



United Retail Group Voluntarily Files for Chapter 11 Bankruptcy Protection

***Versa Capital Signs “Stalking Horse” Purchase Agreement;
Company Secures DIP Financing;
Avenue Stores Open For Business; Customer Programs Continuing***

Rochelle Park, N.J., February 1, 2012 – United Retail Group, owner of the Avenue[®] brand of women’s fashion apparel and a subsidiary of Redcats USA, today announced that it has voluntarily initiated Chapter 11 proceedings in the U.S. Bankruptcy Court for the Southern District of New York, and that it is pursuing a sale process under Section 363 of the Bankruptcy Code.

In conjunction with the filing, United Retail Group has entered into an asset purchase agreement with an entity controlled by Versa Capital Management, which it intends to submit to the Court to serve as the “stalking horse” bid for a Court-supervised auction of the business. Versa Capital, a private equity firm with significant experience in revitalizing retail operations, has agreed to buy the company’s assets through the bankruptcy process for cash and the assumption of certain liabilities.

Versa Capital has agreed to operate Avenue as a going concern while keeping the majority of Avenue stores open. The Company has filed motions to maintain critical vendor relationships and payments, as well as motions to honor gift cards and the Avenue loyalty reward program.

To provide liquidity during the restructuring process, United Retail Group has arranged a \$40 million Debtor-in-Possession (DIP) facility from its existing revolving credit lender, Wells Fargo, to provide sufficient working capital for Avenue to continue to operate the business as usual.

Avenue’s operations, including its 433 stores and its e-commerce site (www.avenue.com), are open and serving customers. The Company has asked for court approval to continue paying product vendors and employees as part of ordinary course business. The DIP financing will provide ample liquidity to enable a sale transaction to be consummated.

Dawn Robertson, Chief Executive Officer of United Retail Group, said, "Avenue is a great brand with a unique position in women's specialty apparel and we are in the process of turning the company around. With today's filing, we are seeking relief from disproportionately high costs for many of our leases that were signed prior to the recession. Through Chapter 11 relief and a lease renegotiation process, the turnaround of Avenue can continue, enabling the business to emerge stronger, with fewer liabilities, and with better store profitability."

Robertson added, "We have financing in place and hope to complete the process as quickly as possible while protecting our customers, employees and suppliers every step of the way."

The sale process is expected to enable a sale of the business to Versa Capital or to another potential bidder approved by the Court. The Company currently anticipates completing the sale process in an expedited timeframe.

In addition, the Company recently reconstituted a new Board with members Alan B. Miller, senior counsel and former senior partner, Weil, Gotshal, & Manges, and Alan Cohen, chairman of Abacus Advisors.

John Heaney, Executive Vice President of Redcats USA, said, "We are happy to have found a buyer and are confident in Versa's plan to continue re-energizing the Avenue brand. This sale was part of a strategic decision by Redcats USA to focus its business online moving forward, and we are pleased to have found a company that can continue the turn-around process we envisioned from the beginning."

The Company has sought customary relief from the bankruptcy court to protect its employees, customers and suppliers during the sale process, including motions to allow Avenue to continue on a go-forward basis to pay suppliers under normal terms for goods and services; to pay its employees in the usual manner and to continue without disruption their primary benefits; and to continue customer programs including its gift card, merchandise return, loyalty and other programs.

The Company's legal advisor is Kirkland & Ellis LLP; its financial advisor is Peter J. Solomon Company; and its restructuring advisor is AlixPartners. Versa Capital's legal advisor is Sullivan & Cromwell LLP.

About Versa Capital Management

Versa Capital Management, Inc. is private equity investment firm with \$950 million of committed capital focused on control investments in special situations involving middle market companies in a wide variety of industries throughout the United States. More information can be found at www.versa.com.

About United Retail Group

Based in Rochelle Park, N.J., United Retail Group operates 433 Avenue® stores in the United States. Avenue is a fun, trend-right, multi-channel source for affordable fashion for real size women with a youthful attitude. Visit Avenue online at www.avenue.com.

About Redcats USA

Redcats USA is a dynamic, multi-channel, web-driven home-shopping leader, with numerous successful brands in its portfolio: AVENUE®, Woman Within®, Jessica London®, Roaman's®, KingSize®, and BrylaneHome® sold on OneStopPlus.com®, The Sportsman's Guide® and TGW.com - The Golf Warehouse®. Redcats USA offers a wide range of value and quality driven merchandise categories, including men's and women's plus-size apparel, home and lifestyle products, and sporting goods/outdoor gear. Redcats USA is a Redcats company.

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