

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

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In re:

)  
) Chapter 11  
)

UNITED RETAIL GROUP, INC., *et al.*,<sup>1</sup>

) Case No. 12-10405 (SMB)  
)

Debtors.

) Jointly Administered  
)  

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**MONTHLY OPERATING STATEMENT FOR THE MONTH OF APRIL 2012**

DEBTORS' ADDRESS:

365 West Passaic Street  
Rochelle Park, NJ 07662

DEBTORS' ATTORNEY:

KIRKLAND & ELLIS LLP  
Paul M. Basta  
Marc Kieselstein, P.C.  
Nicole L. Greenblatt  
Benjamin J. Steele  
601 Lexington Avenue  
New York, NY 10022

CURRENT MONTH NET (LOSS):

(\$99.2 million)

REPORT PREPARER:

Duane Topp

THIS OPERATING STATEMENT MUST BE SIGNED BY A REPRESENTATIVE OF THE DEBTORS.

The undersigned, having reviewed the attached report and being familiar with the Debtors' financial affairs, verifies, under penalty of perjury, that the information contained herein is complete, accurate and truthful to the best of my knowledge.

DATE: May 15, 2012

/s/ Alan B. Miller

\_\_\_\_\_  
Acting Responsible Officer

Indicate if this is an amended statement by checking here: \_\_\_\_\_

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<sup>1</sup> 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.

In re: UNITED RETAIL GROUP, INC.  
Debtor

Case No. 12-10405  
Reporting Period: 4/01/12 - 4/28/12

**NOTES TO MONTHLY OPERATING REPORT**

The Monthly Operating Report includes activity for the following Debtors:

Debtor	Case Number
United Retail Group, Inc.	12-10405
Avenue Gift Cards, Incorporated	12-10406
United Distribution Services, Incorporated	12-10407
United Retail Holding Corporation	12-12408
United Retail Incorporated	12-10409
United Retail Logistics Operation Incorporated	12-10410

**General Notes:**

The financial statements and supplemental information contained herein are preliminary, unaudited, and may not comply in all material respects with accounting principles generally accepted in the United States ("GAAP"). In addition, the financial statements and supplemental information contained herein represent condensed combined information.

The unaudited consolidated financial statements have been derived from the books and records of the Debtors. This information, however, has not been subject to certain procedures that would typically be applied to financial information in accordance with GAAP, and upon application of such procedures the financial information could be subject to material change.

The financial information contained herein is presented on a preliminary and unaudited basis and remains subject to future adjustment.

The results of operations contained herein are not necessarily indicative of results which may be expected for any other period or for the full year and may not necessarily reflect the consolidated results of operations and financial position of the Debtors in the future.

On April 4, 2012, the Bankruptcy Court Entered an order approving the sale of substantially all of the Debtor's assets. On April 13, 2012 the sale closed. As of April 30th, the Debtors estates consisted of cash, obligations for reimbursement of certain expenses from the Buyer, and certain pre-petition liabilities not assumed by the Buyer.

**MOR-1**

Cash is received as described in the Debtors' motion to approve their cash management system and is consistent with the Debtors' cash management practices through April 13th (the date of the sale of substantially all of the Debtor's assets to Avenue Stores, LLC). Cash receipts related to intercompany transfers among the Debtor entities have been excluded from the analysis.

**MOR - 4**

The Debtors are paying all undisputed post petition taxes as they come due.

**MOR-6**

The Debtors have not included any ordinary course payments to insiders. The Debtors have not included payments to professionals utilized in the ordinary course of business.

In re: UNITED RETAIL GROUP, INC.  
Debtor

Case No. 12-10405  
Reporting Period: 4/01/12 - 4/28/12

**NOTES TO MONTHLY OPERATING REPORT**

**MOR-7**

The Debtors have made payments of certain prepetition liabilities in accordance with orders approved by the Bankruptcy Court. The Debtors believe that all undisputed postpetition accounts payable have been and are being paid according to agreed upon terms specific to each vendor and/or service provider.

