



7 River Park Place East
P.O. Box 28920
Fresno, CA 93729
(559) 434-8000
Fax 434-4666

2009 APR 10 P 2:11

April 3, 2009

Stanislaus County
Board of Supervisors
1010 10th Street, Ste. 6500
Modesto, CA. 95354

Dear Board of Supervisors:

This notice is being provided to you by Gottschalks Inc. (the "Company") pursuant to the federal Worker Adjustment and Retraining Notification Act, 29 U.S.C. §§ 2101 et seq., and California Labor Code §§ 1400-1408. While we believe the Company is exempt from the notification requirements under these statutes for a number of reasons, we are nonetheless providing this notice in an abundance of caution.

The Company filed for bankruptcy on January 14, 2009. The filing was precipitated by the difficult retail environment, the loss of a portion of the Company's line of credit from its senior lenders and other related events. In November of 2008, the Company had negotiated an investment from Everbright Overseas Securities, Ltd. of up to \$30 million. Prior to the expiration of the that agreement, the Company was informed by its senior secured lenders that they were reducing the Company's availability under its line of credit based upon an appraisal of their collateral and the worsening retail environment. The reduction was substantial and unexpected. Everbright indicated that it could not go forward with the investment under the circumstances. In the intervening weeks, the Company sought access to credit from a variety of sources, including its existing investor (The Harris Company and its parent El Corte Ingles). Although the Company believed that it may be able to obtain sufficient additional funding, financing was ultimately not made available. Due to those unforeseen circumstances, the Company had no choice but to file for bankruptcy.

In the bankruptcy proceeding, the Company engaged in the process of selling its operations, as well as related financing and capital to support the business and refinance certain obligations as part of that effort. The Company sought to sell its business (either as a going concern or otherwise) to third parties. Among other things, the Company established a 60-day sale process to consider all such bids for the Company and/or its assets. Indeed, as a result of that process, the Company found a qualified bidder and fully expected that on March 30, 2009, the bidder would participate in an auction for the Company to operate it as a going concern, and continue to

employ the Company's employees. The bidder, however, unexpectedly did not appear at the auction. This was a sudden and dramatic event that was unforeseeable and outside of the Company's control.

As a result, the Company has begun liquidating its inventory at several stores, including the Modesto Vintage Faire store (the "Store"), located at 3401 Dale Road, Ste. 200, Modesto, California, 95356. While we wish that we could have kept our stores open, that did not prove possible. This outcome was not foreseeable until now.

We anticipate that the Store will be operated until June 1, 2009 or within 14 days of that date. After the Store is closed, all Store employees will be laid off.

Accordingly, we are, out of an abundance of caution, providing notice to the employees at the Store that they will be laid off on or about June 1, 2009, or within 14 days of that date. When an employee is terminated, there will be no bumping rights; in other words, terminated employees would not have the right to take another employee's job. We cannot assure that any employees laid off will be recalled.

Should you have any questions, please contact Marci Madsen at (559) 434-4713. A list of affected positions, and the number of employees holding each position, is available at our Headquarters and will be provided upon request.

Sincerely,

A handwritten signature in cursive script that reads "marci Madsen". The signature is written in black ink and is positioned below the word "Sincerely,".

Marci Madsen,
Director of Human Resources



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employ the Company's employees. The bidder, however, unexpectedly did not appear at the auction. This was a sudden and dramatic event that was unforeseeable and outside of the Company's control.

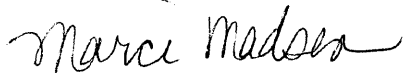
As a result, the Company has begun liquidating its inventory at several stores, including the Modesto Century Center store (the "Store"), located at 2401 E. Orangeburg, Modesto, California, 95355. While we wish that we could have kept our stores open, that did not prove possible. This outcome was not foreseeable until now.

We anticipate that the Store will be operated until June 1, 2009 or within 14 days of that date. After the Store is closed, all Store employees will be laid off.

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Marci Madsen,
Director of Human Resources