SMALL DOG.
BIG BITE.

PROPOSAL RESPONSE

PREPARED FOR WEST VIRGINIA DEPARTMENT OF NATURAL RESOURCES
SOLICITATION: ARFP 0310 DNR 1800000001

RESPECTFULLY SUBMITTED ON 8/8/18

BULLDOG CREATIVE SERVICES
1400 COMMERCE AVENUE • HUNTINGTON, WV 25701
CHRIS MICHAEL, CEO • CMICHAEL@BULLDOGCREATIVE.COM

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State of West Virginia
Request For Proposal
Miscellaneous

Procurement Folder : 464794

Document Description : Addendum No. 01 Wonderful WV Magazine

Procurement Type : Agency Master Agreement

Date Issued	Solicitation Closes	Solicitation No	Version	Phase
2018-07-30	2018-08-09 13:30:00	ARFP 0310 DNR1800000001	2	Final

SUBMIT RESPONSES TO:	VENDOR
BID RESPONSE DIVISION OF NATURAL RESOURCES PROPERTY & PROCUREMENT OFFICE 324 4TH AVE SOUTH CHARLESTON WV 25303-1228 US	**Vendor Name, Address and Telephone** Fishknee Company I, llc, dba Bulldog Creative Services 1400 Commerce Avenue Huntington, WV 25701 Attn: Chris Michael

FOR INFORMATION CONTACT THE BUYER
Angela W Negley
(304) 558-3397
angela.w.negley@wv.gov

Signature X **FEIN #** 27-0086421 **DATE** 08/07/2018

All offers subject to all terms and conditions contained in this solicitation

ADDENDUM ACKNOWLEDGEMENT FORM
SOLICITATION NO.: ARFQ DNR18*29

Instructions: Please acknowledge receipt of all addenda issued with this solicitation by completing this addendum acknowledgment form. Check the box next to each addendum received and sign below. Failure to acknowledge addenda may result in bid disqualification.

Acknowledgment: I hereby acknowledge receipt of the following addenda and have made the necessary revisions to my proposal, plans and/or specification, etc.

Addendum Numbers Received:
(Check the box next to each addendum received)

- [x] Addendum No. 1
- [ ] Addendum No. 2
- [ ] Addendum No. 3
- [ ] Addendum No. 4
- [ ] Addendum No. 5
- [ ] Addendum No. 6
- [ ] Addendum No. 7
- [ ] Addendum No. 8
- [ ] Addendum No. 9
- [ ] Addendum No. 10

I understand that failure to confirm the receipt of addenda may be cause for rejection of this bid. I further understand that any verbal representation made or assumed to be made during any oral discussion held between Vendor's representatives and any state personnel is not binding. Only the information issued in writing and added to the specifications by an official addendum is binding.

Fishknee Company I, llc, dba Bulldog Creative Services

Company

Authorized Signature

08/07/2018

Date

NOTE: This addendum acknowledgement should be submitted with the bid to expedite document processing.

DESIGNATED CONTACT: Vendor appoints the individual identified in this Section as the Contract Administrator and the initial point of contact for matters relating to this Contract.

CEO

(Name, Title)

Chris Michael, CEO

(Printed Name and Title)

1400 Commerce Avenue • Huntington, WV 25701

(Address)

(304) 525-9600 / Fax removed from system

(Phone Number) / (Fax Number)

cmichael@bulldogcreative.com

(email address)

CERTIFICATION AND SIGNATURE: By signing below, or submitting documentation through wvOASIS, I certify that I have reviewed this Solicitation in its entirety; that I understand the requirements, terms and conditions, and other information contained herein; that this bid, offer or proposal constitutes an offer to the State that cannot be unilaterally withdrawn; that the product or service proposed meets the mandatory requirements contained in the Solicitation for that product or service, unless otherwise stated herein; that the Vendor accepts the terms and conditions contained in the Solicitation, unless otherwise stated herein; that I am submitting this bid, offer or proposal for review and consideration; that I am authorized by the vendor to execute and submit this bid, offer, or proposal, or any documents related thereto on vendor's behalf; that I am authorized to bind the vendor in a contractual relationship; and that to the best of my knowledge, the vendor has properly registered with any State agency that may require registration.

(Company)

Chris Michael, CEO

(Authorized Signature) (Representative Name, Title)

Chris Michael, CEO

(Printed Name and Title of Authorized Representative)

08/08/18

(Date)

(304) 525-9600 / Fax removed from system • cmichael@bulldogcreative.com

(Phone Number) (Fax Number)

REQUEST FOR PROPOSAL

West Virginia Division of Natural Resources
ARFP DNR18*01
"Wonderful West Virginia" Magazine
Editorial, Design, Layout, and Social Media Services
Open End Contract

6.8. Availability of Information: Proposal submissions become public and are available for review immediately after opening pursuant to West Virginia Code §5A-3-11(h). All other information associated with the RFP, including but not limited to, technical scores and reasons for disqualification, will not be available until after the contract has been awarded pursuant to West Virginia Code of State Rules §148-1-6.3.d.

By signing below, I certify that I have reviewed this Request for Proposal in its entirety; understand the requirements, terms and conditions, and other information contained herein; that I am submitting this proposal for review and consideration; that I am authorized by the bidder to execute this bid or any documents related thereto on bidder's behalf; that I am authorized to bind the bidder in a contractual relationship; and that, to the best of my knowledge, the bidder has properly registered with any State agency that may require registration.

BULLDOG CREATIVE SERVICES

(Company)

Chris Michael, CEO

(Representative Name, Title)

304.525.9600 • cmichael@bulldogcreative.com

(Contact Phone/Fax Number)

08/08/18

(Date)

SUCCESS DOESN'T HAPPEN OVERNIGHT.

Work Hard.

Established in 1999, Bulldog Creative Services has grown tremendously from a one-man show to a team of more than a dozen talented creatives, developers, producers and account executives. From banks to educational institutions to industrial companies to medical facilities, Bulldog assists a wide range of clients with all things advertising and marketing including strategic planning, creative services, media planning and buying, collateral materials, website/app design and programming and HD video production.

The strength of Bulldog is that you can have all of your advertising and marketing needs professionally and creatively met in one place, creating a consistent, cohesive message.

RFP SECTION 4

Project Specifications

4.2. Vendor will describe its approach and methodology to provide editorial, layout, design, and social media services for "Wonderful West Virginia" magazine that would include maintenance of the magazine's Facebook page as well as the establishment and maintenance of an Instagram and Twitter page (hereinafter referred to as the "social media" pages).

BULLDOG RESPONSE:

Established in 1999, Bulldog Creative Services has grown tremendously from a one-man show to a team of more than a dozen talented and creative designers, developers, producers, writers and account executives. From banks to educational institutions to industrial companies to medical facilities, Bulldog assists a wide range of clients with all things advertising and marketing including strategic communications and planning, creative services, media planning and buying, collateral materials, website/app design and programming and HD video production.

The strength of Bulldog is that you can have all your advertising and marketing needs professionally and creatively met in one place, creating a consistent, cohesive message.

We affirm we are more than capable, and have the capacity in graphic design, copy writing, editing, and fulfillment, of providing West Virginia Department of Natural Resources with a complete solution for Wonderful West Virginia. Our creative team of experts will provide you with adaptive and effective design, strong and functional copy writing, editing and outstanding administrative and accountability services. We will provide you this through our in-house professionals. All the noted services are accomplished at Bulldog without any sub-contractors.

Bulldog Creative Services has built a reputation of performance in the areas of intricate planning, implementation and execution. Our goal is to provide the client with a maximization of resources in all areas of advertising and marketing.

Our vision for Wonderful West Virginia is to build on the current structure of the magazine with a fresh, updated design and to include more stories that will help educate readers on the many areas that the West Virginia Department of Natural Resources encompasses. In addition to the types of stories that have been written about the fish and wildlife in West Virginia and varied recreational activities, more articles about hunting and fishing would help with education and conservation efforts and more about the beautiful state parks would encourage more usage. There are several programs listed on the WVDNR website that should be promoted with the help of the magazine and its social media, such as Adopt-A-Trail and Nature Wonder Weekend as examples.

RFP SECTION 4

Project Specifications *(cont'd)*

Social media, particularly Facebook and Twitter, should serve as a resource for users to get information about upcoming events sponsored by WVDNR to users. While the WVDNR Facebook page promotes a lot of these activities, more users can be reached by cross promoting with the magazine's Facebook page. The magazine's Facebook page also can still serve to showcase the spectacular photography from our state in addition to the valuable information it will bring users.

Instagram will be established and used to highlight the views and images of our state, along with selected images on Facebook and Twitter.

Finally, the magazine's website should include feeds from the social media accounts to help drive more traffic to the social media sites as well as more website references on social media to drive traffic to the website.

4.2.1.1. The vendor should demonstrate an understanding of the scope of work and provide documentation of previous experience with working on similar publications.

BULLDOG RESPONSE:

• Hospice of Huntington; SHARING Magazine:
Bulldog Creative has designed, edited, wrote, photographed, and led the publication of this quarterly publication since 2008.

• Champion Industries, Inc.; Annual Report
Bulldog Creative has designed, edited, wrote, photographed, and led the publication of this annual report publication since 2000.

• St. Mary's Foundation; 10th Anniversary Magazine
Bulldog Creative was engaged to design, photograph, write and provide additional publication services for this magazine.

• Big Green Scholarship Foundation; Giving 110%
Bulldog Creative was engaged to design, photograph, write and provide additional publication services for this magazine.

RFP SECTION 4

Project Specifications *(cont'd)*

4.2.1.2. The vendor should provide a listing of all staff and/or subcontractor's staff that will be working on the proposed scope of work. This should include a listing of freelance writers, photographers, and social media managers that the vendor foresee working with in the production of the magazine and the magazine's social media pages.

BULLDOG RESPONSE:

CHRIS MICHAEL *President & CEO* After working in the advertising industry for most of his professional life, Chris Michael opened the doors at Bulldog Creative Services in 1999. Chris began as a one-man team and has successfully grown the company into what it is today. He continues to wear many hats at Bulldog, remaining just as involved with clients as he was when the doors opened, serving as an account executive, designer, producer and more. Chris will serve as a photographer and the primary contact for *Wonderful West Virginia.*

LYNNE MARSH *Account Executive* Lynne joined team Bulldog in 2018 with an expansive background in the strategic communications world. She's written and edited for The Herald-Dispatch, project managed for Gannett Co. and taught upcoming journalists at Marshall University. Now she's an integral part of our client services team and fits in perfectly with the knowledge, attitude, and ability to get things accomplished. Lynne will serve as writer, photographer, and editor for *Wonderful West Virginia.*

CHRISTINE BORDERS *VP of Creative* Christine joined Bulldog Creative in 2004 after graduating from Marshall University and now serves as the Vice President of Creative. She is nationally recognized for her creativity and leads a team of talented designers at Bulldog. Christine is very involved in the community as a board member for Children's PLACE and leading the charge on freshening up the downtown underpass murals. Christine will lead the creative team for *Wonderful West Virginia.*

LEVI DURFEE *Interactive Director* Levi graduated from Marshall University in 2009 and joined Bulldog Creative in 2011. He is now Bulldog's Interactive Director and oversees all web projects, discovers new interactive ways our clients can grow their brands, and is recognized by Google for his contributions to the world of open source code. Levi will manage all the website, digital, and interactive programs for *Wonderful West Virginia* social media.

RFP SECTION 4

Project Specifications *(cont'd)*

4.2.1.2. The vendor should provide a listing of all staff and/or subcontractor's staff that will be working on the proposed scope of work. This should include a listing of freelance writers, photographers, and social media managers that the vendor foresee working with in the production of the magazine and the magazine's social media pages.

BULLDOG RESPONSE:

SHANNON LESTER *Account Executive* Shannon started at Bulldog as a summer intern and was soon working part-time while she finished her advertising degree at Marshall University. After graduation, she came on full time as an Account Coordinator and now serves as an Account Executive, working with a variety of retainer and project-based clients. Shannon's specialties include creative strategy, copywriting and editing, public relations and social media management. Shannon gives back by serving as the community development co-chair on Generation Huntington's leadership team as well as a board member of the West Virginia chapter of the American Advertising Federation. Shannon will serve as social media manager for *Wonderful West Virginia.*

CRAIG DAVIS *Interactive Producer* Craig joined Bulldog in 2013 after working at several advertising agencies and news stations. He is an Grammy® award-winning video production specialist with extensive knowledge in video acquisition, production techniques, animated graphic creation and 2D and 3D animation. Craig will oversee all video projects for *Wonderful West Virginia* social media.

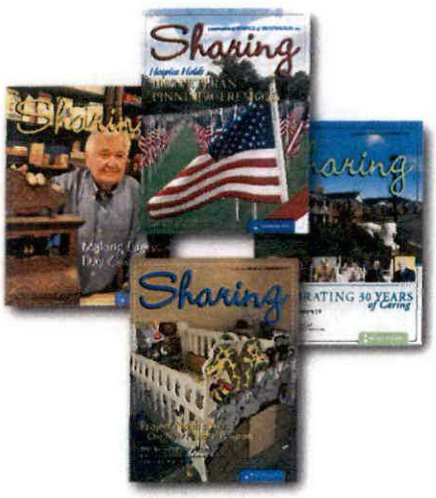
AGENCY RESPONSE

RFP SECTION 4

Project Specifications *(cont'd)*

4.2.1.3. The vendor should submit samples of similar publications as "Wonderful West Virginia" where they have been the primary contractor for editorial/design and layout services.

BULLDOG RESPONSE:



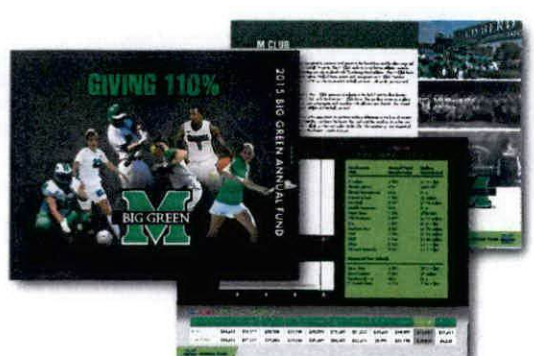
Included with this agency response, please find original samples of the publications noted below:

Hospice of Huntington; SHARING Magazine:
Bulldog Creative has designed, edited, wrote, photographed, and led the publication of this quarterly publication since 2008.

Champion Industries, Inc.; Annual Report
Bulldog Creative has designed, edited, wrote, photographed, and led the publication of this annual report publication since 2000.

St. Mary's Foundation; 10th Anniversary Magazine
Bulldog Creative was engaged to design, photograph, write and provide additional publication services for this magazine.

Big Green Scholarship Foundation; Giving 110%
Bulldog Creative was engaged to design, photograph, write and provide additional publication services for this magazine.



RFP SECTION 4

Project Specifications *(cont'd)*

4.2.1.4. Vendor should describe their vision for the types of articles and content they would include in the magazine keeping in mind the DNR's purpose and mission statement as described in the "Background and Current Environment" section above. In addition, please describe one article in depth for the spring magazine and one article for the summer magazine that the vendor would recommend including in the magazine for a total of two articles.

BULLDOG RESPONSE:

The West Virginia Department of Natural Resources encompasses many areas that need to be highlighted in the *Wonderful West Virginia*. In addition to the types of stories that have been written about the fish and wildlife in West Virginia and varied recreational activities, more articles about hunting and fishing could help with education and conservation efforts and more about the beautiful state parks would encourage more usage. There are several programs listed on the WVDNR website that should be promoted with the help of the magazine, such as Adopt-A-Trail and Nature Wonder Weekend as examples.

The Archery in the Schools is a growing program sponsored by WVDNR and currently includes around 300 schools in West Virginia. The spring magazine should take an in-depth look PE classes, after school clubs, practices and tournaments in preparation for the state tournament.

The Master Naturalists of West Virginia grew from a partnership that includes WVDNR and trains people in the fundamentals of natural history, nature interpretation and teaching, and encourages responsible environmental stewardship. There are nine chapters around the state which come together June 7-9, 2019, at Pipestem Resort and State Park. The summer magazine should take an in-depth look at what a Master Naturalist is and what they do.

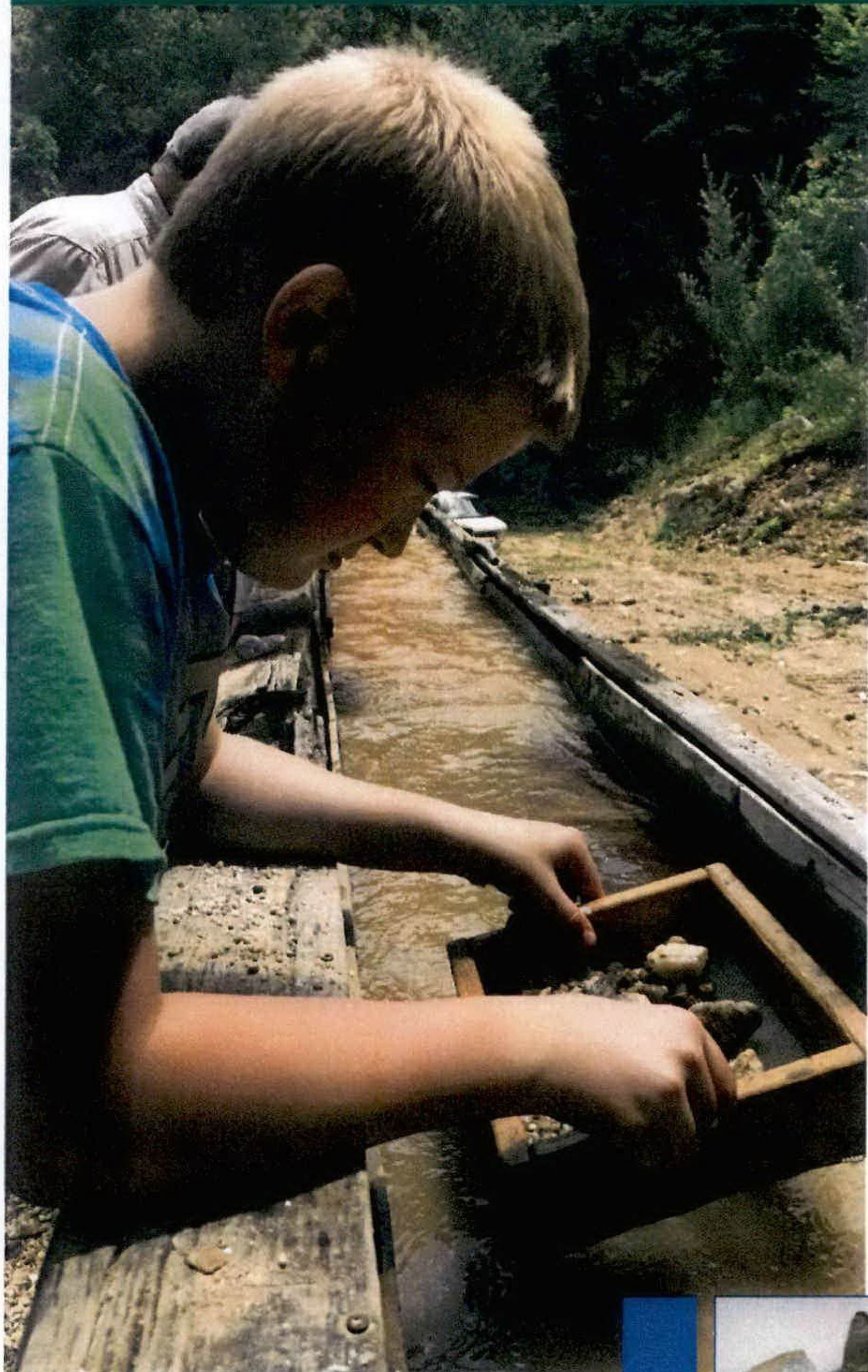
4.2.1.5. Assuming the contact is awarded to begin in November 2018, please provide one never published article complete with photos for the purposes of being published in the January 2019 magazine which is different from the description of an article in the Section 4.2.1.4.

BULLDOG RESPONSE:

Please see attached example of article with photos.

The Thrill of the Hunt

Gem mining enchants all ages



Story by **Lynne Marsh**
Photography by **Chris Michael**

Deep in the foothills of West Virginia, history oozes from the rock formations that many take for granted, but along with that history, treasure lies beneath the earth. The hunt for buried treasure captures the fascination of both young and old alike hoping to find the spectacular, sparkling gems of their dreams and West Virginia offers several scenic and gem-rich destinations for all ages to study and collect rocks and minerals from their natural environment.

While searching for treasure is nothing new, the excitement over gem mining has grown to include many social media groups and websites dedicated to rock hounds, which are people dedicated to the collection of rocks, fossils, or minerals. A popular activity for decades, one of the earliest accounts of gem mining comes from the Pueblo, a Southwestern tribe that began mining for turquoise around 2,600 years ago.

Today, there are many ways rock hounds find and collect their specimens, but many enjoy spending an afternoon sifting through dirt to find potential treasure. Fee-based mines around West Virginia, along with many other states, offer collectors the opportunity purchase buckets of pay dirt that is dripping with treasures. A sluice channels a continuous stream of water through a wooden trough, which gem hunters use along with a sieve and small shovel to sift and sort through the dirt and rocks. The process is reminiscent of mining during the Gold Rush.

Young rock hound Alex Chandler explores gem mines in West Virginia with his family as part of his homeschooling curriculum to learn more about geology as well as history.

Numerous opportunities are available to visitors of all ages to experience the hunt.

Gems found in West Virginia can turn into family heirlooms

"It's the thrill of the hunt," Alex said as his eyes light up with excitement. "I love to sort through the buckets of what looks like dirt and find a treasure."

