

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

In re:)

) Chapter 11

UNITED RETAIL GROUP, INC., *et al.*,¹)

) Case No. 12-10405 (SMB)

Debtors.)

) Jointly Administered

MONTHLY OPERATING REPORT FOR THE MONTH OF FEBRUARY 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):

(\$4.277) million

REPORT PREPARER:

Gregory Bouquet

THIS OPERATING REPORT 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: March 20, 2012

/s/ Gregory Bouquet
Chief Financial Officer

Indicate if this is an amended statement by checking here: _____

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.

In re: UNITED RETAIL GROUP, INC.
Debtor

Case No. 12-10405
Reporting Period: 2/1/12 - 2/25/12

Federal Tax I.D. # 51-0303670

CORPORATE MONTHLY OPERATING REPORT

REQUIRED DOCUMENTS	FORM NO.	DOCUMENT ATTACHED	EXPLANATION ATTACHED
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: 2/1/12 - 2/25/12

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.

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. 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.

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: 2/1/12 - 2/25/12

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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Avenue Gift Cards, Incorporated	12-10406	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
United Distribution Services, Incorporated	12-10407	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
United Retail Holding Corporation	12-12408	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
United Retail Incorporated	12-10409	\$ 1,850	\$ 23,971	\$ (12,724)	\$ (5,434)	\$ (1,238)	\$ (1,516)	\$ 4,908
United Retail Logistics Operation Incorporated	12-10410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total		\$ 1,850	\$ 23,971	\$ (12,724)	\$ (5,434)	\$ (1,238)	\$ (1,516)	\$ 4,908

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 has 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.

In re: UNITED RETAIL GROUP, INC.
Debtor

Case No. 12-10405
Reporting Period: 2/1/12 - 2/25/12

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	JPMorgan Chase US Customs	910-2-636694	\$ 75
United Retail Group Inc	12-10405	TD Bank Home Office Cash Receipts	3451976161	\$ 8
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	\$ 50
United Retail Inc	12-10409	Wells Fargo Bank LC Funding Account	4124317561	\$ -
United Retail Inc	12-10409	Wells Fargo Bank Master Concentration Account	415516088	\$ 619
United Retail Inc	12-10409	Wells Fargo Bank DIP	N/A	\$ 4,239
United Retail Inc	12-10409	Wells Fargo Bank Payroll Check Clearing	4124305434	\$ -
United Retail Inc	12-10409	Bank of Kentucky Returned Check Funding	295817	\$ 16
Total				\$ 5,007

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: 2/1/12 - 2/25/12

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)
	Feb-12
	Actuals
	<hr/>
SALES - TOTAL REVENUE	\$21,982
Cost of merchandise sold (incl. Marketing costs)	<hr/> (12,678)
GROSS MARGIN	9,304
TOTAL OF SGA EXPENSES	<hr/> (13,613)
OPERATING INCOME (LOSS)	(4,309)
INTEREST INCOME (EXPENSE)	<hr/> (100)
INCOME FROM CONTINUING OPERATIONS	(4,409)
REORGANIZATION ITEMS, NET	<hr/> (2,841)
INCOME BEFORE TAX (LOSS)	(7,250)
INCOME TAX BENEFIT (PROVISION)	<hr/> 2,973
INCOME (LOSS) FROM CONTINUING OPERATIONS	<u><u>(\$4,277)</u></u>

