \$1.5 million and (b) 20% of the amount by which the aggregate of (i) amounts outstanding under the DIP Facility and (ii) administrative and priority claims, in each case as of the Closing, were less than \$27 million. The Debtors have estimated that \$1.5 million is the greater of these two amounts.

account for unliquidated reconciliations not already included in the noticed cure amounts, and to include lease rejection procedures as well as procedures for entering into side letters modifying the store closing sale guidelines. In the Omnibus Reply, the Debtors also proposed to schedule a separate status hearing to resolve disputed cure amounts to the extent such disputes could not be resolved consensually by the time of the sale hearing. On April 2, 2012, the Debtors filed a further revised form of the sale order [Docket No. 487], which reflected additional changes to the sale order reflecting comments from parties in interest.

I. SALE HEARING, SALE ORDER AND CLOSING

On April 3, 2012, the Bankruptcy Court held a hearing to approve the Sale. The Debtors resolved substantially all objections before the hearing, and no party raised an objection to the Sale at the hearing. Accordingly, the Bankruptcy Court approved the Sale, and on April 4, 2012, the Bankruptcy Court entered the *Order Authorizing (A) the Sale of Substantially All of the Debtors' Assets Free and Clear of All Claims, Liens, Rights, Interests and Encumbrances; (B) the Debtors to Enter Into and Perform Their Obligations Under the Asset Purchase Agreement; and (C) the Debtors to Assume and Assign Certain Executory Contracts and Unexpired Leases* [Docket No. 496] (the "**Sale Order**"). The Closing occurred on Friday, April 13, 2012.

III. SUMMARY OF THE PLAN

A. PURPOSE OF THE PLAN

The Plan provides for the distribution of the consideration provided under the APA and otherwise being contributed by Redcats to the holders of Allowed Claims.

Holders of Allowed Administrative Claims, Professional Fee Claims, Priority Tax Claims and Other Priority Claims will be paid in full in Cash (unless holders of such Claims agree to a different recovery).

Holders of Allowed Secured Claims will, at the option of the Debtors or the Plan Administrator, as applicable, be paid in full in Cash or receive the collateral securing any such Allowed Secured Claim or receive other treatment rendering such Claim Unimpaired in accordance with section 1124 of the Bankruptcy Code (unless holders of such Claims agree to a different recovery).

Holders of Allowed General Unsecured Claims will receive their pro rata share of Net Available Funds, which includes the \$2.75 million in Unsecured Claims Funds plus any additional Cash Assets that are made available to the Debtors' estates, less any Cash needed to fund Reserves for higher priority claims.¹⁵¹⁹

¹⁵¹⁹ The Plan provides that no payment shall be made on account of Allowed General Unsecured Claims until cash sufficient to pay all estimated Allowed and Disputed Administrative Claims, Professional Fee Claims, Other Priority Claims and Priority Tax Claims, Post-Effective Date Costs and Disputed General Unsecured Claims in accordance with the Plan has been deposited into the applicable Reserve or the Disputed Unsecured Claims Reserve, as applicable, as the Debtors or the Plan Administrator deem necessary.

Interests in United Retail Group, Inc., Intercompany Claims and Intercompany Interests will be canceled and will receive no distribution under the Plan.

The Debtors believe that the Plan maximizes recoveries for holders of Allowed Claims and strongly recommend that holders of Class 3 General Unsecured Claims (the only Class entitled to vote) vote to accept the Plan. The Debtors believe that any alternative to Confirmation of the Plan, such as a conversion of the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code or attempts by another party in interest to file a plan, would result in significant delay, litigation, additional costs and ultimately would reduce the recoveries available under the Plan.

B. CLASSIFICATION OF CLAIMS AND INTERESTS UNDER THE PLAN

All Claims and Interests, except the unclassified Claims, are placed in the Classes set forth in Article III of the Plan. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Professional Fee Claims and Priority Tax Claims have not been classified. A Claim shall be classified in a particular Class only to the extent that the Claim meets the description of Claims in that Class and shall be classified in other Classes to the extent that the Claim meets the description of such other Classes. A Claim or Interest is also classified in a particular Class for the purposes of voting on the Plan and receiving distributions pursuant to the Plan only to the extent that such Claim or Interest has not been paid, released, withdrawn or otherwise settled before the Effective Date.

C. SUMMARY OF CLASSIFICATION AND TREATMENT OF CLASSIFIED CLAIMS AND INTERESTS

| Class | Claims | Status | Voting Rights | Expected Recoveries |
|--------------|--|---------------|----------------------|----------------------------|
| 1 | Other Priority Claims | Unimpaired | Deemed to Accept | 100% |
| 2 | Secured Claims | Unimpaired | Deemed to Accept | 100% |
| 3 | General Unsecured Claims | Impaired | Entitled to Vote | 9.2-11% |
| 4 | Interests in United Retail Group, Inc. | Impaired | Deemed to Reject | 0% |

D. MEANS FOR IMPLEMENTATION OF THE PLAN

i. Effective Date

The Plan shall become effective on the first Business Day upon which all of the conditions specified in Article VI.D of the Plan have been satisfied or waived. Upon occurrence of the Effective Date, the Debtors will file with the Bankruptcy Court and post on the website of the Notice and Claims Agent a notice of confirmation and occurrence of the Effective Date. You will not receive further notice of the occurrence of the Effective Date and should monitor the Notice and Claims Agent's website—available at <http://www.donlinrecano.com/unitedretail>—for such notice.

ii. **Means of Implementation and Execution of the Plan**

Article VI of the Plan sets forth the means by which the Plan shall be implemented and executed, including the funding of the Reserves, the duties and powers of the Plan Administrator and the dissolution of the Debtors following the Effective Date.

Pursuant to section 2.5(a) of the APA and the definition of “Assumed Liabilities” set forth therein, the Buyer is the primary source of the Cash consideration for distributions under the Plan. As described above, the Buyer has agreed to pay in Cash:

- up to \$27 million in the aggregate for (1) amounts outstanding under the DIP Facility as of the Closing and (2) Administrative Claims (not including 503(b)(9) Claims, which are accounted for separately under the APA) and Priority Claims as of the Closing that ultimately are Allowed;
- up to \$4.7 million for Allowed 503(b)(9) Claims;
- a minimum of \$1.5 million for the benefit of holders of Allowed General Unsecured Claims on account of such Claims; and
- up to \$2 million for costs associated with winding down the Debtors’ estates.

Pursuant to Article VI.C.2 of the Plan, before the Effective Date, the Debtors and Buyer will agree on an estimate of the maximum aggregate amount of Allowed Secured Claims, Administrative Claims, Professional Fee Claims, Priority Tax Claims, Other Priority Claims and Post-Effective Date Costs (collectively, the “*Reserves Estimate*”). On the Effective Date, Buyer shall fund into the Reserves ~~with Cash~~ cash in an amount determined in its sole discretion that is no less than the lesser of (a) 90% of the Buyer’s then remaining obligations under the APA that relate to any of the Reserves categories and (b) ~~\$[TBD]~~ an amount to be agreed between the Buyer and the Debtors before the Effective Date (the “*Buyer Reserve Contribution*”). Pursuant to Article VI.D of the Plan, it shall be a condition to the occurrence of the Effective Date that sufficient cash to fund the Reserves in an amount no less than the Reserves Estimate shall be available, including any Buyer Reserve Contribution that the Buyer has notified the Debtors that it intends to fund, subject to the effectiveness of the Plan.

On or as soon as practicable after the Effective Date, the Plan Administrator will make distributions from the Reserves to holders of Allowed Secured Claims, Administrative Claims, Professional Fee Claims, Priority Tax Claims and Other Priority Claims. Pursuant to Article V.L of the Plan, once the Plan Administrator has made all applicable distributions from the Reserves, any Cash remaining in the Reserves will be returned to the Buyer, together with any interest accrued thereon, unless any cash has been sourced other than from the Buyer, in which case it will be allocated pro rata in accordance with the relative contributions.

On the Effective Date, Cooley LLP will transfer the Buyer’s \$1.5 million contribution to the Unsecured Claims Funds to the Post-Effective Date Debtor, and Redcats will transfer the \$1.25 million Redcats Unsecured Claims Contribution to the Post-Effective Date Debtor. The Plan Administrator will make Pro Rata distributions of Net Available Funds to holders of Allowed

General Unsecured Claims on the later of (a) the Initial Distribution Date and (b) as soon as practicable after such Claim becomes an Allowed General Unsecured Claim. After the Initial Distribution Date, if any Cash is available from, among other things, the release of funds from the Disputed Unsecured Claims Reserve or unclaimed, undeliverable or time-barred distributions to holders of Allowed Claims pursuant to Article V.C of the Plan, and in any event, becomes Net Available Funds, each holder of an Allowed General Unsecured Claim will be paid its pro rata share of Cash (not to exceed the amount of the Allowed General Unsecured Claim) through distributions on distribution dates to be determined by the Plan Administrator, in consultation with the Plan Oversight Representative.

iii. **Plan Administrator**

Pursuant to Article VI.K of the Plan, on the Effective Date, a Plan Administrator shall be appointed to resolve claims, make distributions and wind down the Debtors' estates. The Plan Administrator shall be AP Services, LLC, which shall continue to perform its duties after the Effective Date consistent with the terms of employment set forth in Exhibit C to the *Debtors' Motion for Entry of an Order Authorizing the Debtors to (A) Retain AP Services, LLC to Provide the Debtors with a Wind-Down Administrator and (B) Employ Ms. Deborah Rieger-Paganis as Wind-Down Administrator* [Docket No. 551], which was approved by the Bankruptcy Court on May 17, 2012 [Docket No. 575].

As an officer of the Debtors, Ms. Rieger-Paganis is covered by the Debtors' director and officer insurance, which is provided by ACE Europe through the Debtors' ultimate parent, PPR SA. The insurance provides coverage for certain wrongful acts committed by the Debtors' directors and officers in their capacity as such, including actual, alleged or attempted breach of duty, breach of trust, breach of warranty of authority, neglect, error, omission, misstatement or misleading statement committed or attempted, or allegedly committed or attempted. Accordingly, the Debtors do not intend to purchase a bond to insure the performance of the Plan Administrator.

iv. **Dissolution of the Committee and Appointment of Plan Oversight Representative**

Pursuant to Article VI.N of the Plan, on the Effective Date, the Committee shall be dissolved and the members thereof shall be released and discharged of and from all further authority, duties, responsibilities and obligations to and arising from and in connection with the Chapter 11 Cases; *provided, however*, that after entry of the Confirmation Order, the Committee's functions shall be restricted to, and the Committee shall not be heard on any issue except (i) applications filed by Retained Professionals, (ii) motions or litigation seeking enforcement of provisions of the Plan and the transactions contemplated hereunder or in the Confirmation Order and (iii) any pending appeals or related proceedings.

On or before the Effective Date, the Committee shall appoint a Plan Oversight Representative to monitor the claims process and distributions contemplated by the Plan. The Plan Oversight Representative shall have consultation and notice rights but shall not have the right to direct the Post Effective Date Debtor or prevent the Post Effective Date Debtor from taking any action with respect to the Plan, including the claims reconciliation process.

v. **Cancellation of Securities and Agreements**

Pursuant to Article IX.G of the Plan, on the Effective Date, except as otherwise specifically provided for in the Plan, any and all notes, securities and other instruments evidencing any Claim or Interest shall be deemed canceled without further act or action under any applicable agreement, law, regulation, order or rule.

vi. **Substantive Consolidation**

Pursuant to Article VI.A of the Plan, the Plan shall serve as a motion by the Debtors seeking entry of an order substantively consolidating all of the Estates into a single consolidated Estate for all purposes associated with Confirmation, Consummation and distributions. On and after the Effective Date, (a) all Assets and liabilities of the Debtors shall be merged so that all of the Assets of the Debtors shall be available to pay all of the liabilities under the Plan, (b) no distributions shall be made under the Plan on account of Intercompany Claims, (c) all guarantees by the Debtors of the obligations of any other Debtor shall be eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of the Debtors shall be one obligation of United Retail Group, Inc. and (d) each and every Claim filed or to be filed in the case of any of the Debtors other than United Retail Group, Inc. shall be deemed filed against United Retail Group, Inc. If the Bankruptcy Court does not order substantive consolidation of the Debtors, nothing in the Plan or Disclosure Statement shall be deemed an admission that one of the Debtors is subject to or liable for any Claim against any other Debtor.

vii. **Administrative Claims Bar Date**

Article II.A of the Plan provides that, unless previously filed, requests for payment of Administrative Claims that have not been paid in the ordinary course of business must be filed and served on the Debtors and their counsel before the Administrative Claims Bar Date, which shall be the date that is 45 days after the Effective Date. Holders of Administrative Claims that do not file and serve such a request by the Administrative Claims Bar Date shall be forever barred, estopped and enjoined from asserting such Administrative Claims against the Debtors, their Estates or the Buyer, and such Administrative Claims shall be deemed discharged as of the Effective Date. Objections to such requests must be filed by the Debtors and served on the requesting party by the later of (a) 60 days after the Effective Date and (b) 60 days after the filing of the applicable request for payment of such Administrative Claims.

Generally speaking, subject to certain exclusions set forth in the APA, the Buyer is responsible for all post-Closing expenses related to operating the Debtors' former businesses, including expenses associated with going-out-of-business sales for non-continuing stores. Such amounts will be paid in the ordinary course of business.

viii. **Executory Contracts and Unexpired Leases**

Article VII.A of the Plan specifies that all Executory Contracts and Unexpired Leases of the Debtors not previously assumed, rejected or terminated pursuant to section 2.6 of the APA and the Sale Order, or by order of the Court entered before the Effective Date, or which are not subject

of a pending application to assume on the Effective Date, shall be deemed rejected on August 29, 2012.

Unless otherwise provided by an order of the Bankruptcy Court, all Proofs of Claim arising from the rejection of any of the Debtors' Executory Contracts or Unexpired Leases must be filed by holders of such Claims with the Notice and Claims Agent within 30 days after service of notice of the order of the Bankruptcy Court (including the Confirmation Order) approving any such rejection; *provided, however*, that the rejection claim bar date for Executory Contracts and Unexpired Leases rejected before the Confirmation Date shall be the applicable Bar Date or the date set forth in the order rejecting such lease or contract. Any holder of a Claim arising from the rejection of an Executory Contract or Unexpired Lease that does not timely file such Proof of Claim will be forever barred, estopped and enjoined from asserting such Claim against the Debtors, their Estates and property or the Buyer, unless otherwise ordered by the Bankruptcy Court and may not participate in any distribution in the Chapter 11 Cases on account of such Claim, and such Claim will be deemed fully satisfied, released and discharged, notwithstanding anything in the Schedules or a Proof of Claim to the contrary. All such Claims shall, as of the Effective Date, be subject to the permanent injunction set forth in Article IX.E of the Plan.

E. PROVISIONS GOVERNING DISTRIBUTIONS

i. Powers of and Distributions by the Plan Administrator

Pursuant to Article V of the Plan, the Plan Administrator shall make the distributions provided for under the Plan. Pursuant to Article VI.K and VI.L of the Plan, the Plan Administrator shall be empowered to, among other things: (a) effect all actions and execute all agreements, instruments and other documents necessary to perform their its under the Plan; (b) make all distributions contemplated under the Plan (with the consent of the Buyer with respect to distributions made from the Reserves); (c) establish and maintain the Reserves; (d) employ one or more agents or personnel to assist with such distributions without further order from the Bankruptcy Court; and (e) take such other actions as may be deemed by the Plan Administrator to be necessary and proper to implement the provisions of the Plan, including objecting to and settling claims and Causes of Action.

ii. Minimum Distributions

Pursuant to Article V.E of the Plan, the Plan Administrator shall not be required to make distributions or payments of less than \$25.00.

iii. Additional Provisions Governing Distributions

Article V.A of the Plan provides that:

- with respect to Allowed Administrative Claims, U.S. Trustee Fees, Allowed Professional Fee Claims, Allowed Priority Tax Claims, Allowed Other Priority Claims and Allowed Secured Claims, the Plan Administrator shall make distributions to the holders of such Claims in accordance with Article III of the Plan;

- with respect to Allowed General Unsecured Claims, the Plan Administrator shall make distributions, subject to the provisions for Disputed General Unsecured Claims set forth in Article VIII.A of the Plan, on the Initial Distribution Date and any subsequent distribution dates to the extent Net Available Funds exist subsequent to the Initial Distribution Date, until Net Available Funds have been disbursed in full; and
- in respect of the Final Distribution Date, the Plan Administrator is not obligated to make such a distribution if it is determined that there are insufficient Net Available Funds to make a cost-efficient distribution, taking into account the size of the distribution to be made and the number of recipients of such distribution, in which event, such funds, in the Plan Administrator's discretion, will be donated to a reputable charitable organization chosen by the Plan Administrator.

Article V of the Plan also contains provisions governing: (a) distributions on account of Claims Allowed after the Effective Date; (b) delivery of distributions and undeliverable or unclaimed distributions; (c) compliance with tax requirements and allocations; (d) Claims paid or payable by third persons; and (e) allocation between principal and accrued interest.

F. PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED AND DISPUTED CLAIMS

i. Distribution Process

Article VIII of the Plan specifies that the Plan Administrator: (a) will make no distributions on account of any Disputed Claim until such Claim becomes Allowed (but the Plan Administrator may make distributions on account of the undisputed portion of a Disputed Claim); (b) may, in its reasonable business judgment, object to any Claims and prosecute, settle, compromise, withdraw or resolve such objections; (c) may settle or compromise any Claim without further notice to or action, order, or approval of the Bankruptcy Court; and (d) may request that the Bankruptcy Court estimate any Disputed Claim pursuant to applicable law. Pursuant to Article VIII.B of the Plan, any Claim that has been paid, satisfied or superseded may be expunged from the Claims Register by the Notice and Claims Agent, and any Claim that has been amended may be adjusted on the Claims Register by the Notice and Claims Agent.

ii. Claims Objection Deadline

Any objections to Claims shall be filed no later than the Claims Objection Deadline, which shall be 120 days after the Effective Date and which may be extended for one 90 day period by the Plan Administrator by filing a notice thereof with the Bankruptcy Court, or such other period of limitation as may be specifically fixed by an order of the Bankruptcy Court or the relevant parties for objecting to such Claims.

iii. Disallowance of Claims

Except as otherwise agreed by the Plan Administrator, any and all Proofs of Claim filed after the applicable Claims Bar Date shall be deemed disallowed and expunged as of the Effective Date without any further notice to or action, order or approval of the Bankruptcy Court, and

holders of such Claims may not receive any distributions on account of such Claims, unless such late Proof of Claim is deemed timely filed by a Final Order of the Bankruptcy Court.

iv. **Amendments to Claims**

On or after the Effective Date, except as otherwise provided in the Plan, a Claim may not be filed or amended without the prior authorization of the Bankruptcy Court and the Plan Administrator, and any such new or amended Claim filed shall be deemed disallowed and expunged without any further notice to or action, order or approval of the Bankruptcy Court.

G. **SETTLEMENT, ~~DISCHARGE~~, RELEASE, INJUNCTION AND RELATED PROVISIONS**

ARTICLE IX OF THE PLAN GOVERNS: (I) THE COMPROMISE AND SETTLEMENT OF CLAIMS, INTERESTS AND CONTROVERSIES; (II)—~~THE DISCHARGE OF THE DEBTORS AS OF THE EFFECTIVE DATE;~~ (III) THE RELEASE AND LIMITATION OF LIABILITY OF THE DEBTORS AND CERTAIN THIRD PARTIES, INCLUDING REDCATS; (IV~~III~~) RELEASES BY HOLDERS OF CLAIMS AND INTERESTS WHO VOTE TO ACCEPT THE PLAN; AND (V~~IV~~) THE EXCULPATION OF CERTAIN PARTIES. ARTICLE IX.E ALSO PROVIDES FOR A PERMANENT INJUNCTION REGARDING THESE PROVISIONS. PLEASE REVIEW ARTICLE IX AND THE PROVISIONS THEREIN CAREFULLY.

Specifically, Article IX of the Plan contains (i) releases by the Debtors of all Claims against the Released Parties and (ii) releases by the Committee, its members and each holder of a Claim that affirmatively votes to accept the Plan (collectively, the “*Releasing Parties*”) of all Claims against the Released Parties. The Released Parties are (i) each of the Debtors, (ii) the Post-Effective Date Debtor, (iii) Redcats, (iv) the Committee and (v) with respect to each of (i) through (iv), such Entity’s directors, officers, direct and indirect shareholders, partners, members, employees, agents, affiliates, parents, subsidiaries, predecessors, successors, heirs, executors and assignees, attorneys, financial advisors, investment bankers, accountants and other professionals or representatives when acting in any such capacities.

The releases of the Released Parties by the Debtors and the Releasing Parties set forth in Article IX of the Plan are important to the success of the Debtors’ Plan, which embodies the settlement and resolution of complex issues and claims and reflects significant contributions, compromises and concessions made by the Released Parties in connection with these Chapter 11 Cases, the Sale and the development of the Plan. The proposed releases are reasonable and appropriate under the circumstances and fall well within the range of reasonableness, as they are supported by ample consideration, including (i) the discharge of debt and other good and valuable consideration to be paid pursuant the Plan and (ii) the services of the Released Parties in facilitating the expeditious implementation of the Sale and the liquidation contemplated by the Plan, including (A) Redcats’ contribution of \$20 million to the Buyer to facilitate the Sale and (B) Redcats’ further contribution of \$1.25 million to the Unsecured Claims Funds and waiver of the Waived Redcats Unsecured Claims, which will significantly enhance recoveries to holders of Allowed General Unsecured Claims. With respect to releases provided by holders of Claims, the Plan contemplates only consensual third party releases.

H. CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN

Article VI.D of the Plan sets forth the conditions that must occur before Confirmation of the Plan and the occurrence of the Effective Date. Article VI.E of the Plan describes the ability to waive such conditions. Article XII.D of the Plan provides that if the Effective Date does not occur, the Plan shall be null and void in all respects and nothing contained in the Plan or this Disclosure Statement shall: (1) constitute a waiver or release of any claims by or Claims against or Interests in the Debtors; (2) prejudice in any manner the rights of the Debtors, any holders or any other Entity; or (3) constitute an admission, acknowledgment, offer or undertaking by the Debtors, any holders, or any other Entity in any respect.

I. MODIFICATION, REVOCATION OR WITHDRAWAL OF THE PLAN

Article XII.C of the Plan provides that amendments or modifications of the Plan may be proposed in writing by the Debtors at any time before the Confirmation, provided that the Plan, as altered, amended or modified, satisfies the conditions of sections 1122 and 1123 of the Bankruptcy Code, and the Debtors shall have complied with section 1125 of the Bankruptcy Code. The Debtors also reserve the right to make such modifications at or before any hearings on Confirmation as are necessary to permit the Plan to be confirmed under section 1129 of the Bankruptcy Code.

A holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such holder.

Before the Effective Date, the Debtors may make appropriate technical adjustments and modifications to the Plan without further order or approval of the Bankruptcy Court, provided that such technical adjustments and modifications do not adversely affect in a material way the treatment of holders of Claims.

Article XII.D of the Plan further provides that the Debtors reserve the right to revoke or withdraw the Plan before entry of the Confirmation Order and to file subsequent chapter 11 plans.

J. RETENTION OF JURISDICTION

Article X of the Plan specifies that, notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court shall retain jurisdiction over the Chapter 11 Cases and all matters arising out of or related to the Chapter 11 Cases and the Plan.

IV. FEASIBILITY

The Bankruptcy Code requires that to confirm a chapter 11 plan, the Bankruptcy Court must find that confirmation of such plan is not likely to be followed by the liquidation or the need for further financial reorganization of the debtor(s) unless contemplated by the plan. The Plan provides for the liquidation and distribution of the Debtors' assets. Accordingly, the Debtors

believe that all Plan obligations will be satisfied without the need for further reorganization of the Debtors.

V. BEST INTERESTS OF CREDITORS AND PLAN ALTERNATIVES

A. CHAPTER 7 LIQUIDATION

Notwithstanding acceptance of the Plan by a voting Impaired Class, to confirm the Plan, the Bankruptcy Court must still independently determine that the Plan is in the best interests of each holder of a Claim or Interest in any such Impaired Class that has not voted to accept the Plan, meaning that the Plan provides each such holder with a recovery that has a value at least equal to the value of the recovery that each such holder would receive if the debtor was liquidated under chapter 7 of the Bankruptcy Code on the Effective Date. Accordingly, if an Impaired Class does not vote unanimously to accept the Plan, the best interests test requires the Bankruptcy Court to find that the Plan provides to each member of such Impaired Class a recovery on account of the Class member's Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the recovery that each such Class member would receive if the Debtors were liquidated under chapter 7.

The Debtors believe that the Plan satisfies the best interests test because, among other things, the recoveries expected to be available to holders of Allowed Claims under the Plan will be greater than the recoveries expected to be available in a chapter 7 liquidation.

In a typical chapter 7 case, a trustee is elected or appointed to liquidate a debtor's assets and to make distributions to creditors in accordance with the priorities established in the Bankruptcy Code. Generally, secured creditors are paid first from the proceeds of sales of their collateral. If any assets remain in the bankruptcy estate after satisfaction of secured creditors' claims from their collateral, administrative expenses are next to be paid. Unsecured creditors are paid from any remaining sale proceeds, according to their respective priorities. Unsecured creditors with the same priority share in proportion to the amount of their allowed claims in relationship to the total amount of allowed claims held by all unsecured creditors with the same priority. Finally, interest holders receive the balance that remains, if any, after all creditors are paid.

Substantially all of the Debtors' assets have already been liquidated through the Sale consummated by the Debtors pursuant to the Sale Order. Although the Plan effects a liquidation of the Debtors' remaining assets and a chapter 7 liquidation would achieve the same goal, the Debtors believe that the Plan provides a greater recovery to holders of Allowed General Unsecured Claims than would a chapter 7 liquidation. Liquidating the Debtors' Estates under the Plan likely provides holders of Allowed General Unsecured Claims with a more timely, larger recovery because of the fees and expenses which would be incurred in a chapter 7 liquidation, including the potential added time and expense incurred by the trustee and any retained professionals in familiarizing themselves with the Chapter 11 Cases.

Accordingly, the Debtors believe that the Plan is in the best interests of creditors.

B. ALTERNATIVE PLAN(S)

The Debtors do not believe that there are any alternative plans for the reorganization of liquidation of the Debtors' Estates. The Debtors believe that the Plan, as described herein, enables holders of Claims and Interests to realize the greatest possible value under the circumstances and that, compared to any alternative plan, the Plan has the greatest chance to be confirmed and consummated.

VI. RISK FACTORS

THE IMPLEMENTATION OF THE PLAN IS SUBJECT TO A NUMBER OF RISKS, INCLUDING THOSE ENUMERATED BELOW. BEFORE VOTING TO ACCEPT OR REJECT THE PLAN, ALL HOLDERS OF CLAIMS THAT ARE IMPAIRED AND ENTITLED TO VOTE ON THE PLAN SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH HEREIN, AS WELL AS ALL OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT AND OTHER DOCUMENTS DELIVERED TOGETHER HERewith AND/OR INCORPORATED BY REFERENCE HEREIN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION, OR ALTERNATIVES TO THE PLAN.

A. CERTAIN BANKRUPTCY CONSIDERATIONS

The occurrence or non-occurrence of any or all of the following contingencies, and any others, could affect distributions under the Plan but will not necessarily affect the validity of the vote of the Impaired Classes to accept or reject the Plan or necessarily require a re-solicitation of votes of holders of Claims in such Impaired Classes.

i. Failure to Satisfy Vote Requirements

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors intend to seek, as promptly as practicable thereafter, Confirmation of the Plan. In the event that sufficient votes are not received, the Debtors may seek to pursue another strategy to wind-down the Estates, such as an alternative chapter 11 plan, a dismissal of the Chapter 11 Cases and out-of-court dissolution, an assignment for the benefit of creditors, a conversion to a chapter 7 plan or other strategies. There can be no assurance that the terms of any such alternative strategies would be similar or as favorable as those proposed in the Plan.

ii. Parties in Interest May Object to the Debtors' Classification of Claims and Interests

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class. The Debtors believe that the classification scheme under the Plan complies

with the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

iii. **The Debtors May Not Be Able to Secure Confirmation of the Plan, or Confirmation May Be Delayed**

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that that Bankruptcy Court will confirm the Plan. A non-accepting holder of an Allowed Claim might challenge either the adequacy of this Disclosure Statement or whether the balloting procedures and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that this Disclosure Statement, the balloting procedures and the voting results are appropriate, the Bankruptcy Court can still decline to confirm the Plan if it finds that any of the statutory requirements for Confirmation have not been met, including the requirement that the terms of the Plan do not “unfairly discriminate” and are “fair and equitable” to non-accepting Classes.

Confirmation of the Plan is also subject to certain conditions as described in Article VI.D of the Plan. If the Plan is not confirmed, it is unclear what distributions, if any, holders of Allowed Claims will receive with respect to their Allowed Claims.

iv. **The Reserves May Not Be Fully Funded**

As described in Article III.D(ii) of this Disclosure Statement, the funding of the Reserves on or before the Effective Date is subject to the caps set forth in section 2.5(a) of the APA and the definition of “Assumed Liabilities” set forth therein. The Buyer is not obligated to fund the Reserves in excess of such caps. Moreover, the Buyer is only required to fund the Reserves on the Effective Date in an amount no less than the lesser of (i) 90% of the Buyer’s then remaining obligations under the APA that relate to any of the Reserves categories and (ii) ~~\$(TBD)~~ an amount to be agreed between the Buyer and the Debtors before the Effective Date. Finally, the Buyer has no obligation to fund any amounts in excess of amounts required to be paid by the Buyer pursuant to the APA. Accordingly, there can be no assurance that the Reserves will be funded in an amount sufficient to make distributions to all holders of Allowed Claims to be paid from such Reserves.

v. **Nonconsensual Confirmation—Cramdown**

In the event that any impaired class of claims or interests does not accept (by voting to reject or being deemed to reject) a chapter 11 plan, a bankruptcy court may nevertheless confirm a plan at the proponents’ request if at least one impaired class has accepted the plan (without including the votes of insiders), and, as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan “does not discriminate unfairly” and is “fair and equitable” with respect to the dissenting impaired classes. Although the Debtors believe that the Plan will meet such tests, the Debtors cannot be certain that the Bankruptcy Court would reach the same conclusion.

vi. **Parties May Object to the Amount or Classification of a Claim**

Except as otherwise provided in the Plan, parties reserve the right to object to the amount or classification of any Claim under the Plan. The estimates contained in the Plan and this Disclosure Statement cannot be relied on by any holder of a Claim where such Claim is subject to an objection or is not yet Allowed. Any holder of a Claim that is subject to an objection may not receive its expected share of the estimated distributions described in the Plan and this Disclosure Statement unless and until the objection is resolved and the Claim is Allowed.

vii. **Risk of Non-Occurrence of the Effective Date**

Although the Debtors believe that the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing or as to whether the Effective Date will, in fact, occur.

viii. **Risks Affecting Potential Recoveries of Holders of Claims in the Voting Class**

~~The~~

Although the Debtors have estimated a 9.2-11% recovery for holders of Allowed Class 3 Claims, the Debtors cannot state with ~~any degree of~~ certainty what recovery will ultimately be available to holders of Claims in Class 3. ~~While the~~ Although the Plan contemplates that \$2.75 million of Unsecured Claims Funds ~~have been set aside for the benefit of~~ will be distributed to holders of Allowed Class 3 General Unsecured Claims (subject to increase), the Debtors cannot ~~know with any certainty~~ unequivocally state, at this time, the ~~size~~ aggregate amount ~~of the~~ Claims in Class 3 that will ultimately be Allowed or whether certain funds currently designated for distribution to Class 3 will need to be allocated to shortfalls in the Reserves for Claims with higher priority and first right to payment under the Bankruptcy Code.

As described in Article I.B.ii above, the Debtors are operating under a limited \$2 million wind-down budget pursuant to the terms of the APA, which amount represents the total funds available to cover all post-Closing Allowed Professional Fee Claims and post-Closing Allowed Administrative Claims not otherwise allocable to the Buyer under the APA, including expenses associated with winding down the Debtors' estates both before and after the Effective Date. To the extent these costs exceed the \$2 million wind-down budget (or the Reserves are otherwise insufficiently funded to cover Allowed Claims with higher priority than Class 3 Claims), these costs must be covered by other sources of consideration available to the Debtors, including the Unsecured Claims Funds.

As of June 30, 2012, the Debtors have consumed or incurred approximately \$1.7 million of the \$2 million wind-down budget provided by the Buyer. Although the Debtors believe they have completed the lion's share of the work required to confirm a liquidating plan and wind down these estates — and that the continued spend by Professionals will be limited going forward — it is possible that the entire wind-down budget could be fully exhausted before the Effective Date.

Specifically, both before and after the Effective Date, the Debtors must complete a number of tasks to fully wind-down their estates, including:

- soliciting and tabulating votes on the Plan and preparing for the Confirmation Hearing and the Effective Date;
- preparing required filings for the Bankruptcy Court such as monthly operating reports;
- reconciling and objecting to Claims;
- winding down and dissolving the Debtors' legal entities;
- completing certain employee transition matters, such as the termination of the Debtors' 401(k) plan and the transfer of continuing participants in that plan to the Buyer's plans; and
- cooperating with Redcats to address tax returns and other tax matters.

There are reasons to believe, however, that to the extent Administrative Claims or Professional Fee Claims exceed the \$2 million wind-down budget, such claims will have a minimal, if any, impact on the estimated recoveries for holders of Class 3 Claims.

- First, certain of the wind-down tasks listed above are being performed by other parties at no cost to the Debtors. For example, the Buyer's employees are performing the vast majority of the claims reconciliation work, and Redcats performs the vast majority of the tax work,
- Second, the Debtors' estimate of \$25-30 million for the Class 3 Claims pool is conservative, and such estimate includes \$12.5 million in estimated rejection damage claims, equal to the average annual rent at 100 of the Debtors' former stores. The Debtors believe that actual rejection damages claims ultimately may be less than \$12.5 million. Moreover, the Debtors and their Professionals will only incur administrative expenses on reconciling or objecting to claims where the expected benefits of doing so will exceed the costs. Put another way, the Debtors will not spend a dollar to save pennies for unsecured creditors with bona fide claims.
- Third, certain of the Debtors' professionals hold retainers in the aggregate of more than \$300,000, which retainers will be applied to Professional Fee Claims to augment the wind-down budget.
- Fourth, pursuant to the Committee Stipulation, to the extent the \$27 million combined cap for pre-Closing DIP Facility, Administrative and Priority Claims ultimately is less than \$19.5 million, the Buyer is required to increase its contribution to the Unsecured Claims Funds, such that its total contribution is equal to 20% of the difference between \$27 million and the aggregate amount of pre-Closing DIP

Facility, Administrative and Priority Claims. This calculation may ultimately yield additional recoveries to Class 3 creditors.

