

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE

In re: Gottschalks, Inc.

Case No. 09-10157 (KJC)  
Reporting Period: May 3 - May 30, 2009

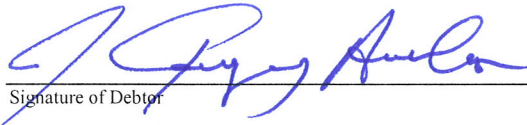
MONTHLY OPERATING REPORT

File with Court and submit copy to United States Trustee within 20 days after end of month.

Submit copy of report to any official committee appointed in the case.

REQUIRED DOCUMENTS	Form No.	Document Attached	Available Upon Request	Affidavit/Supplement Attached
Schedule of Cash Receipts and Disbursements	MOR-1	X		
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1a	X		
Schedule of Professional Fees Paid	MOR-1b	X		
Listing of bank account numbers and balances		X		
Cash disbursements journals		X		
Statement of Operations	MOR-2	X		
Balance Sheet	MOR-3	X		
Status of Postpetition Taxes	MOR-4	X		
Copies of IRS Form 6123 or payment receipt		N/A		
Copies of tax returns filed during reporting period		N/A		
Summary of Accounts Payables	MOR-4	X		
Accounts Receivable Aging		N/A		
Debtor Questionnaire	MOR-5	X		

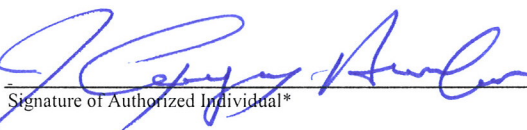
I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

  
Signature of Debtor

7/20/09  
Date

\_\_\_\_\_  
Signature of Joint Debtor

\_\_\_\_\_  
Date

  
Signature of Authorized Individual\*

7/20/09  
Date

J. Gregory Ambro  
Printed Name of Authorized Individual

Executive Vice President and Chief Operating Officer  
Title of Authorized Individual

\*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

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SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS [1]

	BANK ACCOUNTS					CURRENT MONTH		FILING TO DATE
	GEN OPER.	STORE WORKING FUNDS	UTILITY DEP	SALES TAX	ALASKA	ACTUAL	PROJECTED [2]	ACTUAL
CASH (LOAN BALANCE) BEGINNING OF MONTH	4,760	2	280	5,490	27	10,560	(36,865)	(68,811)
<b>RECEIPTS</b>								
CASH SALES	-					-	-	83,387
CREDIT CARD RECEIVABLES	-					-	-	20,495
LOANS AND ADVANCES	-					-	-	-
SALE OF ASSETS	404					404	26,614	95,901
OTHER RECEIPTS [3]	22,376		0	0		22,376	15,199	39,614
TRANSFERS (FROM DIP ACCTS)	(1,748)	8		1,742	(2)	0	-	0
<b>TOTAL RECEIPTS</b>	\$ 21,032	\$ 8	\$ 0	\$ 1,742	\$ (2)	\$ 22,781	\$ 41,813	\$ 239,397
<b>DISBURSEMENTS</b>								
ADVERTISING	-					-	-	3,223
MERCHANDISE (INCLUDING FREIGHT)	-					-	-	53,228
RENT	2,446					2,446	-	10,169
PAYROLL, PAYROLL TAXES, AND BENEFITS	6,431					6,431	6,946	37,390
UTILITIES	570					570	647	2,335
INSURANCE	165					165	112	492
SALES AND OTHER TAXES	156			7,153		7,309	2,000	21,559
GENERAL OPERATING	863					863	1,126	6,542
FINLAY LICENSE	4,566					4,566	-	8,177
FINANCING EXPENSES	-					-	-	3,524
PROFESSIONAL FEES	-					-	-	117
OTHER	385				1	386	2,433	7,356
<b>TOTAL DISBURSEMENTS</b>	\$ 15,582	\$ -	\$ -	\$ 7,153	\$ 1	\$ 22,736	\$ 13,264	\$ 154,112
DRAW ON LC	-					-	-	4,648
ADJUSTMENTS	(2,048)					(2,048)	-	(828)
NET CASH FLOW	\$ 3,402	\$ 8	\$ 0	\$ (5,411)	\$ (3)	\$ (2,004)	\$ 28,549	\$ 79,809
(RECEIPTS LESS DISBURSEMENTS)								
<b>CASH (LOAN BALANCE)- END OF MONTH</b>	\$ 8,162	\$ 11	\$ 280	\$ 80	\$ 24	\$ 8,556	\$ (8,316)	\$ 10,998

[1] The cash balances and activity on this schedule represents the following balance sheet items: Unrestricted Cash and Cash Equivalents, Restricted Cash and Cash Equivalents, and Revolver Line of Credit. The balance of the revolver line of credit as of May 30, 2009 was \$0.

