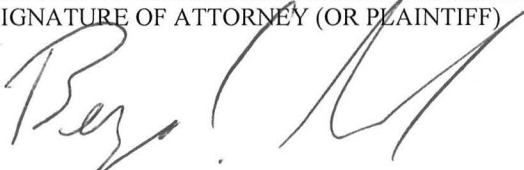


B104 (FORM 104) (08/07)

ADVERSARY PROCEEDING COVER SHEET (Instructions on Reverse)		ADVERSARY PROCEEDING NUMBER (Court Use Only)
PLAINTIFFS Women's Apparel Group, LLC	DEFENDANTS Women's Apparel Group Holdings, Inc. and The Official Committee of Unsecured Creditors of Women's Apparel Group, LLC	
ATTORNEYS (Firm Name, Address, and Telephone No.) Richard Rosenstein, James Coffey and Benjamin Mack Nutter, McClennen & Fish LLP Seaport West, 155 Seaport Blvd., Boston MA 02210, 617.439.2563	ATTORNEYS (If Known) Michael B. Slade, Kirkland & Ellis LLP, 300 North LaSalle, Chicago, IL 60654 (for WAG Holdings) Eric Wilson, Jason Adams and Michael Lynch, Kelley Drye & Warren LLP, 101 Park Avenue, NY, NY 10178 (for the Committee)	
PARTY (Check One Box Only) <input checked="" type="checkbox"/> Debtor <input type="checkbox"/> U.S. Trustee/Bankruptcy Admin <input type="checkbox"/> Creditor <input type="checkbox"/> Other <input type="checkbox"/> Trustee	PARTY (Check One Box Only) <input type="checkbox"/> Debtor <input type="checkbox"/> U.S. Trustee/Bankruptcy Admin <input type="checkbox"/> Creditor <input checked="" type="checkbox"/> Other <input type="checkbox"/> Trustee	
CAUSE OF ACTION (WRITE A BRIEF STATEMENT OF CAUSE OF ACTION, INCLUDING ALL U.S. STATUTES INVOLVED) This is an interpleader action brought under Rule 7022 of the Federal Rules of Bankruptcy Procedure for the purpose of obtaining an adjudication of the rights of the interpleader defendants with respect to certain tax refund checks held by the Debtor.		
NATURE OF SUIT (Number up to five (5) boxes starting with lead cause of action as 1, first alternative cause as 2, second alternative cause as 3, etc.)		
<p>FRBP 7001(1) – Recovery of Money/Property</p> <p><input type="checkbox"/> 11-Recovery of money/property - §542 turnover of property</p> <p><input type="checkbox"/> 12-Recovery of money/property - §547 preference</p> <p><input type="checkbox"/> 13-Recovery of money/property - §548 fraudulent transfer</p> <p><input type="checkbox"/> 14-Recovery of money/property - other</p> <p>FRBP 7001(2) – Validity, Priority or Extent of Lien</p> <p><input type="checkbox"/> 21-Validity, priority or extent of lien or other interest in property</p> <p>FRBP 7001(3) – Approval of Sale of Property</p> <p><input type="checkbox"/> 31-Approval of sale of property of estate and of a co-owner - §363(h)</p> <p>FRBP 7001(4) – Objection/Revocation of Discharge</p> <p><input type="checkbox"/> 41-Objection / revocation of discharge - §727(c),(d),(e)</p> <p>FRBP 7001(5) – Revocation of Confirmation</p> <p><input type="checkbox"/> 51-Revocation of confirmation</p> <p>FRBP 7001(6) – Dischargeability</p> <p><input type="checkbox"/> 66-Dischargeability - §523(a)(1),(14),(14A) priority tax claims</p> <p><input type="checkbox"/> 62-Dischargeability - §523(a)(2), false pretenses, false representation, actual fraud</p> <p><input type="checkbox"/> 67-Dischargeability - §523(a)(4), fraud as fiduciary, embezzlement, larceny</p> <p style="text-align: center;">(continued next column)</p>	<p>FRBP 7001(6) – Dischargeability (continued)</p> <p><input type="checkbox"/> 61-Dischargeability - §523(a)(5), domestic support</p> <p><input type="checkbox"/> 68-Dischargeability - §523(a)(6), willful and malicious injury</p> <p><input type="checkbox"/> 63-Dischargeability - §523(a)(8), student loan</p> <p><input type="checkbox"/> 64-Dischargeability - §523(a)(15), divorce or separation obligation (other than domestic support)</p> <p><input type="checkbox"/> 65-Dischargeability - other</p> <p>FRBP 7001(7) – Injunctive Relief</p> <p><input type="checkbox"/> 71-Injunctive relief – imposition of stay</p> <p><input type="checkbox"/> 72-Injunctive relief – other</p> <p>FRBP 7001(8) Subordination of Claim or Interest</p> <p><input type="checkbox"/> 81-Subordination of claim or interest</p> <p>FRBP 7001(9) Declaratory Judgment</p> <p><input type="checkbox"/> 91-Declaratory judgment</p> <p>FRBP 7001(10) Determination of Removed Action</p> <p><input type="checkbox"/> 01-Determination of removed claim or cause</p> <p>Other</p> <p><input type="checkbox"/> SS-SIPA Case – 15 U.S.C. §§78aaa <i>et seq.</i></p> <p><input checked="" type="checkbox"/> 02-Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy case)</p>	
<input type="checkbox"/> Check if this case involves a substantive issue of state law	<input type="checkbox"/> Check if this is asserted to be a class action under FRCP 23	
<input type="checkbox"/> Check if a jury trial is demanded in complaint	Demand \$N.A.	
Other Relief Sought Interpleader and declaratory judgment		