While the Debtors cannot project with certainty the ultimate recoveries for holders of Class 3 Claims, the Debtors believe that the Plan maximizes recoveries for holders of all Allowed Claims and strongly recommend that holders of Class 3 General Unsecured Claims (the only Class entitled to vote) vote to accept the Plan. The Debtors believe that any alternative to Confirmation of the Plan, such as a conversion of the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code or attempts by another party in interest to file a plan, would result in significant delay, litigation, additional costs and ultimately would reduce the recoveries available under the Plan.

B. RISKS ASSOCIATED WITH INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT

i. Information Contained Herein is for Soliciting Votes

The information contained in this Disclosure Statement is for the purposes of soliciting acceptances of the Plan and may not be relied upon for any other purpose.

ii. No Legal or Tax Advice is Provided to You by this Disclosure Statement

This Disclosure Statement is not legal advice to you. The contents of this Disclosure Statement should not be construed as legal, business or tax advice. Each holder of a Claim or an Interest should consult his or her own legal counsel and accountant with regard to any legal, tax and other matters concerning his or her Claim or Interest. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to Confirmation of the Plan.

iii. No Admissions Made

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of fact or liability by any Entity (including the Debtors) nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Debtors, holders of Allowed Claims or Interests or any other parties in interest.

iv. Failure to Identify Litigation Claims or Projected Objections

No reliance should be placed on the fact that a particular Claim or projected objection to a particular Claim is, or is not, identified in this Disclosure Statement. The Debtors or the Plan Administrator may seek to object to Claims after the Confirmation or Effective Date of the Plan irrespective of whether this Disclosure Statement identifies such Claims or objections to such Claims.

v. **Information Was Provided by the Debtors and Was Relied Upon by the Debtors' Professionals**

The Professionals retained by the Debtors have relied upon information provided by the Debtors in connection with the preparation of this Disclosure Statement. Although Professionals retained by the Debtors have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not verified independently the information contained herein.

vi. **Potential Exists for Inaccuracies, and the Debtors Have No Duty to Update**

The statements contained in this Disclosure Statement are made by the Debtors as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has not been a change in the information set forth herein since that date. While the Debtors have used their reasonable business judgment to ensure that accuracy of all of the information provided in this Disclosure Statement and in the Plan, the Debtors nonetheless cannot, and do not, confirm the current accuracy of all statements appearing in this Disclosure Statement. Further, although the Debtors may subsequently update the information in this Disclosure Statement, the Debtors have no affirmative duty to do so unless ordered to do so by the Bankruptcy Court.

vii. **No Representations Outside this Disclosure Statement Are Authorized**

No representations concerning or relating to the Debtors, the Chapter 11 Cases or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan other than as contained in, or included with, this Disclosure Statement, should not be relied upon by you in arriving at your decision. You should promptly report unauthorized representations or inducements to counsel to the Debtors, counsel to the Committee and the U.S. Trustee.

C. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed, the alternatives include (a) continuation of the Chapter 11 Cases and formulation of an alternative chapter 11 plan or plans or (b) liquidation of the Debtors under chapter 7 of the Bankruptcy Code. A discussion of these alternatives is set forth in Article V herein, "Best Interests of Creditors and Plan Alternatives."

VII. TAX CONSEQUENCES OF THE PLAN

THE DEBTORS HAVE NOT REQUESTED A RULING FROM THE INTERNAL REVENUE SERVICE OR AN OPINION OF COUNSEL WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN. THUS, NO ASSURANCE CAN BE GIVEN AS TO THE TAX CONSEQUENCES OF THE PLAN. EACH HOLDER OF A CLAIM OR INTEREST IS URGED TO CONSULT ITS OWN TAX ADVISOR FOR THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

~~[The remainder of this page is intentionally left blank.]~~

VIII. CONCLUSION AND RECOMMENDATION

The Debtors believe the Plan is in the best interests of all holders of Claims and Interests and urge all holders of Claims entitled to vote to accept the Plan and to evidence such acceptance by returning their Ballots so they will be received by the Notice and Claims Agent no later than ~~1~~August [29], 2012 at 4:00 p.m. Eastern Time.

Dated: ~~June 14~~July [#], 2012

Respectfully submitted,

UNITED RETAIL GROUP, INC.
On behalf of itself and the other Debtors

By: /s/ Deborah Rieger-Paganis

Name: Deborah Rieger-Paganis

Title: ~~Responsible~~Wind-down
~~Officer~~Administrator

EXHIBIT A

**Debtors' Joint Plan of Liquidation Pursuant to
Chapter 11 of the Bankruptcy Code**

Exhibit D

Redline of Plan
(marked against Docket No. 619 filed on June 14, 2012)

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

| | | |
|---|---|-------------------------|
| In re: |) | |
| |) | Chapter 11 |
| |) | |
| UNITED RETAIL GROUP, INC., <i>et al.</i> , ¹ |) | Case No. 12-10405 (SMB) |
| |) | |
| Debtors. |) | Jointly Administered |
| |) | |

**DEBTORS' JOINT PLAN OF LIQUIDATION
PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

**THIS CHAPTER 11 PLAN IS BEING SUBMITTED FOR
APPROVAL BY THE BANKRUPTCY COURT. THIS CHAPTER 11 PLAN
HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. ACCORDINGLY, THIS IS
NOT A SOLICITATION OF AN ACCEPTANCE OR REJECTION OF THE CHAPTER 11
PLAN WITHIN THE MEANING OF SECTION 1125 OF THE BANKRUPTCY CODE,
11 U.S.C. § 1125. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL
A DISCLOSURE STATEMENT IS APPROVED BY THE BANKRUPTCY COURT.**

KIRKLAND & ELLIS LLP

Paul M. Basta
Mark Kieselstein, P.C.
Nicole L. Greenblatt
Benjamin J. Steele
Joseph A. Pack
601 Lexington Avenue
New York, New York 10022-4611
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Counsel to the Debtors and Debtors in Possession

Dated: ~~June 14~~, July [#], 2012

¹ The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor's federal tax identification number, are: United Retail Group, Inc. (3670); Avenue Gift Cards, Inc. (5281); United Distribution Services, Inc. (8531); United Retail Holding Corporation (1251); United Retail Incorporated (5670); and United Retail Logistics Operations Incorporated (5672). The Debtors' main corporate address is 365 West Passaic Street, Rochelle Park, New Jersey 07662.

**DEBTORS' JOINT PLAN OF LIQUIDATION
PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

United Retail Group, Inc.; Avenue Gift Cards, Inc.; United Distribution Services, Inc.; United Retail Holding Corporation; United Retail Incorporated; and United Retail Logistics Operations Incorporated, as debtors and debtors in possession in the above-captioned chapter 11 cases, hereby propose this joint plan of liquidation pursuant to chapter 11 of the Bankruptcy Code. Reference is made to the Disclosure Statement (as defined herein), distributed contemporaneously herewith, for a discussion of the Debtors' (as defined herein) history, business operations, risk factors, a summary and analysis of the Plan (as defined herein) and certain related matters.

TABLE OF CONTENTS

| | Page |
|--|-----------|
| ARTICLE I RULES OF INTERPRETATION, COMPUTATION OF TIME, GOVERNING LAW AND DEFINED TERMS | 1 |
| A. Rules of Interpretation, Computation of Time and Governing Law..... | 1 |
| B. Defined Terms. | 1 |
| ARTICLE II TREATMENT OF UNCLASSIFIED CLAIMS ADMINISTRATIVE, PRIORITY TAX AND PROFESSIONAL FEE CLAIMS..... | 11 |
| A. Allowed Administrative Claims. | 11 |
| B. Professional Fee Claims..... | 12 |
| C. U.S. Trustee Fees. | 12 |
| D. Priority Tax Claims..... | 12 |
| E. The Redcats Secured Claim and the Redcats Unsecured Claim..... | 13 |
| F. The Waived Redcats Unsecured Claims..... | 13 |
| G. Cancellation of Intercompany Claims and Intercompany Interests..... | 13 |
| ARTICLE III CLASSIFICATION AND TREATMENT OF CLASSIFIED CLAIMS AND INTERESTS | 14 |
| A. Classification..... | 14 |
| B. Summary of Classification..... | 14 |
| ARTICLE IV ACCEPTANCE OR REJECTION OF THE PLAN | 16 |
| A. Acceptance by an Impaired Class. | 16 |
| B. Nonconsensual Confirmation..... | 17 |
| ARTICLE V PROVISIONS GOVERNING DISTRIBUTIONS..... | 17 |
| A. Timing and Delivery of Distributions..... | 17 |
| B. Delivery of Distributions. | 17 |
| C. Unclaimed Distributions. | 18 |
| D. Allocation of Plan Distributions Between Principal and Interest. | 18 |
| E. Means of Cash Payment..... | 18 |
| F. Compliance with Tax Requirements..... | 18 |
| G. Record Date. | 18 |
| H. Distributions After Effective Date..... | 19 |
| I. Distributions After Allowance..... | 19 |
| J. Fractional Cents. | 19 |
| K. Third Party Agreements; Subordination. | 19 |
| L. Release of Funds in Reserves. | 19 |
| M. Certificate of Completion of Distributions. | 19 |
| ARTICLE VI MEANS FOR IMPLEMENTATION OF THE PLAN..... | 20 |
| A. Substantive Consolidation/Merger/Dissolution. | 20 |
| B. Settlement of Certain Claims..... | 20 |
| C. Implementing Actions..... | 20 |

TABLE OF CONTENTS (CONT'D)

| | Page |
|---|--------------------|
| D. Conditions to Plan Effectiveness..... | 22 |
| E. Waiver of Conditions..... | 22 |
| F. Satisfaction of Conditions..... | 22 |
| G. Continuing Existence of the Post-Effective Date Debtor..... | 23 |
| H. Corporate Action..... | 23 |
| I. Vesting of Assets in the Post-Effective Date Debtor..... | 23 |
| J. Subsequent Dissolution/Records..... | 24 |
| K. Plan Administrator..... | 24 |
| L. Duties and Powers of the Plan Administrator..... | 24 |
| M. No Agency Relationship, Limitation of Liability of Plan Administrator, Indemnification and Insurance..... | 25 |
| N. Dissolution of the Committee and Appointment of Plan Oversight Representative..... | 25 |
| O. Causes of Action..... | 26 |
| P. Remaining Assets..... | 26 |
| Q. Counterclaims..... | 27 |
| R. Post Confirmation Date Professional Fees..... | 27 |
| S. Closing of the Debtors' Chapter 11 Cases..... | 27 |
| ARTICLE VII TREATMENT OF EXECUTORY CONTRACTS AND LEASES | <u>2728</u> |
| A. Contracts and Leases Not Specifically Assumed and Assigned are Rejected. | <u>2728</u> |
| B. Bar Date for Filing Claim For Rejection Damages..... | 28 |
| C. Preexisting Obligations to the Debtors Under Executory Contracts and Unexpired Leases..... | 28 |
| ARTICLE VIII PROVISIONS REGARDING TREATMENT OF DISPUTED, CONTINGENT AND UNLIQUIDATED CLAIMS..... | 28 |
| A. Disputed General Unsecured Claims Reserve..... | 28 |
| B. Objections to and Resolution of Disputed Claims..... | 29 |
| C. No Distributions Pending Allowance..... | 29 |
| D. Estimation of Claims..... | 29 |
| E. No Post-Effective Date Interest..... | 29 |
| ARTICLE IX EFFECTS OF CONFIRMATION OF THE PLAN..... | 30 |
| A. Discharge of Debtors | 30 |
| B. Release of Liens..... | 30 |
| C. Exemption from Certain Taxes and Fees..... | 30 |
| <u>C. Releases by the Debtors.....</u> | <u>30</u> |
| D. Releases by the Debtors | 31 |
| E. Releases by Holders of Claims and Interests..... | 31 |
| F. Injunction Enjoining Holders of Claims Against the Debtors..... | 32 |
| G. Exculpation of Debtors..... | 32 |
| H. Cancellation of Existing Notes, Securities and Instruments..... | 33 |
| I. Disallowance of Claims..... | 33 |
| J. Amendments to Claims..... | 33 |

TABLE OF CONTENTS (CONT'D)

| | Page |
|--|-------------------------|
| K <u>L</u> . Compromise and Settlement of Claims, Equity Interests and Controversies. | 34 <u>33</u> |
| L <u>K</u> . Special Provision Governing Accrued Professional Fee Claims and Final Fee Applications. | 34 |
| M <u>L</u> . Asset Purchase Agreement. | 34 |
| ARTICLE X RETENTION OF JURISDICTION | 34 |
| A. Claims and Actions. | 34 |
| B. Retention of Jurisdiction. | 35 <u>34</u> |
| ARTICLE XI NOTICE PROVISIONS | 36 |
| A. Notices. | 36 |
| B. Limitation on Notice. | 37 |
| ARTICLE XII MISCELLANEOUS PROVISIONS | 38 |
| A. Setoffs/Counterclaims. | 38 |
| B. Plan Supplement. | 38 |
| C. Amendment or Modification of the Plan. | 39 <u>38</u> |
| D. Revocation and Withdrawal of the Plan. | 39 |
| E. Severability. | 39 |
| F. No Liability for Solicitation. | 40 <u>39</u> |
| G. Business Days. | 40 |
| H. Headings. | 40 |
| I. Exhibits. | 40 |
| J. Entire Agreement | 40 |

ARTICLE I

RULES OF INTERPRETATION, COMPUTATION OF TIME, GOVERNING LAW AND DEFINED TERMS

A. Rules of Interpretation, Computation of Time and Governing Law.

1. For purposes of this document: (a) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter gender; (b) any reference herein to a contract, lease, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions or as may have been amended in accordance with its terms; (c) any reference herein to an existing document or exhibit having been filed or to be filed shall mean that document or exhibit, as it may thereafter be amended, modified or supplemented; (d) unless otherwise specified, all references herein to “Articles” are references to Articles hereof or hereto; (e) unless otherwise stated, the words “herein,” “hereof” and “hereto” refer to the Plan in its entirety rather than to a particular portion of the Plan; (f) captions and headings to Articles are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (g) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (h) any term used in capitalized form herein that is not otherwise defined, but that is used in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be; and (i) all references to amounts to be paid from the Plan Administrator mean amounts to be paid from the Plan Administrator in accordance with the Plan.

2. The provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein.

3. Except to the extent the Bankruptcy Code or Bankruptcy Rules apply, and subject to the provisions of any contract, lease, instrument, release, indenture or other agreement or document entered into expressly in connection herewith, the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflict of laws thereof.

B. Defined Terms.

As used in the Plan, capitalized terms have the meanings set forth below.

1. “*Administrative Claim*” means any Claim for costs and expenses of administration of the Chapter 11 Cases with priority under section 507(a)(2) of the Bankruptcy Code other than Professional Fee Claims.

2. “*Administrative Claims Bar Date*” means the date that is 45 days after the Effective Date.

3. “*Administrative and Secured Claims Reserve*” means a Cash reserve, which shall be maintained by the Post-Effective Date Debtor in an interest-bearing account and administered by the Plan Administrator, in the estimated amount necessary to pay in full all Allowed and Disputed Administrative Claims and Secured Claims outstanding as of the Effective Date as and to the extent such Claims become Allowed Claims.

4. “*Affiliate*” shall have the meaning set forth in section 101(2) of the Bankruptcy Code.

5. “*Allowed*” means a Claim or Interest (a) which has been scheduled as undisputed, non-contingent and liquidated in the Schedules (subject to the Debtors’ right to amend the Schedules) and as to which no objection or request for estimation has been filed on or before any Claim objection deadline set by the Bankruptcy Court or the expiration of such other period fixed by the Bankruptcy Court, (b) as to which a Proof of Claim has been properly and timely filed and either (i) no objection thereto has been timely filed, or if an objection has been timely filed, such portion of which is not subject to such objection, or (ii) such Claim has been allowed (but only to the extent allowed) by a Final Order, (c) which is compromised, settled or otherwise resolved pursuant to the authority granted to the Debtors before the Effective Date, and thereafter by the Plan Administrator, under the Plan or (d) which has been expressly allowed under the provisions of the Plan. “Allowed Claim” shall not, for purposes of computation of distributions under the Plan, include interest on such Claim from and after the Petition Date.

6. “*Asset Purchase Agreement*” or “*APA*” means the *Asset Purchase Agreement by and among United Retail Group, Inc., the Other Sellers Named Therein, Redcats USA, Inc. and Ornatus URG Acquisition, LLC*, dated February 1, 2012, as amended in accordance with its terms (collectively with all related agreements, documents or instruments and all exhibits, schedules, addenda and amendments thereto) as approved by the Bankruptcy Court pursuant to the Sale Order, dated April 4, 2012 [Docket No. 496].

7. “*Assets*” means all of the rights, title and interest of the Debtors and Post-Effective Date Debtor in, to and under any and all of its assets and property, whether tangible, intangible, real or personal, of any nature whatsoever, including all property of the Estates under and pursuant to section 541 of the Bankruptcy Code, including Cash, the Causes of Action, rights and interests in property, and files, books and records of the Estates, in each case other than (a) any asset required to be transferred to the Buyer pursuant to the APA, (b) any Unexpired Lease or other contract with respect to which the Buyer has not yet made a designation pursuant to Section 2.6 of the APA, (c) any amounts that have been deposited by the Buyer into any Reserve established hereunder plus any interest thereon (to the extent owed) to the extent any such amounts are returnable to the Buyer as provided in Article V.L of the Plan, (d) any amounts deposited in respect of Carve-Out Expenses that have not been paid out as Carve-Out Expenses or used in respect of Administrative Claims as permitted by and in accordance with the APA and that certain letter agreement, dated as of April 13, 2012, among the Debtors, the Buyer, AlixPartners, LLP and AP Services, LLC and (e) any other amounts that the Buyer is entitled to under the APA. For the avoidance of doubt, “Assets” shall only include Cash to the extent such Cash was not Cash as of the closing under the APA and became Cash as a result of the sale or other conversion of assets that constitute “Excluded Assets” under the APA following the closing under the APA.