[2] 'Projected' amounts reflect projections per the DIP budget (based on weeks ending each Monday) and reflect projected activity for the period May 5 - June 1, 2009. The projection does not include activity in the other general operating, Alaska, and sales tax accounts.

[3] Primarily represents reimbursements from the liquidator joint venture for store expenses and augment merchandise sharing.

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES PAID**

This schedule is to include all retained professional payments from case inception to current month.

(Actual \$)

PAYEE	PERIOD COVERED	DATE OF COURT ORDER AUTHORIZING PAYMENT	AMOUNT APPROVED	AMOUNT PAID		TOTAL PAID TO DATE		AMOUNT ACCRUED	TOTAL INCURRED AND UNPAID
				FEES	EXPENSES	FEES	EXPENSES		
O'Melveny & Meyers	1/14 to 5/30/09							3,275,000	3,275,000
FTI Consulting	1/14 to 5/30/09							2,925,000	2,925,000
Richards, Layton & Finger	1/14 to 5/30/09							290,000	290,000
Kurtzman Carson Consultants	1/14 to 5/30/09			126,685		126,685		417,000	290,315
Cooley Godward Kronish	1/14 to 5/30/09							680,000	680,000
Loughlin Meghji & Company	1/14 to 5/30/09							360,000	360,000
Benesch	1/14 to 5/30/09							90,000	90,000
GE Capital Third Party Legal [1]	1/14 to 5/30/09			95,430		95,430		500,000	404,570
Financial Dynamics	1/14 to 5/30/09			11,665		11,665		25,000	13,335
Other	1/14 to 5/30/09							520,000	520,000
<b>TOTAL PAYMENTS TO PROFESSIONALS</b>			\$ -	\$ 233,780	\$ -	\$ 233,780	\$ -	\$ 9,082,000	\$ 8,848,220

[1] Amounts paid to GE Capital's legal advisors represent disbursements related to advisory work on the Credit Agreement performed prepetition.

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**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.

<b>REVENUES</b>	<b>Cumulative</b>	
	<b>Month (\$ in 000's)</b>	<b>Filing to Date (\$ in 000's)</b>
Net Sales	0	92,623
Net Leased Department Revenue	483	1,527
Net Credit Revenue	67	1,697
Total Revenues	550	95,847
<b>COST OF GOODS SOLD</b>		
Cost of Goods Sold	(70)	74,036
Gross Profit	620	21,811
<b>OPERATING EXPENSES</b>		
Advertising	(4)	2,197
Bad Debts	(10)	55
Contributions	-	9
Employee Benefits Programs	(103)	3,300
Insider Compensation	78	691
Insurance	71	772
Repairs and Maintenance	10	933
Rent and Lease Expense	134	6,887
Salaries/Commissions/Fees	741	18,167
Supplies	10	1,900
Taxes	501	2,113
Travel and Entertainment	2	122
Utilities	(14)	1,020
Other (attach schedule)	188	50,181
Total Operating Expenses Before Depreciation	1,604	88,347
Depreciation/Depletion/Amortization	546	4,629
Net Profit (Loss) Before Other Income & Expenses	(1,530)	(71,165)
<b>OTHER INCOME AND EXPENSES</b>		
Other Income (attach schedule)	(687)	(1,068)
Interest Expense	135	1,613
Net Profit (Loss) Before Reorganization Items	(978)	(71,710)
<b>REORGANIZATION ITEMS</b>		
Professional Fees	1,007	9,089
U. S. Trustee Quarterly Fees	10	50
Other Reorganization Expenses (attach schedule)	468	2,173
Total Reorganization Expenses	1,485	11,312
Income Taxes	-	76
Net Profit (Loss)	<b>\$ (2,463)</b>	<b>\$ (83,098)</b>

Notes:

**UNITED STATES BANKRUPTCY COURT  
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**STATEMENT OF OPERATIONS - continuation sheet**

<b>BREAKDOWN OF "OTHER" CATEGORY</b>	<b>Month (\$ in 000s)</b>	<b>Cumulative Filing to Date (\$ in 000s)</b>
<b>Other Operational Expenses</b>		
Services Purchased	788	4,610
Unclassified	(689)	(936)
Communications	75	401
Postage	13	206
Professional Fees	6	77
Costs capitalized under Uniform Capitalization Rules [1]	0	(1,099)
(Gain)Loss on Assets	(5)	46,916
Store Closure Costs	0	6
<b>Total Other Operational Expenses</b>	<b>188</b>	<b>50,181</b>
<b>Other Income</b>		
Rental income	(12)	(52)
Miscellaneous income	(675)	(1,016)
<b>Total Other Income</b>	<b>(687)</b>	<b>(1,068)</b>
<b>Other Reorganization Expenses</b>		
Amortization of DIP loan fees	468	2,173
<b>Total Other Reorganization Expenses</b>	<b>468</b>	<b>2,173</b>

[1] Uniform Capitalization Rules require capitalization of certain indirect buying, handling and distribution costs to align these costs with the related sales.