His mother Stephanie said the experience brings what he is learning to life and that he has learned to identify many rocks and stones during the process. "It is great family time, but also a wonderful learning experience," she said. "And what kid doesn't like playing in dirt and water?"

After a day of digging and searching, rock hounds can get help from on-site gem experts in identifying their treasures and assessing whether the rough gemstones have the potential to create magical pieces to memorialize the experience. Lapidaries who specialize in many gem-cutting techniques cut, grind, and polish and set into custom jewelry that often-become treasured family heirlooms.

"My mother and I share rubies that were cut from the same stone," said Aimee Sutphin, who travels to West Virginia gem mines with her granddaughter Brooklyn. "We both wear almost daily the pendants that I had made from one of my trips and surprised her for a birthday."

The hunt for buried treasure is so interwoven into American history, that now every state has either a state gem or mineral, or both. Not surprisingly, West Virginia designated its official state stone bituminous coal in honor of the significance of coal in the state's economy, history, and geology. The state's gemstone is lithostrotionella, which is a fossilized coral that lived 340 million years ago when West Virginia was covered by shallow sea during the Mississippian Period.

In addition to the state's gem mines, geologists and rock hounds travel to West Virginia to study the state's fascinating rock formations. Since the state's rocks are sedimentary and formed from pre-existing rocks or pieces of once-living organisms, they form deposits that often have distinctive layering or bedding.

Plant fossils also can be found in the seams of coal that inundate the state, particularly in the Silurian, Devonian, and Mississippi formations. Fossils are commonly found in shales that overlie coal beds which are exposed along highways in the southern, northwestern, and north-central parts of the state. Most of the state's Ice Age fossils are found in the 4,000-plus limestone caves.

> ***"My mother and I share rubies that were cut from the same stone, We both wear almost daily the pendants that I had made from one of my trips and surprised her for a birthday."***
>
> *- Aimee Sutphin on her West Virgnia adventures*

Rock hounds also can find more about West Virginia's rocks and gems during the Kanawha Rock and Gem Club Show and Sale each year in Charleston. The club meets the third Sunday of each month from 2 p.m. to 5 p.m. at the Rock Lake Presbyterian Church in South Charleston. For more information, visit:
http://www.kanawharockandgemclub.org/

West Virginia Fossil Club meets the second Thursday of each month at 7 p.m. at Harrison County Parks and Recreation Complex in Clarksburg. For more information, visit: http://www.westvirginiafossilclub.com/

Prehistoric West Virginia's meetings depend on weather conditions since they meet at a pre-determined location in the field. For more information, visit:
http://prehistoricplanet.com/wv/

Map a gem mining expedition in West Virginia by visiting these scenic locations:

- Seneca Caverns in Riverton
- Someplace Special Gem Mine in Shady Spring
- Brushcreek Falls in Princeton
- Smoke Hole Resort in Cabins
- Clarke's Gem Mine in Moorfield
- Award Art Gems in Smithville

Make sure to include the West Virginia Geological and Economic Survey - Museum of Geology and National History to see rock, mineral, and fossil displays. The museum is in the Survey's headquarters on Cheat Lake, near Morgantown.

Happy Hunting!

Adventurous, and somewhat favored, miners can turn buckets into bucks with the right finds. From L-R: Apatite, Blue Topaz and Rubies taken from West Virginia lands.

RFP SECTION 4

Project Specifications *(cont'd)*

4.2.1.6. Based upon the vendor's understanding of the magazine what is one suggested change that the publisher should consider making.

BULLDOG RESPONSE:

In addition to the types of stories that have been written about the fish and wildlife in West Virginia and varied recreational activities, more articles about hunting and fishing could help with education and conservation efforts and more about the beautiful state parks would encourage more usage. There are several programs listed on the WVDNR website that should be promoted with the help of the magazine, such as Adopt-A-Trail and Nature Wonder Weekend as examples.

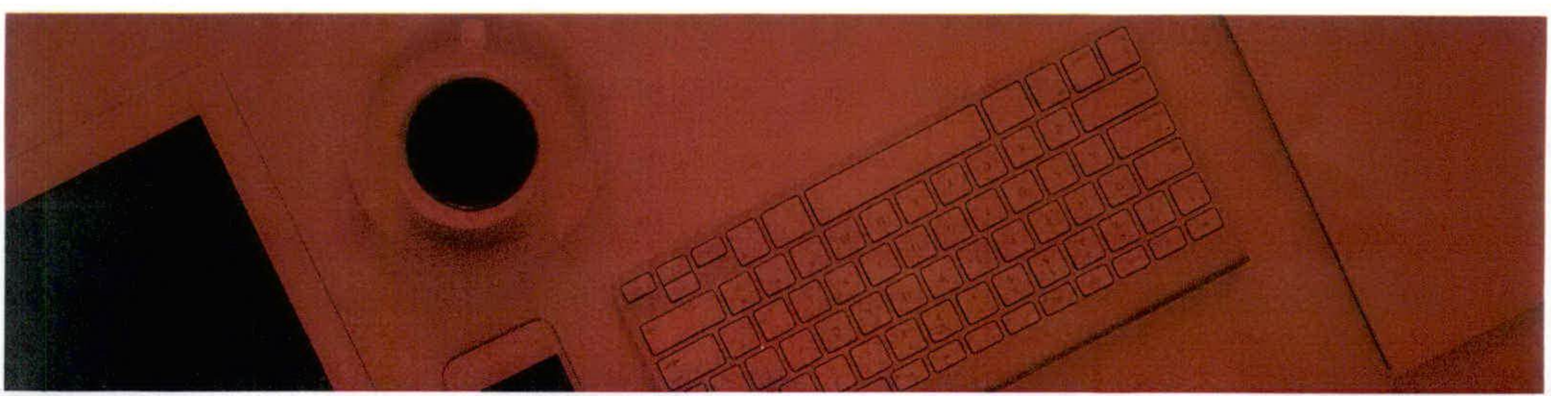
4.2.2. Vendor should describe how it will comply with the mandatory requirements and include any areas where its proposed solution exceeds the mandatory requirement.

BULLDOG RESPONSE:

Bulldog Creative Services will work with and meet with the magazine staff, the DNR Chief of Administration, the Customer Relations Director, and the Digital Editor Contractor as required and as needed. Assuming Chapman Printing continues to serve as the printing vendor for *Wonderful West Virginia*, Bulldog can easily meet as needed for press checks and to provide typesetting and proofreading services.

We affirm we are more than capable, and have the capacity in graphic design, copy writing, editing, and fulfillment, of providing West Virginia Department of Natural Resources with a complete solution for *Wonderful West Virginia*. Our creative team of experts will provide you with adaptive and effective design, strong and functional copy writing, editing and outstanding administrative and accountability services. We will provide you this through our in-house professionals. **All the noted services are accomplished at Bulldog without any sub-contractors.**

Bulldog Creative Services has built a reputation of performance in the areas of intricate planning, implementation and execution. Our goal is to provide the client with a maximization of resources in all areas of advertising and marketing.



AGENCY RESPONSE

RFP SECTION 4

Project Specifications *(cont'd)*

4.3. Vendor should provide information and documentation regarding its qualifications and experience in providing services or solving problems similar to those requested in this RFP.

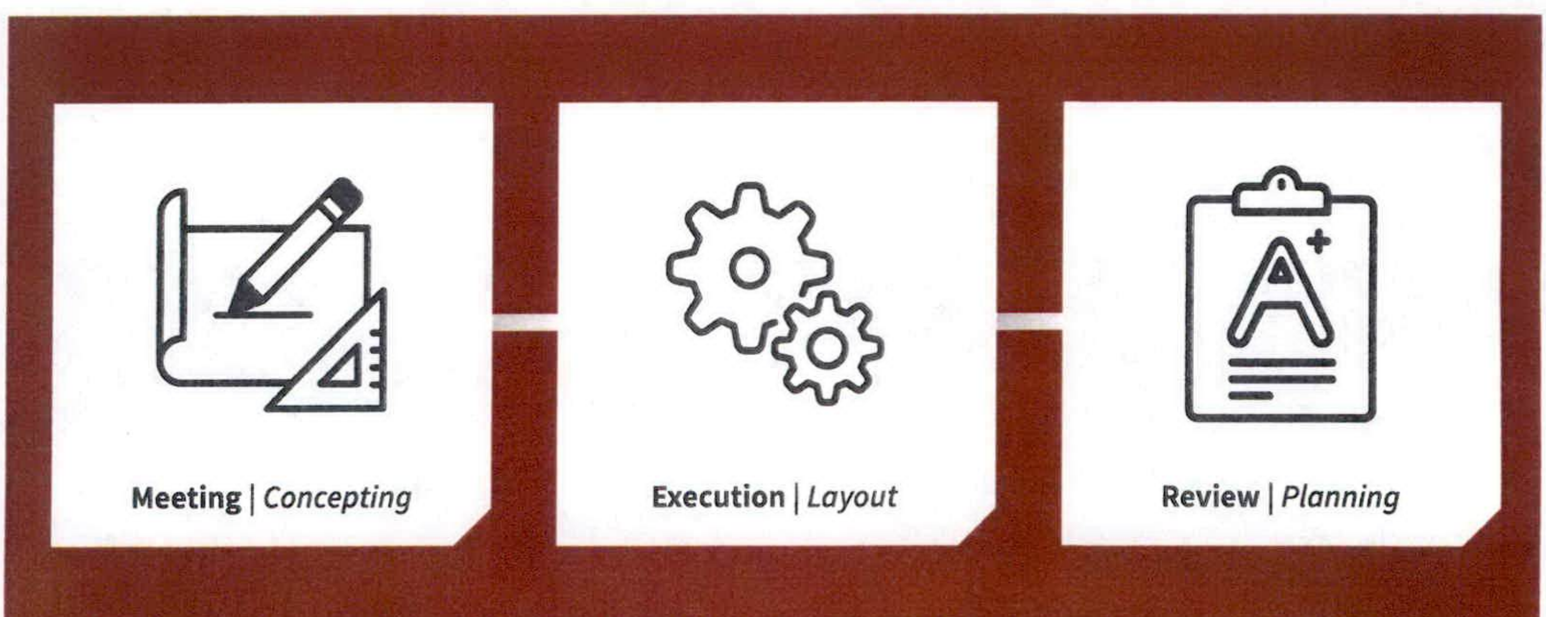
BULLDOG RESPONSE:

In addition to the provided examples of our works in this arena, Bulldog had a proven track record of facing challenges head-on and with positive outcomes. We have been in business since 2000 and have demonstrated growth in the areas of revenue, personnel, client base, and accomplishments annually. We will provide outstanding service and dedication to the team at the West Virginia Department of Natural Resources. We, like you, are very proud West Virginians and are anxious to demonstrate that with a partnership.

Bulldog Creative has been successful in creating and managing several clients' social media sites including Heritage Farm Museum and Village Huntington and the Boyd County Public Library in Ashland, Ky. Bulldog manages all posts and events for each of these clients.

Wonderful West Virginia's website should include feeds from its social media sites to help drive traffic and offer additional information to users. In addition, creating excitement about upcoming stories and issues on social media along with links to subscribe can help boost subscriptions and readers. Social media can also be used to create discussion about a location, such as a contest asking users where a specific photo was taken, or a discussion about an endangered species, which could serve as a contest as well as educating users.

Thank you in advance for your review of the remainder of this document in consideration of our experience and accomplishments.



SCOPE OF SERVICES

As a full-service advertising agency, Bulldog Creative provides numerous services to our clients:

- **Marketing Strategy & Development**
  We identify brand problems and solve them using data collection and creative ideas. Building on a base of market research we work with our clients to identify goals and achieve them. We bring you solutions and results not just a nice design.

- **Graphic Design**
  We visually bring big ideas to life with exceptional award-winning designers who know how to speak to audiences through graphic design elements and years of professional practice.

- **Media Planning, Buying, & Management**
  We work on the client's behalf with numerous media vendors to create strong results through well-planned and executed media buying. Our experience spans across mediums such as digital display/search, print, television, radio, outdoor, retargeting, and social media.

- **HD Video Production**
  We shoot, edit, animate, and scout. Our production team is completely in-house and has created award-winning creative in television, radio, internet, and corporate video production.

- **Responsive Website Design & SEO**
  We craft award-winning websites using strategic web architecture, design, and development. From beginning to the end of the user experience we create a seamless, attractive online presence that speaks to your brand. Our in-house team of developers create websites, mobile apps, and 360-degree tours.

- **Social Media & Content Development**
  Your online presence is only as strong as the content you create. We work with our clients to curate engaging content and social media tactics to drive traffic, generate leads, and reach goal conversions.

- **Public Relations**
  We aim to build strong relationships with every entity that comes in contact with your brand. Reputation management in the form of releases, events, speaking with the media and stakeholders is valuable for our clients.

HD VIDEO & AUDIO PRODUCTION

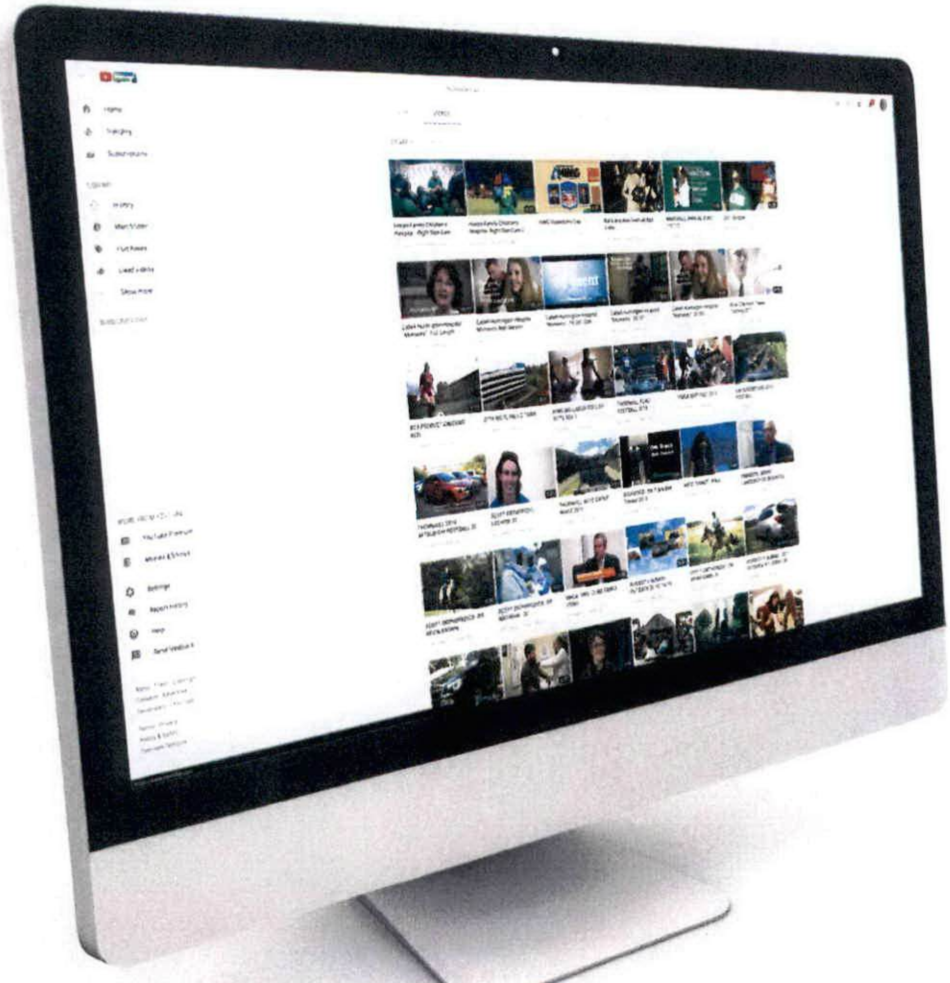
Bulldog Creative Services provides in-house production services to our clients.

- **VIDEOGRAPHY**
  Projects are video-captured using a combination of HD video equipment including **Canon 7D DSLR, Sony HDX, GoPro HD, Sony FS7- Cinematic.** Various camera sliders, Ronin stabilizers and CobraCrane will be utilized when appropriate.

- **POST-PRODUCTION / ANIMATION**
  All post-production and soundtrack generation will be accomplished using the non-linear Avid 6.5 MediaComposer Pro system with integration of the complete Adobe CS5/6 Creative Suite software packages.

- **WHAT'S INCLUDED**
  Videography, creative consultation, constant and reliable communication with client, collaborative efforts on scripting / treatment, all post-production necessary for project, and soundtrack production utilizing narration/music choice.

- **WHAT'S NOT INCLUDED**
  Any prop, equipment or set fees / purchases outside of noted equipment provided for project, and voice over, sound track and stock video or photography when necessary. No prop fees will be deemed eligible for reimbursement without written or email approval of anticipated / actual costs PRIOR to expenditure by client.



GO TO YOUTUBE

REFERENCES

HIMG

HIMG is a multi-specialty medical practice group that consists of more than sixty physicians, physician assistants and nurse practitioners in the areas of primary care, urgent care and medical and surgical sub specialties. Bulldog Creative provides full advertising and marketing services to HIMG including strategic planning, media planning and buying, graphic design, web management, video production, public relations, and social media management.

Contract Type: Monthly retainer

Contact Information:
Mark Morgan, CEO
5170 U.S. 60
Huntington, WV 25705
304.528.4698

RIVER CITY FORD / RIVER CITY SUBARU

We work directly with River City management, staff and selected vendors to promote and support the advertising and marketing efforts of one of the fastest-growing Subaru franchises in the U.S. We additionally provide advertising and marketing services, on a full-service basis for River City Ford. We provide full service for both operations.

Contract Type: Monthly retainer

Contact Information:
Ikie Light, Owner
5233 US Route 60
Huntington, WV 25705
304.736.7777

HERITAGE FARM MUSEUM & VILLAGE

Heritage Farm Museum & Village is an 1800s pioneer village that offers award-winning museums and interactive exhibits to educate and inspire people about the Appalachian history and culture of this area. We work closely with this organization to provide design needs for advertisements and collateral materials, assistance with two grant applications a year and website design, development, and maintenance.

Contract Type: Monthly retainer

Contact Information:
Audy Perry, Executive Director
3300 Harvey Road
Huntington, WV 25704
304.522.1244

BUSINESS INFORMATION

BUSINESS INFORMATION:

Company Name:	Fishknee Company I, LLC dba Bulldog Creative Services
Address:	1400 Commerce Avenue | Huntington, WV 25701
Phone:	(304) 525-9600
Fax:	(304) 525-4043
Website:	www.bulldogcreative.com
Email:	info@bulldogcreative.com

GENERAL INFORMATION:

Federal Tax ID:	27-0086421
Company Type:	LLC
State of:	West Virginia
In business since:	November, 1999
Real Estate:	Own, In present location since 08/2013
Owner:	Chris Michael, President
Email:	cmichael@bulldogcreative.com
SIC Code:	7311; Advertising Agencies
Bank Information:	WesBanco, Huntington, WV
Bank Contact:	Mr. Geoff Sheils; (304) 522-6400

ACCOLADES

To demonstrate that expertise, we submit a sampling of the recognition our team has received for it's efforts:

AMERICAN **ADVERTISING** AWARDS

AMERICAN ADVERTISING FEDERATION ADDY AWARDS

A national competition awarding excellence in advertising design in many areas. Our results include:

- **1** | Judge's Choice Addy Award
- **15** | Gold Addy Awards
- **23** | Silver Addy Awards
- **3** | "Best of the Rest" Addy Awards

GD USA

GRAPHIC DESIGN USA AWARDS

An international awards competition amongst advertising agencies, designers, in-house marketing departments and advertising professionals. Our results include:

- **73** | Awards of Excellence; Two years with more awards than any other agency in the United States (2013 and 2014)

The Telly Awards

TELLY AWARDS

An international awards competition focused on the production of television and internet commercials, campaigns and websites. Our results include:

- **11** | Telly Awards, all won for productions submitted and produced in the year they were reviewed for awards.