8. “*Bankruptcy Code*” means title 11 of the United States Code, as now in effect or as hereafter amended, as applicable to the Chapter 11 Cases.

9. “*Bankruptcy Court*” means the United States Bankruptcy Court for the Southern District of New York.

10. “*Bankruptcy Rules*” means the Federal Rules of Bankruptcy Procedure, as applicable to the Chapter 11 Cases and the Bankruptcy Court’s general, local and chambers rules.

11. “*Bar Date*” means any deadlines fixed by the Bankruptcy Court for the filing of a Proof of Claim or request for payment of Administrative Claims. The Bar Dates in the Chapter 11 Cases are (a) April 27, 2012 for non-governmental units and (b) July 30, 2012 for governmental units pursuant to that certain *Order (I) Setting Bar Dates for Filing Proofs of Claim, (II) Approving Procedures for Filing Proofs of Claim and (III) Approving Notice Thereof* entered by the Bankruptcy Court on March 22, 2012 [Docket No. 443]. The Plan establishes an Administrative Claims Bar Date that is 45 days after the Effective Date, as described in Article IIA.1 of the Plan. Professional Fee Claims are not subject to a Bar Date and are separately governed by Article II.B of the Plan.

12. “*Business Day*” means any day, other than a Saturday, Sunday or “legal holiday” as defined in Bankruptcy Rule 9006(a).

13. “*Buyer*” means Avenue Stores, LLC f/k/a Ornatus URG Acquisition, LLC (individually, and collectively with any affiliate designees of Ornatus URG Acquisition, LLC to which it assigns or has assigned any of its rights under the APA in accordance with Section 9.5 thereof).

14. “*Buyer Reserve Contribution*” has the meaning set forth in Article VI.C.2.

15. “*Carve-Out Expenses*” has the meaning set forth in the *Final Order Authorizing the Debtors to Obtain Interim Post Petition Financing And Grant Security Interests and Superpriority Administrative Expense Status Pursuant To 11 U.S.C. §§ 105 AND 364(c); (B) Modifying The Automatic Stay Pursuant To 11 U.S.C. § 362; (C) Authorizing Debtors To Enter Into Agreements With Wells Fargo Bank, N.A.* entered on February 23, 2012 [Docket No. 243].

16. “*Cash*” means lawful currency of the United States and its equivalents; *provided, however*, that any distributions by the Plan Administrator under the Plan will be deemed to be made in Cash if made by check drawn on any United States bank.

17. “*Causes of Action*” means, other than the Transferred Causes of Action, any and all claims, actions, adversary proceedings, causes of action, liabilities, obligations, rights, suits, debts, sums of money, damages, judgments and demands whatsoever, whether pending or not pending, known or unknown, whether or not scheduled as an asset of the Debtors, disputed or undisputed, legal or equitable, absolute or contingent, that are already pending or that have accrued or are accruing to the Debtors or the Estates, or that may be pursued derivatively by or on behalf of the Debtors or the Estates.

18. “*Chapter 11 Cases*” means the bankruptcy cases commenced by the Debtors in the Bankruptcy Court on February 1, 2012, which bankruptcy cases are jointly administered under Case No. 12-10405 (SMB).

19. “*Claim*” means a “claim” as defined in section 101(5) of the Bankruptcy Code and, except as otherwise provided in the context, means a claim against the Debtors or the Estates.

20. “*Claim Objection Deadline*” means the date by which the Plan Administrator shall file and serve all objections to Claims, which date shall be no later than one hundred and twenty (120) days after the Effective Date and may be extended for one ninety (90) day period by the Plan Administrator by filing a notice of the extended Claim Objection Deadline with the Bankruptcy Court. Thereafter, the Claim Objection Deadline may be further extended only by an order of the Bankruptcy Court.

21. “*Claims Register*” means the official Claims Register as maintained by the Notice and Claims Agent.

22. “*Class*” means any of the categories of Claims or Interests established under the Plan pursuant to sections 1122 and 1123(a) of the Bankruptcy Code.

23. “*Class 3 Distribution Date(s)*” or “*Distribution Date(s)*” means the date(s) on which the Plan Administrator, in consultation with the Plan Oversight Representative, determines that distributions to holders of Allowed General Unsecured Claims should be made under the Plan.

24. “*Class 3 Final Distribution Date*” or “*Final Distribution Date*” means the last date on which a final distribution of the Net Available Funds (including the Unsecured Claims Funds) and Disputed General Unsecured Claims Reserve are made to holders of Allowed General Unsecured Claims under the terms of the Plan. The Final Distribution Date shall be a date, as determined by the Plan Administrator in consultation with the Plan Oversight Representative that is after (a) the liquidation into Cash of all remaining Assets (other than any assets abandoned by the Debtors) and collection of other sums due or otherwise remitted or returned to the Debtors, and (b) all Cash in the Reserves has been distributed or returned to the Buyer in accordance with Article V.L the Plan.

25. “*Class 3 Initial Distribution Date*” or “*Initial Distribution Date*” means the date, as determined by the Plan Administrator in consultation with the Plan Oversight Representative when the first distribution to holders of Allowed General Unsecured Claims are made under the Plan; *provided, however*, that the Initial Distribution Date may also be the Final Distribution Date if so determined by the Plan Administrator.

26. “*Committee*” means the Official Committee of Unsecured Creditors appointed in the Chapter 11 Cases by the U.S. Trustee, which shall be dissolved on the Effective Date.

27. “*Confirmation Date*” means the date upon which the Bankruptcy Court enters the Confirmation Order.

28. “*Confirmation Hearing*” means the hearing before the Bankruptcy Court on the motion for entry of the Confirmation Order.

29. “*Confirmation Order*” means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

30. “*Contingent Claim*” means any Claim, the liability for which attaches or is dependent upon the occurrence or happening of, or is triggered by, an event that has not yet occurred, happened or been triggered as of the date on which such Claim is sought to be estimated or an objection to such Claim is filed, whether or not such event is within the actual or presumed contemplation of the holder of such Claim and whether or not a relationship between the holder of such Claim and the applicable Debtor now or hereafter exists or previously existed.

31. “*Debtors*” means United Retail Group, Inc.; Avenue Gift Cards, Inc.; United Distribution Services, Inc.; United Retail Holding Corporation; United Retail Incorporated; and United Retail Logistics Operations Incorporated, as debtors and debtors in possession in the Chapter 11 Cases.

32. “*Disallowed*” means, as it relates to any type of Claim, all or any portion thereof that (a) has been disallowed by Final Order, (b) is scheduled as zero or as contingent, disputed or unliquidated and as to which no Proof of Claim has been timely filed with the Bankruptcy Court pursuant to either the Bankruptcy Code or any order establishing a Bar Date, (c) is not scheduled and as to which no Proof of Claim has been timely filed with the Bankruptcy Court pursuant to either the Bankruptcy Code or any order establishing a Bar Date, (d) has been withdrawn by agreement of the holder thereof and the Debtor, before the Effective Date, or thereafter has been withdrawn by agreement of the Plan Administrator and the holder thereof, or (e) has been withdrawn by the holder thereof.

33. “*Disclosure Statement*” means the disclosure statement with respect to the Plan, approved by the Bankruptcy Court in accordance with section 1125 of the Bankruptcy Code, as it may be altered, amended or modified from time to time in accordance with the provisions of the Bankruptcy Code and the Bankruptcy Rules.

34. “*Disclosure Statement Order*” means the Order of the Bankruptcy Court approving the Disclosure Statement [Docket No. [#]].

35. “*Disputed*” means, with reference to any Claim, any such Claim (a) to the extent neither (x) an Allowed Claim or a Disallowed Claim under the Plan or a Final Order nor (y) deemed an Allowed Claim under sections 502, 503 or 1111 of the Bankruptcy Code, (b) which has been or hereafter is listed by a Debtor on its Schedules as unliquidated, disputed or contingent and which has not been resolved by written agreement of the parties or a Final Order or (c) as to which the Debtor or the Plan Administrator or any other party in interest has interposed a timely objection and/or request for estimation in accordance with the Bankruptcy Code, the Bankruptcy Rules and the Local Rules, which objection or request for estimation has not been withdrawn or determined by a Final Order. Because holders of Allowed Interests will not receive any distribution on account of such Interests, it is unnecessary to characterize any Interests, or part thereof, as Disputed.

36. “*Disputed General Unsecured Claims Reserve*” means a Cash reserve to be funded with a portion of the Unsecured Claims Funds and maintained by the Post-Effective Date Debtor in

an interest bearing account, in the estimated amount agreed by the Debtors and the Committee or Plan Oversight Representative, as applicable, or ordered by the Bankruptcy Court, necessary to make distributions to holders of Disputed General Unsecured Claims pursuant to Article III.B.3, if and to the extent that such Disputed General Unsecured Claims become Allowed.

37. “*Effective Date*” means the date that is the first Business Day after the Confirmation Date on which (a) no stay of the Confirmation Order is in effect and (b) all conditions precedent to the Effective Date have been either satisfied or waived.

38. “*Entity*” shall have the meaning set forth in section 101(15) of the Bankruptcy Code.

39. “*Estates*” means the estates created pursuant to section 541 of the Bankruptcy Code upon the commencement of the Chapter 11 Cases.

40. “*Executory Contract*” means a contract entered into before the Petition Date to which one or more of the Debtors is a party that is subject to assumption or rejection under sections 365 or 1123 of the Bankruptcy Code.

41. “*Final Decree*” means the final decree entered by the Bankruptcy Court closing the Chapter 11 Cases after the Effective Date pursuant to Bankruptcy Rule 3022.

42. “*Final Order*” means a judgment, order, ruling or other decree issued and entered by the Bankruptcy Court or by any state or other federal court or other tribunal having jurisdiction over the subject matter thereof which judgment, order, ruling or other decree has not been reversed, stayed, modified or amended and as to which (a) the time to appeal or petition for review, rehearing or certiorari or move for re-argument has expired or shall have been waived in writing in form and substance satisfactory to the Debtor, before the Effective Date, and thereafter to the Plan Administrator and as to which no appeal or petition for review, rehearing or certiorari or motion for re-argument is pending or (b) any appeal or petition for review, rehearing, certiorari or re-argument has been finally decided and no further appeal or petition for review, rehearing, certiorari or re-argument can be taken or granted; *provided, however*, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules or applicable state court rules of civil procedure, may be filed with respect to such order shall not cause such order not to be a Final Order.

43. “*General Unsecured Claim*” means any Claim that is not an Administrative Claim, a Priority Tax Claim, an Other Priority Claim, a Secured Claim, a Claim in respect of Post-Effective Date Costs or an Intercompany Claim. “General Unsecured Claim” shall not mean and does not include the Waived Redcats Unsecured Claims, the treatment of which are described in Article II.E and Article II.F of the Plan, respectively.

44. “*Impaired*” means, when used in reference to a Claim or Interest, a Claim or Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.

45. “*Intercompany Claim*” means any Claim held by a Debtor against another Debtor.

46. “*Intercompany Interest*” means any Interest in a Debtor held by another Debtor.

47. “*Interest*” means any ownership interest, equity or share in the Debtor (including all options, warrants or other rights to obtain such an interest or share in the Debtor) whether or not certificated, transferable, preferred, common, voting or denominated “stock” or a similar security.

48. “*Lien*” means a lien as defined in section 101(37) of the Bankruptcy Code.

49. “*Local Rules*” means the Local Rules for the Bankruptcy Court, as now in effect or as the same may be amended from time to time.

50. “*Net Available Funds*” means the Post-Effective Date Debtor’s Cash Assets on hand as of a given date less Cash in or used to fund: (a) the Reserves or (b) the Disputed General Unsecured Claims Reserve. For the avoidance of doubt, Net Available Funds includes the Unsecured Claims Funds.

51. “*Notice and Claims Agent*” means Donlin Recano & Company, Inc.

52. “*Other Priority Claim*” means any Claim, other than an Administrative Claim or a Priority Tax Claim, entitled to priority in right of payment under section 507(a) of the Bankruptcy Code.

53. “*Other Priority Claims Reserve*” means a Cash reserve, which shall be maintained by the Post-Effective Date Debtor in an interest-bearing account, in the estimated amount necessary to pay all Other Priority Claims outstanding as of the Effective Date as and to the extent such Claims become Allowed Claims.

54. “*Person*” means a person as defined in section 101(41) of the Bankruptcy Code including governmental units.

55. “*Petition Date*” means February 1, 2012, the date on which the Debtors commenced the Chapter 11 Cases filing voluntary petition for relief under Chapter 11 of the Bankruptcy Code.

56. “*Plan*” means this liquidating chapter 11 plan (including all exhibits, supplements, appendices and schedules annexed hereto), either in its present form or as it may be altered, amended, modified or supplemented (including pursuant to a Plan Supplement) from time to time in accordance with the provisions of the Bankruptcy Code and the Bankruptcy Rules or any order entered by the Bankruptcy Court.

57. “*Plan Administrator*” means the person or entity selected by the Debtors charged with overseeing, among other things, (a) the Claims resolution process, (b) distributions and (c) the wind-down process of the Post-Effective Date Debtor. Upon the Effective Date, the Plan Administrator shall be AP Services, LLC, which shall continue to perform its duties on a post-Effective Date basis on terms consistent with the Wind-Down Administrator Retention Order.

58. “*Plan Oversight Representative*” means the person appointed by the Committee before the Effective Date charged with monitoring the Post Effective Date Debtor’s property and distributions contemplated by the Plan.

59. “*Plan Supplement*” means the supplement or supplements to the Plan containing certain documents relevant to the implementation of the Plan (as such may be amended from time to time), if any.

60. “*Post-Effective Date Costs*” means wind-down costs and expenses of the Estates related to winding down the Estates, including prosecuting Causes of Action, if any, and only to the extent necessary, reviewing and objecting to Disputed Claims and making distributions from and after the Effective Date, in respect of U.S. Trustee fees and the fees and expenses of the Plan Administrator and its professionals.

61. “*Post-Effective Date Costs Reserve*” means a Cash reserve, which shall be maintained by the Post-Effective Date Debtor in an interest-bearing account and administered by the Plan Administrator, in the estimated amount necessary to pay all Post-Effective Date Costs; *provided, however*, that the Buyer shall have no obligation to pay in excess of \$2 million for all wind-down costs and expenses relating to winding down the Estates, whether incurred prior to the Effective Date or included as Post-Effective Date Costs.

62. “*Post-Effective Date Debtor*” means United Retail Group, Inc., on and after the Effective Date.

63. “*Priority Tax Claim*” means a Claim of a governmental unit entitled to priority in payment under section 502(i) or section 507(a)(8) of the Bankruptcy Code.

64. “*Priority Tax Claims Reserve*” means a Cash reserve, which shall be maintained by the Post-Effective Date Debtor in an interest-bearing account and administered by the Plan Administrator, in the estimated amount necessary to pay all Allowed and Disputed Priority Tax Claims outstanding as of the Effective Date as and to the extent such Claims become Allowed Claims.

65. “*Pro Rata*” or “*Pro Rata Share*” means the proportion that an Allowed Claim in a particular Class bears to the aggregate amount of Allowed Claims in that Class entitled to share in the same recovery as such Allowed Claim under the Plan.

66. “*Professional Fee Claims*” means Claims for professional fees, expenses and other reimbursable costs incurred by Retained Professionals (a) under section 503(b) of the Bankruptcy Code and entitled to administrative priority under section 507(a)(2) of the Bankruptcy Code for expenses incurred and services rendered, subject to award under sections 330 of the Bankruptcy Code and (b) under the Wind-Down Administrator Retention Order.

67. “*Professional Fee Claims Reserve*” means a Cash reserve, which shall be maintained by the Post-Effective Date Debtor in an interest-bearing account and administered by the Plan Administrator in the estimated amount necessary to pay all Professional Fee Claims outstanding as of the Effective Date as and to the extent such Claims become Allowed Claims.

68. “*Proof of Claim*” means any proof of Claim filed with the Bankruptcy Court with respect to the Debtors pursuant to any order establishing a Bar Date.

69. “*Record Date*” means, for purposes of voting on the Plan, the date on which the Bankruptcy Court approves the Disclosure Statement, and for purposes of making distributions under the Plan, the Confirmation Date.

70. “*Redcats*” means (a) Redcats USA, Inc., its non-Debtor Affiliates (including Redcats Asia, Ltd.) and each of their respective current and former officers, directors, employees, direct and indirect shareholders and (b) with respect to each of the foregoing, all attorneys, financial advisors, accountants, investment bankers, investment advisors, actuaries, professionals, non-Debtor Affiliates, predecessors and successors in interest and current and former members (including ex officio members), each in their respective capacities as such.

71. “*Redcats Secured Claim*” means the secured claim in the amount of approximately \$12,521,674 as of the Petition Date, recorded on the Claims Register as the secured portion of Proof of Claim Nos. 148 through 153.

72. “*Redcats Unsecured Claim*” means the unsecured claim in the amount of approximately \$48,477,497 as of the Petition Date, recorded on the Claims Register as the unsecured portion of Proof of Claim Nos. 148 through 153.

73. “*Redcats Unsecured Claims Contribution*” means \$1,250,000 in Cash for the benefit of holders of Allowed General Unsecured Claims to be funded by Redcats on the Effective Date and maintained by the Post-Effective Date Debtor in an interest-bearing account and administered by the Plan Administrator. For the avoidance of doubt, the Unsecured Claims Funds includes the Redcats Unsecured Claims Contribution.