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**BALANCE SHEET**

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

ASSETS	BOOK VALUE AT END OF CURRENT REPORTING MONTH (\$ in 000's)	BOOK VALUE PETITION DATE (\$ in 000's)
<b>CURRENT ASSETS</b>		
Unrestricted Cash and Equivalents	\$ 8,195	\$ 7,408
Restricted Cash and Cash Equivalents [1]	360	-
Credit Card Receivables	1,569	-
Accounts Receivable (Net)	5,756	2,944
Inventories	-	126,552
Prepaid Expenses (attach schedule)	4,169	3,849
Professional Retainers	493	493
Other Current Assets (attach schedule)	22,722	8,216
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 43,264</b>	<b>\$ 149,462</b>
<b>PROPERTY AND EQUIPMENT</b>		
Real Property and Improvements	60,652	60,652
Machinery and Equipment	12,348	61,313
Furniture, Fixtures and Office Equipment	1,148	89,942
Leasehold Improvements	65,469	65,463
Vehicles	420	420
Construction in progress	-	2,187
Less Accumulated Depreciation	(65,774)	(151,228)
<b>TOTAL PROPERTY &amp; EQUIPMENT</b>	<b>\$ 74,263</b>	<b>\$ 128,749</b>
<b>OTHER ASSETS</b>		
Loans to Insiders	-	-
Other Assets (attach schedule)	11,488	5,166
<b>TOTAL OTHER ASSETS</b>	<b>\$ 11,488</b>	<b>\$ 5,166</b>
<b>TOTAL ASSETS</b>	<b>\$ 129,015</b>	<b>\$ 283,377</b>
<b>LIABILITIES AND OWNER EQUITY</b>		
<b>LIABILITIES NOT SUBJECT TO COMPROMISE (Postpetition)</b>		
Accounts Payable	6,843	
Taxes Payable (refer to FORM MOR-4)	7,174	
Wages Payable	279	
Rent / Leases - Building/Equipment	1,289	
Secured Debt / Adequate Protection Payments	-	
Professional Fees	8,868	
Amounts Due to Insiders	19	
Other Postpetition Liabilities (attach schedule)	38,953	
<b>TOTAL POSTPETITION LIABILITIES</b>	<b>\$ 63,425</b>	<b>-</b>
<b>LIABILITIES SUBJECT TO COMPROMISE (Pre-Petition)</b>		
Secured Debt	3,249	76,069
Priority Debt	37	37
Unsecured Debt	54,272	54,533
Other Pre-petition Liabilities (attach schedule)	2,486	64,099
<b>TOTAL PRE-PETITION LIABILITIES</b>	<b>\$ 60,044</b>	<b>194,738</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 123,469</b>	<b>194,738</b>
<b>OWNER EQUITY</b>		
Capital Stock	137	137
Additional Paid-In Capital	78,007	78,002
Retained Earnings - Pre-Petition	11,987	11,987
Retained Earnings - Postpetition	(83,098)	
Adjustments to Owner Equity (attach schedule)	(1,487)	(1,487)
<b>NET OWNER EQUITY</b>	<b>5,546</b>	<b>88,639</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>\$ 129,015</b>	<b>\$ 283,377</b>

[1] Restricted Cash and Cash Equivalents represents cash held in separate accounts for utility adequate assurance sand tax payments.

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BALANCE SHEET - continuation sheet