B104 (FORM 104) (08/07), Page 2

BANKRUPTCY CASE IN WHICH THIS ADVERSARY PROCEEDING ARISES		
NAME OF DEBTOR Women's Apparel Group, LLC		BANKRUPTCY CASE NO. 11-16217 (JNF)
DISTRICT IN WHICH CASE IS PENDING District of Massachusetts		DIVISION OFFICE Eastern
		NAME OF JUDGE Hon. Joan N. Feeney
RELATED ADVERSARY PROCEEDING (IF ANY)		
PLAINTIFF	DEFENDANT	ADVERSARY PROCEEDING NO.
DISTRICT IN WHICH ADVERSARY IS PENDING		DIVISION OFFICE
		NAME OF JUDGE
SIGNATURE OF ATTORNEY (OR PLAINTIFF) 		
DATE February 9, 2012		PRINT NAME OF ATTORNEY (OR PLAINTIFF) Benjamin L. Mack

INSTRUCTIONS

The filing of a bankruptcy case creates an "estate" under the jurisdiction of the bankruptcy court which consists of all of the property of the debtor, wherever that property is located. Because the bankruptcy estate is so extensive and the jurisdiction of the court so broad, there may be lawsuits over the property or property rights of the estate. There also may be lawsuits concerning the debtor's discharge. If such a lawsuit is filed in a bankruptcy court, it is called an adversary proceeding.

A party filing an adversary proceeding must also must complete and file Form 104, the Adversary Proceeding Cover Sheet, unless the party files the adversary proceeding electronically through the court's Case Management/Electronic Case Filing system (CM/ECF). (CM/ECF captures the information on Form 104 as part of the filing process.) When completed, the cover sheet summarizes basic information on the adversary proceeding. The clerk of court needs the information to process the adversary proceeding and prepare required statistical reports on court activity.

The cover sheet and the information contained on it do not replace or supplement the filing and service of pleadings or other papers as required by law, the Bankruptcy Rules, or the local rules of court. The cover sheet, which is largely self-explanatory, must be completed by the plaintiff's attorney (or by the plaintiff if the plaintiff is not represented by an attorney). A separate cover sheet must be submitted to the clerk for each complaint filed.

Plaintiffs and Defendants. Give the names of the plaintiffs and defendants exactly as they appear on the complaint.

Attorneys. Give the names and addresses of the attorneys, if known.

Party. Check the most appropriate box in the first column for the plaintiffs and the second column for the defendants.

Demand. Enter the dollar amount being demanded in the complaint.

Signature. This cover sheet must be signed by the attorney of record in the box on the second page of the form. If the plaintiff is represented by a law firm, a member of the firm must sign. If the plaintiff is pro se, that is, not represented by an attorney, the plaintiff must sign.