74. “*Released Parties*” means, collectively, (a) each of the Debtors, (b) the Post-Effective Date Debtor, (c) Redcats, (d) the Committee and (e) with respect to each of (a) through (d) above, such Entity’s directors, officers, direct and indirect shareholders, partners, members, employees, agents, affiliates, parents, subsidiaries, predecessors, successors, heirs, executors and assignees, attorneys, financial advisors, investment bankers, accountants and other professionals or representatives when acting in any such capacities.

75. “*Releasing Parties*” means, collectively, (a) the Committee and the members thereof and (b) each holder of a Claim that affirmatively votes to accept the Plan, each solely in its capacity as such.

76. “*Reserves*” means, collectively, the Administrative and Secured Claims Reserve, the Professional Fee Claims Reserve, the Priority Tax Claims Reserve, the Other Priority Claims Reserve and the Post-Effective Date Costs Reserve. Reserves do not include the General Unsecured Claims Funds or the Disputed General Unsecured Claims Reserve. For the avoidance of doubt, (a) the Reserves may be held in a single bank account provided that the Plan Administrator sets aside the appropriate amounts for each Reserve within the single bank account and (b) to the extent agreed in writing by the Buyer in its sole discretion, any Cash funded to a specific Reserve may be used to fund any shortfall in any other specific Reserve. Cash in the Reserves in excess of amounts required to fund Allowed Claims shall be released in accordance with Article V.L of the Plan.

77. “*Reserves Estimate*” has the meaning set forth in Article VI.C.2 of the Plan.

78. “*Retained Professional*” means those Persons retained pursuant to (a) an order of the Court in accordance with sections 327 and 1103 of the Bankruptcy Code and (b) the Wind-Down Administrator Retention Order.

79. “*Sale*” means the sale of substantially all of the Debtors’ assets pursuant to the Sale Order.

80. “*Sale Order*” means the *Order Authorizing (A) the Sale of Substantially All of the Debtors’ Assets Free and Clear of all Claims, Liens, Rights, Interests and Encumbrances; (B) the Debtors to Enter into and Perform Their Obligations Under the Asset Purchase Agreement; and (C) the Debtors Assume and Assign Certain Executory Contracts and Unexpired Leases* entered on April 4, 2012 [Docket No. 496].

81. “*Schedules*” means the schedules of assets and liabilities and statements of financial affairs filed by the Debtors with the Bankruptcy Court pursuant to Bankruptcy Rule 1007, and any amendments and modifications thereto through the Confirmation Date.

82. “*Secured Claim*” means a Claim that is secured by a valid unavoidable lien on property in which the Estates have an interest, or that is subject to recoupment or setoff under section 553 of the Bankruptcy Code to the extent of the value of the holder’s interest in the Estates interest in such property, or to the extent of the amount subject to recoupment or setoff, as determined by the Bankruptcy Court pursuant to sections 506(a), 553 and/or 1129(b)(2)(A)(i)(II) of the Bankruptcy Code, as applicable. “*Secured Claim*” shall not mean and does not include the Redcats Secured Claim, the treatment of which is described in Article II.E of the Plan.

83. “*Transferred Causes of Action*” means any and all of the Debtors’ causes of action that were transferred to the Buyer pursuant to the Sale Order and the APA.

84. “*U.S. Trustee*” means the Office of the United States Trustee for the Southern District of New York.

85. “*U.S. Trustee Fees*” means all fees and charges assessed against the Estates by the U.S. Trustee and due pursuant to 11 U.S.C. § 1930.

86. “*Unexpired Lease*” means a lease entered into before the Petition Date to which one or more of the Debtors is a party that remains subject to assumption or rejection under sections 365 or 1123 of the Bankruptcy Code and section 2.6 of the APA.

87. “*Unimpaired*” means, when used in reference to a Claim, a Claim that is not impaired within the meaning of section 1124 of the Bankruptcy Code.

88. “*Unliquidated Claim*” means any Claim, the amount of liability for which has not been fixed, whether pursuant to agreement, applicable law or otherwise, as of the date on which such Claim is asserted or sought to be estimated.

89. “*Unsecured Claims Funds*” means (a) \$1.5 million in Cash funded by the Buyer in connection with the Sale, held before the Effective Date by Cooley LLP and after the Effective Date by the Plan Administrator, and (b) the Redcats Unsecured Claims Contribution, in each case

together with any interest accruing thereon, to be distributed Pro Rata to holders of Allowed General Unsecured Claims on account of such Claims.

90. “*Waived Redcats Unsecured Claims*” means any and all Claims asserted by Redcats pursuant to Proof of Claim Nos. 443, 539, 540 and 621 seeking any right to a recovery as a General Unsecured Claim (but excluding any Claims seeking any right to a recovery as Administrative Claims, which are not waived).

91. “*Wind-Down Administrator Retention Order*” means the *Order Authorizing the Debtors to (A) Retain APServices, LLC and (B) Employ Deborah Rieger-Paganis as Responsible Officer* entered by the Bankruptcy Court on May 17, 2012 [Docket No. 575].

ARTICLE II

TREATMENT OF UNCLASSIFIED CLAIMS ADMINISTRATIVE, PRIORITY TAX AND PROFESSIONAL FEE CLAIMS

A. *Allowed Administrative Claims.*

Except to the extent that any entity entitled to payment of any Allowed Administrative Claim agrees to a less favorable treatment or unless otherwise ordered by the Bankruptcy Court, each holder of an Allowed Administrative Claim shall receive Cash in an amount equal to such Allowed Administrative Claim on the later of (i) the Effective Date and (ii) as soon as practicable after such Claim becomes Allowed; *provided, however*, that Allowed Administrative Claims representing obligations incurred in the ordinary course of business of the Debtors shall be paid in full in accordance with the terms and conditions of the particular transactions and any applicable agreements.

1. Administrative Claims Bar Date.

Unless previously filed, requests for payment of Administrative Claims that have not been paid in the ordinary course of business must be filed and served on the Debtors and their counsel before the Administrative Claims Bar Date, which shall be the date that is 45 days after the Effective Date. Holders of Administrative Claims that do not file and serve such a request by the Administrative Claims Bar Date shall be forever barred, estopped and enjoined from asserting such Administrative Claims against the Debtors, their Estates or the Buyer, and such Administrative Claims shall be deemed discharged as of the Effective Date. Objections to such requests must be filed by the Debtors and served on the requesting party by the later of (a) 60 days after the Effective Date and (b) 60 days after the filing of the applicable request for payment of such Administrative Claims.

2. Administrative and Secured Claims Reserve.

On the Effective Date, the Debtors shall fund the Administrative and Secured Claims Reserve in Cash as described in Article VI.C hereof. Any amounts remaining in the Administrative and Secured Claims Reserve after payment of all Allowed Administrative Claims and all Allowed Secured Claims shall be released to the Buyer in accordance with Article V.L of

the Plan or, if otherwise agreed in writing by the Buyer in its sole discretion, allocated among any other Reserves as needed.

B. Professional Fee Claims.

Each holder of a Professional Fee Claim seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Confirmation Date must (i) file and serve their respective final applications for allowances of such Professional Fee Claim no later than the date that is 60 days after the Effective Date or such other date as may be fixed by the Court and (ii) if granted such an award by the Court, be paid in Cash in such amounts as are Allowed by the Court (a) on the date such Professional Fee Claim becomes an Allowed Professional Fee Claim, or as soon thereafter as is practicable or (b) upon such other terms as may be mutually agreed upon between such holder of a Professional Fee Claim and the Post-Effective Date Debtor. The Debtors shall pay Retained Professionals or other Entities in the ordinary course of business for any work performed after the Confirmation Date.

1. Professional Fee Claims Reserve.

On the Effective Date, the Debtors shall fund the Professional Fee Claims Reserve with Cash, as described in Article VI.C of the Plan. Any amounts remaining in the Professional Fee Claims Reserve after payment of all Allowed Professional Fee Claims shall be released to the Buyer in accordance with Article V.L of the Plan or, if otherwise agreed in writing by the Buyer in its sole discretion, allocated among any other Reserves as needed.

C. U.S. Trustee Fees.

Quarterly fees owed to the Office of the U.S. Trustee shall be paid when due in accordance with applicable law and the Post-Effective Date Debtor shall continue to file reports to show the calculation of such fees for the Estates until a Final Decree is entered closing the Chapter 11 Cases [or dismissal or conversion of the Chapter 11 Cases.](#)

D. Priority Tax Claims.

Except to the extent that a holder of an Allowed Priority Tax Claim has been paid by the Debtors before the Effective Date or agrees to a less favorable treatment, each holder of an Allowed Priority Tax Claim shall receive Cash in an amount equal to such Allowed Priority Tax Claim on the later of (i) the Effective Date and (ii) as soon as practicable after such Priority Tax Claim becomes an Allowed Priority Tax Claim.

1. Priority Tax Claims Reserve.

On the Effective Date, the Debtors shall fund the Priority Tax Claims Reserve with Cash as described in Article VI.C of the Plan. Any amounts remaining in the Priority Tax Claims Reserve after payment of all Allowed Priority Tax Claims shall be released to the Buyer in accordance with Article V.L of the Plan or, if otherwise agreed in writing by the Buyer in its sole discretion, allocated among any other Reserves as needed.

E. The Redcats Secured Claim and the Redcats Unsecured Claim.

The Redcats Secured Claim and Redcats Unsecured Claim were transferred by Redcats to the Buyer pursuant to the Claim Purchase Agreement, dated February 1, 2012, in connection with execution of the APA. Pursuant to the *Stipulation and Agreement of Settlement Among the Debtors, Redcats USA, Inc., the Official Committee of Unsecured Creditors and Avenue Stores, LLC*, dated March 20, 2012 [Adv. Proc. 12-01165, Docket No. 15], the Buyer has agreed that it will not assert any right to a recovery on account of the Redcats Secured Claim or the Redcats Unsecured Claim. Accordingly, on the Effective Date, the Redcats Secured Claim and Redcats Unsecured Claim will be disallowed and expunged in their entirety.

F. The Waived Redcats Unsecured Claims.

On or before the Bar Date, Redcats filed certain Claims against one or more of the Debtors seeking (i) reimbursement for certain costs and expenses funded by Redcats on behalf of the Debtors on account of workers' compensation obligations, (ii) contingent recovery pursuant to indemnity claims relating to a pending patent infringement suit and (iii) payment for goods delivered to the Debtors before the Petition Date. See Proof of Claim Nos. 443, 539, 540 and 621.

Pursuant to a settlement by and between Redcats and the Committee, which settlement is incorporated in the Plan and described in Article VI.B of the Plan, Redcats has agreed to waive any right to a recovery on account of any General Unsecured Claims. Accordingly, on the Effective Date, any General Unsecured Claims filed by Redcats and reflected in Proof of Claim Nos. 443, 539, 540 and 621 will be disallowed and expunged in their entirety. For the avoidance of doubt, Redcats has not waived its right to assert a recovery for any Administrative Claims, including those asserted in the above-referenced Proofs of Claim.

G. Cancellation of Intercompany Claims and Intercompany Interests.

On the Effective Date, all Intercompany Claims and Intercompany Interests shall be cancelled without receiving any distribution and shall be of no further force and effect.

ARTICLE III

CLASSIFICATION AND TREATMENT OF CLASSIFIED CLAIMS AND INTERESTS

A. Classification.

The classification of Claims and Interests listed below shall be for all purposes including voting, confirmation and distributions pursuant to the Plan. Pursuant to sections 1122 and 1123 of the Bankruptcy Code, set forth below is a designation of Classes of Claims and Interests. Administrative Claims and Priority Tax Claims are excluded from classification in accordance with section 1123(a)(1) of the Bankruptcy Code. A Claim or Interest is placed in a particular Class only to the extent that the Claim or Interest falls within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes. A Claim is also placed in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim

in that Class and such Claim has not been paid, released or otherwise settled before the Effective Date.

B. Summary of Classification

| Class | Claims | Status | Voting Rights | Expected Recoveries |
|-------|--|------------|------------------|---------------------|
| 1 | Other Priority Claims | Unimpaired | Deemed to Accept | 100% |
| 2 | Secured Claims | Unimpaired | Deemed to Accept | 100% |
| 3 | General Unsecured Claims | Impaired | Entitled to Vote | 9.2-11% |
| 4 | Interests in United Retail Group, Inc. | Impaired | Deemed to Reject | 0% |

1. Class 1 - Allowed Other Priority Claims.

- (i) *Classification:* Class 1 consists of all Allowed Other Priority Claims.
- (ii) *Voting:* Class 1 is Unimpaired and presumed to have accepted the Plan. Class 1 is not entitled to vote on the Plan.
- (iii) *Treatment:* Except to the extent that a holder of an Allowed Other Priority Claim agrees to a less favorable treatment, each holder of an Allowed Other Priority Claim shall be paid in full in Cash on the later of (a) the Effective Date and (b) as soon as practicable after such Claim becomes an Allowed Other Priority Claim.
- (iv) *Other Priority Claims Reserve:* On the Effective Date, the Debtors shall fund the Priority Claims Reserve with Cash as described in Article VI.C of the Plan. Any amounts remaining in the Other Priority Claims Reserve after payment of all Allowed and Disputed Other Priority Claims shall be released to the Buyer in accordance with Article V.L of the Plan or, if otherwise agreed in writing by the Buyer in its sole discretion, allocated among any other Reserves as needed.

2. Class 2 - Allowed Secured Claims.

- (i) *Classification:* Class 2 consists of Allowed Secured Claims.
- (ii) *Voting:* Class 2 is Unimpaired and is presumed to have accepted the Plan. Class 2 is not entitled to vote on the Plan.
- (iii) *Treatment:* Except to the extent that a holder of an Allowed Secured Claim has been paid by the Debtors before the Effective Date or agrees to a less favorable treatment, at the sole option of the Debtors or the Plan Administrator, as applicable, in consultation with the Plan Oversight Representative, each holder of an Allowed Secured Claim shall receive (a) Cash from the Administrative and Secured Claims Reserve in an amount equal to such Allowed Secured Claim, including any interest on such

Allowed Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, (b) the collateral securing its Allowed Secured Claim and any interest on such Allowed Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, or (c) such other treatment that renders the Allowed Secured Claim Unimpaired, in full and complete satisfaction of such Allowed Secured Claim on the later of (1) the Effective Date and (2) as soon as practicable after such Claim becomes an Allowed Secured Claim.

- (iv) *Administrative and Secured Claims Reserve:* On the Effective Date, the Debtors shall fund the Administrative and Secured Claims Reserve with Cash as described in Article VI.C of the Plan. Any amounts remaining in the Administrative and Secured Claims Reserve after payment of all Allowed and Disputed Secured Claims and Allowed and Disputed Administrative Claims (as described in Article II.A of the Plan) shall be released to the Buyer in accordance with Article V.L of the Plan or, if otherwise agreed in writing by the Buyer in its sole discretion, allocated among any other Reserves as needed.

3. Class 3 - Allowed General Unsecured Claims.

- (i) *Classification:* Class 3 consists of all Allowed General Unsecured Claims.
- (ii) *Voting:* Class 3 is Impaired and entitled to vote on the Plan.
- (iii) *Treatment:* Except to the extent that a holder of an Allowed General Unsecured Claim agrees to a less favorable treatment, each holder of an Allowed General Unsecured Claim shall receive its Pro Rata share (not to exceed the amount of the Allowed General Unsecured Claim) of any Net Available Funds as of the Initial Distribution Date on the later of (a) the Initial Distribution Date and (b) as soon as practicable after such Claim becomes an Allowed General Unsecured Claim. If after the Initial Distribution Date, any Cash is available from the liquidation of the Debtors' remaining Assets, the prosecution and enforcement of any Causes of Action, the release of funds from the Disputed Unsecured Claims Reserve or unclaimed, undeliverable or time-barred distributions to holders of Allowed Claims pursuant to Article V.C of the Plan, and in any event, becomes Net Available Funds, each holder of an Allowed General Unsecured Claim will be paid its Pro Rata share of Cash (not to exceed the amount of the Allowed General Unsecured Claim) through distributions on distribution dates to be determined by the Plan Administrator, in consultation with the Plan Oversight Representative.
- (iv) No payment shall be made on account of Allowed General Unsecured Claims until Cash sufficient to pay all estimated Allowed and Disputed Administrative Claims, Professional Fee Claims, Other Priority Claims and Priority Tax Claims, Post-Effective Date Costs and Disputed General

Unsecured Claims in accordance with the Plan has been deposited into the applicable Reserve or the Disputed Unsecured Claims Reserve, as applicable, as the Debtors or the Plan Administrator deem necessary.

- (v) Allowed General Unsecured Claims will not include interest from and after the Petition Date or any penalty on such Claim. Any such interest or penalty component of any such Claim, if Allowed, will be paid only in accordance with section 726(b) of the Bankruptcy Code.

4. Class 4 –Interests in United Retail Group, Inc.

- (i) Classification: Class 4 consists of all Interests in United Retail Group, Inc.
- (ii) Voting: Class 4 is Impaired and is deemed to have rejected the Plan.
- (iii) Treatment: On the Effective Date, all Interests in United Retail Group, Inc. shall be cancelled without any distribution.

ARTICLE IV

ACCEPTANCE OR REJECTION OF THE PLAN

A. Acceptance by an Impaired Class.

In accordance with section 1126(c) of the Bankruptcy Code and except as provided in section 1126(e) of the Bankruptcy Code, Class 3, which is the only Impaired Class entitled to vote under the Plan, shall have accepted the Plan if the Plan is accepted by the holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Class 3-General Unsecured Claims that have timely and properly voted to accept or reject the Plan.

B. Nonconsensual Confirmation.

If Class 3-General Unsecured Claims does not accept the Plan by the requisite statutory majorities provided in section 1126(c) of the Bankruptcy Code, the Debtors reserve the right to amend the Plan, subject to the Buyer's consent to the extent the Buyer is adversely affected thereby. With respect to Class 4 that is deemed to reject the Plan, the Debtors shall request that the Bankruptcy Court confirm the Plan pursuant to section 1129(b) of the Bankruptcy Code.