VAB VIDEO ADVERTISING BUREAU

CABLE TELEVISION ADVERTISING BUREAU CAB AWARDS

A national competition awarding excellence in design and production of cable television advertising. Our results include:

- **National Finalist** | Regional Production

NACMA GOLD

NATIONAL ASSOCIATION OF COLLEGIATE MARKETING NACMA AWARDS

A national competition awarding excellence in design and effectiveness of collegiate sports marketing. Our results include:

- **2005** | Two Gold Awards
- **2006** | One Gold Award

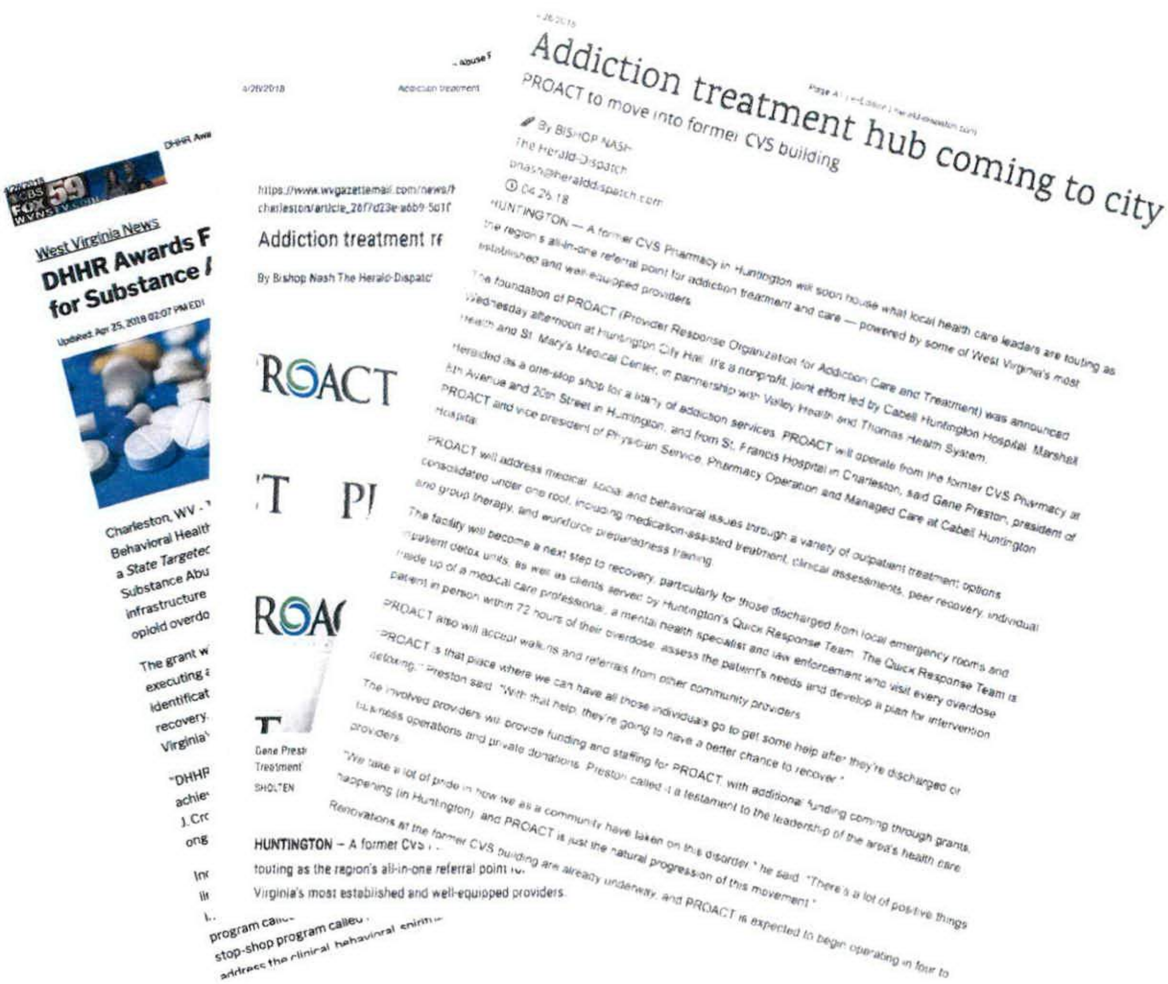
PROVIDER RESPONSE ORGANIZATION

PROACT

FOR ADDICTION CARE & TREATMENT

PROACT is a separate 501(c)(3), bringing together behavioral, social, and medical resources from the community to effectively triage patients suffering from addiction. When launching PROACT to the public we assisted the Board with public relations efforts in the forms of media advisories, press releases, event management, media relations, and website development.

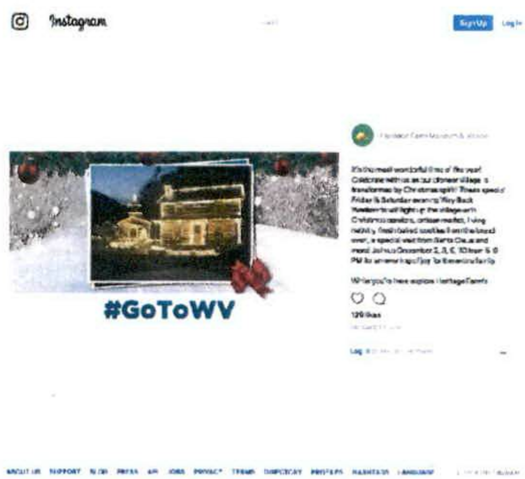
The April 25, 2018, press conference was attended by over 150 people including media outlets from all over the region. The event garnered earned media in print, television, and digital including outlets such as the Charleston Gazette, WV Metro News, The Herald-Dispatch, WSAZ, WCHS, and more.



Heritage Farm Museum & Village has grown from a family hobby to a Smithsonian-affiliated tourist destination.

We assited HF with a brand refresh, new website, updated collatoral materials, and event promotion.

Last year we started creating events and specific Facebook boosts increase the attendance to Heritage Farm's Way Back Weekends. With monthly boosted posts and other public relations efforts their attendance increased by **108%** specifically for Way Back Weekends and continues to grow to this day.



125+
Instagram Likes

Over 1K
Facebook Likes

$250 Boost Spent

SOME OF OUR PARTNERS

Cabell Huntington Hospital

Rubberlite Incorporated

RICHWOOD

St. Mary's Medical Center

TAMARACK
The Best of West Virginia

RIVER CITY
FORD • SUBARU • PRE-OWNED

BLOSS & DILLARD INC.
INSURANCE MANAGERS

CNB Bank
YOUR COMMUNITY. YOUR BANK.

BETTER BEER COALITION

ARFP 0310 DNR 1800000001
RFQ No. ______________

STATE OF WEST VIRGINIA
Purchasing Division

PURCHASING AFFIDAVIT

MANDATE: Under W. Va. Code §5A-3-10a, no contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and: (1) the debt owed is an amount greater than one thousand dollars in the aggregate; or (2) the debtor is in employer default.

EXCEPTION: The prohibition listed above does not apply where a vendor has contested any tax administered pursuant to chapter eleven of the W. Va. Code, workers' compensation premium, permit fee or environmental fee or assessment and the matter has not become final or where the vendor has entered into a payment plan or agreement and the vendor is not in default of any of the provisions of such plan or agreement.

DEFINITIONS:

"Debt" means any assessment, premium, penalty, fine, tax or other amount of money owed to the state or any of its political subdivisions because of a judgment, fine, permit violation, license assessment, defaulted workers' compensation premium, penalty or other assessment presently delinquent or due and required to be paid to the state or any of its political subdivisions, including any interest or additional penalties accrued thereon.

"Employer default" means having an outstanding balance or liability to the old fund or to the uninsured employers' fund or being in policy default, as defined in W. Va. Code § 23-2c-2, failure to maintain mandatory workers' compensation coverage, or failure to fully meet its obligations as a workers' compensation self-insured employer. An employer is not in employer default if it has entered into a repayment agreement with the Insurance Commissioner and remains in compliance with the obligations under the repayment agreement.

"Related party" means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever, related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceed five percent of the total contract amount.

AFFIRMATION: By signing this form, the vendor's authorized signer affirms and acknowledges under penalty of law for false swearing (*W. Va. Code* §61-5-3) that neither vendor nor any related party owe a debt as defined above and that neither vendor nor any related party are in employer default as defined above, unless the debt or employer default is permitted under the exception above.

WITNESS THE FOLLOWING SIGNATURE:

Vendor's Name: Bulldog Creative Services

Authorized Signature: [signature] Date: 8/21/15

State of West Virginia

County of Cabell, to-wit:

Taken, subscribed, and sworn to before me this 21st day of August, 2015.

My Commission expires March 05, 2019.

AFFIX SEAL HERE **NOTARY PUBLIC** April D Barnabi

Purchasing Affidavit (Revised 07/01/2012)

OFFICIAL SEAL
STATE OF WEST VIRGINIA
NOTARY PUBLIC
April D. Barnabi
Bulldog Creative Services
916 5th Avenue, Suite 305
Huntington, WV 25701
My Commission Expires Mar. 5, 2019

WV-10
Approved / Revised
09/15/17

State of West Virgini

VENDOR PREFERENCE CERTIFICAT

Certification and application is hereby made for Preference in accordance with ***West Virginia Code***, §5A-3-37. (Does not construction contracts). ***West Virginia Code***, §5A-3-37, provides an opportunity for qualifying vendors to request (at the time preference for their residency status. Such preference is an evaluation method only and will be applied only to the co accordance with the ***West Virginia Code***. This certificate for application is to be used to request such preference. The Pur Division will make the determination of the Vendor Preference, if applicable.

1. [X] **Application is made for 2.5% vendor preference for the reason checked:**
Bidder is an individual resident vendor and has resided continuously in West Virginia, or bidder is a partnership, ass or corporation resident vendor and has maintained its headquarters or principal place of business continuously Virginia, for four (4) years immediately preceding the date of this certification; **or,**

[ ] Bidder is a resident vendor partnership, association, or corporation with at least eighty percent of ownership of bidder held by another entity that meets the applicable four year residency requirement; **or,**

[ ] Bidder is a nonresident vendor which has an affiliate or subsidiary which employs a minimum of one hundred state re and which has maintained its headquarters or principal place of business within West Virginia continuously for the years immediately preceding the date of this certification; **or,**

2. [X] **Application is made for 2.5% vendor preference for the reason checked:**
Bidder is a resident vendor who certifies that, during the life of the contract, on average at least 75% of the em working on the project being bid are residents of West Virginia who have resided in the state continuously for the tw immediately preceding submission of this bid; **or,**

3. [ ] **Application is made for 2.5% vendor preference for the reason checked:**
Bidder is a nonresident vendor that employs a minimum of one hundred state residents, or a nonresident vend has an affiliate or subsidiary which maintains its headquarters or principal place of business within West Virgi employs a minimum of one hundred state residents, and for purposes of producing or distributing the commod completing the project which is the subject of the bidder's bid and continuously over the entire term of the pro average at least seventy-five percent of the bidder's employees or the bidder's affiliate's or subsidiary's employe residents of West Virginia who have resided in the state continuously for the two immediately preceding years vendor's bid; **or,**

4. [X] **Application is made for 5% vendor preference for the reason checked:**
Bidder meets either the requirement of both subdivisions (1) and (2) or subdivision (1) and (3) as stated above; **or,**

5. [ ] **Application is made for 3.5% vendor preference who is a veteran for the reason checked:**
Bidder is an individual resident vendor who is a veteran of the United States armed forces, the reserves or the National and has resided in West Virginia continuously for the four years immediately preceding the date on which the submitted; **or,**

6. [ ] **Application is made for 3.5% vendor preference who is a veteran for the reason checked:**
Bidder is a resident vendor who is a veteran of the United States armed forces, the reserves or the National Guar purposes of producing or distributing the commodities or completing the project which is the subject of the vendor's continuously over the entire term of the project, on average at least seventy-five percent of the vendor's employe residents of West Virginia who have resided in the state continuously for the two immediately preceding years.

7. **Application is made for preference as a non-resident small, women- and minority-owned business, in dance with *West Virginia Code* §5A-3-59 and *West Virginia Code of State Rules*.**
[ ] Bidder has been or expects to be approved prior to contract award by the Purchasing Division as a certified small, w and minority-owned business.

Bidder understands if the Secretary of Revenue determines that a Bidder receiving preference has failed to continue to m requirements for such preference, the Secretary may order the Director of Purchasing to: (a) rescind the contract or purchas or (b) assess a penalty against such Bidder in an amount not to exceed 5% of the bid amount and that such penalty will be the contracting agency or deducted from any unpaid balance on the contract or purchase order.

By submission of this certificate, Bidder agrees to disclose any reasonably requested information to the Purchasing Divis authorizes the Department of Revenue to disclose to the Director of Purchasing appropriate information verifying that Bidder h the required business taxes, provided that such information does not contain the amounts of taxes paid nor any other infor deemed by the Tax Commissioner to be confidential.

Bidder hereby certifies that this certificate is true and accurate in all respects; and that if a contract is issued to B and if anything contained within this certificate changes during the term of the contract, Bidder will notify the Pur ing Division in writing immediately.

Bidder: Bulldog Creative Services Signed: ____________

Date: 04/18/18 Title: President

Check any combination of preference consideration(s) indicated above, which you are entitled to receive.

3.2 Any user of Social Media for State purposes must be required to read and acknowledge this Social Media policy by completing the signoff sheet attached as Appendix A.

3.3 Employees and contractors have no expectation of privacy while using State-provided information resources. Agencies, through their Information Security Administrators (ISA's) will govern employee access to social media online, and specifically identify personnel who are to have elevated access privileges to social media sites.

3.4 Any content used or disseminated on the Internet is limited to non-confidential and non-sensitive information.

3.5 Individual userid's and passwords must not be duplicated across multiple sites. Use of a current State System password as a password on a social networking site endangers the State system if the social networking site is subject to a security breach.

3.6 Agency-developed social media sites

3.6.1 All agency-sanctioned communication through social media outlets shall remain professional in nature and shall always be publicized or posted in accordance with the agency's existing communications policy, practices, and expectations.

3.6.1.1 Social media settings which allow public interaction should be modified to prevent posting of objectionable, inappropriate, or uncensored material.

3.6.1.2 When using Facebook, settings should require pre-approval by a State employee of any post to an agency's "Facebook Wall."

3.6.2 To avoid potential privacy violations, employees must not reference or cite clients, partners, or customers without their written consent for each specific reference.

3.6.3 When technically feasible, accounts must use two-factor (or multifactor) authentication mechanisms to login. Two-factor authentication adds a layer of protection to the standard password method of online identification.

3.6.4 At least two people should be given administrative rights to social media accounts - to ensure that issues can be handled quickly, in case of an absence.

3.6.5 Administrative access should be checked, at pre-established intervals, to ensure rights have not been added to unapproved users.

3.6.6 Individual users should not connect or login through State social media accounts from their personal social media accounts.

3.6.6.1 If an individual account is required before an agency can use a social media platform (e.g. Facebook Pages), a new account should be created using a state-issued email address.

3.6.6.2 State employees must not utilize personal accounts to set up State Social Media sites.

3.6.6.3 Individual, or "personal," accounts being used for official State business must follow this policy.

3.6.7 All responses to the public, comments, and/or posts should be monitored and approved beforehand, when possible, by a State employee, rather than a contractor, or 3rd party site content manager.

3.7 All employees utilizing social media on behalf of the State, for any purpose, will observe the following:

3.7.1 Users must identify themselves with a full professional signature. This will include the individual's name, the individual's title, and agency/office/department name.

3.7.2 Users must use caution about what they publish. Users are accountable for content that they post or publish and must seek and obtain legal and management authorization in making a decision to post content that could be deemed inappropriate or unreliable.

3.7.3 Users shall not post confidential, sensitive, legally protected, or proprietary information.

3.7.4 Users shall respect copyrights and fair use. Any time users publish copyrighted material, they shall always maintain, and be able to produce, written permission.

3.7.5 State/agency logos and trademarks may not be used without appropriate authorization.

3.7.6 Employees using a form of social media on behalf of the State must be aware of, and responsible for compliance with, the Terms of Service (TOS) of the particular form of media in order to avoid any type of potential legal violation.

3.7.7 Users are prohibited from using social networking sites from State equipment for political purposes, to conduct private commercial transactions, or to engage in other personal and private activities.

3.7.8 Users who connect to Social Media web sites through State information assets, are subject to all agency and State requirements addressing prohibited or inappropriate behavior in the workplace, including acceptable use policies, user agreements, sexual harassment policies, internet usage policies, etc.

3.7.9 Users will not visit any social media web sites that are not related to a business purpose.

3.7.10 Users will exercise extreme caution while on social media sites and will not click unknown links; download unapproved programs; or put at risk any State system or network.

3.8 Required Disclaimers

3.8.1 Employees who post or publish non-official statements to a blog or website or other social media, for work related purposes, must include the following disclaimer:

3.8.2 The views expressed here are mine alone and do not necessarily reflect the views of my employing agency and/or the State of West Virginia. My State employer has not reviewed or approved any of its content, and therefore accepts no responsibility.

3.8.3 Communication via agency-related social networking Web sites is a public record and will be managed as such. Both the posts of the employee administrator and any responses by other employees or non-employees, including citizens, will become part of the public realm. Agencies should include the following statement (or some version of it) somewhere on the social networking site:

3.8.4 Representatives of the State of West Virginia Executive Branch communicate via this Web site. Consequently, any communication via this site, whether by a State employee or the general public, may be subject to monitoring and disclosure to third parties. Appropriate discretion should be exercised at all times. This site is not appropriate for individuals to discuss specific protected health information or legal issues, because of the lack of confidentiality/privacy.

4.0 RELEVANT MATERIALS/DOCUMENTS

This policy is consistent with the following federal and state authorities:

- 45 Code of Federal Regulations (CFR) §§ 164.308-316
- Freedom of Information Act
- Gramm-Leach Bliley Act (GLBA)
- Health Insurance Portability and Accountability Privacy Rule

- NIST SP 800-14 and NIST SP 800-53
- State Health Privacy Laws
- WV Code § 5A-6-4a
- WV Executive Order No. 7-03
- WVOT Policies Issued by the Chief Technology Officer (CTO), www.technology.wv.gov/security/Pages/policies-issued-by-the-cto.aspx

5.0 ENFORCEMENT & AUTHORITY

Any employee found to have violated this policy may be subject to disciplinary action up to and including dismissal. Disciplinary action will be administered by the employing agency and may be based upon recommendations of the WVOT and the **West Virginia Division of Personnel**. Please review the **WVOT Policy and Procedure Policy #1000** to review additional provisions concerning enforcement and policy authority.

6.0 POLICY-SPECIFIC DEFINITIONS

6.1 Employee – Individuals retained and authorized on a temporary, part-time, full-time, or permanent basis by the State of West Virginia to perform a service. For the purposes of information technology and security policy, the term "employee" shall include, but not be limited to, the following: contractors, subcontractors, contractors' employees, volunteers, county health department staff, business associates, and any other persons who are determined and notified by the WVOT to be subject to this policy. This definition does not create any additional rights or duties.

6.2 Social Media – Social media includes web- and mobile-based technologies which are used to turn communication into interactive dialogue among organizations, communities, and individuals. Examples are Facebook, MySpace, Twitter, YouTube, etc.

6.3 Social Networking – In the online world social networking is the term used to describe the way that users build online networks of contacts and interact with these personal or business friends in a secure environment. Some of the most popular social networking sites include Facebook and Twitter.

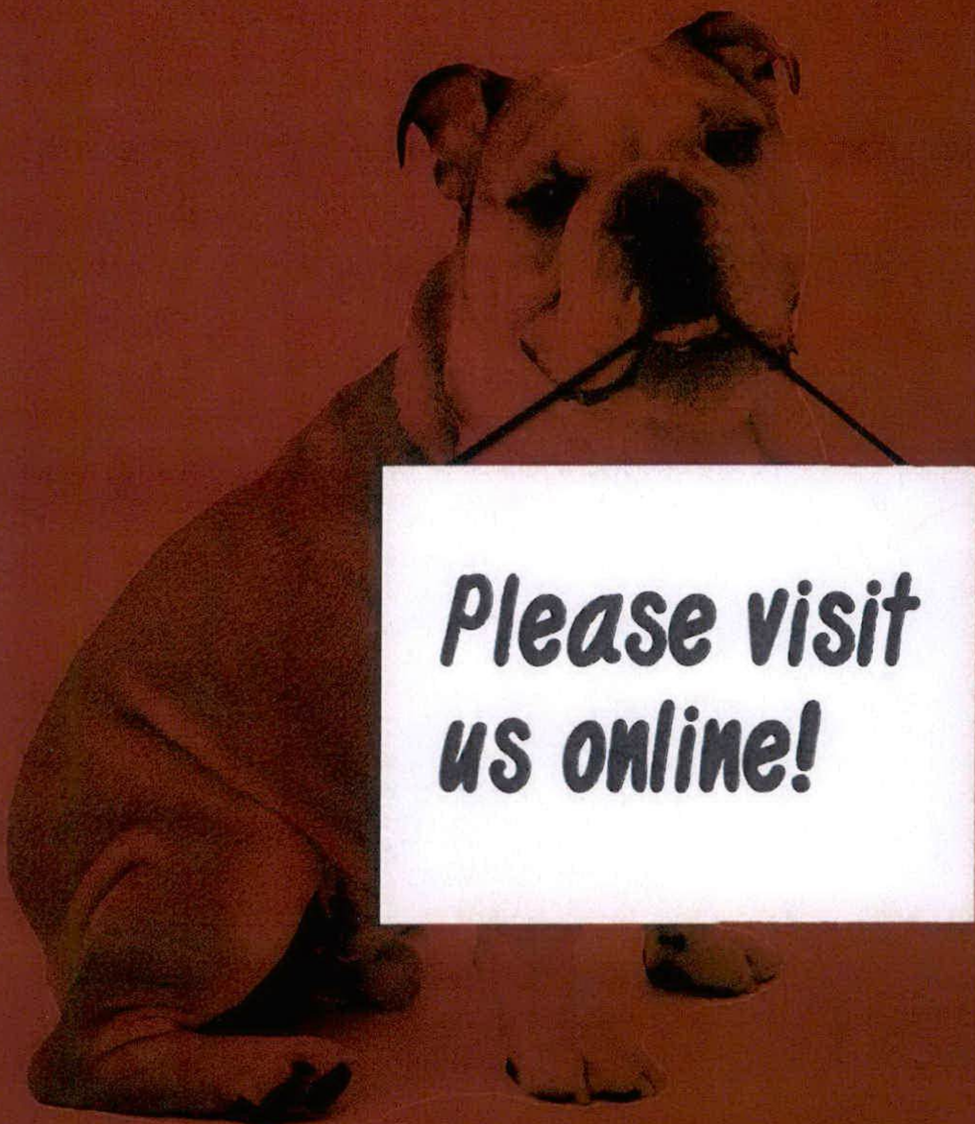
6.4 Terms of Service (TOS) – Rules by which one must agree to abide in order to use a service. It is generally assumed such terms are legally binding.