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MASSACHUSETTS
(EASTERN DIVISION)

In re:)	Chapter 11
)	
WOMEN’S APPAREL GROUP, LLC,)	Case No. 11-16217 (JNF)
)	
Debtor.)	
_____)	
)	
WOMEN’S APPAREL GROUP, LLC,)	
)	
Plaintiff in Interpleader,)	
)	
-v-)	Adv. Pro. No. _____
)	
WOMEN’S APPAREL GROUP HOLDINGS, INC.,)	
and OFFICIAL COMMITTEE OF UNSECURED)	
CREDITORS OF WOMEN’S APPAREL GROUP,)	
LLC,)	
)	
)	
Defendants in Interpleader.)	
_____)	

INTERPLEADER COMPLAINT

Interpleader Plaintiff, Women’s Apparel Group, LLC (the “Debtor” or “WAG”), by its undersigned attorneys, for its Complaint against Interpleader Defendants, Women’s Apparel Group Holdings, Inc. (“Holdings”) and The Official Committee of Unsecured Creditors of Women’s Apparel Group, LLC (the “Committee”) (collectively, “Interpleader Defendants”) states as follows:

NATURE OF THE ACTION

1. Debtor seeks interpleader relief, declaratory relief and discharge with respect to two tax refund checks from the Internal Revenue Service totaling \$3,024,464.35 (the “Tax Refund”) currently being held by Debtor for the rightful owner.

2. Both the Committee and Holdings have asserted conflicting claims for ownership of the Tax Refund.

3. Accordingly, Debtor is exposed to multiple liabilities with respect to the disposition of the Tax Refund without this Court's resolution of the Interpleader Defendants' competing claims. By way of this interpleader action, Debtor requests that the Court adjudicate the rights of the Interpleader Defendants in the Property without need for further involvement by Debtor.

PARTIES

4. Interpleader Plaintiff, Debtor, is a limited liability company formed under the laws of the State of Delaware with its principal place of business in Massachusetts.

5. Interpleader Defendant Holdings, Inc. is a corporation incorporated under the laws of the State of Delaware with its principal place of business in New York and is a wholly-owned subsidiary of Monomoy Capital Partners, L.P. ("Monomoy"). Holdings is the sole member of Debtor.

6. Interpleader Defendant Committee was appointed by the Office of the United States Trustee for the District of Massachusetts on July 20, 2011.

JURISDICTION AND VENUE

7. This adversary proceeding arises from and is related to the above-captioned Chapter 11 proceeding, which is pending in this Court.

8. The Court has jurisdiction over the subject matter of this adversary proceeding under 28 U.S.C. § 157 and § 1334. Venue is proper in this Court under 28 U.S.C. § 1408 and § 1409.

9. The Court has personal jurisdiction over the Interpleader Defendants under, *inter alia*, Rule 7004(f) of the Federal Rules of Bankruptcy Procedure.

10. The basis for the relief requested herein is 28 U.S.C. § 2361 and Rule 22 of the Federal Rules of Civil Procedure, as made applicable by Rule 7022 of the Federal Rules of Bankruptcy Procedure.

BACKGROUND

11. Debtor and its non-debtor parent Holdings were formed on July 18, 2008 by Monomoy.

12. On or about July 26, 2008, Debtor acquired its business operations from Redcats USA, Inc. and certain related entities.

13. On October 17, 2008, Debtor and Wells Fargo, N.A., as successor to Wachovia Bank, N.A., entered into a Loan and Security Agreement, which provided for a \$40 million revolving loan and letter of credit facility (the "Senior Debt"). The Senior Debt was secured by a lien on substantially all of Debtor's assets.

14. The Senior Debt obligations were also guaranteed by Holdings pursuant to a Guarantee dated October 17, 2008, which Guarantee was secured by substantially all of the assets of Holdings under a Pledge and Security Agreement dated October 17, 2008.

15. In or about February 2010, Casual Living Acquisition, LLC ("CLA"), a wholly owned subsidiary of Holdings, was formed to acquire the business of Casual Living U.S.A., Inc. pursuant to an asset purchase agreement dated February 11, 2010.

