

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re: Gottschalks, Inc.

Case No. 09-10157 (KJC)
Reporting Period: October 4 - October 31, 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		

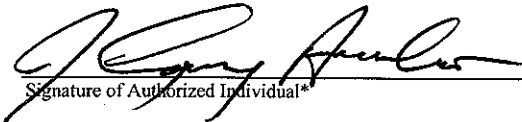
I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.


Signature of Debtor

11/20/09
Date

Signature of Joint Debtor

Date


Signature of Authorized Individual*

11/20/09
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.

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	\$ 12,060	\$ -	\$ 280	\$ -	\$ 1,602	\$ -		\$ 13,942	\$ 6,245	\$ (68,811)
RECEIPTS										
CASH SALES	-	-	-	-	-	-		-	-	83,387
CREDIT CARD RECEIVABLES	-	-	-	-	-	-		-	-	20,495
LOANS AND ADVANCES	-	-	-	-	-	-		-	-	-
SALE OF ASSETS	-	-	-	-	-	-		-	5,200	114,882
OTHER RECEIPTS	[3] 1,311	-	-	-	-	-		1,311	-	66,142
TRANSFERS (FROM DIP ACCTS)	641	-	-	-	(641)	-		-	-	-
TOTAL RECEIPTS	\$ 1,952	\$ -	\$ -	\$ -	\$ (641)	\$ -		\$ 1,311	\$ 5,200	\$ 284,906
DISBURSEMENTS										
ADVERTISING	-	-	-	-	-	-		-	-	3,223
MERCHANDISE (INCLUDING FREIGHT)	-	-	-	-	-	-		-	-	53,228
RENT	81	-	-	-	-	-		81	15	13,708
PAYROLL, PAYROLL TAXES, AND BENEFITS	[4] 1,615	-	-	-	-	-		1,615	39	49,878
UTILITIES	17	-	-	-	-	-		17	5	4,611
INSURANCE	-	-	-	-	-	-		-	-	790
SALES AND OTHER TAXES	-	-	-	-	-	-		-	-	32,575
GENERAL OPERATING	40	-	-	-	-	-		40	-	8,436
FINLAY LICENSE	-	-	-	-	-	-		-	-	11,814
FINANCING EXPENSES	-	-	-	-	-	-		-	-	3,524
PROFESSIONAL FEES	652	-	-	-	-	-		652	248	11,698
OTHER	-	-	-	-	-	-		-	1,510	7,636
TOTAL DISBURSEMENTS	\$ 2,405	\$ -	\$ -	\$ -	\$ -	\$ -		\$ 2,405	\$ 1,817	\$ 201,121
DRAW ON LC	-	-	-	-	-	-		-	-	4,648
ADJUSTMENTS	-	-	-	-	-	-		-	-	2,522
NET CASH FLOW	\$ (453)	\$ -	\$ -	\$ -	\$ (641)	\$ -		\$ (1,094)	\$ 3,383	\$ 81,659
(RECEIPTS LESS DISBURSEMENTS)	-	-	-	-	-	-		-	-	-
CASH (LOAN BALANCE)- END OF MONTH	\$ 11,607	\$ -	\$ 280	\$ -	\$ 961	\$ -		\$ 12,848	\$ 9,628	\$ 12,848

[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 10/31/09 was \$0.

[2] 'Projected' amounts reflect projections per the DIP budget (based on weeks ending each Monday) and reflect projected activity for the period October 6, 2009 - November 2, 2009. The projection does not include activity in the other general operating, Alaska, prof. fees, utilities, and sales tax accounts.

[3] Includes \$956K related to the release of two credit card holdbacks.

[4] Includes \$1,488K of pre-petition vacation pay and related payroll taxes.