ARTICLE V

PROVISIONS GOVERNING DISTRIBUTIONS

A. Timing and Delivery of Distributions.

Subject to Article VI.L, with respect to Allowed Administrative Claims, U.S. Trustee Fees, Allowed Professional Fee Claims, Allowed Priority Tax Claims, Allowed Other Priority Claims, and Allowed Secured Claims, the Plan Administrator shall make distributions to the holders of such Claims in accordance with Article III of the Plan.

With respect to Allowed General Unsecured Claims, the Plan Administrator shall make distributions, subject to the provisions for Disputed General Unsecured Claims set forth in Article VIII.A of the Plan, on the Initial Distribution Date and any subsequent distribution dates to the extent Net Available Funds exist subsequent to the Initial Distribution Date, until Net Available Funds have been disbursed in full.

In respect of the Final Distribution Date, the Plan Administrator is not obligated to make such a distribution if it is determined that there are insufficient Net Available Funds to make a cost-efficient distribution, taking into account the size of the distribution to be made and the number of recipients of such distribution, in which event, such funds, in the Plan Administrator's discretion, will be donated to a reputable charitable organization chosen by the Plan Administrator.

B. Delivery of Distributions.

Cash distributions by check shall be mailed to each holder of an Allowed Claim that is entitled to such distributions under the Plan at the address of such creditor in the Debtors' books and records.

If any Claim holder's distribution is returned as undeliverable, no further distributions to such holder shall be made unless and until the Plan Administrator is notified of such holder's then current address, at which time all missed distributions shall be made to such holder without interest. Any notification of a Claim holders' then current address must be received by the Plan Administrator within ninety (90) days after the distribution was originally made, after which time such Claim holder's distribution shall be forfeited and treated as an unclaimed distribution in accordance with Article V.C of the Plan. Nothing in the Plan shall require the Post-Effective Date Debtor or the Plan Administrator to attempt to locate any holder of an Allowed Claim.

C. Unclaimed Distributions.

All distributions (i) made under the Plan that are unclaimed for a period of one hundred and twenty (120) days after the distribution thereof or (ii) less than \$25.00 that are withheld in accordance with Article V.E of the Plan shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and any entitlement of any holder of any Claims to such distributions shall be forfeited, extinguished and forever barred. Any such unclaimed distributions shall (a) with respect to Class 1, Class 2 or unclassified Claims, be returned to the Buyer or (b) with respect to Class 3 Claims, be added to Net Available Funds and distributed Pro Rata to other holders of Class 3 Claims in accordance with the Plan.

D. Allocation of Plan Distributions Between Principal and Interest.

To the extent that any Allowed Claim entitled to a distribution under the Plan consists of indebtedness and other amounts (such as accrued but unpaid interest thereon), such distribution shall be allocated first to the principal amount of the Claim (as determined for federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the Claim, to such other amounts, except for General Unsecured Claims, which shall not be entitled to interest and penalties, as provided in Article IIIB.3(v) of the Plan.

E. Means of Cash Payment.

Cash distributions made pursuant to the Plan shall be in United States funds, by check drawn on a domestic bank, or, if the Plan Administrator so elects in its sole discretion, by wire transfer from a domestic bank. No Cash distribution need be made if the distribution would be less than \$25.00.

F. Compliance with Tax Requirements.

In connection with the consummation of the Plan, the Post-Effective Date Debtor and the Plan Administrator shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority and all distributions hereunder shall be subject to any such withholding and reporting requirements. Notwithstanding the foregoing, each holder of an Allowed Claim that is to receive a distribution under the Plan shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed on such holder by any governmental unit, including income, withholding and other tax obligations, on account of such distribution. The Plan Administrator has the right, but not the obligation, to not make a distribution until such Claim holder has made arrangements satisfactory to the Plan Administrator for payment of any such tax obligations, the failure of which may result in forfeiture of the distribution.

G. Record Date.

The record date for purposes of distributions under the Plan shall be the date the Court enters its order approving the Disclosure Statement. The Plan Administrator shall rely on the Claims Register except to the extent a notice of transfer of Claim or Interest has been filed with the Court before the record date pursuant to Bankruptcy Rule 3001 or the Plan Administrator has actual notice of a permitted transfer.

H. Distributions After Effective Date.

Distributions made after the Effective Date to holders of Claims that become Allowed Claims after the Effective Date shall be deemed to have been made on the Effective Date.

I. Distributions After Allowance.

To the extent that a Disputed Claim becomes an Allowed Claim, distributions, if any, shall be made to the holder of such Allowed Claim in accordance with the provisions of the Plan.

J. Fractional Cents.

When any payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole cent (rounding down in the case of less than \$0.005 and rounding up in the case of \$0.005 or more).

K. Third Party Agreements; Subordination.

Except as set forth herein, distributions to the various classes of Claims hereunder shall not affect the right of any Person to levy, garnish, attach or employ any other legal process with respect to such distributions by reason of any claimed contractual subordination rights or otherwise. Distributions made by the Plan Administrator shall not be inconsistent with such contractual subordination provisions and may be modified only by a Final Order directing that distributions be made other than as provided in the Plan and Confirmation Order; *provided, however*, that the Plan Administrator (or any of its agents, representatives, professionals or employees) shall not be liable to any Person on account of distributions which are ultimately determined to be inconsistent with inter-creditor contractual subordination agreements or rights, unless such distributions were made in bad faith or with malicious intent.

L. Release of Funds in Reserves.

No later than 210 days after the Effective Date (unless Buyer consents in writing to any extension, which consent shall not be unreasonably withheld), any Cash remaining in any of the Reserves after all applicable distributions or other payments have been made from all Reserves shall be released therefrom by the Plan Administrator and returned to the Buyer, together with any interest accrued on such amounts.

M. Certificate of Completion of Distributions.

Upon the completion of all distributions under the Plan, the Plan Administrator shall file a certificate of completion of distributions with the Court.

ARTICLE VI

MEANS FOR IMPLEMENTATION OF THE PLAN

A. Substantive Consolidation/Merger/Dissolution.

The Plan shall serve as a motion requesting the substantive consolidation of the Debtors into a single entity, United Retail Group, Inc. Entry of the Confirmation Order shall constitute approval, pursuant to section 105(a) of the Bankruptcy Code, effective as of the Effective Date, of the substantive consolidation of the Chapter 11 Cases. On and after the Effective Date, (i) all Assets and liabilities of the Debtors shall be merged so that all of the Assets of the Debtors shall be available to pay all of the liabilities under the Plan, (ii) no distributions shall be made under the Plan on account of Intercompany Claims, (iii) all guarantees by the Debtors of the obligations of any other Debtor shall be eliminated so that any claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of the Debtors shall be one obligation of United Retail Group, Inc., and (iv) each and every Claim filed or to be filed in the case of any of the Debtors other than United Retail Group, Inc. shall be deemed filed against United Retail Group, Inc.

B. Settlement of Certain Claims.

Pursuant to Bankruptcy Rule 9019, and in consideration for the classification, distribution, releases and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims or controversies resolved pursuant to the Plan. Specifically, as described in Articles II.F and VI.C of the Plan, the Plan contemplates enhanced recoveries to holders of Allowed General Unsecured Claims through (i) a further contribution of \$1,250,000 by Redcats for the benefit of holders of Allowed General Unsecured Claims, which Redcats Unsecured Claims Contribution shall be funded on the Effective Date and (ii) a waiver by Redcats of the Waived Redcats Unsecured Claims, which reduces the total pool of General Unsecured Claims. All distributions made to creditors holding Allowed Claims in any Class are intended to be and shall be final.

C. Implementing Actions.

On the Effective Date, the following shall occur to implement the Plan:

1. All Debtors, other than United Retail Group, Inc. shall be deemed merged into United Retail Group, Inc. or dissolved without any further action by the Debtors, including the filing of any documents with the Secretary of State for any state in which the Debtors are incorporated or any other jurisdiction; *provided, however*, that the Debtors shall have the authority to take all necessary actions to merge or dissolve the Debtors in and withdraw the Debtors from applicable state(s);
2. The Reserves shall be funded as follows: Before the Effective Date, the Debtors will determine, after consultation with and the reasonable consent of the Buyer, an estimate of the maximum aggregate amount needed to fund the Reserves (i.e., the Administrative and Secured Claims Reserve, the Other Priority Claims Reserve, the Priority Tax Claims Reserve, the Professional Fee Claims Reserve, and the Post-Effective Date Costs Reserve), taking into account (i) Section 2.5(a) of the APA with respect to Administrative and Other Priority Claims as of the closing under the APA, (ii) the definition of “Assumed Liabilities” in the APA, (iii) the Buyer’s obligations pursuant to Sections 2.5(a), 2.10(d) and 6.4(d) of the APA with respect to the Buyer’s payment of certain ongoing ordinary course operating expenses after the closing of the Sale, (iv) the Buyer’s payments to date and those reasonably estimated to occur during the succeeding 150-day period in respect of ongoing ordinary course operating expenses, and (v) any portion of the Cash deposited by the Buyer in respect of Carve-Out Expenses that the Debtors and the Buyer estimate will be made available to satisfy Allowed Administrative Claims (collectively, the “**Reserves Estimate**”). Thereafter, the Buyer shall determine in its sole and absolute discretion the amount of each of the Reserves that it will fund, taking into account the fact that the APA does not require any advance funding of any amounts in respect of such Claims (the “**Buyer Reserve Contribution**”); provided that the Buyer Reserve Contribution shall be no less than the lesser of (i) 90% of the Buyer’s then remaining obligations under the APA that relate to any of the Reserves categories and (ii) \$[TBD]. Notwithstanding anything in the Plan to the contrary, to the extent that any amount reserved for any Administrative Claim,

Secured Claim, Other Priority Claim, Priority Tax Claim, Professional Fee Claim or Post-Effective Date Cost could be considered to fall under more than one of the foregoing categories, such amount shall only be deemed to fall under one such category, and the Reserves Estimate shall be calculated without duplication. On the Effective Date, the Buyer shall wire the Debtors Cash in the amount of the Buyer Reserve Contribution, subject to the effectiveness of the Plan. Notwithstanding anything in the Plan to the contrary, in no event shall the Buyer have an obligation to fund any amounts in excess of amounts required to be paid by the Buyer pursuant to the APA.² In the event that the Buyer has funded the Buyer Reserve Contribution and the Plan does not become effective or the Plan becomes effective and thereafter is abandoned, the Debtors shall promptly return the Buyer Reserve Contribution by wiring such Cash to the Buyer at the account from which the Buyer funded it. Notwithstanding anything to the contrary contained herein, in no event shall any amounts included in the Buyer Reserve Contribution that the Buyer has allocated to any particular Reserve be reallocated to any other Reserve without the consent of the Buyer, which consent shall not be unreasonably withheld;

3. Cooley LLP shall transfer the Buyer's \$1.5 million contribution to the Unsecured Claims Funds to the Post-Effective Date Debtor, and Redcats shall fund the Redcats Unsecured Claims Contribution; and
4. Subject to Article VI.L, the Plan Administrator shall make all distributions required pursuant to the Plan to be made on the Effective Date to holders of Allowed Claims pursuant to the Plan.

D. Conditions to Plan Effectiveness.

Notwithstanding anything herein to the contrary, the Plan may not be consummated, and the Effective Date shall not occur, unless and until each of the following conditions shall have been either satisfied or waived:

1. The Court has entered an order confirming the Plan in form and substance satisfactory to the Debtors;
2. No stay of the Confirmation Order is in effect;
3. All documents, instruments and agreements (including with respect to funding the Reserves Estimate, including the Buyer Reserve Contribution), in form and substance satisfactory to the Debtors or other party thereto, provided for under or necessary to implement the Plan have been executed and delivered by the parties thereto, unless such execution or delivery has been waived by the parties benefited thereby; provided that no waiver shall occur to the extent the Buyer would be adversely affected thereby without the prior written consent of the Buyer;

² Please refer to Section III of the Disclosure Statement for a description of the Buyer's obligations under the APA.

4. The Debtors shall have received all authorizations, consents, regulatory approvals, rulings, opinions or other documents that are determined by the Debtors to be necessary to implement the Plan;
5. Sufficient Cash to fund the Reserves in an amount no less than the Reserves Estimate shall be available, including any Buyer Reserve Contribution that the Buyer has notified the Debtors that it intends to fund, subject to the effectiveness of the Plan; and
6. The Redcats Unsecured Claims Contribution shall be funded.

E. Waiver of Conditions.

The Debtors may, after consultation with the Committee, waive any of the conditions set forth in Articles VI.D.1 through VI.D.4 of the Plan, except to the extent the Buyer would be adversely affected thereby, in which event any such waiver will require the written consent of the Buyer. Additionally, the Debtors' rights under the "mootness doctrine" shall be unaffected by any provision hereof. The failure to satisfy any condition may be asserted by the Debtors regardless of the circumstances giving rise to the failure of such condition to be satisfied. If the Debtors fail to assert the non-satisfaction of any such conditions, such failure shall not be deemed a waiver of any other rights thereunder.

F. Satisfaction of Conditions.

Except as expressly provided or permitted in the Plan, any actions required to be taken on the Effective Date shall take place and shall be deemed to have occurred simultaneously, and no such action shall be deemed to have occurred before the taking of any other such action. In the event that the Effective Date does not occur within the one hundred and fiftieth (150th) day after entry of the Confirmation Order, (i) the Confirmation Order shall be vacated, (ii) the Debtors and all holders of Claims and Interests shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred and (iii) the Debtors' obligations and entitlements with respect to Claims and Interests shall remain unchanged and nothing contained herein shall constitute or be deemed a waiver or release of any Claims or Interests by or against the Debtors or any other person or to prejudice in any manner the rights of the Debtors or any person in any further proceedings involving the Debtors.

G. Continuing Existence of the Post-Effective Date Debtor.

From and after the Effective Date, the Post-Effective Date Debtor shall continue in existence for the purpose of (i) winding up its affairs as expeditiously and efficaciously as reasonably possible, (ii) liquidating, by conversion to Cash or other methods, any Assets of the Debtors, as expeditiously as reasonably possible, (iii) in consultation with the Plan Oversight Representative and subject to the prior written consent of the Buyer, enforcing and prosecuting claims, interests, rights and privileges of the Debtors, in an efficacious manner and only to the extent the benefits of such enforcement are reasonably believed to outweigh the costs with respect thereto, (iv) resolving Disputed Claims, (v) administering the Plan in an efficacious manner, and (vi) filing appropriate tax returns.

H. Corporate Action.

Upon the Effective Date, all transactions and applicable matters provided for under the Plan shall be deemed to be authorized and approved by the Debtors without any requirement of further action by the Debtors, the Debtors' shareholders or members, or the Debtors' boards of directors, managers or other governing bodies.

I. Vesting of Assets in the Post-Effective Date Debtor.

1. Unless otherwise dealt with under the Plan, Assets shall vest in the Post-Effective Date Debtor for the purpose of liquidating the Estates and consummating the Plan.
2. From and after the Effective Date, the Post-Effective Date Debtor may administer the Estates pursuant to the terms of the Plan and may use, acquire and dispose of Assets free of any restrictions imposed under the Bankruptcy Code.
3. The Post-Effective Date Debtor may, after consultation with the Plan Oversight Representative, convey, transfer and assign any and all Assets and take all actions necessary to effectuate the same.
4. As of the Effective Date, all Assets shall be held free and clear of all liens, claims and interests of holders of Claims and Interests, except as otherwise provided in the Plan.
5. The Plan Administrator shall be authorized, without any supervision or approval of the Court or the U.S. Trustee, to employ and compensate such persons, including counsel and accountants, as it may deem necessary to enable it to perform its functions hereunder under the parameters established hereunder, and the reasonable fees and costs of such employment and other expenditures shall be paid by the Post-Effective Date Debtor.

J. Subsequent Dissolution/Records.

Upon a certification to be filed with the Court by the Plan Administrator of the Final Distribution in accordance with Article V.B of the Plan and completion of all its duties under the Plan and entry of a Final Decree closing the last of the Chapter 11 Cases, the Post-Effective Date Debtor shall be deemed to be dissolved without any further action by the Post-Effective Date Debtor, including the filing of any documents with the Secretary of State for the state in which the Post-Effective Date Debtor is incorporated or any other jurisdiction. The Post-Effective Date Debtor, however, shall have the authority to take all necessary actions to dissolve the Post-Effective Date Debtor in and withdraw the Post-Effective Date Debtor from applicable state(s). Further, subject to applicable law, upon the aforementioned certification and entry of a Final Decree, the Post-Effective Date Debtor shall be authorized to discard or destroy any and all prepetition or postpetition books and records of the Debtors in its possession that are Assets, subject to any provisions contrary in the APA.

K. Plan Administrator.

The Plan Administrator shall act for the Post-Effective Date Debtor in the same fiduciary capacity as applicable to a board of directors and officers, subject to the provisions hereof (and all bylaws, articles of incorporation and related corporate documents are deemed amended by this Plan to permit and authorize the same). On the Effective Date, (a) the authority, power and incumbency of the persons acting as directors and officers of the Debtors shall be terminated and such directors and officers shall be deemed to have resigned and (b) Deborah Rieger-Paganis, a representative of the Plan Administrator, shall be appointed as the sole director and sole officer of the Post-Effective Date Debtor and shall succeed to the powers of United Retail Group, Inc.'s officers and directors. From and after the Effective Date, the Plan Administrator shall be the sole representative of, and shall act for, the Post-Effective Date Debtor. All distributions to be made under this Plan shall be made by the Plan Administrator. In the event the Plan Administrator is terminated or resigns for any reason, the Plan Administrator shall designate a successor.