6.5 User – A person authorized to access an information resource.

6.6 Web – World Wide Web means the complete set of documents residing on all Internet servers that use the HTTP protocol, accessible to users via a simple point-and-click system. Sometimes the WEB and "Internet" are used as if they mean the same thing, however, the Internet is actually the network infrastructure that supports the WEB.

7.0 CHANGE LOG

- July 1, 2015 –
  - Added Section 7.0, Change Log History; Reorganized sections; Cleaned up Related Documents/Materials; Made Policy-Specific Definitions; Removed acknowledgment form (consolidated into training); Clarified Scope with additional language, "Additionally, this policy applies to employees who access social media sites using State resources or otherwise represent themselves as State personnel."
- 9/1/2016 – Policy Reviewed. No edits made.



bulldogcreative.com

www.youtube.com/user/BulldogWorks

www.facebook.com/BulldogCreativeServices

bulldogcreativeservices

The Foundation for the Future

Champion Industries, Inc. » 2004 Annual Report

Table of Contents

FINANCIAL HIGHLIGHTS

(In thousands except share and per share data)

	For the Years Ended October 31,				
Operating Results Data	**2004**	**2003**	**2002**	**2001[1]**	**2000**
Total revenues	**$ 124,402**	$ 122,183	$ 122,884	$ 125,144	$ 126,329
Gross profit	**34,503**	34,378	34,633	34,667	37,026
Income (loss) from operations	**1,338**	3,156	4,073	(2,246)	4,405
Net income (loss)	**750**	1,768	2,208	(2,182)	2,109
Earnings (loss) per share					
Basic	**$ 0.08**	$ 0.18	$ 0.23	$ (0.22)	$ 0.22
Diluted	**0.08**	0.18	0.23	(0.22)	0.22
Weighted average common shares outstanding					
Basic	**9,729,000**	9,714,000	9,714,000	9,714,000	9,714,000
Diluted	**9,825,000**	9,761,000	9,726,000	9,714,000	9,714,000
Dividends per share	**$ 0.20**	$ 0.20	$ 0.20	$ 0.20	$ 0.20
Book value per share at year end	**4.27**	4.39	4.41	4.39	4.81

	At October 31,				
Financial Position Data	**2004**	**2003**	**2002**	**2001**	**2000**
Cash and cash equivalents	**$ 1,745**	$ 2,172	$ 4,507	$ 5,765	$ 3,174
Working capital	**26,913**	26,977	26,072	26,041	29,070
Total assets	**64,150**	58,469	59,508	63,950	71,559
Long-term debt [2] (net of current portion)	**8,257**	3,966	1,805	4,549	8,070
Shareholders' equity	**41,551**	42,691	42,866	42,601	46,726

[1] The Company initiated a corporate-wide restructuring and profitability enhancement plan in the third quarter 2001. As a result of this plan, the Company recorded a pre-tax charge of $6.1 million or $4.3 million net of tax or $0.44 per share on a basic and diluted basis.

[2] Includes non-current borrowings under the Company's revolving credit facility.

Special Note Regarding Forward-Looking Statements

Certain statements contained in this report, including without limitation statements including the word "believes," "anticipates," "intends," expects," or words of similar import, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements of the Company, expressed or implied by such forward-looking statements. Such factors include, among others, general economic and business conditions, changes in business strategy or development plans, and other factors referenced in this report. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future event or developments.

"Most importantly, we look with great anticipation to the continuing growth of our Company through the positive impact we have on our customers through our printing, office products and office furniture divisions."

MARSHALL T. REYNOLDS, Chairman & CEO

In 2004, we completed the acquisition of Syscan Corporation in Charleston, West Virginia. This strengthened our position in our West Virginia market territory and gave us additional firepower in Lexington, Kentucky. We consummated this acquisition based on significant identified synergies which could be achieved due to a duplication of market territory. The acquisition enhanced our growing supply chain management initiatives and brought additional mailing and print on demand expertise to our Company. The Syscan customer base will benefit greatly from a much broader offering of full line printing services.

The initiatives discussed above all require a significant utilization of capital. However, as I reviewed our balance sheet at year end I noted many of the same similarities we have seen through the years at Champion. We continue to pay dividends, make acquisitions, and invest record dollars into capital expenditures at the same time our balance sheet has been managed in a fashion that we do not sacrifice working capital, liquidity and borrowing capacity. Therefore, we maintain the ability to grow and fund future opportunities as they are identified.

Throughout this annual report we demonstrate our commitments to our customers, our people, our communities and our future. We are dedicated to these and all the assets of our business. We focus on the energy that our people put forth in all areas of not only their professional responsibilities but also their communities. I am a strong believer in the theory that "givers gain" and people throughout our Company are demonstrating the initiative it takes to be a contributing part of their Company and their community and we all grow from that dedication.

We understand that to be successful, we must take an internal look at our environment and make the positive changes that are needed to continue to be competitive in our industries. We are making those changes through continued evaluation of our efficiencies, our equipment and our processes. We made great steps forward in many of those areas in 2004 and we will continue to do so going forward. Most importantly, we look with great anticipation to the continuing growth of our Company through the positive impact we have on our customers through our printing, office products and office furniture divisions. The events of 2004 represent critical long-term planning initiatives we believe will bring long-term value to all our stakeholders. We intend to roll up our sleeves in 2005 and continue to work for our customers, shareholders and stakeholders in Champion Industries, Inc.

We have spent the balance of 2004 preparing all the areas of our Company for the future, thus laying the Foundation for the Future by investing in the present.

Marshall T. Reynolds, Chairman and CEO

DIRECTORS

Marshall T. Reynolds
CEO and Chairman of the Board, Champion Industries, Inc.
Louis J. Akers (Not pictured)
Vice Chairman of the Board of Directors
Ferris, Baker Watts, Incorporated
Philip E. Cline
President, River City Associates, Inc.
General Manager, Radisson Hotel Huntington
Harley F. Mooney, Jr.
Brigadier General U. S. Army (Retired); Managing Partner, Mooney-Osborne & Associates
A. Michael Perry
Retired Chairman of the Board, Bank One West Virginia, N.A.
Neal W. Scaggs
President, Baisden Brothers, Inc.
Glenn W. Wilcox, Sr.
CEO and Chairman of the Board, Wilcox Travel Agency, Inc.

OFFICERS

Marshall T. Reynolds
CEO and Chairman of the Board, Champion Industries, Inc.
Toney K. Adkins
President and COO
J. Mac Aldridge
Senior Vice President
Todd R. Fry
Senior Vice President and CFO
R. Douglas McElwain
Senior Vice President
James A. Rhodes
Senior Vice President
William G. Williams, Jr.
Senior Vice President
Gary A. Blackshire
Vice President
Walter R. Sansom
Secretary

CHARLES "BOB" HOOTEN

In Memoriam - Charles "Bob" Hooten

Champion Industries, Inc. lost a true friend and trusted business associate in June of 2004 with the passing of Mr. Charles R. "Bob" Hooten, member of the Board of Directors.

A native of Huntington, West Virginia, Mr. Hooten served various senior management positions with Hooten Equipment Company and was ultimately named President and CEO of the company in 1976. Hooten had served on the board of Champion Industries, Portec Rail Products, Premier Financial Bancorp and C.J.Hughes Construction Company. He was also a past director of Broughton Foods and Southern Belle Dairy and a member of the Natural Resource Commission of the State of West Virginia.

Mr. Hooten gave much of his time, energy and expertise to the betterment of the State of West Virginia. "Bob was a very personable man. He would take time out of his day to call and see how you were doing almost weekly. He loved to talk business and then just chat, usually about his hunting and fishing escapades. He certainly will be missed. He was a wonderful man," said Philip Cline, fellow member of the Champion board.

Mr. Hooten also was involved in his community and served on the board of the Charleston Area Medical Center, Kanawha Valley Hospital, Charleston Civic Center and Charleston Renaissance Corp. "There are very few people in this world who contribute as much as Bob Hooten did. He had the energy and expertise of a fine leader. Combine that with his impeccable family values and you've defined a good man," said Marshall Reynolds, CEO & Chairman of the Board, Champion Industries, Inc.

The Foundation for the Future >> Customers

Customers are the fuel for the engine of our business. Every day we are able to make positive impressions, on our customers and through our customers, with the results we deliver. Whether our customers are in the printing side of our business or through the office products and furniture divisions, they expect outstanding results. We are able to deliver on those expectations by taking care of every detail along the way.

Every project we undertake is a custom solution for our customers. Every printed piece is unique and every office need is different. Because of this, our focus is on effective communications with our customers to identify their wants and needs and fully understand their expectations. Our goal is to gain the confidence of our customers through positive results in every aspect of every project. By creating strong, effective and productive relationships with our customers we solidify our current customer base and add growth through repeat business opportunities.

Customers of Champion range from individuals to enterprise-level corporations. Large or small, we recognize the importance of every customer to the continued success of our company. We treat every project as the only project and look forward to sharing in the positive outcomes of those projects with our customers.

Opening doors to the world.

Every day our lives are enriched by the people around us and the experiences that we have with them. A husband and wife team from our Consolidated Graphics division in Baton Rouge, LA have opened their home to students and professionals from all over the world. For the past 16 years, this duo has hosted numerous students who are away from their homeland through the International Hospitality Foundation at Louisiana State University.

In addition to the students, this couple brings the customs and cultures of American life to professionals from around the globe through the Friendship Force, a worldwide citizens exchange program founded by former President Jimmy Carter. Working directly with former First Lady Rosalynn Carter, they have hosted ambassadors from New Zealand, Australia, England and many others.

The Foundation for the Future >> Growth

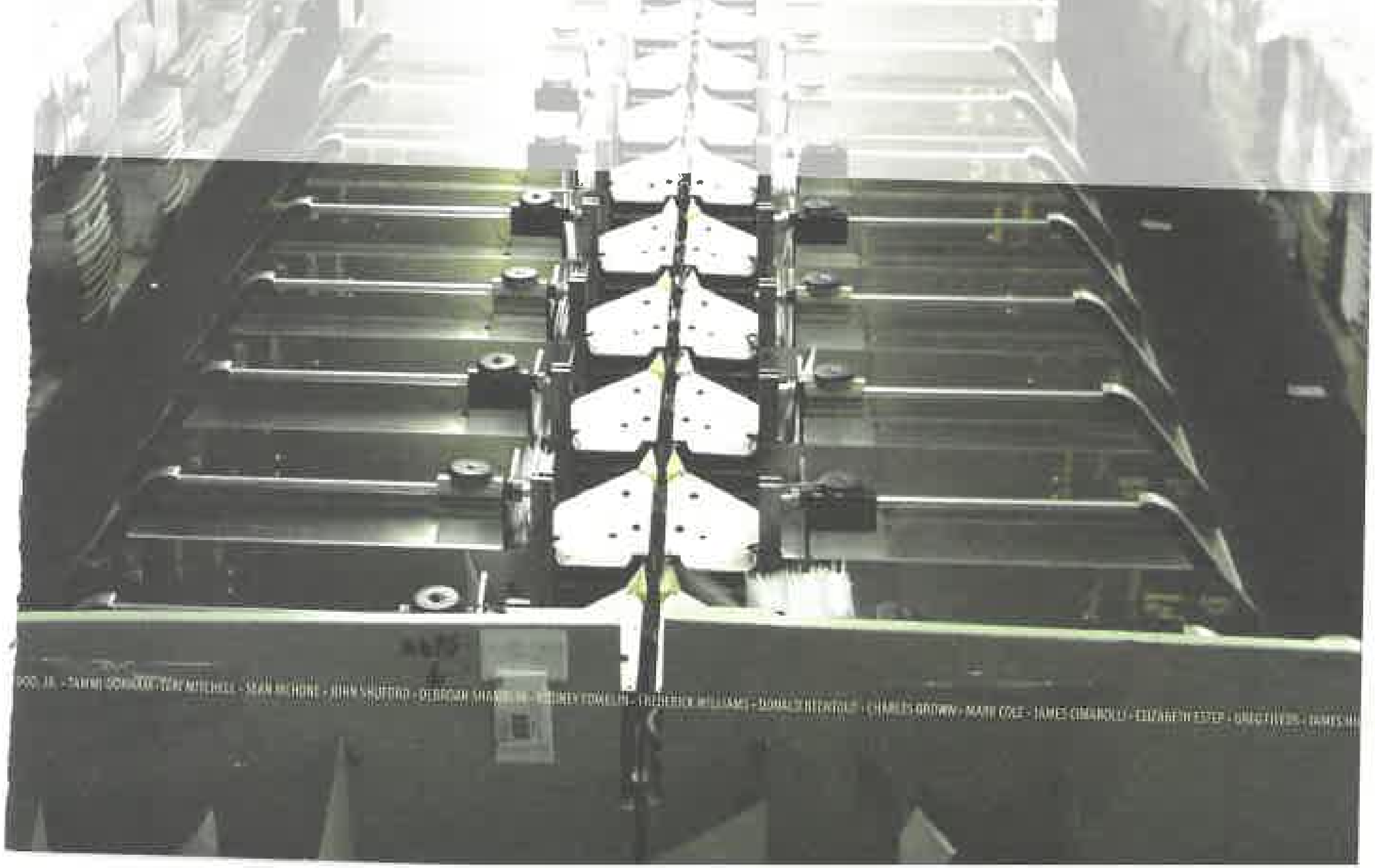
Throughout 2004, as in previous years, Champion recognized the value of growth through acquisition. By paying attention to the state of the industry, identifying companies that would complement the operation and intense research, Champion acquired two existing companies located within our core market areas.

In May of 2004, through The Merten Company in Cincinnati, OH, Champion acquired certain assets of The Westerman Print Company. Merten purchased the Westerman customer list, files and certain accounts receivables. Additionally, certain Westerman sales executives were hired by the Company.

Another strong acquisition that occurred in 2004 was that of the Syscan Corporation in Charleston, WV. The purchase of Syscan was a significant step in the process of establishing an even stronger foothold in the areas of printing and office furniture and supplies throughout the middle-Atlantic states.

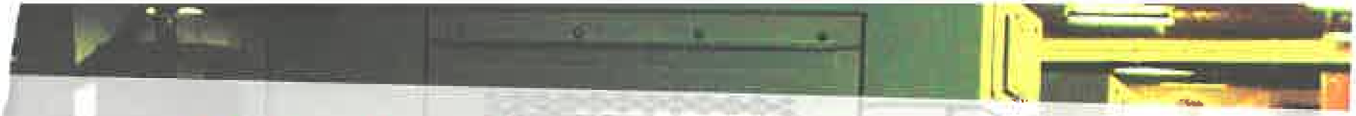
"We expect the Syscan acquisition to generate substantial earnings before interest, taxes, depreciation and amortization to Champion," Chairman and Chief Executive Officer Marshall Reynolds said.

The Syscan Corporation provides business products and services in West Virginia, Pennsylvania, northern Virginia and parts of Kentucky. The purchase is expected to add over $13 million in annual revenue to Champion's existing sales.



Syscan Corporation

Syscan was founded in 1959 as a West Virginia manufacturer under the name "West Virginia Business Forms, Inc." The name was changed in 1987 to reflect the addition of a broad array of products and services and an expanded geographic market. The Company is now a regional, market-driven systems provider of integrated business products, administrative services and innovative procurement solutions that include its enterprise resource electronic catalog. Its geographic markets include West Virginia, northern Virginia, Pennsylvania and central and eastern Kentucky.



The Foundation for the Future >>Investment & Efficiency

Every company strives to maximize its resources. At Champion we are no different. We continually evaluate our operations to create efficiencies through strategic capital investments, raw material purchasing and the ability to create strong economies of scale through plant consolidation.

In 2004 we were able to increase our effectiveness by ceasing operations at our Blue Ridge Printing Knoxville plant and consolidating that operation into the Blue Ridge Printing Asheville plant. Additionally, we recognized an opportunity in our Louisiana divisions and co-located Bourque Printing, Transdata and Diez Printing into one facility located in Baton Rouge. These consolidations have made an immediate impact towards the increased competitive efficiencies necessary for business success in today's markets. To this end we have changed our name in Louisiana to Consolidated Graphics to better communicate our strategic focus.

2004 was also a year for investment in better printing technologies in many of our divisions. The Consolidated Graphics Baton Rouge division acquired a Heidelberg© Digital Imaging (DI) Press which allows it to quickly output process-color customer projects in a much more cost-effective fashion for both the customer and the Company. In Parkersburg a 29-inch Heidelberg© Perfector 5-color press with in-line coating capabilities was added that allows the Company to eliminate up to 60% of the production time normally associated with some customer projects. This new press allows the Company to print numerous combinations of colors on both sides of a printed piece simultaneously. This will result in significant cost-savings for both the Company and the customer.

During first quarter 2005, new pre-press facilities were installed in our Consolidated Graphics - New Orleans and Blue Ridge divisions that have resulted in an increased ability to stay on the cutting edge of software technologies and improve the workflow process. In addition, many of our divisions throughout the country added digital proofing printers that eliminate a costly and time-consuming step in the printing process and allow our sales professionals to deliver digitally-imaged, calibrated proofs to our customers in significantly less time than was previously achievable.

Investing in our future.

It is often said that the best investment one can make is not of the financial sort, but rather of their time. It takes a special individual to lead, motivate and instruct a group of youngsters in any activity, sport or otherwise and Champion is proud to have many of those leaders as members of our team.

One of our salesmen in Eastern Kentucky volunteers his time to assist in coaching the local high school football team. A press operator from the Blue Ridge Printing operation in Asheville, NC has channeled his energy and given his time to the youth of his community by coaching basketball, football and baseball. His commitment has led to incredibly successful teams in every sport.

An estimator from our Merten Division in Cincinnati, OH has spent the last six years as a volunteer baseball coach for young men preparing for college in his area. While teaching the finer points of the game is important, this coach instills in his young men the same values that Champion values on a daily basis. "Each and every player that is a part of our team is instilled with values and life skills such as teamwork, accountability, responsibility, punctuality, hard work, dedication, commitment, persistence and perseverance."

The Foundation for the Future >> Management

One of the strongest components of the Company has always been to recognize strong leadership and leverage that leadership to provide strong results. In 2005, we are realigning our management structure to better serve the needs of our customers.

Taking into consideration key geographic regions and functionality within each division, the Company has promoted members of it's leadership team into positions that allow improved efficiencies across the entire organization.

"We are aggressively reviewing our operating philosophy and making changes where we see enhancements from a strategic viewpoint. This management change will streamline our entire organization and increase the cross functionality and compatibility between divisions. These individuals are committed to the future of the Company and have the requisite skills, experience, leadership and dedication to accomplish the mission," said Marshall T. Reynolds, Chairman and CEO of the Company.

J. Mac Aldridge, Senior Vice President, will have market responsibility for the Company's entire line of office products and office furniture. Mr. Aldridge has been with the Company since 1983 and has served in various roles in both the office products and office furniture as well as the printing sides of Champion.

Todd R. Fry will serve as Senior Vice President as well as continuing in his role as Chief Financial Officer of the Company. Mr. Fry has been with the Company since 1999 and has served as Vice President and Chief Financial Officer during his tenure with the Company.

R. Douglas McElwain, Senior Vice President, will have market responsibility for the Company's operations in North Carolina, Mississippi, Louisiana and Cincinnati, Ohio. Mr. McElwain has been with the Company since 1986 and has served as both a sales representative and division manager.

James A. Rhodes, Senior Vice President, will have market responsibility for the Company's Pennsylvania operations as well as Parkersburg, West Virginia and Kingsport, Tennessee. Mr. Rhodes has been with the Company since the acquisition of Interform Solutions in December 1996.

William G. Williams Jr., Senior Vice President, will have market responsibility for the Company's operations in Kentucky as well as the operations in Charleston and Morgantown, West Virginia. Mr. Williams has been with the Company since the acquisition of the Syscan Corporation in 2004.

"Our new senior management team will give us the flexibility to capitalize on market opportunities and implement strategic initiatives in a more dynamic manner. This team has a strong desire to achieve outstanding results. We look forward to working with all the employees of Champion in building a world class organization to better serve our customers and communities."

Todd R. Fry

– TODD R. FRY,

J. Mac Aldridge, Senior Vice President

As we move forward into 2005 and beyond, I am optimistic about the future of the Company. With the recent acquisition of the Syscan Corporation we more than solidified our position as the largest independent office products and office furniture dealer in the State of West Virginia. Currently our impact extends well beyond West Virginia and we continue to look for acquisition opportunities in geographic areas that would coincide with Champion's overall growth concepts. We review areas that utilize full-line sales personnel or are employing the proven Smith & Butterfield concept of maximizing a solid office products company with strong management and introducing printing sales that can be manufactured in the various Champion plants as a component of their revenue streams.

A contract stationer must be aligned with a strong buying group in order to reap the purchasing power to compete with the global players in the office products and office furniture industries. As charter members of the Direct Purchases Catalog Group, we join forces with some of the largest independent dealers in the United States and leverage the power of over $100 million dollars in purchasing on an annual basis. The membership in this exclusive buying group increases our circle of influence and allows us to compete in any market.

Looking forward, the market for our products is in a constant state of change. Businesses and consumers demand more and we have recognized the necessity of import products as a strong competitive component in the large contract business. Champion has begun to use these products with success. These product offerings are consistent in both the office products and office furniture sides of our business.

Nationally, over the past three to five years, the office furniture industry has suffered a significant sales decrease. The major furniture manufacturers experienced significant reductions in workforces due to lack of demand. The year 2004 proved to be a turning point in the industry and we look forward to improved results going forward.

Service-based business is increasingly important as we move into 2005. By continuing to provide impeccable service to our customers, we differentiate ourselves from others which allows us to retain and increase our customer base. We continue to trend towards more presentations that are capability and service-based rather than viewing office furniture as a pure commodity. We are broadening our product and service offerings by taking advantage of the diversification that our vendors such as Haworth and Architectural Elements offer in the area of walls, floors and air handling. Environmental issues are becoming a critical component of the office furniture industry and our Leeds certification can and will allow us to keep five steps ahead of the pack.