In re: UNITED RETAIL GROUP, INC.  
Debtor

Case No. 12-10405  
Reporting Period: 4/01/12 - 4/28/12

Federal Tax I.D. # 51-0303670

**CORPORATE MONTHLY OPERATING REPORT**

<b>REQUIRED DOCUMENTS</b>	<b>FORM NO.</b>	<b>DOCUMENT ATTACHED</b>	<b>EXPLANATION ATTACHED</b>
Schedule of Cash Receipts and Disbursements	MOR-1	x	
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1 (cont'd)	x	
Copies of bank statements			x
Cash disbursements journals			x
Statement of Operations	MOR-2	x	
Balance Sheet	MOR-3	x	
Status of Post-petition Taxes	MOR-4	x	
Copies of IRS Form 6123 or payment receipt			x
Copies of tax returns filed during reporting period			x
Summary of Unpaid Post-petition Debts	MOR-4	x	
Listing of Aged Accounts Payable	MOR-4	x	
Accounts Receivable Reconciliation and Aging	MOR-5	x	
Taxes Reconciliation and Aging (See MOR-7)			x
Payments to Insiders and Professionals	MOR-6	x	
Post Petition Status of Secured Notes, Leases Payable	MOR-6	x	
Debtor Questionnaire	MOR-7	x	

In re: UNITED RETAIL GROUP, INC.  
Debtor

Case No. 12-10405  
Reporting Period: 4/01/12-4/28/12

**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
(\$000'S)

Debtor	Case Number	Beginning Balance	Cash Receipts	Cash Disbursements				Ending Balance
				Operating	Payroll	Tax	Other	
United Retail Group, Inc.	12-10405	\$ -	\$ -	\$ (309)	\$ -	\$ -	\$ -	\$ (309)
Avenue Gift Cards, Incorporated	12-10406	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
United Distribution Services, Incorporated	12-10407	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
United Retail Holding Corporation	12-12408	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
United Retail Incorporated	12-10409	\$ 3,915	\$ 13,409	\$ (7,965)	\$ (2,641)	\$ (59)	\$ (2,027)	\$ 4,633
United Retail Incorporated	12-10409	\$ -	\$ 4,192	\$ -	\$ -	\$ -	\$ -	\$ 4,192
United Retail Logistics Operation Incorporated	12-10410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transferred to Avenue Stores, LLC		\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,324)	\$ (4,324)
<b>Total</b>		\$ 3,915	\$ 17,601	\$ (8,274)	\$ (2,641)	\$ (59)	\$ (6,351)	\$ 4,192

**Notes**

- 1 - The Debtors have excluded receipts/ disbursements made on behalf of the Debtors that did not flow through a Debtor bank account.
- 2 - The Debtors have excluded cash and check deposits received at the local stores, which are regularly swept to the Debtor's primary concentration accounts.
- 3 - The Debtors have excluded minimum balances maintained in Home Office Cash Receipts, Return Check Clearing Account, and petty cash disbursements.
- 4 - The Debtors have included professional fees paid in the Other Category above.
- 5 - The Debtors have included duty payments made through the United Retail Group, Inc. bank account on behalf of United Retail Incorporated.
- 6 - The Debtors have included cash transferred from Avenue Stores, LLC at the time of sale. Funds to be used for accrued but unpaid professional fees as of date of sale, 4/13/12.

In re: UNITED RETAIL GROUP, INC.  
Debtor

Case No. 12-10405  
Reporting Period: 4/01/12 - 4/28/12

**BANK RECONCILIATIONS**  
(\$000'S)

Debtor	Case Number	Bank and Account Description	Bank Account No.	Bank Balance
United Retail Group Inc	12-10405	JPMorgan Chase Main Concentration Account	910-2-616241	\$ -
United Retail Group Inc	12-10405	TD Bank Home Office Cash Receipts	3451976161	\$ -
United Retail Inc	12-10409	JPMorgan Chase Main Accounts Payable Disbursement	6301-530-329-509	\$ -
United Retail Inc	12-10409	Wells Fargo Bank US Customs	4122233885	\$ -
United Retail Inc	12-10409	Wells Fargo Bank Credit Card Depository	4124305426	\$ -
United Retail Inc	12-10409	Wells Fargo Bank Master Funding Account	4124317553	\$ -
United Retail Inc	12-10409	Wells Fargo Bank LC Funding Account	4124317561	\$ -
United Retail Inc	12-10409	Wells Fargo Bank Master Concentration Account	4125516088	\$ -
United Retail Inc	12-10409	Wells Fargo Bank DIP	N/A	\$ -
United Retail Inc	12-10409	Wells Fargo Bank Payroll Check Clearing	4124305434	\$ -
United Retail Inc	12-10409	Wells Fargo Bank H.O. Cash Receipts	4122249543	\$ 4,192
United Retail Inc	12-10409	Wells Fargo Main Accounts Payable Disbursement	9600158696	\$ -
United Retail Inc	12-10409	Wells Fargo Payroll Disbursement Account	9600159856	\$ -
United Retail Inc	12-10409	Bank of Kentucky Returned Check Funding	295817	\$ -
<b>Total</b>				\$ 4,192

**Notes**

- 1 - The Debtors have not included copies of bank statements or cash disbursement journals due to the voluminous nature of these requests.
- 2 - The Debtors reconcile their bank accounts on a monthly basis.
- 3 - The Debtors have excluded accounts that receive cash deposits from local stores, which amounts are regularly swept to the Debtors' primary accounts listed above.