ASSETS		BOOK VALUE AT END OF CURRENT REPORTING MONTH (\$ in 000's)	BOOK VALUE PETITION DATE (\$ in 000's)
Prepaid Expenses			
	Prepaid insurance	756	1,167
	Workers compensation prepaid	889	889
	Prepaid advertising	-	219
	Prepaid health and other	194	122
	Prepaid rent	1,884	-
	Prepaid expenses	189	1,094
	Prepaid property taxes	257	358
	<b>Total Prepaid Expenses</b>	<b>4,169</b>	<b>3,849</b>
Other Current Assets			
	Supplies	-	1,534
	Workers compensation reserves	6,118	6,118
	Deferred loan fees	638	4
	Joint Venture receivable	15,493	
	Other receivables	110	373
	Salary support receivable	360	184
	Other	3	3
	<b>Total Other Current Assets</b>	<b>22,722</b>	<b>8,216</b>
Other Assets			
	Intangibles - lease rights	787	813
	Investment in partnership	1,771	1,810
	Credit card and other deposits	5,938	-
	Straightline lease	2,456	2,543
	Prepaid rent	536	
	<b>Total Other Assets</b>	<b>11,488</b>	<b>5,166</b>
LIABILITIES AND OWNER EQUITY		BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE PETITION DATE
Other Postpetition Prepetition Liabilities			
<b>Other Postpetition Liabilities</b>			
	Accrued expenses	373	
	Cash management liability (bank overdraft)	2,396	
	Gift and merchandise cards	3,792	
	Vacation payable	643	
	Payroll deductions payable	506	
	Sales return reserve	-	
	Workers compensation insurance reserves	6,118	
	Other insurance reserves	348	
	Deferred revenue	5,939	
	Deferred rent	5,309	
	Intangibles - lease rights	196	
	Fin 48 liability	1,008	
	Deferred taxes	3,512	
	Capital leases	8,813	
	<b>Total Other Postpetition Liabilities</b>	<b>38,953</b>	
<b>Other Prepetition Liabilities</b>			
	Accrued expenses		5,162
	Gift and merchandise cards		7,738
	Sales and payroll taxes payable		10,495
	Wages payable		2,030
	Vacation payable	1,682	2,990
	Payroll deductions payable		304
	Accrued accounting fees	477	520
	Pension liability	97	97
	Other accruals prepetition	213	599
	Store party fund	17	63
	Vendor supported events	-	220
	Sales return reserve		1,663
	Workers compensation insurance reserves		6,118
	Other insurance reserves		259
	Deferred revenue		6,699
	Deferred rent		5,466
	Intangibles - lease rights		208
	Fin 48 liability		1,008
	Deferred taxes		3,512
	Capital leases		8,948
	<b>Total Other Prepetition Liabilities</b>	<b>2,486</b>	<b>64,099</b>
Adjustments to Owner Equity			
	Treasury stock	(1,487)	(1,487)
	[1] Represents reserves that are reevaluated on a quarterly basis.		
	[2] Represents employee programs that were continued postpetition per Court order.		

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**STATUS OF POSTPETITION TAXES**

The beginning tax liability should be the ending liability from the prior month or, if this is the first report, the amount should be zero.  
Attach photocopies of IRS Form 6123 or payment receipt to verify payment or deposit of federal payroll taxes.  
Attach photocopies of any tax returns filed during the reporting period.

(Actual \$)

	<b>Beginning Tax Liability</b>	<b>Amount Withheld or Accrued</b>	<b>Amount Paid</b>	<b>Ending Tax Liability</b>
<b>Federal</b>				
Withholding	149,762	339,172	(284,862)	204,072
FICA	651,932	856,070	(864,696)	643,305
Unemployment	47,570	18,903	-	66,473
Total Federal Taxes	\$ 849,264	\$ 1,214,145	\$ (1,149,558)	\$ 913,851
<b>State and Local</b>				
Withholding	69,775	160,929	(130,398)	100,306
Sales & Excise <sup>[1]</sup>	7,442,047	5,349,938	(7,013,117)	5,778,868
Unemployment	157,222	68,064	-	225,286
Real Property	(193,169)	297,562	-	104,394
Personal Property <sup>[2]</sup>	26,078	14,466	-	40,544
Workers Compensation	5,313	3,460	-	8,773
Other: Local	891	623	-	1,514
Total State and Local	7,508,158	5,895,042	(7,143,515)	6,259,685
<b>Total Taxes</b>	<b>\$ 8,357,421</b>	<b>\$ 7,109,187</b>	<b>\$ (8,293,073)</b>	<b>\$ 7,173,535</b>

<sup>[1]</sup> Sales and Excise taxes are paid one month in arrears.

<sup>[2]</sup> Personal Property Taxes are paid on an annual basis.

\* Copies of tax returns are available upon request.

**SUMMARY OF ACCOUNTS PAYABLE**

Attach aged listing of accounts payable.

Note: The Company does not analyze or prepare the aging of its accounts payable.



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**ACCOUNTS RECEIVABLE AGING**

<b>Accounts Receivable Aging</b>	<b>Amount</b>
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Note: The Company does not analyze or prepare the aging of its accounts receivable.

**DEBTOR QUESTIONNAIRE**

<b>Must be completed each month</b>	<b>Yes</b>	<b>No</b>
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.		X
2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below.		X
3. Have all postpetition tax returns been timely filed? If no, provide an explanation below.	N/A	
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.	X	
5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s). If an investment account has been opened provide the required documentation pursuant to the Delaware Local Rule 4001-3.		X