Champion is a progressive company and I am certain that the office products and office furniture divisions of the Company will continue to make a positive impact.

J. Mac Aldridge, Senior Vice President

Champion is a progressive company and I am certain that the office products and office furniture divisions of the Company will continue to make a positive impact.

— J. MAC ALDRIDGE,

James A. Rhodes, Senior Vice President

It is an exciting time for all of us at Champion Industries. I am honored to have been selected as a senior member of our new management team, and to have this opportunity to share my thoughts on our future with you.

As a result of our recently announced restructuring, I will now be working with the Donihe Graphics, Interform Solutions, Consolidated Graphic Communications, and Chapman Printing-Parkersburg divisions. These divisions are diverse organizations that provide Champion's customers with a broad spectrum of printed products and services. This group of companies produce everything from basic one-color cut-sheets, to the full range of business forms, labels, stationery products, envelopes, promotional items, presentation folders, and the highest quality web and sheet fed commercial printing. State-of-the-art variable imaging, digital color and direct mail printing, and a host of additional supporting print services are also integral components of our "total print solution". Our e-LINK® e-commerce program ties all of these products and services together in a customer friendly web ordering system. e-LINK® enables customers to do business with us 24/7, from anywhere in the world. It was developed to help our customers reduce print acquisition costs, improve operational efficiency, and provide "best in class" print management services throughout their organizations.

The landscape of the printing industry looks much different today than it did twenty-five years ago when I sold my first print order. Technology has become an ever increasing driver of change in our industry, and our ability to integrate emerging technologies with our traditional production processes is vital for our long-term success. Accordingly, we have made significant investments in the technology arena during the past year, in both our pre-press departments and press rooms. It is my sincere belief that these investments form a strong foundation on which to build our future.

While our technology and production capabilities are vital ingredients for success, the ***real difference*** maker at Champion Industries is our people. We can invest in the latest technology, install the most efficient production equipment in the industry, but if we don't have the people that can make these resources valuable for our customers, we have nothing. Fortunately, we are blessed to have some of the finest men and women in the entire printing industry working for the Champion Industries family of companies. I am confident that - **together** - we will build a bright and profitable future for all of our shareholders.

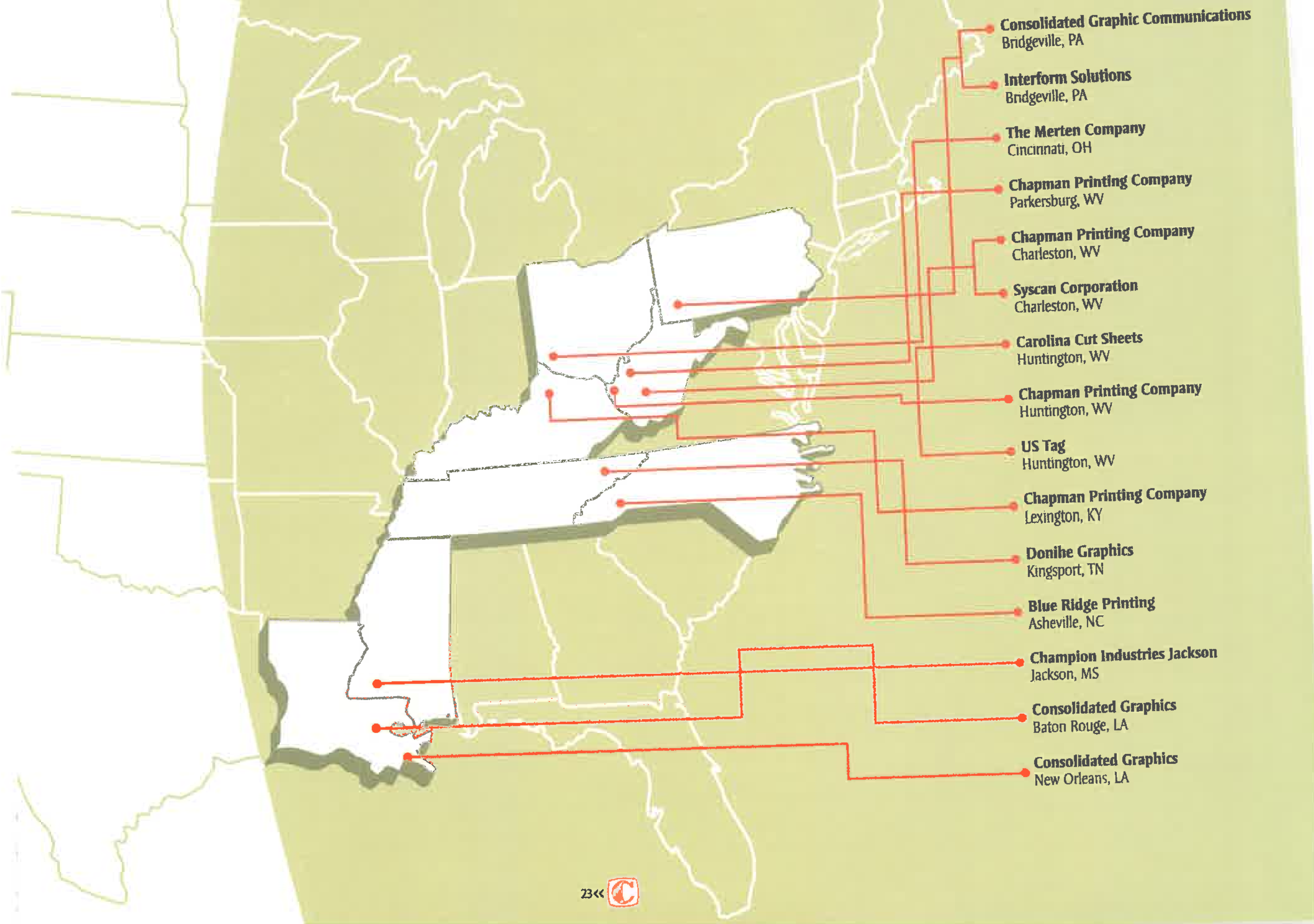
Jim Rhodes

James A. Rhodes, Senior Vice President

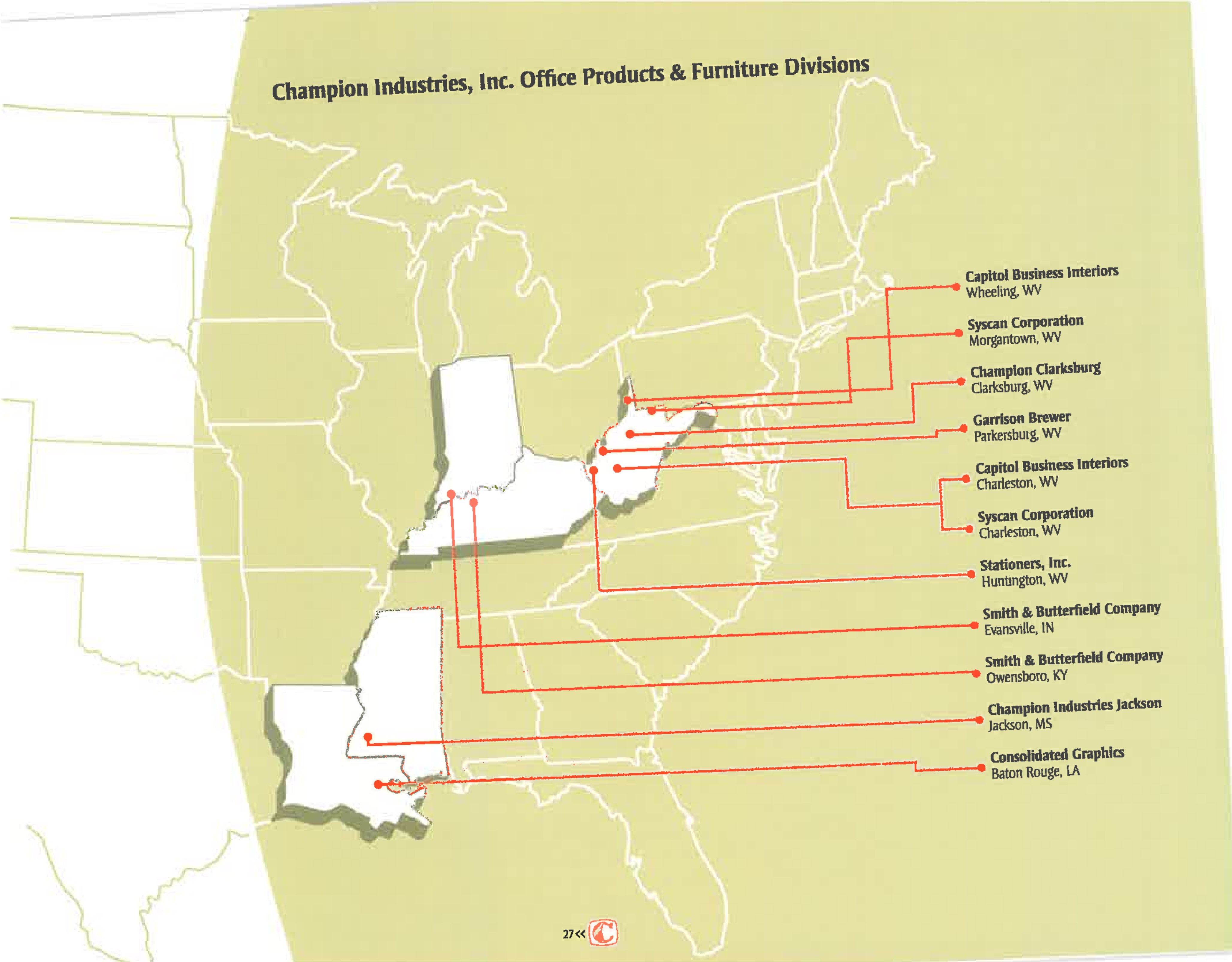
"We are blessed to have some of the finest men and women in the entire printing industry working for the Champion Industries family of companies."

JAMES A. RHODES, Senior Vice President

Champion Industries, Inc. Printing Divisions



Champion Industries, Inc. Office Products & Furniture Divisions



SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data for each of the five years in the period ended October 31, 2004 have been derived from the Audited Consolidated Financial Statements of the Company. The information set forth below should be read in conjunction with the Audited Consolidated Financial Statements, related notes, and the information contained in Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere herein.

	Year Ended October 31,				
	2004	**2003**	**2002**	**2001[1]**	**2000**
Operating Statement Data:	(In thousands, except share and per share data)				
Revenues:					
Printing	**$ 95,325**	$ 96,537	$ 95,194	$ 98,146	$ 96,657
Office products and office furniture	**29,077**	25,646	27,690	26,998	29,672
Total revenues	**124,402**	122,183	122,884	125,144	126,329
Cost of sales:					
Printing	**70,209**	70,352	68,771	71,816	69,376
Office products and office furniture	**19,690**	17,453	19,480	18,661	19,927
Total cost of sales	**89,899**	87,805	88,251	90,477	89,303
Gross profit	**34,503**	34,378	34,633	34,667	37,026
Selling, general and administrative expenses	**33,165**	31,222	30,560	31,800	32,621
Restructuring costs	—	—	—	2,052	—
Asset impairment costs	—	—	—	3,061	—
Income (loss) from operations	**1,338**	3,156	4,073	(2,246)	4,405
Interest income	**7**	4	14	64	71
Interest expense	**(301)**	(167)	(386)	(891)	(1,018)
Other income	**288**	10	73	528	114

SELECTED CONSOLIDATED FINANCIAL DATA (CONTINUED)

	Year Ended October 31,				
	2004	**2003**	**2002**	**2001[1]**	**2000**
Income (loss) before income taxes	**1,332**	3,003	3,774	(2,545)	3,572
Income tax (expense) benefit	**(582)**	(1,235)	(1,566)	363	(1,463)
Net income (loss)	**$ 750**	$ 1,768	$ 2,208	$ (2,182)	$ 2,109
Earnings (loss) per share:					
Basic	**$ 0.08**	$ 0.18	$ 0.23	$ (0.22)	$ 0.22
Diluted	**0.08**	0.18	0.23	(0.22)	0.22
Dividends per share	**$ 0.20**	$ 0.20	$ 0.20	$ 0.20	$ 0.20
Weighted average common shares outstanding:					
Basic	9,729,000	9,714,000	9,714,000	9,714,000	9,714,000
Diluted	9,825,000	9,761,000	9,726,000	9,714,000	9,714,000

	October 31,				
	2004	**2003**	**2002**	**2001**	**2000**
Balance Sheet Data:	(In thousands)				
Cash and cash equivalents	**$ 1,745**	$ 2,172	$ 4,507	$ 5,765	$ 3,174
Working capital	**26,913**	26,977	26,072	26,041	29,070
Total assets	**64,150**	58,469	59,508	63,950	71,559
Long-term debt (net of current portion)[2]	**8,257**	3,966	1,805	4,549	8,070
Shareholders' equity	**41,551**	42,691	42,866	42,601	46,726

[1] The Company initiated a corporate-wide restructing and profitability enhancement plan in the third quarter 2001. As a result of this plan, the Company recorded a pre-tax charge of $6.1 million or $4.3 million net of tax or $0.44 per share on a basic and diluted basis.

[2] Includes non-current borrowings under the Company's revolving credit facility.

TERRI SCHENKEL • GREGORY ADKINS • TINA BACKSCHEIDER • THOMAS CROSSAN • CORY ELIAS • DAVID FOSTER • JIMMY HYSELL • PAMELA JACKSON • TOMMY NEFF • MICHAEL PITTS • CARL PAGLES • DIANE VALENTINO • NELSON BOYES • JOSHUA FULKS • DAVID SMITH •

intangibles resulted in an implied fair value greater than the book value recorded for the corresponding goodwill and other intangibles, and therefore no impairment was recognized in any period subsequent to the adoption of this statement.

The Company believes that the accounting estimate related to the goodwill and other intangibles impairment is a "critical accounting estimate" because the underlying assumptions used for the discounted cash flow can change from period to period and could potentially cause a material impact to the income statement. Management's assumptions about discount rates, inflation rates and other internal and external economic conditions, such as earnings growth rate, require significant judgment based on fluctuating rates and expected revenues. Additionally, Statement No. 142 requires that the goodwill and other intangibles be analyzed for impairment on an annual basis using the assumptions that apply at the time the analysis is updated. Management has discussed the development of these estimates with the audit committee of the board of directors. Additionally, the board of directors has reviewed this disclosure and its relation to MD&A.

Allowance for Doubtful Accounts The Company encounters risks associated with sales and the collection of the associated accounts receivable. As such, the Company records a monthly provision for accounts receivable that are considered to be uncollectible. In order to calculate the appropriate monthly provision, the Company primarily utilizes a historical rate of accounts receivables written off as a percentage of total revenue. This historical rate is applied to the current revenues on a monthly basis. The historical rate is updated periodically based on events that may change the rate such as a significant increase or decrease in collection performance and timing of payments as well as the calculated total exposure in relation to the allowance. Periodically, the Company compares the identified credit risks with the allowance that has been established using historical experience and adjusts the allowance accordingly.

The Company believes that the accounting estimate related to the allowance for doubtful accounts is a "critical accounting estimate" because the underlying assumptions used for the allowance can change from period to period and could potentially cause a material impact to the income statement and working capital. Management has discussed the development and selection of this estimate with the audit committee of the board of directors, and the board has, in turn, reviewed the disclosure and its relation to MD&A.

During 2004, 2003 and 2002 $488,000, $336,000 and $363,000 of bad debt expense was incurred and the allowance for doubtful accounts was $1,422,000, $1,191,000 and $1,397,000 as of October 31, 2004, 2003 and 2002. The actual write-offs for the periods were $464,000, $543,000 and $398,000 during 2004, 2003 and 2002. General economic conditions and specific geographic and customer concerns are major factors that may affect the adequacy of the allowance and may result in a change in the annual bad debt expense.

The following discussion and analysis presents the significant changes in the financial position and results of operations of the Company and should be read in conjunction with the Audited Consolidated Financial Statements and notes thereto included elsewhere herein.

COST OF SALES

Total cost of sales for the year ended October 31, 2004 totaled $89.9 million compared to $87.8 million in the previous year. This change represented an increase of $2.1 million or 2.4% in cost of sales. Printing cost of sales decreased $140,000 or 0.2% to $70.2 million in 2004 compared to $70.4 million in 2003. Printing cost of sales were lower due to an overall decrease in printing sales. This, coupled with competitive pressures and overhead related costs associated primarily with equipment relocations resulting from facility consolidations, led to gross margin compression in 2004. Office products and office furniture cost of sales increased $2.2 million to $19.7 million in 2004 from $17.5 million in 2003. This resulted in enhanced gross margins due to lower cost of goods sold resulting from continued purchasing reductions from imports, enhanced market pricing power due in part to contractual pricing adjustments and stable margins on remaining furniture sales.

OPERATING EXPENSES AND INCOME

Selling, general and administrative (S,G&A) expenses increased $1.9 million to $33.2 million in 2004 from $31.2 million in 2003. S,G&A as a percentage of net sales represented 26.7% of net sales in 2004 compared with 25.6% of net sales in 2003. This increase is related, in part, to higher payroll and other selling costs to support sales growth initiatives, increased bad debt expenses and professional service related expenses and operating costs of acquired entities.

OTHER INCOME (EXPENSE)

Other expense decreased approximately $150,000 from ($153,000) in 2003 to ($6,000) in 2004, due to higher other income primarily related to the gains on the sale of two buildings during 2004 and a casualty gain resulting from a roof collapse at one division. These gains were offset by increased interest expense of $130,000 primarily as a result of an increase in interest rates and higher outstanding borrowings.

INCOME TAXES

Income taxes as a percentage of income before taxes were 43.7% in 2004 compared with 41.1% in 2003. The increase in income taxes as a percentage of income before taxes is primarily related to the nondeductibility of certain selling related expenses.

The effective income tax rate in 2004 and 2003 approximates the combined federal and state, net of federal benefit, statutory income tax rate.

NET INCOME

For reasons set forth above, net income for 2004 decreased $1.0 million to $750,000, or $0.08 per share on a basic and diluted basis, from a net income of $1.8 million for 2003, or $0.18 per share on a basic and diluted basis.

YEAR ENDED OCTOBER 31, 2003 COMPARED TO YEAR ENDED OCTOBER 31, 2002

REVENUES

Consolidated net revenues were $122.2 million for the year ended October 31, 2003 compared to $122.9 million in the prior fiscal year. This change represents a decrease in revenues of approximately $700,000 or 0.6%. Printing revenues increased by $1.3 million or 1.4% from $95.2 million in 2002 to $96.5 million in 2003. The increase in printing sales was primarily due to the addition of a new large customer and additional sales derived primarily from the operations of certain assets purchased from Integrated Marketing Solutions in July 2003. Office products and office furniture revenue decreased $2.0 million or 7.4% from $27.7 million in 2002 to $25.6 million in 2003. The decrease in revenues for the office products and office furniture segment was primarily attributable to an industry-wide slowdown in office furniture sales.

COST OF SALES

Total cost of sales for the year ended October 31, 2003 totaled $87.8 million compared to $88.3 million in the previous year. This change represented a decrease of $446,000 or 0.5% in cost of sales. Printing cost of sales increased $1.6 million or 2.3% to $70.4 million in 2003 compared to $68.8 million in 2002. Printing cost of sales were higher due to an overall increase in printing sales. This, coupled with competitive pressures, led to gross margin compression in 2003. Office products and office furniture cost of sales decreased $2.0 million to $17.5 million in 2003 from $19.5 million in 2002. This resulted in enhanced gross margins due to lower cost of goods sold resulting from purchasing reductions from imports and stronger margins on remaining furniture sales.

OPERATING EXPENSES AND INCOME

Selling, general and administrative (S,G&A) expenses increased $700,000 to $31.2 million in 2003 from $30.6 million in 2002. S,G&A as a percentage of net sales represented 25.6% of net sales in 2003 compared with 24.9% of net sales in 2002. This increase is related, in part, to increases in insurance related expenses including health, general commercial and workers compensation.

BRIAN BELL • EARL BROWNING • LEVI CONAWAY • RANDY FERGUSON • IRK MCCONNELL • JAMES FINLEY

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash flows provided by and (used in) financing activities for the years ended October 31, 2004, 2003 and 2002 were $2.2 million, ($3.2) million and ($6.0) million. During 2004, net borrowings exceeded cash payments thus generating cash flow from financing activities. Net cash flows used in financing activities decreased in 2003 compared to 2002 due to an increase in borrowings. Dividends paid in 2004, 2003 and 2002 were $1.9 million per year.

INFLATION AND ECONOMIC CONDITIONS

Management believes that the effect of inflation on the Company's operations has not been material and will continue to be immaterial for the foreseeable future. The Company does not have long-term contracts; therefore, to the extent permitted by competition, it has the ability to pass through to its customers most cost increases resulting from inflation, if any. In addition, the Company is not particularly energy dependent; therefore, an increase in energy costs should not have a significant impact on the Company.

SEASONALITY

Historically, the Company has experienced a greater portion of its profitability in the second and fourth quarters than in the first and third quarters. The second quarter generally reflects increased orders for printing of corporate annual reports and proxy statements. A post-Labor Day increase in demand for printing services and office products coincides with the Company's fourth quarter.