L. Duties and Powers of the Plan Administrator.

The Plan Administrator, together with its representatives and professionals, shall, in consultation with the Plan Oversight Representative, administer the Plan with respect to the Post-Effective Date Debtor; it being understood that, notwithstanding anything herein to the contrary, no amounts shall be distributed from the Reserves unless such distribution has first been consented to in writing by the Buyer, which consent shall not be unreasonably withheld. Unless Buyer agrees otherwise, no amounts may be distributed from the Reserves such that the Buyer directly or indirectly would pay any amounts in excess of such amounts required to be paid by the Buyer under the APA. In such capacity, and without limiting the prior two sentences hereof and any other limitations set forth in this Plan, the powers of the Plan Administrator shall include any and all powers and authority necessary to implement the Plan and to administer and distribute Assets and wind up the business and affairs of the Debtors and the Post-Effective Date Debtor, including: (i) serving as the sole officer and director of the Post-Effective Date Debtor; (ii) liquidating Assets; (iii) abandoning Assets; (iv) pursuing Causes of Action; it being understood that no such Causes of Action shall be funded from the Reserves unless the proceeds thereof shall be used to diminish any Claim against any Reserve; (v) investing Cash; (vi) taking all steps to execute all instruments and documents necessary to effectuate the distributions to be made under the Plan; (vii) making distributions contemplated by the Plan; (viii) complying with the Plan and the obligations hereunder; (ix) commencing and prosecuting all proceedings related to the Plan; (x) maintaining all bank accounts in the name of the Debtors and Post-Effective Date Debtor; (xi) employing, retaining, terminating or replacing professionals to represent it with respect to its responsibilities or otherwise effectuating the Plan to the extent necessary; (xii) paying any and all reasonable fees and expenses of the Post-Effective Date Debtor; (xiii) administering and paying taxes, including filing tax returns; (xiv) requesting an expedited determination of any unpaid tax liability of the Post-Effective Date Debtor under section 505 of the Bankruptcy Code; (xx) representing the interest of the Post-Effective Date Debtor or the Estates before any taxing authority in all matters, including any action, suit, proceeding or audit; (xxi) taking all steps reasonably necessary and practicable to terminate the corporate existence of the Debtors and the Post-Effective Date Debtor; and (xxii) exercising such other powers as may be vested in it pursuant to order of the Court or pursuant to the Plan, or as it reasonably deems to be necessary and proper to carry out the provisions of the Plan.

M. No Agency Relationship, Limitation of Liability of Plan Administrator, Indemnification and Insurance.

The Plan Administrator and its agents shall not be deemed to be the agent for any creditor in connection with the Cash held or distributed pursuant to the Plan. The Plan Administrator and its agents shall not be liable to the Debtor or any third party for any mistake of fact or law or error of judgment or any act or omission of any kind unless it constitutes gross negligence. The Plan Administrator shall be indemnified and held harmless, including the costs of defending such claims, by the Post-Effective Date Debtor and the Estates against any and all claims arising out of the performance of its duties under the Plan, except to the extent its actions constitute fraud, gross negligence, criminal conduct, malpractice, misuse of confidential information that causes damages or ultra vires act as determined by a Final Order. The Plan Administrator may obtain, at the expense of the Post-Effective Date Debtor and the Estates, commercially reasonable liability or other appropriate insurance with respect to the indemnification obligations of the Plan Administrator. The Plan Administrator may conclusively rely, and shall be fully protected personally in acting upon, any statement, instrument, opinion, report, notice, request, consent, order or other instrument or document that it believes to be genuine and to have been signed or presented by the proper party. The Plan Administrator may rely upon written information previously generated by the Debtors or the Post-Effective Date Debtor.

N. Dissolution of the Committee and Appointment of Plan Oversight Representative.

On or before the Effective Date, the Committee shall appoint the Plan Oversight Representative, who shall monitor the claims process and distributions contemplated by the Plan and who shall have consultation and notice rights with respect to relevant action taken by the Plan Administrator on behalf of the Post-Effective Date Debtor. On the Effective Date, the Committee shall be dissolved and the members thereof shall be released and discharged of and from all further authority, duties, responsibilities and obligations to and arising from and in connection with the Chapter 11 Cases; *provided, however*, that after entry of the Confirmation Order, the Committee's functions shall be restricted to, and the Committee shall not be heard on any issue except (i) applications filed by Retained Professionals, (ii) motions or litigation seeking enforcement of provisions of the Plan and the transactions contemplated hereunder or in the Confirmation Order and (iii) any pending appeals or related proceedings.

O. Causes of Action.

Pursuant to section 1123(b)(3)(B) of the Bankruptcy Code, as of the Effective Date, any Causes of Action that are already pending or that are accruing to the Debtors shall vest in the Post-Effective Date Debtor. As of the Effective Date, the Plan Administrator shall have the authority to prosecute such Causes of Action on behalf of and for the benefit of the Estates and their creditors; it being understood that no costs incurred in connection therewith shall be paid for by the Reserves unless the proceeds thereof shall be used to diminish any Claim against any Reserve. The Plan Administrator shall have the authority to compromise, settle, resolve, discontinue, abandon or dismiss all such Causes of Action without approval of the Court. Any Cash received by the Estates as a result of prosecution or settlement of any Causes of Action or of enforcement of any judgment or order obtained in connection with any Cause of Action shall be added to Net Available Funds and distributed therefrom in accordance with the terms of the Plan.

No Cause of Action is released by confirmation of the Plan, and confirmation of the Plan shall not have any res judicata or collateral estoppel effect on the Debtors' prosecution of any Cause of Action.

P. Remaining Assets.

To the extent not previously authorized under the Sale Order and/or any other order(s) of the Court, on and after the Effective Date, without further approval of the Court, the Plan Administrator shall, in consultation with the Plan Oversight Representative and in accordance with the terms of the Plan, liquidate any Assets of the Debtors and in connection therewith, may, in consultation with the Plan Oversight Representative, use, sell, assign, transfer, abandon or otherwise dispose of at public or private sale any of the Assets for the purpose of liquidating or converting such Assets to Cash, making distributions in full and consummating the Plan. Except in the case of intentional fraud or gross negligence, no Person or party in interest shall have a cause of action against the Plan Administrator and/or any of their respective consultants, professionals or agents, arising from or related to the disposition of non-Cash Assets in accordance with this Article VI.P.

To the extent not previously authorized under the Sale Order and/or any other order(s) of the Court, on and after the Effective Date, the Plan Administrator is authorized and empowered to fully perform under, consummate and implement any agreement, together with all additional instruments and documents that may be reasonably necessary or desirable to consummate a sale, assignment, transfer or other disposal of the Assets, and to take all further actions as may reasonably be requested by a purchaser or transferee for the purpose of selling, assigning, transferring, granting, conveying and conferring to a purchaser or transferee, or reducing to possession, any or all of the Assets free and clear of any and all Liens and other encumbrances.

Pursuant to section 1142(b) of the Bankruptcy Code, a non-Debtor entity is authorized and directed to execute or deliver or to join in the execution or delivery of any instrument required to effect a sale, assignment, transfer, abandonment or other disposal of the Debtors' Assets and to perform any other act, including the satisfaction of any Encumbrance, that is necessary to effectuate a sale, assignment, transfer, abandonment or other disposal of the Assets.

Q. Counterclaims.

The Post-Effective Date Debtor shall not be subject to any counterclaims with respect to any Causes of Action constituting Assets that have vested in the Post-Effective Date Debtor pursuant to the Plan; *provided, however*, that such Causes of Action will be subject to any set-off rights.

R. Post Confirmation Date Professional Fees.

Subject to Article VI.L, from and after the Confirmation Date, the Debtors or the Plan Administrator, as applicable, shall, in the ordinary course of business and without the necessity for any approval by the Court, pay the reasonable fees and expenses of professionals thereafter incurred (including on behalf of the Post-Effective Date Debtor and the Plan Oversight Representative), including those fees and expenses incurred in connection with the implementation and consummation of the Plan. From and after the Effective Date, on a monthly

basis, the Plan Administrator's professionals shall serve a detailed invoice to the Plan Administrator. The Plan Administrator promptly, but no less than two Business Days following receipt thereof, shall provide such invoice to the Buyer. If the Plan Administrator or the Buyer (by informing the Plan Administrator in writing) disputes the reasonableness of any such invoice within fifteen (15) days of service of such invoice, the Plan Administrator or the affected professional may submit such dispute to the Court for determination of reasonableness of such invoice, and the disputed portion of such invoice shall not be paid until the dispute is resolved. If no objections are raised to an invoice in accordance with the deadline established above, then, subject to Article VI.L, the Plan Administrator shall promptly pay such invoice in full.

S. Closing of the Debtors' Chapter 11 Cases.

When all Disputed Claims have become Allowed Claims or Disallowed Claims, all remaining Cash has been distributed in accordance with the Plan and the business and affairs of the Post-Effective Date Debtor have been otherwise wound up, the Plan Administrator shall seek authority from the Bankruptcy Court to close the Chapter 11 Cases in accordance with the Bankruptcy Code and Bankruptcy Rules.

ARTICLE VII

TREATMENT OF EXECUTORY CONTRACTS AND LEASES

A. Contracts and Leases Not Specifically Assumed and Assigned are Rejected.

All Unexpired Leases and Executory Contracts of the Debtors not expressly assumed, rejected or terminated pursuant to Section 2.6 of the APA and the Sale Order, or by order of the Court entered before the Effective Date, or which are not subject of a pending application to assume on the Effective Date, shall be deemed rejected on August 29, 2012.

B. Bar Date for Filing Claim For Rejection Damages.

If the rejection of an Executory Contract or Unexpired Lease by the Debtors pursuant to Article VII.A hereof results in damages to the counterparty to such contract or lease, then a Claim for damages or any other amounts related in any way to such contract or lease shall be forever barred and shall not be enforceable against the Debtors, their successors and assigns or their property, unless a proof of claim is filed with the Court and served on the Plan Administrator within thirty (30) days after the service of notice of the order (including the Confirmation Order) rejecting such Executory Contract or Unexpired Lease, which notice shall prominently state that such Executory Contracts and Unexpired Leases have been rejected; *provided, however*, that the rejection claim bar date for Executory Contracts and Unexpired Leases rejected before the Confirmation Date shall be the applicable Bar Date or the date set forth in the order rejecting such lease or contract.

C. Preexisting Obligations to the Debtors Under Executory Contracts and Unexpired Leases.

Rejection or repudiation of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of preexisting obligations owed to the Debtors under such contracts or leases as modified, amended, supplemented, or restated. In particular,

notwithstanding any non-bankruptcy law to the contrary, the Plan Administrator expressly reserves and does not waive any right to receive, or any continuing obligation of a counterparty to provide, warranties or continued maintenance obligations on goods previously purchased, or services previously received, by the contracting Debtors from counterparties to rejected or repudiated Executory Contracts or Unexpired Leases.

ARTICLE VIII

PROVISIONS REGARDING TREATMENT OF DISPUTED, CONTINGENT AND UNLIQUIDATED CLAIMS

A. Disputed General Unsecured Claims Reserve.

A Disputed General Unsecured Claims Reserve shall be managed by the Plan Administrator for the treatment of Disputed General Unsecured Claims. The Debtors shall deposit Cash from the Unsecured Claims Funds into the Disputed General Unsecured Claims Reserve an amount equal to the Pro Rata share of the distribution allocable to Disputed General Unsecured Claims, as if such Claims were Allowed Claims. The Disputed General Unsecured Claims Reserve shall be maintained by the Post-Effective Date Debtor for the benefit of the holders of Allowed General Unsecured Claims whose distributions are unclaimed and the holders of such Disputed General Unsecured Claims pending a determination of their entitlement thereto under the terms of the Plan.

B. Objections to and Resolution of Disputed Claims.

After the Effective Date, the Plan Administrator shall have the right to make and file objections to Claims and to withdraw such objections. Subject to the preceding sentence, all objections shall be litigated to Final Order; *provided, however*, that the Plan Administrator shall have the authority to compromise, settle or otherwise resolve any Claim without approval of the Court or notice to any party other than the Buyer to the extent such Claim will be a Claim against the Reserves; *provided further, however*, that the Plan Administrator reserves the right to seek relief before the Court with respect to any Disputed Claim.

Any Claim that has been paid, satisfied or superseded may be expunged from the Claims Register by the Notice and Claims Agent, and any Claim that has been amended may be adjusted on the Claims Register by the Notice and Claims Agent.

C. No Distributions Pending Allowance.

Notwithstanding any other provision hereof, if any portion of a Claim is Disputed, no payment or distribution provided hereunder shall be made on account of such portion of the Claim unless and until such Disputed Claim becomes Allowed.

D. Estimation of Claims.

After the Effective Date, the Plan Administrator may at any time request that the Bankruptcy Court estimate, or establish procedures for the estimation or arbitration of, any Contingent Claim, Unliquidated Claim or Disputed Claim pursuant to section 502(c) of the

Bankruptcy Code regardless of whether any of the Debtors or any other person previously objected to such Claim, and the Bankruptcy Court shall retain jurisdiction to estimate any Claim at any time. In the event that the Bankruptcy Court estimates any Contingent Claim, Unliquidated Claim or Disputed Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Plan Administrator may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation and resolution procedures are intended to be cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court, which shall be requested on notice to all relevant parties in interest, including the Buyer and the Plan Oversight Representative.

E. No Post-Effective Date Interest.

To the extent that a Disputed Claim becomes an Allowed Claim after the Effective Date, the holder of such Claim shall not be entitled to any interest thereon.

ARTICLE IX

EFFECTS OF CONFIRMATION OF THE PLAN

~~A. Discharge of Debtors.~~

~~Pursuant to and to the fullest extent permitted by section 1141(d) of the Bankruptcy Code, and except as otherwise provided in the Plan or in any contract, instrument or other agreement or document created pursuant to the Plan, the distributions, rights and treatment that are provided in the Plan shall be in complete satisfaction, discharge and release, effective as of the Effective Date, of any and all Claims or Causes of Action of any kind or nature whatsoever against, or Interests in, the Debtors, to the extent such Claims, Causes of Action or Interests arose before the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims, Causes of Action and Interests subject to the Effective Date occurring.~~

A. ~~B.~~ Release of Liens.

Except as otherwise provided herein or in any contract, instrument, release or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any Assets shall be fully released, settled and compromised.

B. ~~C.~~ Exemption from Certain Taxes and Fees.

Pursuant to, and to the fullest extent permitted by, section 1146(a) of the Bankruptcy Code, any transfers of property pursuant to, in contemplation of, or in connection with, the Plan or pursuant to: (i) the issuance, distribution, transfer, or exchange of any debt, equity security interest, or other interest in the Debtors; (ii) the creation, modification, consolidation, assumption,

termination, refinancing and/or recording of any mortgage, deed of trust or other security interest, or the securing of additional indebtedness by such or other means; (iii) the making, assignment or recording of any lease or sublease; or (iv) the making, delivery or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan including any deeds, bills of sale, assignments or other instrument of transfer executed in connection with any transaction arising out of, contemplated by, or in any way related to the Plan, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, regulatory filing or recording fee, or other similar tax or governmental assessment, and the appropriate state or local government officials or agents shall, and shall be directed to, forgo the collection of any such tax, recordation fee or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax, recordation fee or government assessment. The Bankruptcy Court shall retain specific jurisdiction with respect to these matters.

C. ~~D.~~ *Releases by the Debtors.*

On the Effective Date and effective as of the Effective Date, to the fullest extent permitted by applicable law, for ~~the~~ good and valuable consideration provided by the Released Parties, including (i) the discharge of debt and all other good and valuable consideration paid pursuant hereto; and (ii) the services of the Released Parties facilitating the expeditious implementation of the Sale and the liquidation contemplated by the Plan, each of the Debtors unconditionally, irrevocably and forever discharges and releases the Released Parties from any and all Claims and Interests, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Sale, the Debtors' and Post-Effective Date Debtor's liquidation and wind-down, the Chapter 11 Cases, the negotiation and preparation of the Plan or the Disclosure Statement or upon any other act or omission, transaction, agreement, document, event or other occurrence taking place on or before the Confirmation Date, including those that the Debtors or Plan Administrator would have been legally entitled to assert in its or their own right (whether individually or collectively) other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes fraud, gross negligence, or a criminal act to the extent such act or omission is, criminal conduct, malpractice, misuse of confidential information that causes damages or ultra vires act as determined by a Final Order ~~to have constituted gross negligence or a criminal act.~~

The foregoing Debtor Release shall not apply to any express contractual or financial obligations or any right or obligations arising under or that is part of the Plan or any agreements entered into pursuant to, in connection with or contemplated by the Plan.

Nothing in this Article IX.D shall limit the liability of the Debtors' professionals to their respective clients pursuant to DR 6-102 of the Code of Professional Responsibility, N.Y. Comp. Codes R. & Regs. tit. 22 § 1200.8 Rule 1.8(h)(1) (2009), and any other statutes, rules or regulations dealing with professional conduct to which such professionals are subject.

D. ~~E.~~ *Releases by Holders of Claims and Interests.*

On the Effective Date and effective as of the Effective Date, to the fullest extent permitted by applicable law, each of the Releasing Parties shall be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever released and discharged the Released Parties from any and all Claims and Interests, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative claims asserted on behalf of a Debtor, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such entity would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' and Post-Effective Date Debtor's liquidation and wind-down, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any security of the Debtors or the Post-Effective Date Debtor, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between the Debtors and any Released Party, the liquidation of Claims before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Plan, the Disclosure Statement, the Plan Supplement, any related agreements to the foregoing, instruments or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Confirmation Date, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes fraud, gross negligence ~~or a criminal act to the extent such act or omission is, criminal conduct, malpractice, misuse of confidential information that causes damages or ultra vires act as~~ determined by a Final Order ~~to have constituted gross negligence or a criminal act.~~

Notwithstanding anything to the contrary in the foregoing, the Release by holders of Claims and Interests set forth above does not release any Post-Effective Date obligations of any party under the Plan or any document, instrument or agreement (including those set forth in the Plan Supplement, if any) executed to implement the Plan.

