

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In re: Gottschalks, Inc.

Case No. 09-10157 (KJC)
Reporting Period: July 4, 2010 - July 31, 2010


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		

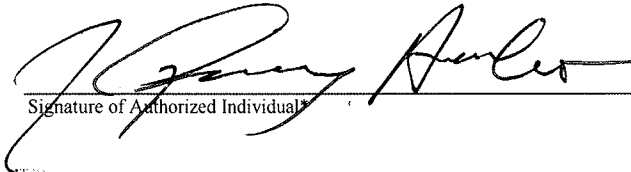
I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.


Signature of Debtor

8/19/10
Date

Signature of Joint Debtor

Date


Signature of Authorized Individual

8/19/10
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	PROF FEES RESERVE	ALASKA	ACTUAL	PROJECTED [2]	ACTUAL
CASH (LOAN BALANCE) BEGINNING OF MONTH	\$ 9,394	\$ -	\$ 281	\$ -	\$ -	\$ -	\$ 9,675	\$ 9,200	\$ (68,811)
RECEIPTS									
CASH SALES		-					-	-	83,387
CREDIT CARD RECEIVABLES		-					-	-	20,495
LOANS AND ADVANCES		-					-	-	
SALE OF ASSETS		-					-	-	117,620
OTHER RECEIPTS	[3] 933						933	-	69,980
TRANSFERS (FROM DIP ACCTS)		-					-	-	
TOTAL RECEIPTS	\$ 933	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 933	\$ -	\$ 291,482
DISBURSEMENTS									
ADVERTISING		-					-	-	3,223
MERCHANDISE (INCLUDING FREIGHT)		-					-	-	53,228
RENT		76					76	81	14,466
PAYROLL, PAYROLL TAXES, AND BENEFITS		69					69	64	51,004
UTILITIES		4					4	14	4,729
INSURANCE		-					-	-	1,114
SALES AND OTHER TAXES		14					14	-	33,073
GENERAL OPERATING		15					15	22	8,725
FINLAY LICENSE		-					-	-	11,814
FINANCING EXPENSES		-					-	-	3,524
PROFESSIONAL FEES		337					337	200	17,867
OTHER		39					39	-	7,724
TOTAL DISBURSEMENTS	\$ 554	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 554	\$ 381	\$ 210,491
DRAW ON L/C		-					-	-	4,648
ADJUSTMENTS		-					-	-	2,522
NET CASH FLOW	\$ 379	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 379	\$ (381)	\$ 78,865
(RECEIPTS LESS DISBURSEMENTS)		-					-	-	
CASH (LOAN BALANCE)- END OF MONTH	\$ 9,773	\$ -	\$ 281	\$ -	\$ -	\$ -	\$ 10,054	\$ 8,819	\$ 10,054

[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 7/31/10 was \$0.

[2] "Projected" amounts reflect projections per the winddown budget.

[3] Receipts include \$624K from GE Capital related to the release of held funds, \$265K escrow refund from Forever 21, and \$41K utility deposit refunds.

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		TOTAL INCURRED AND UNPAID
				FEES	EXPENSES	FEES	EXPENSES	
O'Melveny & Meyers	7/4/10 to 7/31/10	7/12/2010	227,160	220,654	6,506	6,197,581	203,329	411,485
FTI Consulting	7/4/10 to 7/31/10					2,989,958	132,806	45,311
Richards, Layton & Finger	7/4/10 to 7/31/10	7/21/2010	26,494	25,246	1,248	862,422	63,606	35,339
Kurtzman Carson Consultants	7/4/10 to 7/31/10	n/a	n/a	22,364	8,841	1,098,775	155,539	-
Cooley Godward Kronish	7/4/10 to 7/31/10	7/19/2010	33,826	33,368	458	811,825	31,291	84,411
Loughlin Meghji & Company	7/4/10 to 7/31/10	7/18/2010	16,723	16,723	-	821,120	824	66,323
Benesch	7/4/10 to 7/31/10	7/19/2010	3,096	2,732	364	154,685	3,911	4,844
GE Capital Third Party Legal [1]	7/4/10 to 7/31/10	n/a	n/a			578,731	5,505	-
Financial Dynamics	7/4/10 to 7/31/10					29,377	-	-
Other	7/4/10 to 7/31/10					215,683	717	6,868
TOTAL PAYMENTS TO PROFESSIONALS			\$ 307,299	\$ 321,087	\$ 17,417	\$ 13,760,157	\$ 597,528	\$ 654,581

[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.

REVENUES	Month (\$ in 000's)	Cumulative 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	-	61
Contributions	-	9
Employee Benefits Programs	7	2,382
Insider Compensation	43	1,375
Insurance	14	1,409
Repairs and Maintenance [1]	(166)	1,275
Rent and Lease Expense	76	4,792
Salaries/Commissions/Fees	13	21,674
Supplies	1	1,921
Taxes	25	3,907
Travel and Entertainment	-	132
Utilities	13	1,649
Other (attach schedule)	10	97,620
Total Operating Expenses Before Depreciation	36	140,314
Depreciation/Depletion/Amortization	12	5,445
Net Profit (Loss) Before Other Income & Expenses	(48)	(123,045)
OTHER INCOME AND EXPENSES		
Other Income (attach schedule)	10	(4,218)
Interest Expense	-	1,656
Net Profit (Loss) Before Reorganization Items	(58)	(120,483)
REORGANIZATION ITEMS		
Professional Fees	121	14,974
U. S. Trustee Quarterly Fees	3	109
Other Reorganization Expenses (attach schedule)	-	2,809
Total Reorganization Expenses	124	17,892
Income Taxes	-	76
Net Profit (Loss)	\$ (182)	\$ (138,451)

[1] Credit balance relates to a refund received from F21 for fees held on closing of property transaction for sign removal.