16. On February 11, 2010, Debtor and CLA executed a Senior Secured Subordinated Promissory Note in favor of Women's Apparel Group Finco, LLC ("Finco"), an affiliate of Monomoy, in the amount of \$1.5 million (the "Subordinated Debt" and, together with the Senior

Debt, the “Indebtedness”). The Subordinated Debt was secured by substantially all of the assets of Debtor and CLA. Holdings guaranteed the Subordinated Debt pursuant to a General Continuing Guaranty dated February 11, 2008, which guarantee was secured by substantially all of the assets of Holdings pursuant to a Security Agreement dated February 11, 2010. CLA became a borrower with respect to the Senior Debt pursuant to a Joinder, Consent and Amendment to Loan Agreement dated February 11, 2010.

17. On June 7, 2011, Debtor, Holdings, CLA and Distinctive Apparel, Inc. (“DAI”) entered into an Agreement Regarding Certain Matters (the “Agreement”) pursuant to which the parties agreed, among other things, that DAI would (i) acquire the Senior Debt and the Subordinated Debt, (ii) conduct a foreclosure sale of Debtor’s assets pursuant to Article 9 of the Uniform Commercial Code, (iii) ensure that Debtor had sufficient funding to pay its ordinary course expenses, taxes and employee costs from the date of the debt acquisitions through the foreclosure sale, and (iv) release DAI’s interest in the Tax Refund so that the Tax Refund would be available for Debtor’s general unsecured creditors following the foreclosure sale.

18. On June 7, 2011, DAI acquired the Senior Debt and the Subordinated Debt and issued a notice of default and acceleration to Debtor and CLA.

19. On June 29, 2011, prior to the date scheduled for the foreclosure sale, NL Ventures VII United, L.L.C., La Vita, Inc., Your Label, Inc., and Suburban Service Corporation filed an involuntary petition under chapter 7 of the Bankruptcy Code against Debtor with the United States Bankruptcy Court for the District of Massachusetts (the “Bankruptcy Court”);

20. On June 30, 2011, DAI conducted a foreclosure sale of CLA’s assets by public auction. At the sale, DAI was the successful bidder and thereafter acquired CLA’s assets in partial satisfaction of the Indebtedness.

21. On July 13, 2011 (the “Order for Relief Date”), the Bankruptcy Court entered the order for relief and converted the case to chapter 11.

22. On July 20, 2011, the Office of the United States Trustee for the District of Massachusetts (the “U.S. Trustee”) appointed the Committee pursuant to section 1102 of the Bankruptcy Code.

23. On August 22, 2011 the Court entered a Final Order Authorizing (A) Secured Post-Petition Financing Pursuant To 11 U.S.C. §§ 105, 361, 362 And 364(c) And (d); (B) Granting Security Interests, Superpriority Claims And Adequate Protection; And (C) Use Of Cash Collateral (the “DIP Order”). Pursuant to the DIP Order:

(i) as of July 15, 2011, Debtor was indebted to DAI with respect to the Senior Debt in the approximate amount of \$11,917,124.11;

(ii) subject to the rights of the Committee set forth in subparagraph (iv) below, the Indebtedness was granted priority under sections 507(a)(2), 507(b) and 364(c)(1) of the Bankruptcy Code and is secured by legal, valid, binding, properly perfected and non-avoidable, first priority security interests and liens, in substantially all of Debtor’s assets except for (a) any rights of Debtor in any tax attributes related to net operating losses, including that certain Tax Refund owed to Debtor or its equity owners (b) any actions for preferences, fraudulent conveyances and other avoidance power claims and the proceeds thereof under chapter 5 of the Bankruptcy Code (the “Avoidance Actions”), and (c) all claims, causes of action and rights of recovery arising under applicable non-bankruptcy law belonging to Debtor, including without limitation, against Monomoy, Holdings their present and former officers and directors, affiliates, subsidiaries, shareholders, members, managers, employees, attorneys, agents, representatives,

predecessors, successors and assigns (collectively, the “Monomoy Parties”) (the “Other Actions” and, together with the Avoidance Actions, the “Estate Claims”);

(iii) Debtor waived its right to contest the validity or amount of DAI’s claims and liens securing the Indebtedness;

(iv) the Committee was given until the earlier of the closing of the sale to DAI or November 30, 2011 (the “Investigation Period”) to contest the validity or amount of DAI’s claims and liens securing the Indebtedness;

(v) the Committee was required to and did deliver to the U.S. Trustee a report regarding the results of its investigation into the validity and amount of DAI’s claims and liens securing the Indebtedness prior to September 2, 2011; and

(vi) DAI reserved the right to credit bid the Indebtedness for the purchase of Debtor’s assets under section 363(k) of the Bankruptcy Code and retained a deficiency claim against Debtor’s estate to the extent the Indebtedness exceeded any credit bid (the “Deficiency Claim”).