E. ~~F.~~ *Injunction Enjoining Holders of Claims Against the Debtors.*

This Plan is the sole means for resolving, paying or otherwise dealing with Claims and Interests. To that end, except as expressly provided herein, at all times on and after the Effective Date, through and including the date of entry of a Final Decree closing the Chapter 11 Cases, all Persons who have been, are, or may be holders of Claims against or Interests in the Debtors arising before the Effective Date shall be enjoined from taking any of the following actions against or affecting the Plan Administrator, the Debtors, their Estates, the Post-Effective Date Debtor, or their property, and with respect to such Claims or Interests (other than actions brought to enforce any rights or obligations under this Plan or the APA):

1. commencing or continuing in any manner, directly or indirectly any suit, action, or other proceeding of any kind against the Debtors, their Estates or their property (including all suits, actions, and proceedings that are pending as of the Effective Date);
2. enforcing, levying, attaching, collecting, or otherwise recovering by any manner or means whether directly or indirectly any judgment, award, decree, or order against the Debtors, their Estates or their property;
3. creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any Lien against the Debtors, their Estates or their property;
4. asserting any right of subrogation, or recoupment of any kind, directly or indirectly against any obligation due to the Debtors, their Estates or their property; and
5. proceeding in any manner in any place whatsoever against the Debtors, their Estates, or their property, or their property that does not conform to or comply with the provisions of this Plan.

F. ~~G.~~ *Exculpation of Debtors.*

Upon and effective as the Effective Date, the Debtors, the Committee and all of their respective current and former members (including ex officio members), officers, directors, employees, partners, attorneys, financial advisors, accountants, managed funds, investment bankers, investment advisors, actuaries, professionals, agents and representatives (in each case in their respective capacities as such) (collectively, the “***Exculpated Parties***”) will all be deemed to have solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including section 1125(e) of the Bankruptcy Code.

Except with respect to any acts or omissions expressly set forth in and preserved by the Plan or for any matters arising under the APA, the Exculpated Parties shall neither have, nor incur any liability to any Entity for any prepetition or postpetition act taken or omitted to be taken through and including the Effective Date in connection with, or arising from or relating in any way to, the Chapter 11 Cases; formulating, negotiating, preparing, disseminating, implementing, administering, or effecting the Consummation of the Sale, the Disclosure Statement, the APA or any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or any other prepetition or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring and liquidation of the Debtors; the solicitation of votes for the Plan and the pursuit of Confirmation and Consummation of the Plan; and the administration of the Plan and/or the property to be distributed under the Plan. In all respects, each Exculpated Party shall be entitled to rely upon the advice of counsel concerning his, her or its respective duties under, pursuant to or in connection with the Plan.

Notwithstanding anything herein to the contrary, nothing in the foregoing “Exculpation of Debtors” shall (1) exculpate any Person or Entity from any liability resulting from any act or omission constituting fraud, gross negligence, criminal conduct, malpractice, misuse of confidential information that causes damages or ultra vires act as determined by a Final Order or

(2) limit the liability of the professionals of the Exculpated Parties to their respective clients pursuant to N.Y. Comp. Codes R. & Regs. tit. 22 § 1200.8 Rule 1.8(h)(1) (2009).

G. ~~H.~~ *Cancellation of Existing Notes, Securities and Instruments.*

On the Effective Date, unless otherwise provided herein, any and all notes, securities and other instruments evidencing any Claim or Interest shall be deemed canceled without further act or action under any applicable agreement, law, regulation, order or rule.

H. ~~I.~~ *Disallowance of Claims.*

Except as otherwise agreed by the Debtors, any and all Proofs of Claim filed after the applicable Claims Bar Date shall be deemed disallowed and expunged as of the Effective Date without any further notice to or action, order or approval of the Bankruptcy Court, and holders of such Claims may not receive any distributions on account of such Claims, unless such late Proof of Claim is deemed timely filed by a Final Order.

I. ~~J.~~ *Amendments to Claims.*

On or after the Effective Date, except as otherwise provided herein, a Claim may not be amended without the prior authorization of the Bankruptcy Court, and any such amended Claim filed shall be deemed disallowed and expunged without any further notice to or action, order or approval of the Bankruptcy Court.

J. ~~K.~~ *Compromise and Settlement of Claims, Equity Interests and Controversies.*

Notwithstanding anything contained herein to the contrary, the allowance, classification, and treatment of all Allowed Claims and their respective distributions and treatments hereunder takes into account and conforms to the relative priority and rights of the Claims and the Interests in each Class in connection with any contractual, legal and equitable subordination rights relating thereto whether arising under general principles of equitable subordination, section 510 of the Bankruptcy Code or otherwise. As of the Effective Date, any and all such rights described in the preceding sentence are settled, compromised, and released pursuant hereto. The Confirmation Order will constitute the Bankruptcy Court's finding and determination that the settlements reflected in the Plan are: (i) in the best interests of the Debtors, their Estates, and all holders of Claims; (ii) fair, equitable, and reasonable; (iii) made in good faith; and (iv) approved by the Bankruptcy Court pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019. In addition, the allowance, classification and treatment of Allowed Claims take into account any Causes of Action, whether under the Bankruptcy Code or otherwise under applicable non-bankruptcy law, that may exist between the Debtors, on the one hand, and the Debtor Releasees in Article IX.D on the other hand and, as of the Effective Date, any and all such Causes of Action are settled, compromised and released pursuant hereto.

K. ~~L.~~ *Special Provision Governing Accrued Professional Fee Claims and Final Fee Applications.*

For the avoidance of doubt, the foregoing releases described in this Article IX shall not waive, affect, limit, restrict or otherwise modify the right of any party in interest to object to any Professional Fee Claim or final fee application filed by any Professional in the Chapter 11 Cases.

L. ~~M.~~ *Asset Purchase Agreement.*

Notwithstanding anything herein to the contrary, nothing in the Plan shall be deemed to modify or otherwise affect the terms and conditions of the Sale Order, the APA or the Related Agreements (as defined in the APA), other than the Buyer's obligation to fund the Buyer Reserve Contribution, which obligation shall only exist to the extent the confirmed Plan is not materially different in a manner that would be adverse to the Buyer than the Plan existing as of the date hereof. In the event of a conflict between the Plan, on the one hand, and the Sale Order, the APA and/or the Related Agreements, on the other hand, the Sale Order, the APA and/or the Related Agreements, as applicable, shall control. The Buyer's only obligation hereunder is to fund the Buyer Reserve Contribution.

ARTICLE X

RETENTION OF JURISDICTION

A. Claims and Actions.

The Court shall retain jurisdiction over the Chapter 11 Cases, including such jurisdiction as is necessary to ensure that the purposes and intent of the Plan are implemented. The Court shall also expressly retain jurisdiction to hear and determine all Claims against the Debtors or the Post-Effective Date Debtor.

B. Retention of Jurisdiction.

The Court shall also retain jurisdiction for the purpose of classification of Claims or Interests and the determination of such objections as may be filed with respect to the Claims and Interests, including proceedings for estimation of Claims or Interests pursuant to section 502(c) of the Bankruptcy Code. The Court shall further retain jurisdiction for the following additional purposes:

1. To resolve any matters related to the assumption and assignment or rejection of any Executory Contract or Unexpired Lease to which a Debtor is party or with respect to which a Debtor may be liable in any manner;
2. To determine any and all Causes of Action, adversary proceedings, applications and contested matters;
3. To allow, disallow, determine, liquidate, classify, estimate, or establish the priority, secured or unsecured status, or amount of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the

resolution of any and all objections to the secured or unsecured status, priority, amount, or allowance of Claims or Interests and to ensure that distributions to holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;

4. To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated;
5. To issue orders in aid of execution and consummation of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;
6. To consider any amendments to or modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Court, including the Confirmation Order;
7. To hear and determine all applications for compensation and reimbursement of expenses of Retained Professionals;
8. To decide and resolve any and all matters that may arise in connection with or relate to any previous order of the Bankruptcy Court and to enforce any such orders;
9. To hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan, the Confirmation Order, any transactions or payments contemplated by the Plan, any agreement, instrument, or other document governing or relating to any of the foregoing or any settlement approved by the Bankruptcy Court;
10. To issue injunctions and effect any other actions that may be necessary or appropriate to restrain interference by any person or entity with the consummation, implementation or enforcement of the Plan, the Confirmation Order or any other order of the Bankruptcy Court;
11. To recover all assets of the Debtors, wherever located;
12. To hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code (including any request by the Debtors or the Post-Effective Date Debtor for an expedited determination of tax under section 505(b) of the Bankruptcy Code);
13. To hear and determine all disputes involving the existence, scope and nature of the discharges granted under the Plan, the Confirmation Order or the Bankruptcy Code;
14. To adjudicate, decide, or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters;
15. To enter a final decree closing the Chapter 11 Cases; and

16. To hear any other matter not inconsistent with the Bankruptcy Code, including the entry and implementation of orders as may be necessary or appropriate to execute, implement, or consummate the provisions of the Plan and all contracts, instruments, releases, indentures, and other agreements or documents created in connection with the Plan or the Disclosure Statement.

ARTICLE XI

NOTICE PROVISIONS

A. Notices.

Except as otherwise set forth in the Plan, all notices or requests in connection with the Plan shall be in writing and will be deemed to have been given when received by personal delivery, facsimile, e-mail, overnight courier or first class mail and addressed to:

| | |
|---|---|
| If to the Debtors or Plan Administrator: | United Retail Group, Inc. 365 West Passaic Street Rochelle Park, New Jersey 07662 Attn: Deborah Rieger-Paganis Email: dpaganis@alixpartners.com Fax: 201-909-2162 with a copy to: Kirkland & Ellis LLP 601 Lexington Avenue New York, New York 10022 Attn: Marc Kieselstein, P.C. and Nicole Greenblatt, Esq. Email: marc.kieselstein@kirkland.com and nicole.greenblatt@kirkland.com Fax: 212-446-6460 |
| If to the Committee: | Cooley LLP 1114 Avenue of the Americas New York, New York 10036 Attn: Jay Indyke, Esq., Jeffrey Cohen, Esq. and Michael Klein, Esq. Email: jindyke@cooley.com, jcohen@cooley.com and mklein@cooley.com Fax: 212-479-6275 |
| If to the Buyer: | Versa Capital Management, LLC Cira Centre 2929 Arch Street, 18th Floor Philadelphia, Pennsylvania 19104-2868 Attn: Tom Kennedy Email: TKennedy@versa.com Fax: 215-609-3499 with a copy to: Sullivan & Cromwell, LLP 125 Broad Street New York, New York 10004 Attn: Alexandra D. Korry, Esq. Email: korrya@sullcrom.com |

| | |
|-----------------------|---|
| | Fax: 212-558-3588 |
| If to Redcats: | Redcats USA, Inc. 2300 Southeastern Avenue Indianapolis, Indiana 46201 Attn: Amberly Martin, Esq. Email: amberly.martin@redcatsusa.com Fax: 212-208-0965 with a copy to: Wachtell, Lipton, Rosen & Katz 51 West 52nd Street New York, New York 10019 Attn: Richard G. Mason, Esq. and Austin T. Witt, Esq. Email: rgmason@wlrk.com and awitt@wlrk.com Fax: 212-403-2000 |

B. Limitation on Notice.

The Debtors shall give the following notice with regard to the following matters, which notice shall be deemed to be good and sufficient notice of such matters with no requirement for any additional or further notice:

1. Notice of Entry of Confirmation Order and Effective Date.

Notice of the entry of the Confirmation Order and the occurrence of the Effective Date shall be sufficient when filed with the Bankruptcy Court and posted on the website of the Notice and Claims Agent at www.donlinrecano.com/unitedretail.

2. Post-Confirmation Date Service.

From and after the Effective Date, notices of appearances and demands for service of process filed with the Court before such date shall no longer be effective. After the Effective Date, no further notices shall be required to be sent to any entities or Persons, except to the Plan Administrator, the U.S. Trustee and any creditor who files a renewed request for service of pleadings and whose Claim has not been fully satisfied.

3. General Notice to Creditors.

All notices and requests to creditors of any Class shall be sent to them at the addresses set forth on their Proofs of Claim or, if no proof of claim was filed, to their last known address as reflected in the Debtors' records. Any creditor may designate in writing any other address for purposes of this Article, which designation shall be effective upon receipt by the Post-Effective Date Debtor.

ARTICLE XII

MISCELLANEOUS PROVISIONS

A. Setoffs/Counterclaims.

Except (i) as otherwise provided in the Plan and (ii) with respect to Transferred Causes of Action, the Debtors may, but shall not be required to, set off or counterclaim against any Claim and the payments or other distributions to be made pursuant to the Plan in respect of the Claim, claims of any nature whatsoever the Estates may have against the holder of the Claim, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors of any claim that the Estates may have against the holder; *provided, however*, that the Debtors will not seek to set off or counterclaim for any obligation that is not yet due. Setoffs or counterclaims arising from events after the Petition Date shall reduce the payouts under any Allowed Claim dollar for dollar. Setoffs or counterclaims arising from pre-petition events shall only reduce the amount of the Allowed Claim and therefore, shall only reduce the payout amount proportionally with the reduction in the Allowed Claim. If any counterclaim or setoff asserted by the Debtors exceeds the amount of any Claim, the holder of such Claim shall not be entitled to any distribution under the Plan, and the Debtors will reserve the right to recover any such excess counterclaim or set-off from the holder of the applicable Claim.

B. Plan Supplement.

The Plan Supplement, if any, and the documents contained therein shall be filed with the Bankruptcy Court no later than seven (7) days before the deadline to object to the Plan, provided that the documents included therein may thereafter be amended and supplemented before execution, so long as no such amendment or supplement materially affects the rights of holders of Claims or adversely affects the Buyer. The Plan Supplement and the documents contained therein are incorporated into and made a part of the Plan as if set forth in full herein.

C. Amendment or Modification of the Plan.

Alterations, amendments or modifications of or to the Plan may be proposed in writing by the Debtors after consultation with the Committee at any time before the Confirmation, provided that the Plan, as altered, amended or modified, satisfies the conditions of sections 1122 and 1123 of the Bankruptcy Code, and the Debtors shall have complied with section 1125 of the Bankruptcy Code. The Debtors also reserve the right to make such modifications at or before any hearings on Confirmation as are necessary to permit the Plan to be confirmed under section 1129 of the Bankruptcy Code. Notwithstanding the foregoing or anything else herein to the contrary, no alternations, amendments or modifications of or to the Plan, the Schedules or the Disclosure

Statement shall be effected that would adversely affect the rights or obligations of the Buyer or Redcats without the prior written consent of the Buyer or Redcats, as applicable.

A holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such holder.

Before the Effective Date, the Debtors may make appropriate technical adjustments and modifications to the Plan without further order or approval of the Bankruptcy Court, provided that such technical adjustments and modifications do not adversely affect in a material way the treatment of holders of Claims.

D. Revocation and Withdrawal of the Plan.

The Debtors reserve the right to, after consultation with the Committee, revoke or withdraw the Plan at any time before entry of a Confirmation Order. If the Debtors revoke or withdraw the Plan before the Confirmation Date, if the Confirmation does not occur, or the Effective Date does not occur within 120 days after the Confirmation Date, then the Plan shall be deemed to be null and void. In such event, nothing contained herein or in any Disclosure Statement relating to the Plan shall be deemed to constitute an admission of validity, waiver or release of any Claims by or against the Debtors or any Person or to prejudice in any manner the rights of the Debtors or any Person in any proceeding involving the Debtors.

E. Severability.

In the event that the Court determines, before the Confirmation Date, that any provision in the Plan is invalid, void or unenforceable, such provision shall be invalid, void or unenforceable with respect to the holder or holders of such Claims or Interests as to which the provision is determined to be invalid, void or unenforceable. The invalidity, voidness or unenforceability of any such provision shall in no way limit or affect the enforceability and operative effect of any other provision of the Plan (unless any such invalidity, voidness or unenforceability would adversely affect any of the Buyer's rights or expand any of the Buyer's obligations under any other provision of the Plan, in which event the Plan shall be deemed invalid, void and unenforceable unless modified to the extent necessary to mitigate such adverse effect or expansion or the Buyer otherwise consents).

F. No Liability for Solicitation.

Pursuant to section 1125 of the Bankruptcy Code, Persons that solicit acceptances or rejections of the Plan, in good faith and in compliance with the applicable provisions of the Bankruptcy Code, shall not be liable on account of such solicitation, for violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan.

G. Business Days.

If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be

completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

H. Headings.

Headings are used in the Plan for convenience and reference only, and shall not constitute a part of the Plan for any other purpose.

I. Exhibits.

All Exhibits to the Plan are incorporated into and are a part of the Plan as if set forth in full herein.

J. Entire Agreement

The Plan and the Confirmation Order supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan, other than the Sale Order and the APA (including the Related Agreements).

Dated: ~~June 14,~~ July [#], 2012
New York, New York

Respectfully submitted,

United Retail Group, Inc., on behalf of itself and the
other Debtors

By: /s/ Deborah Rieger-Paganis

Name: Deborah Rieger-Paganis

Title: ~~Responsible~~ Wind-Down
~~Officer~~ Administrator