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STATEMENT OF OPERATIONS - continuation sheet

BREAKDOWN OF "OTHER" CATEGORY	Month (\$ in 000s)	Cumulative Filing to Date (\$ in 000s)
Other Operational Expenses		
Services Purchased	6	5,640
Unclassified	0	(1,120)
Communications	2	676
Postage	0	223
Professional Fees	2	11
Costs capitalized under Uniform Capitalization Rules [1]	0	(1,099)
Loss on Sale of Assets	0	93,245
Store Closure Costs	0	44
Total Other Operational Expenses	10	97,620
Other Income		
Rental income	0	(135)
Miscellaneous (income) expense	10	(4,083)
Total Other Income	10	(4,218)
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.

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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	\$ 9,708	\$ 7,408
Restricted Cash and Cash Equivalents [1]	281	-
Accounts Receivable (Net)	2,887	2,944
Inventories	-	126,552
Prepaid Expenses (attach schedule)	1,806	3,849
Professional Retainers	320	493
Other Current Assets (attach schedule)	6,314	8,216
TOTAL CURRENT ASSETS	\$ 21,316	\$ 149,462
PROPERTY AND EQUIPMENT		
Real Property and Improvements	-	60,652
Machinery and Equipment	-	61,313
Furniture, Fixtures and Office Equipment	-	89,942
Leasehold Improvements	3,981	65,463
Vehicles	-	420
Construction in progress	-	2,187
Less Accumulated Depreciation	(2,460)	(151,228)
TOTAL PROPERTY & EQUIPMENT	\$ 1,521	\$ 128,749
OTHER ASSETS		
Loans to Insiders	-	-
Other Assets (attach schedule)	2,207	5,166
TOTAL OTHER ASSETS	\$ 2,207	\$ 5,166
TOTAL ASSETS	\$ 25,044	\$ 283,377
LIABILITIES AND OWNER EQUITY		
LIABILITIES NOT SUBJECT TO COMPROMISE (Postpetition)		
Accounts Payable	7	
Taxes Payable (refer to FORM MOR-4)	940	
Wages Payable	9	
Rent / Leases - Building/Equipment	1,289	
Secured Debt / Adequate Protection Payments	-	
Professional Fees	655	
Amounts Due to Insiders	22	
Other Postpetition Liabilities (attach schedule)	17,548	
TOTAL POSTPETITION LIABILITIES	\$ 20,470	-
LIABILITIES SUBJECT TO COMPROMISE (Pre-Petition)		
Secured Debt	990	76,069
Priority Debt	-	37
Unsecured Debt	53,116	54,533
Other Pre-petition Liabilities (attach schedule)	273	64,099
TOTAL PRE-PETITION LIABILITIES	\$ 54,379	194,738
TOTAL LIABILITIES	\$ 74,849	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	(138,449)	
Adjustments to Owner Equity (attach schedule)	(1,487)	(1,487)
NET OWNER EQUITY	(49,805)	88,639
TOTAL LIABILITIES AND OWNERS' EQUITY	\$ 25,044	\$ 283,377

[1] Restricted Cash and Cash Equivalents represents cash held in a separate account for utility adequate assurance.

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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	51	1,167
Workers compensation prepaid	1,739	889
Prepaid advertising	-	219
Prepaid health and other	16	122
Prepaid rent	-	-
Prepaid expenses	-	1,094
Prepaid property taxes	-	358
Total Prepaid Expenses	1,806	3,849
Other Current Assets		
Supplies	-	1,534
Workers compensation reserves	6,118	6,118
Deferred loan fees	-	4
Other receivables	196	373
Salary support receivable	-	184
Other	-	3
Total Other Current Assets	6,314	8,216
Other Assets		
Intangibles - lease rights	-	813
Investment in partnership	1,809	1,810
Deposits	398	-
Straightline lease	-	2,543
Prepaid rent	-	-
Total Other Assets	2,207	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	2,729	
Gift and merchandise cards	3,595	
Vacation payable	33	
Payroll deductions payable	-	
Sales return reserve	-	
Workers compensation insurance reserves	6,118	
Other insurance reserves	329	
Deferred revenue	-	
Deferred rent	-	
Intangibles - lease rights	-	
Fin 48 liability	1,008	
Deferred taxes	3,736	
Capital leases	-	
Total Other Postpetition Liabilities	17,548	
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	25	2,990
Payroll deductions payable		304
Accrued accounting fees	151	520
Pension liability	97	97
Other accruals prepetition	-	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	273	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	6,615	6,499	(13,114)	-
FICA	2,055	3,039	(4,081)	1,013
Unemployment	-	-	-	-
Total Federal Taxes	\$ 8,670	\$ 9,538	\$ (17,195)	\$ 1,013
State and Local				
Withholding	2,466	2,420	(4,886)	-
Sales & Excise	-	-	-	-
Unemployment	-	-	-	-
Real Property	486,905	18,489	(66,039)	439,355
Personal Property ⁽¹⁾	499,580	-	-	499,580
Workers Compensation	-	-	-	-
Other: Local	-	-	-	-
Total State and Local	988,951	20,909	(70,925)	938,935
Total Taxes	\$ 997,621	\$ 30,447	\$ (88,120)	\$ 939,948

⁽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