

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE

In re: Gottschalks, Inc.

Case No. 09-10157 (KJC)  
Reporting Period: August 2 - August 29, 2009

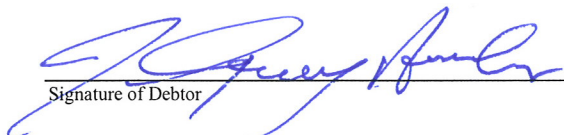
**MONTHLY OPERATING REPORT**

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

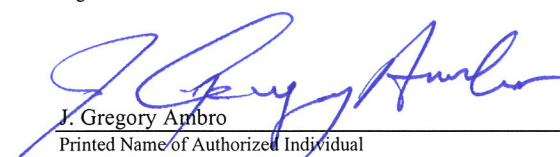
10/12/09  
\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Authorized Individual\*

\_\_\_\_\_  
Date

  
J. Gregory Ambro  
\_\_\_\_\_  
Printed Name of Authorized Individual

10/12/09  
\_\_\_\_\_  
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	PROF FEES RESERVE	ALASKA		ACTUAL	PROJECTED [2]	ACTUAL
CASH (LOAN BALANCE) BEGINNING OF MONTH	\$ 13,279	\$ -	\$ 280	\$ 5,663	\$ 4,004	\$ -		\$ 23,226	\$ 3,568	\$ (68,811)
<b>RECEIPTS</b>										
CASH SALES		-						-	-	83,387
CREDIT CARD RECEIVABLES		-						-	-	20,495
LOANS AND ADVANCES		-						-	-	
SALE OF ASSETS		-						-	4,300	114,382
OTHER RECEIPTS	[3]	126						126	2,966	64,432
TRANSFERS (FROM DIP ACCTS)		(8)		8				-	-	0
<b>TOTAL RECEIPTS</b>	\$ 118	\$ -	\$ -	\$ 8	\$ -	\$ -		\$ 126	\$ 7,266	\$ 282,697
<b>DISBURSEMENTS</b>										
ADVERTISING		-						-	-	3,223
MERCHANDISE (INCLUDING FREIGHT)		-						-	-	53,228
RENT		94						94	-	13,551
PAYROLL, PAYROLL TAXES, AND BENEFITS		741						741	74	47,988
UTILITIES		357						357	-	4,522
INSURANCE		1						1	-	735
SALES AND OTHER TAXES		33		5,653				5,686	-	32,522
GENERAL OPERATING		299						299	15	8,253
FINLAY LICENSE		8						8	-	11,814
FINANCING EXPENSES		-						-	-	3,524
PROFESSIONAL FEES		-			1,400			1,400	1,480	10,017
OTHER		-						-	5	7,636
<b>TOTAL DISBURSEMENTS</b>	\$ 1,533	\$ -	\$ -	\$ 5,653	\$ 1,400	\$ -		\$ 8,586	\$ 1,574	\$ 196,993
DRAW ON LC		-						-	-	4,648
ADJUSTMENTS		-						-	-	2,522
NET CASH FLOW	\$ (1,415)	\$ -	\$ -	\$ (5,645)	\$ (1,400)	\$ -		\$ (8,460)	\$ 5,692	\$ 83,578
(RECEIPTS LESS DISBURSEMENTS)										
CASH (LOAN BALANCE)- END OF MONTH	\$ 11,864	\$ -	\$ 280	\$ 18	\$ 2,604	\$ -		\$ 14,766	\$ 9,260	\$ 14,766

[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 8/29/09 was \$0.

[2] 'Projected' amounts reflect projections per the DIP budget (based on weeks ending each Monday) and reflect projected activity for the period August 3, 2009 - August 31, 2009. The projection does not include activity in the other general operating, Alaska, prof. fees, utilities, and sales tax accounts.

[3] Primarily includes vendor refunds and proceeds from de minimis asset sales.

## 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	8/2/09 to 8/29/09	8/6/2009, 8/20/2009	1,336,500	1,290,410	46,090	2,863,019	83,163	3,988,000	1,041,818
FTI Consulting	8/2/09 to 8/29/09					1,528,980	89,668	3,426,000	1,807,352
Richards, Layton & Finger	8/2/09 to 8/29/09	8/20/2009, 8/28/2009	62,890	54,137	8,753	268,551	32,619	351,000	49,830
Kurtzman Carson Consultants	8/2/09 to 8/29/09					577,216	-	807,000	229,784
Cooley Godward Kronish	8/2/09 to 8/29/09					314,607	10,530	901,000	575,863
Loughlin Meghji & Company	8/2/09 to 8/29/09					165,205	365	611,000	445,430
Benesch	8/2/09 to 8/29/09					40,364	-	100,000	59,636
GE Capital Third Party Legal [1]	8/2/09 to 8/29/09	n/a	n/a	107,801	4,442	470,689	5,505	500,000	23,806
Financial Dynamics	8/2/09 to 8/29/09					29,377	-	25,000	(4,377)
Other	8/2/09 to 8/29/09					40,601	-	763,000	722,399
TOTAL PAYMENTS TO PROFESSIONALS			\$ 1,399,390	\$ 1,452,348	\$ 59,285	\$ 6,298,609	\$ 221,850	\$ 11,472,000	\$ 4,951,541