NEWLY ISSUED ACCOUNTING STANDARDS

In December 2004, the FASB issued SFAS No. 123R (revised 2004), "*Share-Based Payment.*" This statement revises SFAS No. 123, "*Accounting for Stock-Based Compensation,*" and requires companies to expense the value of employee stock options and similar awards. The effective date of this standard is interim and annual periods beginning after June 15, 2005.

Historically, the Company has elected to follow the intrinsic value method in accounting for its employee stock options. Accordingly, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Upon the adoption of SFAS No. 123R the Company will be required to expense stock options in its Statement of Operations when they are granted. For the years ended October 31, 2004, 2003 and 2002, total stock-based employee compensation expense, net of related tax effects determined under this new standard would have been $109,962, $62,250 and $38,704. With the adoption of its 2003 Stock Option Plan, the Company has approximately 475,000 ungranted stock options. The Company will incur expense immediately upon the granting of these stock options in future years upon the effective date of this standard.

MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Champion common stock has traded on the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") National Market System since the Offering under the symbol "CHMP."

The following table sets forth the high and low closing prices for Champion common stock for the period indicated. The range of high and low closing prices are based on data from NASDAQ and does not include retail mark-up, mark-down or commission.

	Fiscal Year 2004		Fiscal Year 2003	
	High	Low	High	Low
First quarter	$ 4.94	$ 4.11	$ 3.35	$ 2.45
Second quarter	5.40	4.46	3.31	2.77
Third quarter	4.70	3.94	3.88	2.70
Fourth quarter	4.12	3.50	5.05	3.68

At the close of business on January 7, 2005, there were 476 shareholders of record of Champion common stock. The shareholders of record are determined by the Company's transfer agent.

The following table sets forth the quarterly dividends per share declared on Champion common stock.

	Fiscal Years		
	2005	2004	2003
First quarter	$ 0.05	$ 0.05	$ 0.05
Second quarter	—	0.05	0.05
Third quarter	—	0.05	0.05
Fourth quarter	—	0.05	0.05

DONALD WRIGHT • MARY JORDAN • JESSE NEWMAN • JASON BRADSHAW • LAWRENCE CARROLL • VERSHELIA PHILLIPS • SUSAN TAYLOR • JAMES NIBERT • PAUL FINLEY • JOHN PERRY • LIANA UVODICH • DENNIS PREVADE •

CONSOLIDATED BALANCE SHEETS
Champion Industries, Inc. and Subsidiaries

	October 31, 2004	2003
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,745,457**	$ 2,171,713
Accounts receivable, net of allowance of $1,422,000 and $1,191,000	**21,318,016**	20,142,812
Inventories	**11,269,514**	11,349,929
Other current assets	**973,832**	739,560
Deferred income tax assets	**1,144,943**	1,059,520
Total current assets	**36,451,762**	35,463,534
Property and equipment, at cost:		
Land	**2,006,375**	2,063,373
Buildings and improvements	**8,253,573**	7,445,219
Machinery and equipment	**43,228,587**	37,682,530
Equipment under capital leases	**983,407**	983,407
Furniture and fixtures	**3,361,100**	2,965,389
Vehicles	**3,523,467**	3,262,861
	61,356,509	54,402,779
Less accumulated depreciation	**(41,020,327)**	(34,964,006)
	20,336,182	19,438,773
Cash surrender value of officers' life insurance	**1,039,514**	1,020,795
Goodwill	**2,060,786**	1,929,972
Other intangibles, net of accumulated amortization	**3,812,051**	184,418
Other assets	**449,589**	431,343
	7,361,940	3,566,528
Total assets	**$64,149,884**	$58,468,835

CONSOLIDATED BALANCE SHEETS (CONTINUED)

	October 31, 2004	2003
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	**$ 3,618,051**	$ 3,283,222
Accrued payroll and commissions	**1,778,736**	1,500,165
Taxes accrued and withheld	**1,289,524**	1,259,853
Accrued income taxes	**135,556**	707,119
Accrued expenses	**1,028,246**	789,676
Current portion of long-term debt:		
Notes payable	**1,555,911**	744,662
Capital lease obligations	**132,518**	202,309
Total current liabilities	**9,538,542**	8,487,006
Long-term debt, net of current portion:		
Line of credit	**2,300,000**	1,705,668
Notes payable	**5,940,323**	2,103,569
Capital lease obligations	**16,484**	156,718
Deferred income tax liabilities	**4,375,357**	2,900,807
Other liabilities	**428,366**	424,233
Total liabilities	**22,599,072**	15,778,001
Commitments and contingencies		
Shareholders' equity:		
Common stock, $1 par value, 20,000,000 shares authorized; 9,733,913 and 9,713,913 shares issued and outstanding	**9,733,913**	9,713,913
Additional paid-in capital	**22,278,110**	22,242,047
Retained earnings	**9,538,789**	10,734,874
Total shareholders' equity	**41,550,812**	42,690,834
Total liabilities and shareholders' equity	**$64,149,884**	$58,468,835

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Champion Industries, Inc. and Subsidiaries

	Year Ended October 31, 2004	2003	2002
Cash flows from operating activities:			
Net income	**$ 749,698**	$ 1,767,803	$ 2,207,704
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	**4,389,758**	4,288,407	4,182,253
(Gain) loss on sale of assets	**(91,420)**	16,014	47,426
Deferred income taxes	**(35,866)**	(356,773)	(245,091)
Deferred compensation	**10,723**	14,297	17,872
Bad debt expense	**487,550**	336,291	363,328
Changes in assets and liabilities:			
Accounts receivable	**(268,690)**	(1,932,114)	255,456
Inventories	**473,586**	315,535	336,614
Other current assets	**(4,052)**	1,006,003	(991,445)
Accounts payable	**(616,230)**	25,129	(1,085,196)
Accrued payroll and commissions	**148,799**	(503,881)	(103,331)
Taxes accrued and withheld	**(88,742)**	(157,047)	127,340
Accrued income taxes	**(501,213)**	(166,017)	1,152,407
Accrued expenses	**166,236**	(73,277)	(399,341)
Other liabilities	**(6,590)**	(19,906)	(21,074)
Net cash provided by operating activities	**4,813,547**	4,560,464	5,844,922

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Champion Industries, Inc. and Subsidiaries

	Year Ended October 31, 2004	2003	2002
Cash flows from investing activities:			
Purchase of property and equipment	**(4,973,834)**	(3,162,658)	(1,885,111)
Proceeds from sale of fixed assets	**850,287**	185,534	1,198,720
Business acquired, net of cash received	**(3,034,886)**	(426,429)	(376,842)
Goodwill and other intangible additions	**(227,161)**	(204,031)	—
Change in other assets	**(76,437)**	(33,825)	(21,067)
Cash surrender value	**(18,719)**	(72,840)	—
Net cash used in investing activities	**(7,480,750)**	(3,714,249)	(1,084,300)
Cash flows from financing activities:			
Borrowings on line of credit	**8,294,591**	3,192,271	1,000,000
Payments on line of credit	**(7,581,259)**	(1,500,000)	(1,000,000)
Proceeds from long-term debt	**5,520,000**	923,451	—
Principal payments on long-term debt	**(2,102,665)**	(3,854,584)	(4,075,419)
Proceeds from exercise of stock options	**56,063**	—	—
Dividends paid	**(1,945,783)**	(1,942,779)	(1,942,780)
Net cash provided by (used in) financing activities	**2,240,947**	(3,181,641)	(6,018,199)
Net decrease in cash and cash equivalents	**(426,256)**	(2,335,426)	(1,257,577)
Cash and cash equivalents at beginning of year	**2,171,713**	4,507,139	5,764,716
Cash and cash equivalents at end of year	**$ 1,745,457**	$ 2,171,713	$ 4,507,139

See Notes to Consolidated Financial Statements.

JENNIFER WILSON • STEVEN BUTLER • JOHN GOURRIER I • MATTHEW HALL • LINDA LASTRAPES • JONI PERDUE • JOE SUCHOLIBIAK • DANIEL VANCE • HEATHER CALLIHAN • TIMOTHY DONNELLY • CHARLES MEGYESI

Major renewals, betterments and replacements are capitalized while maintenance and repair costs are charged to operations as incurred. Upon the sale or disposition of assets, the cost and related accumulated depreciation are removed from the accounts with the resulting gains or losses reflected in income. Depreciation expense approximated $4,100,000, $4,090,000 and $4,139,000 for the years ended October 31, 2004, 2003 and 2002.

Long-lived property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. This evaluation includes the review of operating performance and estimated future undiscounted cash flows of the underlying assets or businesses.

GOODWILL AND OTHER INTANGIBLES

The excess cost over fair value of net assets of acquired businesses, goodwill, was in years prior to 2002 being amortized by the straight-line method over periods ranging from 15 to 25 years. The other intangible assets are being amortized over 5 to 20 years representing the future benefit of the intangible.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "*Business Combinations,*" and No. 142, "*Goodwill and Other Intangible Assets" (FAS 142).* The Company adopted these standards with its fiscal year beginning November 1, 2001. Under the new rules, goodwill (and intangible assets deemed to have indefinite lives) is no longer amortized but is subject to annual impairment tests in accordance with FAS 142 except in the year of adoption where companies were required to evaluate impairment at the beginning of the year and again at a recurring annual date. The first step in the impairment analysis is a screen for potential impairment and was required to be completed within six months of adopting FAS 142. The second step if required, measures the amount of impairment. The Company completed step one of the initial impairment analysis and the subsequent annual analysis during the second and fourth quarters of 2002. Additionally, this analysis was performed in the fourth quarter of 2004 and 2003. The application of the requirements of this standard did not result in an impairment charge. Other intangible assets will continue to be amortized over their useful lives. Application of the nonamortization provisions of the Statement resulted in an increase in net income of $50,000 in 2002 or approximately $0.01 per share.

ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising expense for the years ended October 31, 2004, 2003 and 2002 approximated $641,000, $433,000 and $549,000.

INCOME TAXES

Provisions for income taxes currently payable and deferred income taxes are based on the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized.

EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted average shares of common stock outstanding for the period and excludes any dilutive effects of stock options. Diluted earnings per share is computed by dividing net income by the weighted average shares of common stock outstanding for the period plus the shares that would be outstanding assuming the exercise of dilutive stock options using the treasury stock method. The effect of dilutive stock options increased weighted average shares outstanding by 96,000, 48,000 and 12,000 for the years ended October 31, 2004, 2003 and 2002.

SEGMENT INFORMATION

The Company designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments.

ACCOUNTING FOR WEB SITE DEVELOPMENT COSTS

Certain external costs and internal payroll and payroll-related costs have been capitalized during the application, development and implementation stages of the Company's web site. The costs regarding the ongoing operation and maintenance are expensed in the period incurred. The Company's internet sales are based on a cooperative effort with the Company's direct sales force as an optional ordering alternative.

2. INVENTORIES

Inventories consisted of the following:

	October 31, 2004	October 31, 2003
Printing:		
Raw materials	**$ 2,326,821**	$ 2,203,228
Work in process	**1,998,824**	2,022,420
Finished goods	**3,460,834**	3,680,184
Office products and office furniture	**3,483,035**	3,444,097
	$11,269,514	$11,349,929

3. LONG-TERM DEBT

Long-term debt consisted of the following:

	October 31, 2004	October 31, 2003
Secured term note payable to a bank, due in monthly principal and interest installments approximating $89,950 with interest at the Wall Street Journal prime rating maturing October 2008, collateralized by substantially all assets of the Syscan Corporation and the Chapman Printing Charleston division.	**$ 3,920,000**	$ —
Installment notes payable to banks, due in monthly installments plus interest at rates approximating the bank's prime rate maturing in various periods ranging from December 2004 - February 2010, collateralized by equipment, vehicles, inventory and accounts receivable.	**3,576,234**	2,848,231
Capital lease obligations, due in monthly installments totaling $19,116 through February 2005, with $8,322 due in monthly installments through December 2005 at fixed rates of interest ranging from 7.0% to 7.75%.	**149,002**	359,027
	7,645,236	3,207,258
Less current portion	**1,688,429**	946,971
Long-term debt, net of current portion	**$ 5,956,807**	$ 2,260,287

A summary of stock options outstanding and exercisable at October 31, 2004, follows:

Exercise Price	Number Outstanding	Remaining Life
4.25	38,000	0.14
2.49	108,000	2.05
2.77	110,000	3.12
4.29	123,000	4.13

The Company has a deferred compensation agreement with one employee of Blue Ridge Printing Co., Inc. providing for payments totaling approximately $500,000 over a ten year period after retirement. The Company had accrued approximately $365,000 and $354,000 at October 31, 2004 and 2003 relating to this agreement. The amount expensed for this agreement for the years ended October 31, 2004, 2003 and 2002 approximated $11,000, $14,000 and $18,000. To assist in funding the deferred compensation agreement, the Company has invested in life insurance policies, which had a cash surrender value of approximately $460,000 and $386,000 for years 2004 and 2003.

5. INCOME TAXES

Income tax expense consisted of the following:

	Year Ended October 31,		
	2004	**2003**	**2002**
Current expense:			
Federal	**$ 461,383**	$ 1,270,574	$ 1,460,913
State	**156,575**	321,285	350,069
Deferred benefit	**(35,866)**	(356,773)	(245,091)
	$ 582,092	$ 1,235,086	$ 1,565,891

Deferred tax assets and liabilities are as follows:

	October 31,	
	2004	**2003**
Assets:		
Allowance for doubtful accounts	**$ 568,729**	$ 476,358
Deferred compensation	**147,260**	142,973
Net operating loss carryforward of acquired companies	**611,750**	604,582
Accrued vacation	**355,574**	278,848
Other accrued liabilities	**186,858**	189,492
Other assets	**106,596**	89,240
Gross deferred tax assets	**1,976,767**	1,781,493
Liabilities:		
Property and equipment	**3,537,653**	3,337,530
Intangible assets	**1,384,278**	—
Gross deferred liability	**4,921,931**	3,337,530
Valuation allowance	**(285,250)**	(285,250)
Net deferred tax liabilities	**$ 3,230,414**	$ 1,841,287

A reconciliation of the statutory federal income tax rate to the Company's effective income tax rate is as follows:

	Year Ended October 31,		
	2004	**2003**	**2002**
Statutory federal income tax rate	**34.0%**	34.0%	34.0%
State taxes, net of federal benefit	**7.5**	7.0	6.1
Change in valuation allowance	**—**	(7.8)	—
Deferred tax adjustments	—	6.1	(0.6)
Selling expenses	**5.7**	2.5	2.1
Cash surrender value of life insurance accretion	**(1.3)**	—	—
Other	**(2.2)**	(0.7)	(0.1)
Effective tax rate	**43.7%**	41.1%	41.5%

7. COMMITMENTS AND CONTINGENCIES

On February 16, 2002, a jury verdict was rendered against the Company in a civil action brought against the Company in state court in Jackson, Mississippi. The plaintiff in this civil action asserted that the Company and its Dallas Printing Company, Inc. subsidiary had engaged in unfair competition and other wrongful acts in hiring certain of its employees. The jury awarded the plaintiff $1,745,000 in actual damages and $750,000 in punitive damages.

On March 1, 2002, the plaintiff filed a motion for attorney's fees and costs in the amount of $889,401. On July 16, 2002, the court entered an order granting plaintiff $645,119 in attorney fees and expenses, and ordered that interest on the amount of the jury award accrue from February 22, 2002.

The Company appealed both the jury award and the attorney fee and expense award.

The Company was advised on February 3, 2004 that the Court of Appeals of the State of Mississippi had reversed the aforementioned judgment and jury verdict rendered against the Company and had remanded the case for new trial. The plaintiff petitioned the appeals court for rehearing of its ruling on February 17, 2004. The Company's response was filed on February 24, 2004.

On June 22, 2004 the Company was advised that the Court of Appeals of the State of Mississippi had upheld its February 3, 2004 reversal of the judgment and jury verdict and its remand of the case for new trial and had denied plaintiff's petition for rehearing of that decision. Plaintiff filed a petition for writ of certiorari with the Mississippi Supreme Court to contest the ruling of the Court of Appeals on July 6, 2004. The Company filed a response to such petition on July 27, 2004.

The Company was advised on September 16, 2004 that the Supreme Court of Mississippi had upheld the Court of Appeals of the State of Mississippi's February 3, 2004 reversal of the judgment and jury verdict rendered February 16, 2002 against the Company and had upheld the reversal and remand of the case for new trial.

The effect of the appeals courts orders of February 3, 2004 and June 22, 2004 and the Mississippi Supreme Court's denial of plaintiff's petition for certiorari is to negate the trial court's award of damages and attorneys fees previously granted against the Company, and grant a new trial on plaintiff's claims.

The Company is subject to the environmental laws and regulations of the United States and the states in which it operates concerning emissions into the air, discharges into the waterways and the generation, handling and disposal of waste materials. The Company's past expenditures relating to environmental compliance have not had a material effect on the Company and are included in normal operating expenses. These laws and regulations are constantly evolving, and it is impossible to predict accurately the effect they may have upon the capital expenditures, earnings, and competitive position of the Company in the future. Based upon information currently available, management believes that expenditures relating to environmental compliance will not have a material impact on the financial position of the Company.

The Company is subject to various claims and legal actions, other than the claim discussed above, that arise in the ordinary course of business. In the opinion of management, after consulting with legal counsel, the Company believes that the ultimate resolution of these claims and legal actions will not have a material effect on the consolidated financial statements of the Company.

8. ACQUISITIONS

On September 7, 2004 the Company acquired all the issued and outstanding capital stock of Syscan Corporation ("Syscan"), a West Virginia corporation, for a cash price of $3,500,000 and a contingent purchase price, dependent upon satisfaction of certain conditions, not to exceed the amount of $1,500,000. The Company also purchased a building from an entity controlled by Syscan's sole shareholder for $117,000 concurrent with the Syscan acquisition. After considering the cash received, the acquisition of a building and acquisition costs the net assets acquired totaled approximately $2,688,000. Syscan Corporation is a provider of integrated business products, with a primary emphasis on office and data products, printing, mailing and fulfillment services, and office furniture. The acquisition was consummated based on significant identified synergies which could be achieved due to a duplication of market territory. The acquisition brought additional supply chain management and mailing expertise to the Company and allowed Syscan to offer a broader array of printing services to its existing customer base.

The Williams Land Corporation has the option to put the 3000 Washington Street building occupied by Syscan to the Company for a purchase price of $1.5 million and Champion has the option to purchase the building for $1.5 million at the conclusion of the five year lease term commencing September 1, 2009. This option may be exercised no later than 60 days prior to the end of the lease and closing of said purchase cannot exceed 45 days from the end of the lease.

Two months operations of Syscan Corporation are included in the Company's Statement of Operations commencing concurrent with the acquisition.

A reconciliation of total segment revenue, assets and operating income to consolidated income before income taxes for the years ended October 31, 2004, 2003 and 2002 is as follows:

	2004	2003	2002
Revenues:			
Total segment revenues	**$ 142,615,707**	$ 137,312,322	$ 136,296,665
Elimination of intersegment revenue	**(18,214,135)**	(15,129,690)	(13,412,756)
Consolidated revenue	**$ 124,401,572**	$ 122,182,632	$ 122,883,909
Operating income:			
Total segment operating income	**$ 1,338,119**	$ 3,156,216	$ 4,072,592
Interest income	**6,663**	3,899	14,376
Interest expense	**(300,742)**	(167,442)	(386,699)
Other income	**287,750**	10,216	73,326
Consolidated income before income taxes	**$ 1,331,790**	$ 3,002,889	$ 3,773,595
Identifiable assets:			
Total segment identifiable assets	**$ 64,149,884**	$ 58,468,835	$ 59,507,503
Elimination of intersegment assets	**—**	—	—
Total consolidated assets	**$ 64,149,884**	$ 58,468,835	$ 59,507,503

10. ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES

In August 2003, the Company relocated its U.S. Tag division from Baltimore, Maryland to Huntington, West Virginia. As a result of the Company's decision to relocate this division, the Company incurred lease termination costs of $63,000 which will be paid out on a monthly basis over the term of the lease (at a rate of approximately $3,333 per month for 19 months as of October 31, 2003), $45,000 in severance and termination benefits which were paid during the fourth quarter of 2003 and travel related costs of approximately $15,000 which were incurred during the fourth quarter of 2003. As a result of the U.S. Tag relocation, 19 positions were eliminated. The Company anticipates only nominal costs related to the plant relocation to occur in the future. These costs will occur over the remaining lease term and include utility and security costs.

During the second quarter of 2004, the Company incurred plant consolidation and facility relocation costs related to the closure of the Blue Ridge Printing Knoxville plant and consolidation into the Blue Ridge Printing Asheville plant, and the facility consolidations in Baton Rouge related to Bourque, Transdata and Diez. The facility consolidation and relocation costs approximated $150,000 and the personnel severance related costs approximated $37,000.

The costs associated with the aforementioned relocation of U.S. Tag and the Blue Ridge and Baton Rouge consolidations were reflected in the consolidated statements of operations statement in the category where the expenses historically have been classified and are part of the printing segment.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value. The fair value of long-term debt was estimated using discounted cash flows and its approximates their carrying value.

OTHER INTANGIBLES

	October 31, 2003	Amortization Expense	Other	October 31, 2004
Printing	$ 128,250	$ 60,607	$ 1,430,680	$ 1,498,323
Office products and furniture	56,168	43,803	2,301,363	2,313,728
Total	$ 184,418	$ 104,410	$ 3,732,043	$ 3,812,051

	October 31, 2002	Amortization Expense	Other	October 31, 2003
Printing	$ —	$ 6,750	$ 135,000	$ 128,250
Office products and furniture	—	5,106	61,274	56,168
Total	$ —	$ 11,856	$ 196,274	$ 184,418

13. CERTAIN SIGNIFICANT ESTIMATES

Our estimates that influence the financial statements are normally based on knowledge and experience about past and current events and assumptions about future events. The following estimates affecting the financial statements are particularly sensitive because of their significance and it is at least reasonably possible that a change in these estimates will occur in the near term.