24. On August 21, 2011, Debtor filed a Motion Requesting (I) Approval Of (A) Order Approving Bidding Procedures For Sale of Debtor’s Assets, (B) Bid Procedures, (C) Notice Of Sale, And (D) Form Of Asset Purchase Agreement With Stalking Horse Bidder, and (II) Related Relief (the “Sale Motion”). Debtor engaged in an extensive marketing campaign to shop its assets to potentially interested bidders and scheduled an auction for its assets for September 12, 2011. Notwithstanding its marketing efforts, Debtor did not receive any bids for its assets other than the stalking horse bid received from DAI.

25. On September 22, 2011 the Court entered an order (I) Approving Sale Of Substantially All Of Debtor's Assets Outside The Ordinary Course Of Business, Free And Clear Of All Liens, Claims, Interests And Encumbrances, (II) Approving Procedures For Assumption And Assignment Of Executory Contracts And Unexpired Leases, And (III) Granting Related Relief (the "Sale Order"). Pursuant to the Sale Order, the Court approved, among other things, the sale of substantially all of Debtor's assets to DAI for a credit bid of \$10,500,000 plus \$250,000 in cash, a \$500,000 secured promissory note and other valuable consideration pursuant to the terms of an asset purchase agreement, dated as of August 22, 2011 (the "APA").

26. Pursuant to Paragraph 15 of the Sale Order, the sale to DAI under the terms of the APA is in the best interests of Debtor, Debtor's estate, Debtor's creditors and other parties in interest, including Debtor's employees.

27. Pursuant to Section 7.2.5 of the APA, as a condition to closing, Debtor and the Committee shall have received, or waived the right to receive, evidence reasonably satisfactory to Debtor and the Committee that Holdings has released and assigned to Debtor or its estate any right, title and interest to the Tax Refund.

28. DAI delivered to Debtor and the Committee a fully executed Assignment of Tax Refund (the "Assignment"), dated August 2011, assigning all of Holdings' right, title and interest to the Tax Refund to Debtor. A copy of the Assignment is attached hereto as **Exhibit A**.

29. On information and belief, Holdings has contested the validity of the Assignment and has claimed ownership of the Tax Refund.

30. DAI has claims and causes of action against the Monomoy Parties under applicable non-bankruptcy law, including without limitation, claims, causes of action and rights of recovery related to the Tax Refund (collectively, the "DAI Claims").

31. On November 18, 2011, Debtor, the Committee and DAI executed the First Amended Stipulation Regarding Official Creditors' Committee's Prosecution of Certain Claims On Behalf of Debtor's Estate (the "Stipulation"). Pursuant to the Stipulation, *inter alia*:

(i) DAI irrevocably assigned, transferred and conveyed to the Committee (or its designee) the DAI Claims and the Deficiency Claim, to enable the Committee to pursue the DAI Claims and the Deficiency Claim for the benefit of Debtor's creditors; and

(ii) the Committee was authorized to investigate, commence and prosecute for the benefit of Debtor's estate and creditors, the Estate Claims and the DAI Claims if and when the Committee, in its sole discretion, deems such action appropriate without further order of the Bankruptcy Court.

32. The Court entered an order on December 5, 2011 approving the Stipulation.

33. During the first week of February 2012, Debtor received the Tax Refund checks from the IRS, payable to Holdings.

FIRST CLAIM FOR RELIEF

(Interpleader)

34. Paragraphs 1 through 33 of the Complaint are incorporated as if fully set forth herein.

35. Debtor is the holder of the Tax Refund checks.

36. The Tax Refund checks are payable to Holdings.

37. Upon information and belief, Interpleader Defendants Holdings and the Committee have conflicting claims to the ownership of, and entitlement to, the Tax Refund.