In re: UNITED RETAIL GROUP, INC.  
Debtor

Case No. 12-10405  
Reporting Period: 4/01/12 - 4/28/12

**STATEMENT OF OPERATIONS** (Income Statement)

The Statement of Operations is to be prepared on an accrual basis. The accrual basis of accounting recognizes revenue when it is realized and expenses when they are incurred, regardless of when cash is actually received or paid.

	\$(000) <b>Apr-12</b>	\$(000) <b>Apr-12</b> <b>Cummulative</b> <b>Actuals</b>
	<b>Monthly Actuals</b>	<b>Actuals</b>
<b>SALES - TOTAL REVENUE</b>	<b>\$10,759</b>	<b>\$65,847</b>
Cost of merchandise sold (incl. Marketing costs)	(5,442)	(36,216)
<b>GROSS MARGIN</b>	<b>5,317</b>	<b>29,631</b>
TOTAL OF SGA EXPENSES	(5,654)	(34,541)
<b>OPERATING INCOME (LOSS)</b>	<b>(337)</b>	<b>(4,910)</b>
INTEREST INCOME (EXPENSE)	(39)	(50)
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>(376)</b>	<b>(4,960)</b>
REORGANIZATION ITEMS, NET	(1,548)	(6,263)
LOSS ON SALE OF ASSETS	(93,430)	(93,940)
<b>INCOME BEFORE TAX (LOSS)</b>	<b>(95,354)</b>	<b>(104,653)</b>
INCOME TAX BENEFIT (PROVISION)	(3,813)	0
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<b>(\$99,167)</b>	<b>(\$104,653)</b>

In re: UNITED RETAIL GROUP, INC.  
Debtor

Case No. 12-10405  
Reporting Period: 4/01/12 - 4/28/12

**BALANCE SHEET**

The Balance Sheet is to be completed on an accrual basis only. Pre-petition liabilities must be classified separately from post-petition obligations.

	\$(000) <u>04/30/12</u>	\$(000) <u>03/31/12</u>	\$(000) 02/25/12	\$(000) 01/28/12
<b><u>ASSETS</u></b>				
<b>Current assets:</b>				
CASH AND CASH EQUIVALENTS	\$4,192	\$1,911	\$5,041	\$3,199
MDSE INVENTORY NET OF RESERVE	0	58,053	58,064	59,976
ACCTS RECEIVABLE & OTHER CURRENT ASSETS	0	9,383	6,415	6,458
<b>TOTAL CURRENT ASSETS</b>	<b>4,192</b>	<b>69,347</b>	<b>69,520</b>	<b>69,633</b>
FIXED ASSET NET OF DEPRECIATION	0	40,312	41,083	42,087
BENEFICIAL LEASES NET OF DEPRECIATION	0	3,501	3,593	3,685
TRADEMARK NET OF DEPRECIATION	0	39,907	39,907	39,907
INCOME TAX RECEIVABLE	0	8,091	7,251	4,278
<b>TOTAL ASSETS</b>	<b>\$4,192</b>	<b>\$161,158</b>	<b>\$161,354</b>	<b>\$159,590</b>
<b><u>LIABILITIES</u></b>				
<b>Current liabilities:</b>				
ACCOUNTS PAYABLES	\$10,194	\$17,031	\$16,719	\$15,702
ACCRUED PAYROLL & OTHER LIABILITIES	6,185	16,045	15,003	10,782
REAL ESTATE, SALES & OTHER TAX	189	2,282	1,561	1,430
<b>TOTAL CURRENT LIABILITIES</b>	<b>16,568</b>	<b>35,358</b>	<b>33,283</b>	<b>27,914</b>
INTERCOMPANY WITH REDCATS USA	12,522	12,522	12,522	12,522
OTHER LONG TERM LIABILITIES	939	9,906	10,038	10,319
INTERCOMPANY RECEIVABLE FROM AVENUE STORES LLC	(26,071)	0	0	0
<b>TOTAL POST PETITION LIABILITIES</b>	<b>3,958</b>	<b>57,786</b>	<b>55,843</b>	<b>50,755</b>
LIABILITIES SUBJECT TO COMPROMISE				
ACCOUNTS PAYABLES	12,068	11,980	12,789	10,926
OTHER ACCRUALS	6,283	6,214	6,327	7,237
REAL ESTATE, SALES & OTHER TAX	1,635	1,486	1,493	1,493
INTERCOMPANY REDCATS USA	45,401	45,401	45,401	45,401
<b>TOTAL LIABILITIES SUBJECT TO COMPROMISE</b>	<b>65,387</b>	<b>65,081</b>	<b>66,010</b>	<b>65,057</b>
<b>TOTAL LIABILITIES</b>	<b>69,345</b>	<b>122,867</b>	<b>121,853</b>	<b>115,812</b>
<b>Stockholder's equity:</b>				
PAID IN CAPITAL	204,236	204,236	204,236	204,236
RETAINED DEFICIT - PRE-PETITION	(164,736)	(160,458)	(160,458)	(160,458)
RETAINED DEFICIT - POST-PETITION	(104,653)	(5,487)	(4,277)	0
<b>TOTAL EQUITY</b>	<b>(65,153)</b>	<b>38,291</b>	<b>39,501</b>	<b>43,778</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$4,192</b>	<b>\$161,158</b>	<b>\$161,354</b>	<b>\$159,590</b>