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	10/4/09 to 10/31/09	10/27/2009	292,603	292,603		3,155,622	83,163	3,988,000	749,215
FTI Consulting	10/4/09 to 10/31/09	10/27/2009	145,090	145,090		2,306,429	122,587	3,426,000	996,984
Richards, Layton & Finger	10/4/09 to 10/31/09	10/27/2009	29,517	29,517		322,614	33,860	351,000	(5,474)
Kurtzman Carson Consultants	10/4/09 to 10/31/09	n/a	n/a	59,830		727,470	-	807,000	79,530
Cooley Godward Kronish	10/4/09 to 10/31/09	10/27/2009	55,058	55,058		414,717	12,535	901,000	473,748
Loughlin Meghji & Company	10/4/09 to 10/31/09	10/16/2009	43,448	43,448		321,215	669	611,000	289,116
Benesch	10/4/09 to 10/31/09	10/27/2009	8,980	8,980		93,085	1,014	100,000	5,901
GE Capital Third Party Legal [1]	10/4/09 to 10/31/09	n/a	n/a	108,042		578,731	5,505	500,000	(84,236)
Financial Dynamics	10/4/09 to 10/31/09					29,377	-	25,000	(4,377)
Other	10/4/09 to 10/31/09	9/23/2009	6,648	6,632	16	63,565	214	763,000	699,221
TOTAL PAYMENTS TO PROFESSIONALS			\$ 581,344	\$ 749,200	\$ 16	\$ 8,012,825	\$ 259,547	\$ 11,472,000	\$ 3,199,628

[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.

		Cumulative
REVENUES	Month (\$ in 000's)	Filing to Date (\$ in 000's)
Net Sales	-	93,101
Net Leased Department Revenue	-	1,791
Net Credit Revenue	-	1,758
Total Revenues	-	96,650
COST OF GOODS SOLD		
Cost of Goods Sold	-	73,936
Gross Profit	-	22,714
OPERATING EXPENSES		
Advertising	-	2,108
Bad Debts	(6)	61
Contributions	-	9
Employee Benefits Programs	96	2,201
Insider Compensation	42	958
Insurance	-	1,278
Repairs and Maintenance	6	1,118
Rent and Lease Expense	88	4,180
Salaries/Commissions/Fees	37	21,441
Supplies	1	1,920
Taxes	141	3,241
Travel and Entertainment	-	132
Utilities	53	1,630
Other (attach schedule)	(10)	91,261
Total Operating Expenses Before Depreciation	448	131,538
Depreciation/Depletion/Amortization	38	5,243
Net Profit (Loss) Before Other Income & Expenses	(486)	(114,067)
OTHER INCOME AND EXPENSES		
Other Income (attach schedule)	(872)	(3,261)
Interest Expense	12	1,625
Net Profit (Loss) Before Reorganization Items	374	(112,431)
REORGANIZATION ITEMS		
Professional Fees	-	11,564
U. S. Trustee Quarterly Fees	-	80
Other Reorganization Expenses (attach schedule)	-	2,809
Total Reorganization Expenses	-	14,453
Income Taxes	-	76
Net Profit (Loss)	\$ 374	\$ (126,960)

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STATEMENT OF OPERATIONS - continuation sheet

BREAKDOWN OF "OTHER" CATEGORY		Cumulative
	Month (\$ in 000s)	Filing to Date (\$ in 000s)
Other Operational Expenses		
Services Purchased	20	5,521
Unclassified	(1)	(1,111)
Communications	5	635
Postage	0	225
Professional Fees	4	(37)
Costs capitalized under Uniform Capitalization Rules [1]	0	(1,099)
Gain on Assets	(38)	87,083
Store Closure Costs	0	44
Total Other Operational Expenses	(10)	91,261
Other Income		
Rental income	(23)	(102)
Miscellaneous income [2]	(849)	(3,159)
Total Other Income	(872)	(3,261)
Other Reorganization Expenses		
Amortization of DIP loan fees	0	2,809
Total Other Reorganization Expenses	0	2,809

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

[2] Includes the write-off of \$833K of deferred revenue related to a third-party credit card agreement.