GOODWILL AND IDENTIFIABLE ASSETS

We evaluate the recoverability of the goodwill of each of our reporting units as required under SFAS No. 142 by comparing the fair value of each reporting unit with its carrying value. The fair values of our reporting units are determined using a combination of a discounted cash flow analysis and market multiples based on historical and projected financial information. We apply our best judgment when assessing the reasonableness of the financial projections used to determine the fair value of each reporting unit.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company encounters risks associated with sales and the collection of the associated accounts receivable. As such, the Company records a monthly provision for accounts receivable that are considered to be uncollectible. In order to calculate the appropriate monthly provision, the Company primarily utilizes a historical rate of accounts receivables written off as a percentage of total revenue. This historical rate is applied to the current revenues on a monthly basis. The historical rate is updated periodically based on events that may change the rate such as a significant increase or decrease in collection performance and timing of payments as well as the calculated total exposure in relation to the allowance. Periodically, the Company compares the identified credit risks with the allowance that has been established using historical experience and adjusts the allowance accordingly. The underlying assumptions used for the allowance can change from period to period and could potentially cause a material impact to the income statement and working capital.

MICHAEL STONE • SIDNEY TROUARD, JR. • KATHY VINCENT • KIMBERLY WALTERS • RYAN O'TOOLE • MALONI MILLER • COLLEEN MULLINS • AMY HIRSH • PAMELA JACKSON • THOMAS GARATIE • RONALD CONTI • CINDY AUSTIN • ASHLEY CARUTHERS • SUZANNE FINK • PATRICK EVANS • BRADFORD LEE • ALICE MORTON • JANICE QUINLAN • CONNIE STOTSENBURG •

N • CHARLES CADE • MICHAEL EXLER • CLIFFORD DYE • RAN HERRIOTT • PHILLIP PERCIAVALLE •

SHAREHOLDERS' INFORMATION

Corporate Headquarters
Champion Industries, Inc.

Mailing Address
P. O. Box 2968, Huntington, WV 25728-2968

Street Address
2450-90 First Avenue, Huntington, WV 25703 >>
Phone: 304.528.2700 >> Fax: 304.528.2765

Notice to Shareholders
A copy of the Company's annual report on Form 10-K for the fiscal year ended October 31, 2004, as filed with the Securities and Exchange Commission, including the financial statements and schedules thereto, is available through EDGAR or upon written request to:

Champion Industries, Inc.
P. O. Box 2968
Huntington, WV 25728-2968

Annual Meeting
The annual meeting of shareholders will be held at 1:00 PM on Monday, March 21, 2005, at the Radisson Hotel Huntington, 1001 3rd Avenue, Huntington, WV.

Requests for Information
Shareholders, analysts and others seeking financial information are requested to contact our Chief Financial Officer at Corporate Headquarters.

Stock Transfer Agent and Registrar
National City Bank, Cleveland, OH
Toll Free: 1.800.622.6757

Shareholder correspondence and written transfer requests should be sent to:

National City Bank, Dept. 5352
Corporate Trust Operations
P.O. Box 92301
Cleveland, OH 44193-0900

Common Stock Listing
Common stock of Champion Industries, Inc. is traded on the NASDAQ National Market System (NMS) under the symbol CHMP. NASDAQ Market Makers at October 31, 2004 were:

Advest, Inc.
Ferris Baker Watts, Incorporated

Auditors
BKD, LLP
400 Cross Pointe Boulevard
P.O. Box 628
Evansville, IN 47704-0628

Ernst & Young LLP
900 United Center
Charleston, WV 25301

Website
Visit our website at www.champion-industries.com

Champion Industries, Inc.

Champion Industries, Inc.

Leading the Way

2008 ANNUAL REPORT

In so many aspects Champion Industries, Inc. plays a vital role. As an integral business process solutions provider, Champion provides a turnkey solution to nearly every industry sector imaginable. Within the communities we serve, Champion is a trusted partner in the delivery of accurate and timely information, goods and services.

Champion Industries, Inc. is down the street, across the yard and in your living room. **We're right there, and we're leading the way**.

financial highlights

	Year Ended October 31,				
	2008	2007 [2]	2006 [1]	2005 [1]	2004
Operating Results Data	(In thousands, except share and per share data)				
Total revenues	$ 162,685	$ 145,642	$ 145,188	$ 134,925	$ 124,402
Gross profit	52,215	42,850	43,394	38,253	34,396
Income from operations	12,719	10,514	9,753	2,435	1,338
Net income	6,022	6,080	5,474	1,117	750
Earnings per share:					
Basic	$ 0.60	$ 0.61	$ 0.56	$ 0.11	$ 0.08
Diluted	0.60	0.60	0.55	0.11	0.08
Weighted average common shares outstanding:					
Basic	9,986,000	9,957,000	9,818,000	9,735,000	9,729,000
Diluted	10,024,000	10,103,000	9,972,000	9,809,000	9,825,000
Dividends per share	$ 0.24	$ 0.24	$ 0.20	$ 0.20	$ 0.20
Book value per share at year end	5.19	4.89	4.51	4.18	4.27

(1) During the fourth quarter of 2005, the Company incurred various charges resulting from Hurricane Katrina. As a result of the hurricane, the Company recorded a pre-tax charge of $1,021,000 or $581,000 net of tax or $0.06 per share on a basic and diluted basis. In 2006, the Company recorded recoveries of approximately $377,000, or $224,000 net of tax or $0.02 per share on a basic and diluted basis.

(2) The revenues associated with the acquisition of The Herald-Dispatch are primarily composed of advertising, circulation and commercial printing revenues. The advertising and circulation revenues are included as a component of the newspaper segment and the commercial printing revenues are recorded as a component of the printing segment. Approximately six weeks of the operations of The Herald-Dispatch are included in the Company's Statement of Operations commencing concurrent with the acquisition in 2007.

	October 31,				
	2008	2007	2006	2005	2004
Financial Position Data	(In thousands)				
Cash and cash equivalents/ Negative book cash balances	$ (987)	$ 5,793	$ 5,487	$ 3,662	$ 1,745
Working capital	20,367	25,308	25,955	26,081	26,913
Total assets	141,279	149,212	65,989	61,645	64,150
Long-term debt (net of current portion)[1]	66,332	79,378	4,220	6,761	8,257
Shareholders' equity	51,860	48,727	44,777	40,752	41,551

(1) Includes non-current borrowings under the Company's credit facilities.

SPECIAL NOTES REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report or in documents incorporated herein by reference, including without limitation statements including the word "believes," "anticipates," "intends," "expects" or words of similar import, constitute "forward-looking statements" within the meaning of section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements of the Company expressed or implied by such forward-looking statements. Such factors include, among others, changes in business strategy or development plans and other factors referenced in this Annual Report, including without limitations under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

During 2008, the Company was focused on preparing The Herald-Dispatch to operate as an independent newspaper and wean the paper from the Gannett corporate umbrella. We successfully converted from a proprietary Gannett online system to a third party system and as the year progressed converted from Gannett systems to third party systems for general ledger, advertising and circulation. Our office products and furniture group introduced a new import furniture line from China and implemented a new first source catalog doubling the stock keeping units (SKUs) in this catalog offering. The new catalog was designed to specifically compete with national office products companies. We have also continued to invest significant resources in our Champion Output Solutions facility including new presort and variable data output applications and functionality. The Champion Output Solutions group generates recurring revenue streams primarily through variable data output and postal optimization. In the several years preceding 2008 the Company had made substantial capital improvements in our printing press, pre-press and post-press equipment and functionality and our plants are on solid footing from an equipment functionality perspective.

We have appreciated the opportunity to serve our customers over the last year and we look forward to continuing to build a strong relationship based on our consistency and reliability that is expected from our Company. To all of our shareholders, vendors, customers and employees we sincerely appreciate your support of Champion Industries, Inc. and look forward to many mutually rewarding years ahead.

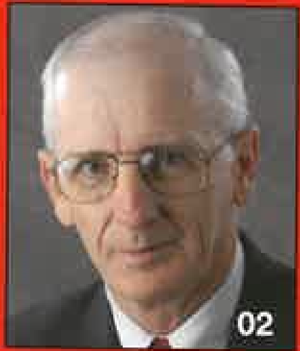
Marshall T. Reynolds
Chairman of the Board & Chief Executive Officer

"We have appreciated the opportunity to serve our customers over the last year and we look forward to continuing to build a strong relationship based on our consistency and reliability that is expected from our Company."

board of directors

01 MARSHALL T. REYNOLDS, Chairman of the Board & Chief Executive Officer - Champion Industries, Inc.
02 LOUIS J. AKERS, Consultant | Former Vice Chairman of the Board of Directors - Ferris, Baker Watts, Incorporated
03 PHILIP E. CLINE, President - River City Associates, Inc. | General Manager - Pullman Plaza Hotel
04 HARLEY F. MOONEY, JR., Brigadier General U.S. Army (Retired) | Managing Partner - Mooney-Osborne & Associates
05 A. MICHAEL PERRY, Retired Chairman of the Board - Bank One West Virginia, N.A.
06 NEAL W. SCAGGS, President - Baisden Brothers, Inc.
07 GLENN W. WILCOX, Chairman of the Board - Wilcox Travel Agency, Inc.


01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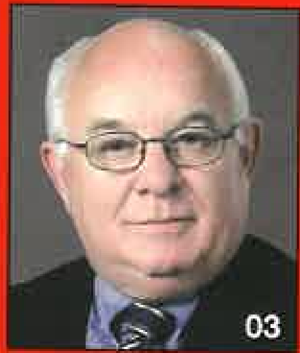
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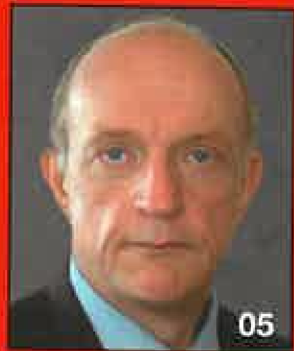
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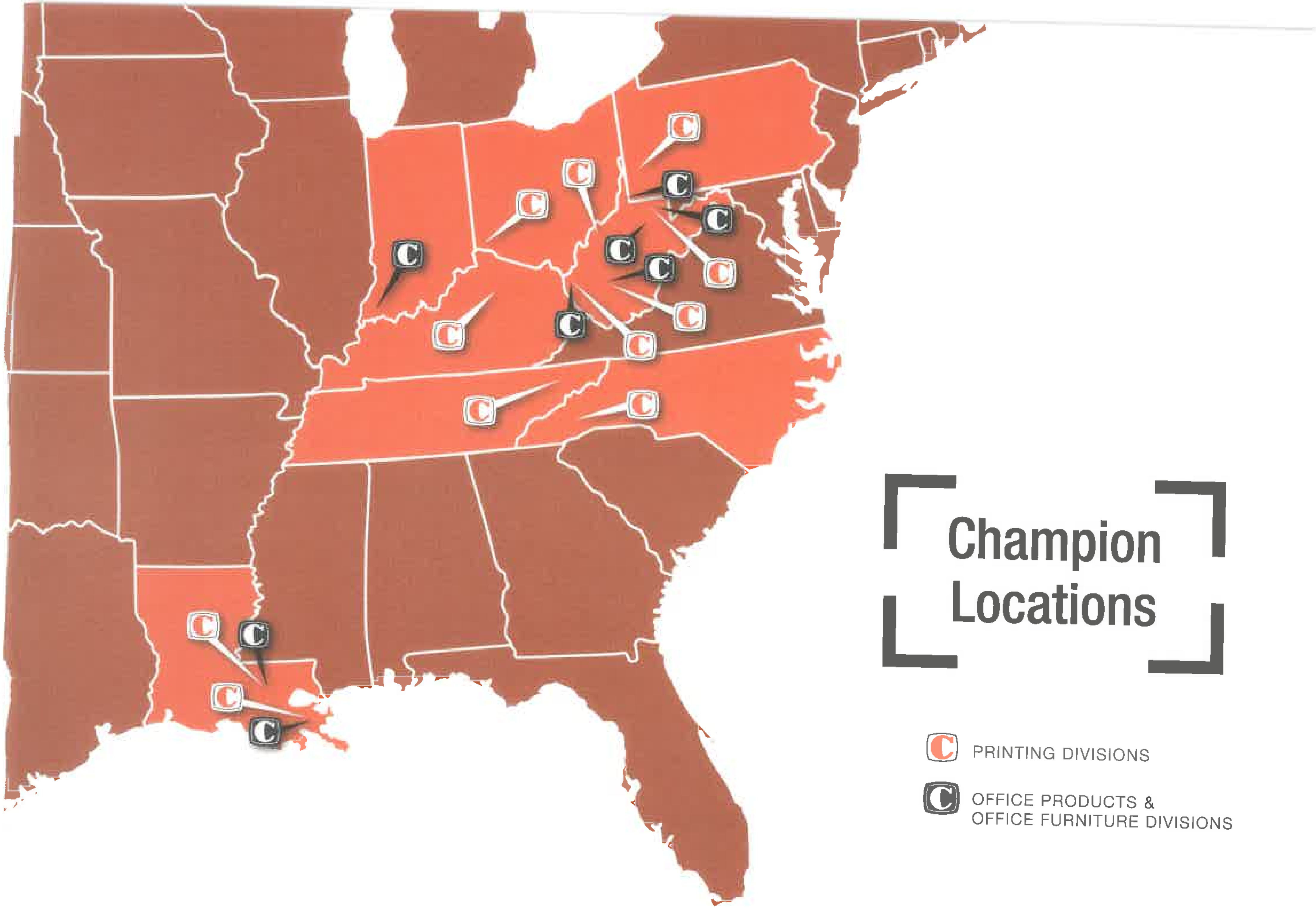
officers

01 MARSHALL T. REYNOLDS, Chairman of the Board & Chief Executive Officer
02 TONEY K. ADKINS, President & Chief Operating Officer **03 J. MAC ALDRIDGE**, Senior Vice President
04 TODD R. FRY, Senior Vice President & Chief Financial Officer **05 R. DOUGLAS McELWAIN**, Senior Vice President
06 JAMES A. RHODES, Senior Vice President **07 WALTER R. SANSOM**, Secretary



Champion
Locations
PRINTING DIVISIONS
OFFICE PRODUCTS &
OFFICE FURNITURE DIVISIONS

Numbers correspond with printing divisions and office products and office furniture divisions on pages 10 - 12.

09

Chapman Printing Company MORGANTOWN

951 Point Marion Road | Suite 1
Morgantown, WV 26508
p 304.284.0200 | **f** 304.284.0209

Printing sales headquarters with full digital pre-press | Office product sales | Full line printing and services distributor | Print management | Fulfillment | B2B e-commerce solutions | Mail | Digital print

10

Chapman Printing Company PARKERSBURG

405 Ann Street | Parkersburg, WV 26101
p 304.485.8596 | 800.458.8596 | **f** 304.485.4793
e cpcpkbg@champion-industries.com

Mid-sized commercial printer with full digital pre-press and full color separations | Office product sales | 5- and 6- color presses up to 28 in. x 40 in. | Full bindery | Digital Process Color Press

11

Consolidated Graphic Communications A DIVISION OF CHAMPION INDUSTRIES, INC.

1901 Mayview Road | Bridgeville, PA 15017
p 412.221.2700 | 800.568.3696 | **f** 412.257.8628
e info@cgc1.com

Full line printing and services distributor | Print management | Fulfillment | B2B e-commerce solutions | Promotional products | Pre-press services | Digital Process Color Press

12

Donihe Graphics A DIVISION OF CHAMPION INDUSTRIES, INC.

766 Brookside Drive | Kingsport, TN 37660
p 423.246.2800 | 800.251.0337 | **f** 423.246.7025
e donihesales@champion-industries.com

Medium- to long-run half-web color printer with full digital pre-press featuring full color separations | 5-color 2-sided Harris M110 press up to 17 3/4 in. x 26 1/2 in. with aqueous coating | 6-color sheet-fed press up to 28 in. x 40 in. with coater | Full bindery

13

Interform Solutions A DIVISION OF CHAMPION INDUSTRIES, INC.

1901 Mayview Road | Bridgeville, PA 15017
p 412.221.3300 | 800.255.3370 | **f** 412.221.6585
e info@interformsolutions.com

Leading manufacturer of business forms and direct mail printing to the trade | Roll-fed presses up to 8-color | Full bindery | Mailer and blown-on labels | Direct mail printing and in-house mailing services | Bar coding for inventory control | Variable imaging and personalization | Forms management programs | Foil embossing and registered holograms | Warehousing

14

The Merten Company a division of Champion Industries

1515 Central Parkway | Cincinnati, OH 45214
p 513.721.5167 | 800.255.8638 | **f** 513.241.2219
e sales@mertenco.com

Mid-sized commercial printer with full digital pre-press | 1- to 6-color presses up to 28 in. x 40 in. with in line aqueous coating | Full bindery | Fulfillment services

15

The Herald-Dispatch

946 5th Ave | Huntington, WV 25701
p 304.526.4000 | 800.955.6110 | **f** 304.526.2857
e news@herald-dispatch.com

Daily newspaper in Huntington, WV | Total daily and Sunday circulation of approximately 26,000 and 31,000, respectively

16

US TAG

2450-90 1st Avenue | Huntington, WV 25703
p 304.691.5046 | 800.638.1018 | **f** 304.691.5060 | 800.625.6076
e ustag@champion-industries.com

Stock and custom tag manufacturer | Small-sized commercial printer with full digital pre-press | 1- to 3-color presses up to 14 in. x 20 in. | Letterpress up to 18 in. x 22 in. | Full bindery

Champion Industries, Inc. is leading the way.

◄ (Chapman Printing Company - Huntington, WV)
DEAN TWEDT | Division Manager • (Champion Industries, Inc.)
TONEY K. ADKINS | President & Chief Operating Officer

Solutions through integration.

Leadership is a culmination of the attitude of a company's personnel, business operations and performance. In all of those arenas, Champion Industries, Inc. has been in the forefront of its industries. Since the dawn of the Company, the challenges have always been molded into positive opportunities and extraordinary outcomes.

Champion takes pride in the knowledge that all of its products and services are delivered with the highest of quality. This holds true throughout the Company and in all the departments, none more so than the Corporate Accounting and Information Technology departments. By integrating new technologies with the age-old practice of hard work, the Champion Accounting and IT teams have been able to "stay ahead of the curve" in the world of business. A responsibility to the shareholders and the Company dictates that efficiencies be gained through this integration and these two departments have led the way for the balance of the Company.

◄ (Chapman Printing Company - Parkersburg, WV) **MARK ADKINS** | Sales Representative • **ASHLEY CARUTHERS** | Sales Representative • **JOHN HUSHION** | Division Manager ▲ (Champion Industries, Inc.) (Row 1) **SCOTT PRICHARD** | Corporate Accounting • **OTIS FREEMAN** | Corporate Credit Manager • **THAO TRAN** | Corporate Intern • **KELLI DODSON** | Corporate Accounting • **JIETING YANG** | Corporate Accounting • **HANNAH CASTO** | Corporate Intern • **TARA SCARBERRY** | Corporate Accounting (Row 2) **TARA BALLARD** | Corporate Intern • **SAMUEL VANCE II** | Information Technology Manager • **TODD R. FRY** | Senior Vice President & Chief Financial Officer • **MATTHEW DICKEY** | Corporate Intern • **JOSEPH HYLTON** | Corporate Intern (Row 3) **GREG D. ADKINS** | Controller • **JAMES FINLEY** | Corporate Accounting • **HARRIS NGUYEN** | Corporate Intern • **BARBARA LINKOUS** | Corporate Accounting • **MICHAEL BLAIR** | Information Technology

Resources. Results. Leadership.

The financial resources of the Company have always been, and continue to be, the cornerstone of the ability to perform. The strength of the balance sheet allows the Company to aggressively posture for the future.

The equipment resources of the Company are vital to the sustained growth of the Company. Consumer demands in all areas of the operation including printing, office supplies and furniture and news delivery have forced the Company to be proactive versus reactive. Maximization of existing and investment in new equipment have proved to be a solid basis to strive for improved results.

The human resources of the organization have proved to be one of the Company's most valuable assets. Our people are a collection of talented, experienced and aggressive individuals focused on the common goals of strength and leadership. We will continue to place our people in the best positions for themselves and the Company and look forward to outstanding results.

