

GOTTSCHALKS INC.

CORPORATE GOVERNANCE GUIDELINES

Purpose

Gottschalks Inc., a Delaware corporation (the “**Company**”) aspires to the highest standards of ethical conduct; reporting results with accuracy and transparency; and maintaining full compliance with the laws, rules and regulations that govern the Company’s business.

Board of Directors

The Board of Directors’ (collectively the “**Board**” or the “**Directors**” or individually a “**Director**”) primary responsibility is to provide effective governance over the Company’s affairs for the benefit of its stockholders, and to balance the interests of its diverse constituencies, including its customers, employees, suppliers and local communities. In all actions taken by the Board, the Directors are expected to exercise their business judgment in what they reasonably believe to be in the best interests of the Company. In discharging that obligation, the Directors may rely on the honesty and integrity of the Company’s senior executives and its outside advisors and auditors.

Number and Selection of Board Members

The Board has the authority under the By-Laws to set the number of Directors, which should be not less than 5 nor more than 11, with the flexibility to amend the By-Laws to increase the number of members in order to accommodate the availability of an outstanding candidate or the Board’s changing needs and circumstances. Candidates for nomination to the Board shall be selected by the Governance/Nominating Committee, and recommended to the Board for approval, in accordance with the guidelines recommended by such Committee, taking into consideration the overall composition and diversity of the Board and areas of expertise that new Board members might be able to offer. Directors are elected by the stockholders at each Annual Meeting, to serve for a one-year term, which expires on the date of the next Annual Meeting.

Independence and Qualification of Directors

At least a majority of the members of the Board should meet the criteria for independence as established by the Board in accordance with the New York Stock Exchange (“NYSE”) listing standards and any other applicable laws, rules and regulations regarding independence in effect from time to time.

The number of other public company boards on which a Director may serve shall be subject to a case-by-case review by the Governance/Nominating Committee, in order to ensure that each Director is able to devote sufficient time to perform his or her duties as a Director.

The Company’s Senior Management may not serve as directors of a company that concurrently employs a Director of Gottschalks.

For purpose of these guidelines, the term “members of senior management” shall mean members of the Management Committee and senior members of corporate staff as disclosed in the Company’s annual report (the “Company’s Senior Management”).

Evaluation of Board Performance/Term Limits

The Governance/Nominating Committee shall conduct an annual review of the Board’s performance, in accordance with guidelines recommended by the Committee and approved by the Board. This review shall include an overview of the talent base of the Board as a whole as well as an individual assessment of each Director’s skills, areas of expertise, qualification as “independent” under the NYSE listing standards and any other applicable laws, rules and regulations, consideration of any changes in a Director’s responsibilities that may have occurred since the Director was first elected to the Board, and such other factors as may be determined by the Committee to be appropriate for review. The results of the Committee’s review of Board performance shall be summarized and presented to the Board.

Board Meetings

Directors are expected to attend Board meetings and meetings of committees and subcommittees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Information and materials that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should be distributed to the Directors prior to the meeting, in order to provide ample time for review beforehand. The Chairman of the Governance/Nominating shall advise the Chairman of the Board on a calendar of standard agenda items to be discussed at each meeting scheduled to be held over the course of the ensuing fiscal year. Each Board member is free to suggest items for inclusion on the agenda or to raise subjects that are not on the agenda for that meeting. The Independent Directors shall meet in executive session at least once a year and at other times as the Independent Directors deem appropriate. The Chair of the Governance/Nominating Committee shall preside at the executive sessions.

Annual Strategic Review

The Board shall review the Company's long-term strategic plans and the principal issues that it expects the Company may face in the future during at least one Board meeting each year.

Communications

The Board believes that Senior Management speaks for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, subject to prior consultation with the Company's Senior Management.

Board Committees

The standing committees of the Board are the Audit Committee, the Compensation Committee and the Governance/Nominating Committee. All members of these committees shall meet the independence criteria, as determined by the Board and as set forth in the NYSE listing standards and any other applicable laws, rules or regulations regarding independence. Board committee members shall be appointed by the Board upon recommendation of the Governance/Nominating Committee, after consultation with the individual Directors. Each committee shall have its own written charter, which shall comply with the applicable NYSE listing standards, and other applicable laws, rules and regulations. The charters shall set forth the mission and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and reporting to the Board. The Chair of each committee, in consultation with the committee members, shall determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chair of each committee, in consultation with the appropriate members of the committee and Senior Management, shall develop the committee's agenda. At the beginning of the year each committee shall establish a schedule of agenda subjects to be discussed during the year (to the degree these can be foreseen). The agenda for each committee meeting shall be furnished to all Directors in advance of the meeting, and each independent director may attend any meeting of any committee, whether or not he or she is a member of that committee.

The Board and each committee shall have the power to hire and fire independent legal, financial or other advisors, as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.