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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)
CURRENT ASSETS		
Unrestricted Cash and Equivalents	\$ 11,444	\$ 7,408
Restricted Cash and Cash Equivalents [1]	1,241	-
Accounts Receivable (Net) [2]	6,374	2,944
Inventories	-	126,552
Prepaid Expenses (attach schedule)	981	3,849
Professional Retainers	320	493
Other Current Assets (attach schedule)	6,540	8,216
TOTAL CURRENT ASSETS	\$ 26,900	\$ 149,462
PROPERTY AND EQUIPMENT		
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	(7,298)	(151,228)
TOTAL PROPERTY & EQUIPMENT	\$ 12,950	\$ 128,749
OTHER ASSETS		
Loans to Insiders	-	-
Other Assets (attach schedule)	3,855	5,166
TOTAL OTHER ASSETS	\$ 3,855	\$ 5,166
TOTAL ASSETS	\$ 43,705	\$ 283,377
LIABILITIES AND OWNER EQUITY		
LIABILITIES NOT SUBJECT TO COMPROMISE (Postpetition)		
Accounts Payable	27	
Taxes Payable (refer to FORM MOR-4)	955	
Wages Payable	354	
Rent / Leases - Building/Equipment	1,289	
Secured Debt / Adequate Protection Payments	-	
Professional Fees	3,200	
Amounts Due to Insiders	10	
Other Postpetition Liabilities (attach schedule)	20,053	
TOTAL POSTPETITION LIABILITIES	\$ 25,888	-
LIABILITIES SUBJECT TO COMPROMISE (Pre-Petition)		
Secured Debt	990	76,069
Priority Debt	-	37
Unsecured Debt	54,678	54,533
Other Pre-petition Liabilities (attach schedule)	463	64,099
TOTAL PRE-PETITION LIABILITIES	\$ 56,131	194,738
TOTAL LIABILITIES	\$ 82,019	194,738
OWNER EQUITY		
Capital Stock	137	137
Additional Paid-In Capital	78,007	78,002
Retained Earnings - Pre-Petition	11,987	11,987
Retained Earnings - Postpetition	(126,958)	
Adjustments to Owner Equity (attach schedule)	(1,487)	(1,487)
NET OWNER EQUITY	(38,314)	88,639
TOTAL LIABILITIES AND OWNERS' EQUITY	\$ 43,705	\$ 283,377

[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)
Prepaid Expenses			
	Prepaid insurance	4	1,167
	Workers compensation prepaid	889	889
	Prepaid advertising	-	219
	Prepaid health and other	3	122
	Prepaid rent	85	-
	Prepaid expenses	-	1,094
	Prepaid property taxes	-	358
	Total Prepaid Expenses	981	3,849
Other Current Assets			
	Supplies	-	1,534
	Workers compensation reserves	6,118	6,118
	Deferred loan fees	-	4
	Other receivables	422	373
	Salary support receivable	-	184
	Other	-	3
	Total Other Current Assets	6,540	8,216
Other Assets			
	Intangibles - lease rights	-	813
	Investment in partnership	1,696	1,810
	Credit card and other deposits	2,159	-
	Straightline lease	-	2,543
	Prepaid rent	-	
	Total Other Assets	3,855	5,166
LIABILITIES AND OWNER EQUITY		BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE PETITION DATE
Other Postpetition Liabilities			
	Other Postpetition Liabilities		
	Accrued expenses	2,727	
	Gift and merchandise cards	3,595	
	Vacation payable	74	
	Payroll deductions payable	24	
	Sales return reserve	-	
	Workers compensation insurance reserves	6,118	
	Other insurance reserves	331	
	Deferred revenue	2,664	
	Deferred rent	-	
	Intangibles - lease rights	-	
	Fin 48 liability	1,008	
	Deferred taxes	3,512	
	Capital leases	-	
	Total Other Postpetition Liabilities	20,053	
	Other Prepetition Liabilities		
	Accrued expenses		5,162
	Gift and merchandise cards		7,738
	Sales and payroll taxes payable		10,495
	Wages payable		2,030
	Vacation payable	-	2,990
	Payroll deductions payable		304
	Accrued accounting fees	257	520
	Pension liability	97	97
	Other accruals prepetition	109	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
	Total Other Prepetition Liabilities	463	64,099
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 \$)

	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Ending Tax Liability
Federal				
Withholding	20,709	160,120	(166,113)	14,716
FICA	11,778	250,815	(255,273)	7,320
Unemployment	3,575	1,196	(3,651)	1,120
Total Federal Taxes	\$ 36,062	\$ 412,131	\$ (425,038)	\$ 23,155
State and Local				
Withholding	7,816	65,366	(67,335)	5,847
Sales & Excise	-	-	-	-
Unemployment	13,552	7,121	(13,956)	6,717
Real Property	562,736	54,272	-	617,008
Personal Property ^[1]	229,234	72,866	-	302,100
Workers Compensation	2	107	(1)	108
Other: Local	34	-	(34)	0
Total State and Local	813,374	199,733	(81,325)	931,781
Total Taxes	\$ 849,436	\$ 611,864	\$ (506,363)	\$ 954,936

^[1] 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.		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.	X	
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