In re: UNITED RETAIL GROUP, INC.  
Debtor

Case No. 12-10405  
Reporting Period: 4/01/12 - 4/28/12

**STATUS OF POST-PETITION TAXES**  
(\$000's)

Federal	Beginning Tax	Amount Withheld and/or Accrued	Amount Paid	Ending Tax
Withholding	\$ 63	256	319	-
FICA-Employee	\$ 48	137	185	-
FICA-Employer	\$ 65	186	251	-
Unemployment	\$ 3	6	9	-
Total Federal Taxes	\$ 179	\$ 585	\$ 764	\$ -
<b>State and Local</b>				
Withholding	\$ 17	141	158	-
Sales	\$ 1,498	296	1,794	-
Unemployment	\$ 37	85	122	-
Business Licenses	\$ -	4	4	-
Real Property	\$ 13	-	4	9
Personal Property	\$ 79	14	0	93
Income/Franchise	\$ -	-	-	-
Other: City/County	\$ 3	10	13	-
Total State and Local	\$ 1,647	550	2,095	102
<b>Total Taxes</b>	\$ 1,826	1,135	2,859	102

**Notes**

- 1 - The Debtors have not included copies of Form 6123 and tax returns filed during this period due to the voluminous nature of these reports.
- 2 - The Debtor pays real estate taxes as part of an underlying lease obligation and the failure to pay such lease payments would not result in claims by the taxing authority against the Debtors. The only exceptions to this statement is Store 443 and the Warehouse facility which are paid directly to the taxing authority.
- 3 - The Debtors believe they are paying all undisputed taxes and preparing and filing all returns when due or obtaining extensions where necessary.

**STATUS OF UNPAID POST-PETITION DEBTS**  
(\$000's)

Description	Aged by Due Date						Total
	Current	0-30	31-60	61-90	91-120	Over 120	
AP Merchandising	\$ 9,166	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,166
AP Other	\$ 696	-	-	-	-	-	696
Total Post-Petition Debts	\$ 9,862	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,862

**Notes**

- 1 - The Debtors' trade payables amount is based on actual merchandise received in the distribution center between 2/1 and 2/25, regardless of whether the invoice has been received.
- 2 - The Debtors' other payable does not include accruals for invoices not received.

In re: UNITED RETAIL GROUP, INC.  
Debtor

Case No. 12-10405  
Reporting Period: 4/01/12 - 4/28/12

**ACCOUNTS RECEIVABLE RECONCILIATION AND AGING**  
**(\$000'S)**

<b>Accounts Receivable Reconciliation</b>	<b>Amount</b>
Total Accounts Receivable at the beginning of the reporting period	\$ 4,868
Plus: Amounts billed during the period	\$ 10,989
Less: Amounts collected during the period	\$ (14,079)
Less: Amounts written off or returned during the period	\$ -
Less: Bad Debt Estimate	\$ -
Change in store accounts receivable, net	\$ -
Transferred to Avenue Stores, LLC	\$ (1,779)
<b>Total Accounts Receivable at the end of the reporting period</b>	<b>\$ (0)</b>

<b>Accounts Receivable Aging</b>	<b>Apr-12</b>
0-30 days old	\$ -
31-60 days old	\$ -
61-90 days old	\$ -
91-120 days old	\$ -
121 + days old	\$ -
Total Aged Accounts Receivable	\$ -
Less: Bad Debts (Amounts considered uncollectible)	\$ -
Net Accounts Receivable	\$ -