In re: UNITED RETAIL GROUP, INC.
Debtor

Case No. 12-10405
Reporting Period: 2/1/12 - 2/25/12

BALANCE SHEET

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

	\$(000) <u>02/25/12</u>	\$(000) <u>01/28/12</u>
<u>ASSETS</u>		
Current assets:		
CASH AND CASH EQUIVALENTS	\$5,041	\$3,199
MDSE INVENTORY NET OF RESERVE	58,064	59,976
ACCTS RECEIVABLE & OTHER CURRENT ASSETS	6,415	6,458
TOTAL CURRENT ASSETS	<u>69,520</u>	<u>69,633</u>
 FIXED ASSET NET OF DEPRECIATION	 41,083	 42,087
 BENEFICIAL LEASES NET OF DEPRECIATION	 3,593	 3,685
TRADEMARK NET OF DEPRECIATION	39,907	39,907
INCOME TAX RECEIVABLE	7,251	4,278
TOTAL ASSETS	<u>\$161,354</u>	<u>\$159,590</u>
 <u>LIABILITIES</u>		
Current liabilities:		
ACCOUNTS PAYABLES	\$16,719	\$15,702
ACCRUED PAYROLL & OTHER LIABILITIES	15,003	10,782
REAL ESTATE, SALES & OTHER TAX	1,561	1,430
TOTAL CURRENT LIABILITIES	<u>33,283</u>	<u>27,914</u>
 INTERCOMPANY WITH REDCATS USA	 12,522	 12,522
OTHER LONG TERM LIABILITIES	10,038	10,319
TOTAL POST PETITION LIABILITIES	<u>55,843</u>	<u>50,755</u>
 LIABILITIES SUBJECT TO COMPROMISE		
ACCOUNTS PAYABLES	12,789	10,926
OTHER ACCRUALS	6,327	7,237
REAL ESTATE, SALES & OTHER TAX	1,493	1,493
INTERCOMPANY REDCATS USA	45,401	45,401
TOTAL LIABILITIES SUBJECT TO COMPROMISE	<u>66,010</u>	<u>65,057</u>
TOTAL LIABILITIES	<u>121,853</u>	<u>115,812</u>
 Stockholder's equity:		
PAID IN CAPITAL	204,236	204,236
RETAINED DEFICIT - PRE-PETITION	(160,458)	(160,458)
RETAINED DEFICIT - POST-PETITION	(4,277)	0
TOTAL EQUITY	<u>39,501</u>	<u>43,778</u>
 TOTAL LIABILITIES & EQUITY	 <u>\$161,354</u>	 <u>\$159,590</u>

In re: UNITED RETAIL GROUP, INC.
Debtor

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

Federal	Beginning Tax	Amount Withheld and/or Accrued	Amount Paid	Ending Tax
Withholding	\$ -	480	417	63
FICA-Employee	-	275	226	49
FICA-Employer	-	372	306	66
Unemployment	-	22	17	5
Total Federal Taxes	\$ -	1,149	965	184
State and Local				
Withholding	\$ -	124	107	17
Sales	-	1,244	327	917
Unemployment	-	236	194	42
Business Licenses	-	14	14	-
Real Property	-	13	-	13
Personal Property	-	38	0	38
Income/Franchise	-	-	-	-
Other: City/County	-	19	15	3
Total State and Local	\$ -	1,688	657	1,031
Total Taxes	\$ -	2,837	1,622	1,214

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	\$ 9,449	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,449
AP Other	\$ 270	-	-	-	-	-	270
Total Post-Petition Debts	\$ 9,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,719

Notes

- 1 - The Debtors trade payable 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.

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

Accounts Receivable Reconciliation	Amount
Total Accounts Receivable at the beginning of the reporting period	\$ 3,564
Plus: Amounts billed during the period	\$ 20,715
Less: Amounts collected during the period	\$ (20,153)
Less: Amounts written off or returned during the period	\$ -
Less: Bad Debt Estimate	\$ -
Change in store accounts receivable, net	\$ -
Total Accounts Receivable at the end of the reporting period	\$ 4,126

Accounts Receivable Aging	Feb-12
0-30 days old	\$ 4,126
31-60 days old	
61-90 days old	\$ -
91-120 days old	\$ -
121 + days old	\$ -
Total Aged Accounts Receivable	\$ 4,126
Less: Bad Debts (Amounts considered uncollectible)	\$ -
Net Accounts Receivable	\$ 4,126

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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
TOTAL PAYMENTS TO INSIDERS			

PROFESSIONALS					
NAME	DATE OF COURT ORDER AUTHORIZING PAYMENT	AMOUNT APPROVED	AMOUNT PAID	TOTAL PAID TO DATE	TOTAL INCURRED & UNPAID*
TOTAL PAYMENTS TO PROFESSIONALS					

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	4,118	4,118
Adequate Assurance Payments - Utilities	0.00	0.00
TOTAL PAYMENTS		4,118

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

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DEBTOR QUESTIONNAIRE

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.	Yes	No
1 Have any assets been sold or transferred outside the normal course of business this reporting period?		No
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 .