38. Debtor is therefore faced with inconsistent claims concerning ownership of the Tax Refund.

39. Unless the Interpleader Defendants' conflicting and adverse claims to the Property are disposed of in a single proceeding, Debtor will be subject to multiple proceedings and faced with the possibility of incurring multiple liabilities and incidental costs.

40. Debtor hereby seeks to either tender to the Court the Tax Refund checks or to hold the Tax Refund checks in escrow, conditioned upon or to otherwise abide with any judgment or order of the Court with respect to the subject matter of the controversy.

41. Debtor respectfully requests that the Court adjudicate and determine the rights of the competing Interpleader Defendants in the Tax Refund without need for further involvement by Debtor.

SECOND CLAIM FOR RELIEF

(Declaratory Judgment)

42. Paragraphs 1 through 41 of the Complaint are incorporated as if fully set forth herein.

43. An actual, substantial and immediate controversy exists between and among Debtor, on the one hand, and Holdings and the Committee, on the other hand, in connection with the Tax Refund and the status of such Interpleader Defendants as the owner of the Tax Refund.

WHEREFORE, Interpleader Plaintiff WAG respectfully requests the Court:

a. require the Interpleader Defendants to interplead and settle all claims to the Tax Refund between themselves and any other persons who claim or may claim an interest, beneficial or legal, in the Tax Refund;

b. issue one or more orders pursuant to 28 U.S.C. § 2361, enjoining all claimants from instituting or prosecuting any proceeding in any State or United States Court affecting the Tax Refund until further order of the court;

c. grant Debtor the remedy of declaratory relief and/or the remedy of interpleader; and relieve or discharge Debtor from any and all liability to the Interpleader Defendants with respect to the Property, and otherwise dismiss it from the instant action;

d. award Debtor its reasonable costs and expenses incurred in this action including, without limitation, its counsel fees, and award such other and further relief as the Court deems just and proper.

Dated: February 9, 2012

Respectfully submitted,

WOMEN'S APPAREL GROUP, LLC

By its attorneys,

/s/ Benjamin L. Mack

Richard S. Rosenstein (BBO# 429100)

James F. Coffey (BBO# 552620)

Benjamin L. Mack (BBO# 661590)

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2082623.1

Exhibit A

ASSIGNMENT OF TAX REFUND

THIS ASSIGNMENT OF TAX REFUND (this "Assignment") is made and entered into effective as of this ____ day of August, 2011 ("Effective Date"), by WOMEN'S APPAREL GROUP HOLDINGS, INC., a Delaware corporation ("Assignor") in favor of WOMEN'S APPAREL GROUP, LLC, a Delaware limited liability company ("Assignee").

WHEREAS, Assignee is a pass-through entity for tax purposes, and is owned by Assignor.

WHEREAS, Assignor and/or Assignee believe they are entitled to a tax refund in the approximate amount of \$3,500,000 (the "Tax Refund") as a result of, among other things, net operating losses sustained by Assignee which Assignor and Assignee intend to set off against taxes previously paid by Assignor (as the owner of Assignee).

WHEREAS, upon the terms and conditions set forth herein, Assignor desires to assign, transfer and convey to Assignee all of Assignor's right, title and interest in and to the Tax Refund.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby agrees as follows:

1. Assignment of Tax Refund. Assignor hereby irrevocably sells, assigns, transfers, and conveys to Assignee, from and after the Effective Date, all of Assignor's rights, title and interests in and to the Tax Refund, whether earned prior to or after the Effective Date, in each case free and clear of any and all interests, liens, encumbrances, claims, rights or preferential arrangements of any kind or nature whatsoever created by Assignor.
2. Further Assurances. Assignor hereby agrees to execute, and to cause any of its affiliates to execute such further documents and to do such other acts as may be reasonably necessary or required to carry out the terms and conditions of this Assignment.

IN WITNESS WHEREOF, Assignor has executed this Assignment as of the Effective Date.

ASSIGNOR:

WOMEN'S APPAREL GROUP HOLDINGS, INC.
a Delaware corporation

By: [Signature]

Name: John H. [Signature]

Title: Director