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

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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>Month (\$ in 000's)</b>	<b>Cumulative Filing to Date (\$ in 000's)</b>
Net Sales	-	93,101
Net Leased Department Revenue	-	1,791
Net Credit Revenue	58	1,737
Total Revenues	58	96,629
<b>COST OF GOODS SOLD</b>		
Cost of Goods Sold	-	73,936
Gross Profit	58	22,693
<b>OPERATING EXPENSES</b>		
Advertising	-	2,153
Bad Debts	12	67
Contributions	-	9
Employee Benefits Programs	(38)	2,131
Insider Compensation	38	870
Insurance	156	1,123
Repairs and Maintenance	71	1,089
Rent and Lease Expense	112	4,003
Salaries/Commissions/Fees [1]	871	21,261
Supplies	1	1,917
Taxes	149	2,964
Travel and Entertainment	-	132
Utilities	295	1,533
Other (attach schedule)	(557)	91,243
Total Operating Expenses Before Depreciation	1,110	130,495
Depreciation/Depletion/Amortization	38	5,167
Net Profit (Loss) Before Other Income & Expenses	(1,090)	(112,969)
<b>OTHER INCOME AND EXPENSES</b>		
Other Income (attach schedule)	39	(2,369)
Interest Expense	7	1,602
Net Profit (Loss) Before Reorganization Items	(1,136)	(112,202)
<b>REORGANIZATION ITEMS</b>		
Professional Fees	764	11,564
U. S. Trustee Quarterly Fees	10	80
Other Reorganization Expenses (attach schedule)	-	2,809
Total Reorganization Expenses	774	14,453
Income Taxes	-	76
Net Profit (Loss)	\$ (1,910)	\$ (126,731)

[1] Salaries/Commissions/Fees includes the reversal of a prior month's credit from salary support from vendors that is owed to the Joint Venture liquidation group.

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STATEMENT OF OPERATIONS - continuation sheet

BREAKDOWN OF "OTHER" CATEGORY	Month (\$ in 000s)	Cumulative
		Filing to Date (\$ in 000s)
<b>Other Operational Expenses</b>		
Services Purchased	23	5,477
Unclassified	(4)	(1,107)
Communications	64	620
Postage	1	235
Professional Fees	6	(49)
Costs capitalized under Uniform Capitalization Rules [1]	0	(1,099)
Gain on Assets [2]	(666)	87,122
Store Closure Costs	19	44
<b>Total Other Operational Expenses</b>	<b>(557)</b>	<b>91,243</b>
<b>Other Income</b>		
Rental income	(6)	(76)
Miscellaneous income	45	(2,293)
<b>Total Other Income</b>	<b>39</b>	<b>(2,369)</b>
<b>Other Reorganization Expenses</b>		
Amortization of DIP loan fees	0	2,809
<b>Total Other Reorganization Expenses</b>	<b>0</b>	<b>2,809</b>

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

[2] Gain on Assets includes a write-off of a capital lease as of the lease rejection date.