The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

Director Access to Senior Management

Directors shall have full and free access to Senior Management and other employees of the Company. Any meetings or contacts that Director wishes to initiate may be arranged through the CEO or the Secretary or directly by the Director. The Board, by invitation, welcomes regular attendance at Board meetings by Senior Management of the Company. If the CEO wishes to have additional Company personnel attendees on a regular basis, this suggestion should be brought to the Board for approval.

Director Compensation

The form and amount of Director compensation is determined by the Board based upon the recommendation of the Compensation Committee. Directors who are not employees of the Company or any of its subsidiaries or affiliates shall not enter into any consulting arrangements with the Company.

Director Orientation and Continuing Education

The Company shall establish and provide an orientation program for new Directors and continuing education programs for all members of the Board. These programs shall include presentations by Senior Management on the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Conduct and Ethics, its management structure and executive officers and its internal and independent auditors. The orientation program may also include visits to certain of the Company's facilities, to the extent practical. All Directors are invited to participate in the orientation and continuing education programs.

CEO Performance

The Compensation Committee shall conduct an annual review of the CEO's performance, as set forth in its charter. The Board of Directors shall review the Compensation Committee's report in order to ensure that the CEO is providing the best leadership for the Company in the long and short term.

Succession Planning

The Governance/Nominating Committee, or a subcommittee thereof, shall provide an annual report to the Board on succession planning. The entire Board shall work with the Committee, or a subcommittee thereof, to nominate and evaluate potential successors to the CEO. The CEO shall meet periodically with the Committee in order to make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

Code of Conduct and Ethics

The Company has adopted a Code of Conduct and Ethics and other internal policies and guidelines designed to support the Purpose set forth above and to comply with the laws, rules and regulations that govern the Company's business operations. The Code of Conduct and Ethics applies to all employees of Gottschalks, as well as to directors, temporary workers and other independent contractors and consultants when engaged by or otherwise representing the Company and its interest. The Committee shall monitor compliance with the Code of Conduct and Ethics and other internal policies and guidelines.

Insider Transactions

The Company prohibits purchases of company stock from employees (except in connection with the routine administration of employee stock option and other equity compensation programs). Directors and executive officers may not trade shares of Company common stock they receive under any of the Company's equity programs during an administrative "blackout" period affecting the Company's 401(k) plan or pension plan pursuant to which a majority of the Company's employees are restricted from trading shares of Company common stock or transferring funds into or out of the Company common stock fund, subject to any legal or regulatory restrictions and the terms of the Company's Personal Trading Policy.

Stock Options

The Company prohibits repricing of stock options. All equity compensation plans shall be submitted to stockholders for approval.

Transactions with Directors

To the extent transactions, including brokerage services, banking services, insurance services and other financial services between the Company and any Director or family member of a director are not otherwise specifically prohibited under these Corporate Governance Guidelines or other policies of the Company, such transactions should be made in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliates.

Loans to Directors

The Company shall not make any personal loans to Directors or immediate family members of Directors. The only exceptions shall be for credit cards and charge cards made in the ordinary course of business of the Company or its subsidiaries, of a type that is generally made available to the employees of the Company, and is on market terms, or terms that are no more favorable than those offered to the employees of the Company.

Loans to Executive Officers

The Company shall not make any personal loans to executive officers or their immediate family members. The only exceptions shall be for credit cards and charge cards made in the ordinary course of business of the Company or one of its subsidiaries, of a type that is generally made available to the employees of the Company, and is on market terms, or terms that are no more favorable than those offered to the other employees of the Company.

Investments

Neither the Company nor any member of Senior Management shall make any investment in a partnership or other privately held entity in which a Director is a principal or in a publicly-traded company in which a Director directly owns or controls more than a 10% interest.

No Director may invest in a third party entity when the investment opportunity is made available to him or her because of such individual's status as a Director. A Director or family member of a Director may participate in investment opportunities offered or sponsored by the Company provided they are offered on substantially similar terms as those for comparable transactions with similarly situated non-affiliated persons.

Members of Senior Management may not invest in partnerships or other investment opportunities sponsored, or otherwise made available, by the Company, unless their participation is approved in advance by the Board. Such approval shall not be required if the investment opportunity is offered to Senior Management on the same terms as those offered to qualified persons who are not employees of the Company. Comparable principles shall apply to Directors and their family members who may be given the opportunity to invest in an employee program.

No member of Senior Management may invest in a third party entity, except for investments permitted by the foregoing paragraph, when the investment opportunity is made available to him or her as a result of such individual's status as a member of Senior Management of the Company.

Indemnification

The Company shall provide reasonable directors' and officers' liability insurance for the Directors and shall indemnify the Directors to the fullest extent permitted by law and the Company's certificate of incorporation and by-laws.