In re: UNITED RETAIL GROUP, INC.  
Debtor

Case No. 12-10405  
Reporting Period: 4/01/12 - 4/28/12

**PAYMENTS TO INSIDERS AND PROFESSIONALS**

Of the total disbursements shown on the Cash Receipts and Disbursements Report (MOR-1) list the amount paid to insiders (as defined in Section 101(31) (A)-(F) of the U.S. Bankruptcy Code) and to professionals. For payments to insiders, identify the type of compensation paid (e.g. Salary, Bonus, Commissions, Insurance, Housing Allowance, Travel, Car Allowance, Etc.). Attach additional sheets if necessary.

INSIDERS			
NAME	TYPE OF PAYMENT	AMOUNT PAID	TOTAL PAID TO DATE
<b>TOTAL PAYMENTS TO INSIDERS</b>		0	0

PROFESSIONALS					
NAME	DATE OF COURT ORDER AUTHORIZING PAYMENT	AMOUNT APPROVED	AMOUNT PAID	TOTAL PAID TO DATE	TOTAL INCURRED & UNPAID*
Alix Partners	2/22/2012	\$ 317	\$ 254	\$ 254	\$ 63
CBIZ	2/22/2012	\$ 184	\$ 148	\$ 148	\$ 37
Cooley	2/22/2012	\$ 397	\$ 317	\$ 317	\$ 79
Kirkland & Ellis	2/22/2012	\$ 804	\$ 647	\$ 647	\$ 157
Peter J Solomon	2/22/2012	\$ 550	\$ 440	\$ 440	\$ 110
<b>TOTAL PAYMENTS TO PROFESSIONALS</b>		\$ 2,252	\$ 1,806	\$ 1,806	\$ 445

**POST-PETITION STATUS OF SECURED NOTES, LEASES PAYABLE AND ADEQUATE PROTECTION PAYMENTS**

NAME OF CREDITOR	SCHEDULED MONTHLY PAYMENT DUE	AMOUNT PAID DURING MONTH
DIP Principle	0.00	0.00
Leases Payable	4,400	4,400
Adequate Assurance Payments - Utilities	0.00	5.00
<b>TOTAL PAYMENTS</b>		4,405

Notes:

- 1 - The Debtor has no payments noted against the DIP Facility because the cash received during the period, exceeded the borrowings as supported by MOR 1.
- 2 - The Debtor did not begin making Adequate Assurance payments until 03/2012

In re: UNITED RETAIL GROUP, INC.  
Debtor

Case No. 12-10405  
Reporting Period: 4/01/12 - 4/28/12

**DEBTOR QUESTIONNAIRE**

<b>Must be completed each month. If the answer to any of the questions is "Yes", provide a detailed explanation of each item. Attach additional sheets if necessary.</b>		<b>Yes</b>	<b>No</b>
1	Have any assets been sold or transferred outside the normal course of business this reporting period?	Yes	
2	Have any funds been disbursed from any account other than a debtor in possession account this reporting period?		No
3	Is the Debtor delinquent in the timely filing of any post-petition tax returns?		No
4	Are workers compensation, general liability or other necessary insurance coverages expired or cancelled, or has the debtor received notice of expiration or cancellation of such policies?		No
5	Is the Debtor delinquent in paying any insurance premium payment?		No
6	Have any payments been made on pre-petition liabilities this reporting period?	Yes	
7	Are any post petition receivables (accounts, notes or loans) due from related parties?		No
8	Are any post petition payroll taxes past due?		No
9	Are any post petition State or Federal income taxes past due?		No
10	Are any post petition real estate taxes past due?		No
11	Are any other post petition taxes past due?		No
12	Have any pre-petition taxes been paid during this reporting period?	Yes	
13	Are any amounts owed to post petition creditors delinquent?		No
14	Are any wage payments past due?		No
15	Have any post petition loans been received by the Debtor from any party?		No
16	Is the Debtor delinquent in paying any U.S. Trustee fees?		No
17	Is the Debtor delinquent with any court ordered payments to attorneys or other professionals?		No
18	Have the owners or shareholders received any compensation outside of the normal course of business?		No

Footnotes:

- 6 The Debtors have made payments on account of prepetition liabilities in accordance with Orders of the Bankruptcy Court specifically authorizing payment of certain prepetition liabilities.
- 12 The Debtors have paid certain prepetition taxes as permitted under the in accordance with Orders of the Bankruptcy Court .