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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	\$ 11,711	\$ 7,408
Restricted Cash and Cash Equivalents [1]	2,902	-
Accounts Receivable (Net) [2]	6,381	2,944
Inventories	-	126,552
Prepaid Expenses (attach schedule)	1,283	3,849
Professional Retainers	320	493
Other Current Assets (attach schedule)	6,713	8,216
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 29,310</b>	<b>\$ 149,462</b>
<b>PROPERTY AND EQUIPMENT</b>		
Real Property and Improvements	16,006	60,652
Machinery and Equipment	-	61,313
Furniture, Fixtures and Office Equipment	6	89,942
Leasehold Improvements	4,236	65,463
Vehicles	-	420
Construction in progress	-	2,187
Less Accumulated Depreciation	(7,260)	(151,228)
<b>TOTAL PROPERTY &amp; EQUIPMENT</b>	<b>\$ 12,988</b>	<b>\$ 128,749</b>
<b>OTHER ASSETS</b>		
Loans to Insiders	-	-
Other Assets (attach schedule)	5,309	5,166
<b>TOTAL OTHER ASSETS</b>	<b>\$ 5,309</b>	<b>\$ 5,166</b>
<b>TOTAL ASSETS</b>	<b>\$ 47,607</b>	<b>\$ 283,377</b>
<b>LIABILITIES AND OWNER EQUITY</b>	<b>BOOK VALUE AT END OF CURRENT REPORTING MONTH</b>	<b>BOOK VALUE PETITION DATE</b>
<b>LIABILITIES NOT SUBJECT TO COMPROMISE (Postpetition)</b>		
Accounts Payable	2,800	
Taxes Payable (refer to FORM MOR-4)	807	
Wages Payable	127	
Rent / Leases - Building/Equipment	1,289	
Secured Debt / Adequate Protection Payments	-	
Professional Fees	4,972	
Amounts Due to Insiders	20	
Other Postpetition Liabilities (attach schedule)	17,832	
<b>TOTAL POSTPETITION LIABILITIES</b>	<b>\$ 27,847</b>	<b>-</b>
<b>LIABILITIES SUBJECT TO COMPROMISE (Pre-Petition)</b>		
Secured Debt	990	76,069
Priority Debt	37	37
Unsecured Debt	54,693	54,533
Other Pre-petition Liabilities (attach schedule)	2,125	64,099
<b>TOTAL PRE-PETITION LIABILITIES</b>	<b>\$ 57,845</b>	<b>194,738</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 85,692</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	(126,729)	
Adjustments to Owner Equity (attach schedule)	(1,487)	(1,487)
<b>NET OWNER EQUITY</b>	<b>(38,085)</b>	<b>88,639</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>\$ 47,607</b>	<b>\$ 283,377</b>

[1] Restricted Cash and Cash Equivalents represents cash held in separate accounts for utility adequate assurance and professional fees.

[2] Accounts Receivable (Net) includes \$3,800 which is off-set by a liability to a merchandise factor classified in Unsecured Debt.

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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)
<b>Prepaid Expenses</b>			
	Prepaid insurance	306	1,167
	Workers compensation prepaid	889	889
	Prepaid advertising	-	219
	Prepaid health and other	3	122
	Prepaid rent	85	-
	Prepaid expenses	320	1,094
	Prepaid property taxes	-	358
	<b>Total Prepaid Expenses</b>	<b>1,603</b>	<b>3,849</b>
<b>Other Current Assets</b>			
	Supplies	-	1,534
	Workers compensation reserves	6,118	6,118
	Deferred loan fees	-	4
	Other receivables	595	373
	Salary support receivable	-	184
	Other	-	3
	<b>Total Other Current Assets</b>	<b>6,713</b>	<b>8,216</b>
<b>Other Assets</b>			
	Intangibles - lease rights	-	813
	Investment in partnership	1,773	1,810
	Credit card and other deposits	3,536	-
	Straightline lease	-	2,543
	Prepaid rent	-	
	<b>Total Other Assets</b>	<b>5,309</b>	<b>5,166</b>
LIABILITIES AND OWNER EQUITY		BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE PETITION DATE
<b>Other Postpetition Prepetition Liabilities</b>			
<b>Other Postpetition Liabilities</b>			
	Accrued expenses	100	
	Gift and merchandise cards	3,595	
	Vacation payable	65	
	Payroll deductions payable	55	
	Sales return reserve	-	
	Workers compensation insurance reserves	6,118	
	Other insurance reserves	332	
	Deferred revenue	3,047	
	Deferred rent	-	
	Intangibles - lease rights	-	
	Fin 48 liability	1,008	
	Deferred taxes	3,512	
	Capital leases	-	
	<b>Total Other Postpetition Liabilities</b>	<b>17,832</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	1,623	2,990
	Payroll deductions payable		304
	Accrued accounting fees	286	520
	Pension liability	97	97
	Other accruals prepetition	119	599
	Store party fund	-	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>2,125</b>	<b>64,099</b>
<b>Adjustments to Owner Equity</b>			
	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	152,375	40,343	(158,349)	34,369
FICA	100,148	32,355	(113,855)	18,648
Unemployment	3,566	8	-	3,574
Total Federal Taxes	\$ 256,089	\$ 72,706	\$ (272,204)	\$ 56,591
<b>State and Local</b>				
Withholding	48,840	18,199	(54,961)	12,078
Sales & Excise <sup>[1]</sup>	5,666,489	-	(5,652,808)	13,681
Unemployment	13,496	53	-	13,549
Real Property	450,443	59,522	-	509,965
Personal Property <sup>[2]</sup>	127,891	72,728	-	200,619
Workers Compensation	2	-	-	2
Other: Local	34	-	-	34
Total State and Local	6,307,195	150,502	(5,707,769)	749,929
<b>Total Taxes</b>	<b>\$ 6,563,284</b>	<b>\$ 223,209</b>	<b>\$ (5,979,973)</b>	<b>\$ 806,519</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

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

DEBTOR QUESTIONNAIRE

Must be completed each month	Yes	No
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below. <sup>[1]</sup>	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

[1] Proceeds from de minimis asset sales were received during this period.