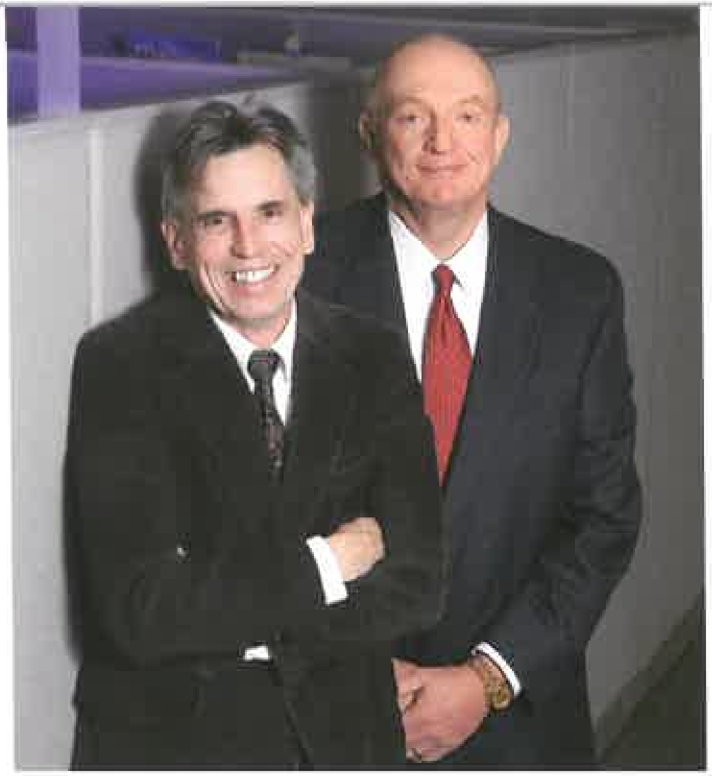
◄ (Chapman Printing Company - Charleston, WV) **REGINA McGRATH** | Office Products Manager • **SCOTT KITCHEN** | Division Manager • **LINDA DUNLAP** | Furniture Manager • **TERRI BURGER** | Assistant Division Manager ◄ (Chapman Printing Company - Lexington, KY) **RON DURHAM** | Pre-press Manager • **HAL STEWART** | Division Manager ▲ (Chapman Printing Company - Morgantown) **PEGGY LOVIO** | Furniture Manager • **DAVID McCORMICK** | Division Manager ▲ (The Merten Company) **LARRY MOORE** | Division Manager • **KEITH McKINNEY** | Pre-press Manager • **DARRELL DAY** | Pressroom Manager

Successful performance.

The roots of success can be traced to the cornerstones that a company is built upon. For Champion Industries, Inc., those pillars are laid in the printing and fulfillment sectors of the Company.

Champion has been a trusted partner for many organizations for decades. The ability of our Company to provide quality, timely and affordable printed products has allowed many other organizations to leverage that relationship to their benefit. As a vendor for so many companies throughout the country, Champion is proud to be a supplier of the finest printed products available.

◄ (Blue Ridge Printing) **BRUCE FOWLER** | Division Manager • **PAM NORMAN** | Sales Representative • **BILL BALL** | Sales Representative ▲ (Consolidated Graphic Communications - Bridgeville, PA) **DAN ROSSWOG** | Sales Manager of Western Region • (Champion Industries, Inc.) **JAMES A. RHODES** | Senior Vice President • (Interform Solutions) **JOHN NESTOR** | Division Manager



Teamwork is paramount to success.

Every division at Champion Industries, Inc. includes a roster of personnel that is considered to be the best and brightest in their respective fields. The talents and experience of these quality individuals is a combination that allows the entire Company to call upon another individual or group within the organization to assist them in many areas.

The professional sales team engages in training and education that allows them to be able to step in and assist with any customer issue. The corporate team understands the responsibilities of the Company and its customers and works together towards the common goal of an efficient and profitable organization. The labor operation works closely with management to create a seamless, effective result for the customer.

Champion Industries, Inc. is a focused team. Focused on the positive outcomes it can provide its customers, shareholders and communities.

◀ (Smith & Butterfield) **TERI MITCHELL** | Office Manager • **DAVID SMITH** | Furniture Manager • **DANA SCHROEDER** | Warehouse Manager • **JAMES D. BUTTERFIELD** | Division Manager ▲ (Champion Graphic Communications - Baton Rouge, LA) **DOUG VANCE** | Assistant Division Manager • (Champion Industries, Inc.) **R. DOUGLAS McELWAIN** | Senior Vice President ▲ (Champion Clarksburg) (Row 1) **BARRY CALEF** | Salesman • **KAMI MONTAGNA** | Receptionist and Accounting • **SANDY LEMLEY** | Receptionist and Accounting • (Row 2) **CLARENCE FIBER III** | Salesman • **GEORGE BALL** | Salesman • **CLARENCE FIBER, JR** | Division Manager • **TOM STALNAKER** | Warehouse Manager ▶ (Champion Industries, Inc.) **WALTER SANSOM** | Secretary • (Chapman Printing Company - Huntington, WV) **JEANIE HENSLEY** | Payroll • (Champion Industries, Inc.) **ADAM REYNOLDS** | Kramer-Smilko Administrator

Leaders in our communities.

Over the years, the Company has grown in many ways. The foundation of the organization was a small building offering printing services. Since that time, the Company has grown to include numerous operations in many states across the U.S. With that growth, the economic and social impact of Champion Industries, Inc. has been expanded.

Each and every day, Champion Industries, Inc. provides hundreds of individuals the means to support their families, their communities and their environment. The focus of the business has always been satisfying the needs of the customer and at Champion Industries, Inc. we understand that it also includes the needs of the regions we serve.

◄ (The Herald-Dispatch | Press Operators) **LEWIS CRAWFORD • DONNY KLINGER • PHIL THOMPSON • TOM WILKES • MILES MARSHALL • JEFF McCOY** | Assistant Lead Operator • **KEITH FERGUSON** ▲ (The Herald-Dispatch) **ED DAWSON** | Editor • **E. PAT THOMPSON FRANTZ** | President & Publisher

Timely solutions provide industry leadership.

Every project that Champion Industries, Inc. takes on for their customer base can be considered a "custom" job. The ability of the Company to be flexible, adaptable and fluid with changes allows it to realize many goals. Every one of our team members has the authority and responsibility to do what it takes to meet the demands of our customers.

At Champion Industries, Inc. we foster an environment of innovation. That attitude allows our team members to join with our customers to prepare and execute a workable and satisfactory plan to meet their needs. We provide solutions in many areas that lead to our reputation as a trusted partner for our customers business goals.

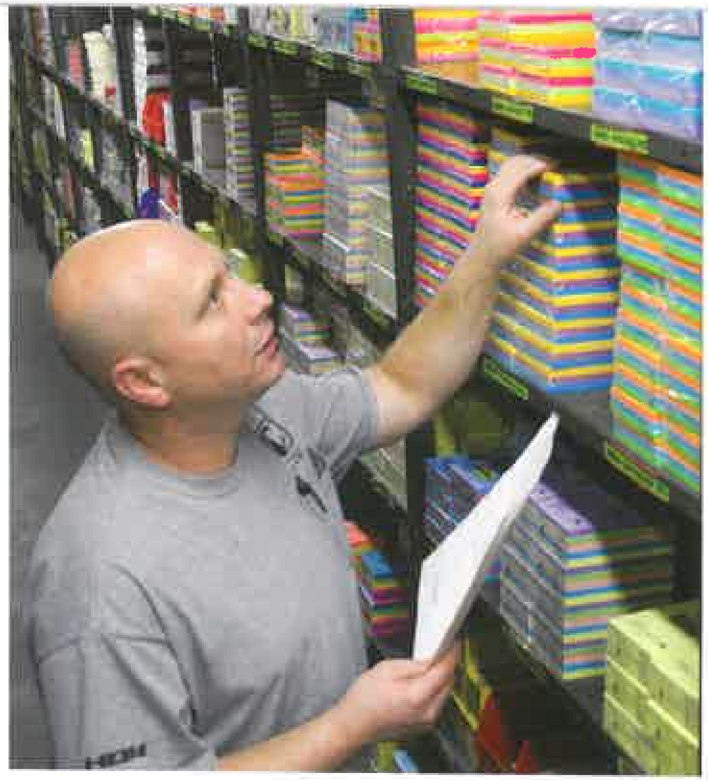
◄ (Champion Output Solutions) **ANTHONY WALKER** | Applications Interface/Operations Manager • **KENNY LORE** | Technician • **PHIL SNODGRASS** | Technician
◄ (Chapman Printing Company - Huntington, WV) Receptionists and Accounting • **DONNA CONNELLY** • **DIANNE DAVIS** ▲ (Champion Output Solutions) **TIM DAGOSTINE** | Division Manager ▲ (US Tag & Ticket Co.) **ANTHONY RIGGIO** | Production Supervisor • (Carolina Cut Sheets) **DEBBIE PATRICK** | Customer Service • **JIMI THOMPSON** | Customer Service • (US Tag & Ticket Co.) **JESSICA CROCKETT** | Customer Service • **MARY THOMPSON** | Customer Service • (US Tag & Ticket Co. and Carolina Cut Sheets) **LARRY CASSIDY** | Division Manager

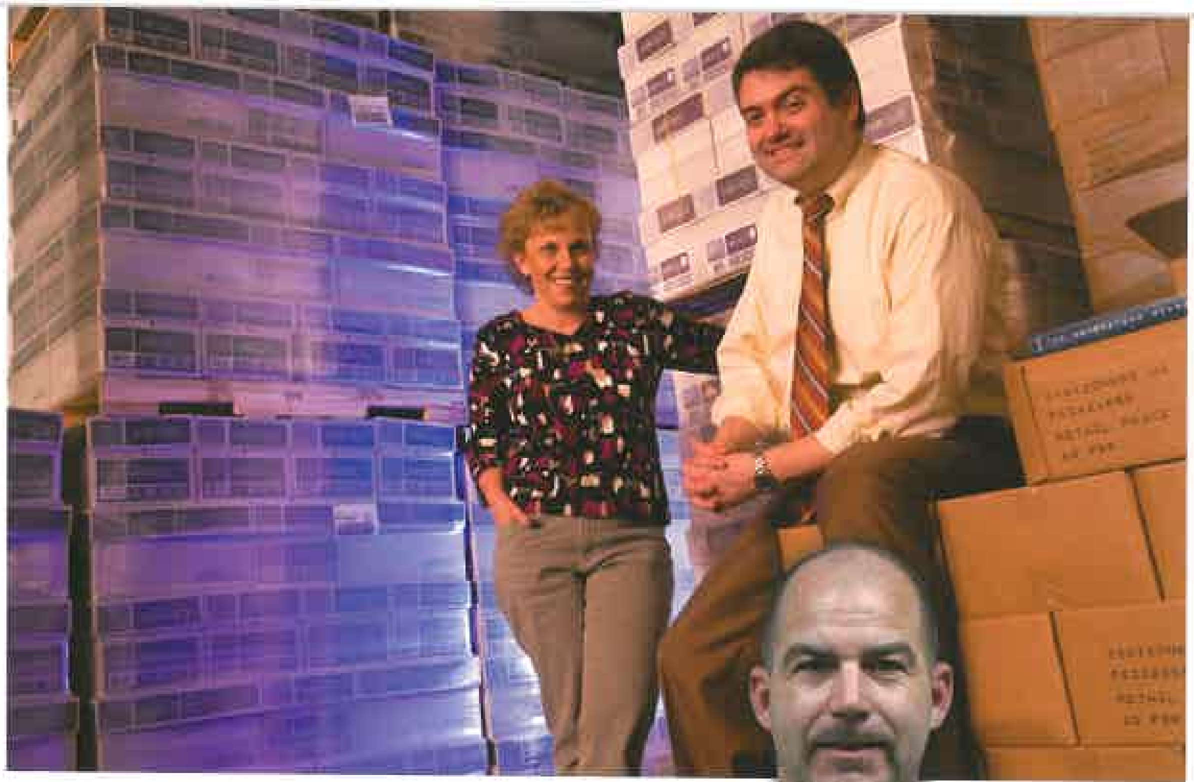
Success based on quality.

A winning formula for a successful operation in today's economy is to provide customers with the highest in quality. This rings true in all aspects of Champion Industries, Inc., including the finished products we provide, the level of customer service and the attention to detail that we give every project.

Quality is parallel with trust in the industries we operate. When a customer chooses Champion Industries, Inc. for their project, they understand that the efforts and products they receive will come with a level of performance that is unmatched. Whether it is the newspaper on your doorstep first thing in the morning, the form you use to operate your business or the custom-designed office to which you welcome your own customers, it is a statement of quality that we are proud to deliver.

◀ (Capitol Business Interiors - Charleston, WV) **JANET JOSEPH-CLAYMAN** | President • **ERIN CASEY** | Designer ▲ (Donihe Graphics) **SAM STILTNER** | General Manager • **BILL GRACE** | Sales Manager • **BILL LANE** | Production Manager • **JEFF PARKER** | Lead Web Pressman





"Giving the customer what they want when they want it."

Leading the way requires that a company be at the forefront of the customer's needs and wants. At Champion Industries, Inc. our focus has been on satisfying that mantra since the launch of the Company. The challenges a customer faces in today's business environment require that all of the chosen suppliers of that customer be responsive, effective and affordable.

Often, no customer needs are more immediate than in the office products and furniture divisions of Champion Industries, Inc. Within these divisions the Company utilizes just-in-time delivery systems and incredibly advanced inventory and tracking systems to meet and exceed those demands.

The teams within these divisions are all focused on the desired outcome of the customer. Whether the need is as minute as a single box of paperclips or as large as a custom planned and artistically designed working space, our commitment to satisfying the customer never changes.

◄ (Stationers, Inc.) **VIRGINIA ADKINS** | Furniture Specialist • (Champion Industries, Inc.) **J. MAC ALDRIDGE** | Senior Vice President • (Stationers, Inc.) **JOHN S. ANDERSON** | Manager of Furniture Division • **JANET BLAIR** | Assistant Division Mangor ▲ (Stationers, Inc.) **MIKE DEAN** | Warehouse Supervisor ▲ (Stationers, Inc.) **BRENDA SMITH** | Purchasing Department • **LEVI CONAWAY** | Furniture Operations ► (Capitol Business Interiors - Wheeling, WV) **BRAD CRAWFORD** | Division Manager

Selected Consolidated Financial Data

The following selected consolidated financial data for each of the five years in the period ended October 31, 2008, have been derived from the Audited Consolidated Financial Statements of the Company. The information set forth below should be read in conjunction with the Audited Consolidated Financial Statements, related notes, and the information contained in Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere herein.

	Year Ended October 31,				
	2008	2007[2]	2006[1]	2005[1]	2004
OPERATING STATEMENT DATA:	(In thousands, except share and per share data)				
Revenues:					
Printing	$ 102,206	$ 101,653	$ 106,414	$ 98,458	$ 95,325
Office products and office furniture	41,540	41,449	38,774	36,467	29,077
Newspaper	18,939	2,540	—	—	—
Total revenues	162,685	145,642	145,188	134,925	124,402
Cost of sales & newspaper operating costs:					
Printing	72,521	72,769	75,016	70,978	69,746
Office products and office furniture	28,457	28,835	26,778	25,694	20,260
Newspaper cost of sales & operating costs	9,492	1,188	—	—	—
Total cost of sales & newspaper operating costs	110,470	102,792	101,794	96,672	90,006
Gross profit	52,215	42,850	43,394	38,253	34,396
Selling, general and administrative expenses	39,529	32,336	34,018	34,797	33,058
Hurricane and relocation costs, net of recoveries	(33)	—	(377)	1,021	—
Income from operations	12,719	10,514	9,753	2,435	1,338
Interest income	66	45	28	18	7
Interest expense	(5,734)	(1,455)	(610)	(610)	(301)
Other income	70	179	32	120	288
Income before income taxes	7,121	9,283	9,203	1,963	1,332
Income tax	(1,099)	(3,203)	(3,729)	(846)	(582)
Net income	$ 6,022	$ 6,080	$ 5,474	$ 1,117	$ 750
Earnings per share:					
Basic	$ 0.60	$ 0.61	$ 0.56	$ 0.11	$ 0.08
Diluted	0.60	0.60	0.55	0.11	0.08
Dividends per share	$ 0.24	$ 0.24	$ 0.20	$ 0.20	$ 0.20
Weighted average common shares outstanding:					
Basic	9,986,000	9,957,000	9,818,000	9,735,000	9,729,000
Diluted	10,024,000	10,103,000	9,972,000	9,809,000	9,825,000

(1) During the fourth quarter of 2005, the Company incurred various charges resulting from Hurricane Katrina. As a result of the hurricane, the Company recorded a pre-tax charge of $1,021,000 or $581,000 net of tax or $0.06 per share on a basic and diluted basis. In 2006, the Company recorded recoveries of approximately $377,000, or $224,000 net of tax or $0.02 per share on a basic and diluted basis.

(2) The revenues associated with the acquisition of The Herald-Dispatch are primarily composed of advertising, circulation and commercial printing revenues. The advertising and circulation revenues are included as a component of the newspaper segment and the commercial printing revenues are recorded as a component of the printing segment. Approximately six weeks of the operations of The Herald-Dispatch are included in the Company's Statement of Operations commencing concurrent with the acquisition in 2007.

Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

The Company is a commercial printer, business forms manufacturer and office products and office furniture supplier in regional markets of the United States of America, east of the Mississippi River. The Company also publishes The Herald-Dispatch daily newspaper in Huntington, West Virginia with a total daily and Sunday circulation of approximately 26,000 and 31,000, respectively. The Company has grown through strategic acquisitions and internal growth. Through such growth, the Company has realized regional economies of scale, operational efficiencies, and exposure of its core products to new markets. The Company has acquired fifteen printing companies, eight office products and office furniture companies, one company with a combined emphasis on both printing and office products and office furniture, a paper distribution division (which was subsequently sold in 2001) and a daily newspaper since its initial public offering on January 28, 1993.

The Company's net revenues consist primarily of sales of commercial printing, business forms, tags, other printed products, document output solutions including rendering, inserting and mailing, office supplies, office furniture, data products and office design services as well as newspaper revenues primarily from advertising and circulation. The Company recognizes revenues when products are shipped or ownership is transferred and when services are rendered to the customer. Newspaper advertising revenues are recognized, net of agency commissions, in the period when advertising is printed or placed on web sites. Circulation revenues are recognized when purchased newspapers are distributed. The Company's revenues are subject to seasonal fluctuations caused by variations in demand for its products.

The Company's cost of sales primarily consists of raw materials, including paper, ink, pre-press supplies and purchased office supplies, furniture and data products, and manufacturing costs including direct labor, indirect labor and overhead. Significant factors affecting the Company's cost of sales include the costs of paper in printing, office supplies and the newspaper operations, costs of labor and other raw materials.

The Company's operating costs consist of selling, general and administrative expenses. These costs include salaries, commissions and wages for sales, customer service, accounting, administrative and executive personnel, rent, utilities, legal, audit, information systems equipment costs, software maintenance and depreciation.

CRITICAL ACCOUNTING POLICIES INVOLVING SIGNIFICANT ESTIMATES

The Company's significant accounting policies are described in Note 1 to the consolidated financial statements. The discussion and analysis of the financial statements and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The following critical accounting policies affect the Company's more significant judgments and estimates used in the preparation of the consolidated financial statements. There can be no assurance that actual results will not differ from those estimates.

Asset Impairment: The Company is required to test for asset impairment relating to property and equipment whenever events or changes in circumstances indicate that the carrying value of an asset might not be recoverable. The Company applies Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144) in order to determine whether or not an asset is impaired. This standard requires an impairment analysis when indicators of impairment are present. If such indicators are present, the standard indicates that if the sum of the future expected cash flows from the Company's asset, undiscounted and without interest charges, is less than the carrying value, an asset impairment must be recognized in the financial statements. The amount of the impairment is the difference between the fair value of the asset and the carrying value of the asset.

The Company believes that the accounting estimate related to an asset impairment is a "critical accounting estimate" because it is highly susceptible to change from period to period because it requires management to make assumptions about future cash flows over future years and that the impact of recognizing an impairment could have a significant effect on operations. Management's assumptions about future cash flows requires significant judgment because actual operating levels have fluctuated in the past and are expected to continue to do so in the future. Management has discussed the development and selection of this critical accounting estimate with the audit committee of our board of directors and the audit committee has reviewed the Company's disclosure relating to it in the MD&A.

Beginning in fiscal year 2002, goodwill and other intangibles are required to be evaluated annually for impairment, according to SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). The standard requires a two-step process be performed to analyze whether or not goodwill has been impaired. Step one is to test for potential impairment and requires that the fair value of the reporting unit be compared to its book value including goodwill and other

Results of Operations

The following table sets forth for the periods indicated information derived from the Company's Consolidated Statements of Operations, including certain information presented as a percentage of total revenues.

	Year Ended October 31, ($ In thousands)					
	2008		2007		2006	
Revenues:						
Printing	**$102,206**	**62.8%**	$101,653	69.8%	$106,414	73.3%
Office products and office furniture	**41,540**	**25.5**	41,449	28.5	38,774	26.7
Newspaper	**18,939**	**11.7**	2,540	1.7	—	0.0
Total revenues	**162,685**	**100.0**	145,642	100.0	145,188	100.0
Cost of sales & newspaper operating costs:						
Printing	**72,521**	**44.6**	72,769	50.0	75,016	51.7
Office products and office furniture	**28,457**	**17.5**	28,835	19.8	26,778	18.4
Newspaper cost of sales & operating costs	**9,492**	**5.8**	1,188	0.8	—	0.0
Total cost of sales & newspaper operating costs	**110,470**	**67.9**	102,792	70.6	101,794	70.1
Gross profit	**52,215**	**32.1**	42,850	29.4	43,394	29.9
Selling, general and administrative expenses	**39,529**	**24.3**	32,336	22.2	34,018	23.5
Hurricane and relocation costs, net of recoveries	**(33)**	**-0.0**	—	0.0	(377)	-0.3
Income from operations	**12,719**	**7.8**	10,514	7.2	9,753	6.7

	2008		2007		2006	
Other income (expense):						
Interest income	**66**	**0.0**	45	0.0	28	0.0
Interest expense	**(5,734)**	**-3.5**	(1,455)	-1.0	(610)	-0.4
Other income	**70**	**0.1**	179	0.2	32	0.0
Income before income taxes	**7,121**	**4.4**	9,283	6.4	9,203	6.3
Income tax expense	**(1,099)**	**-0.7**	(3,203)	-2.2	(3,729)	-2.5
Net income	**$ 6,022**	**3.7%**	$ 6,080	4.2%	$ 5,474	3.8%

$106.4 million in 2006 to $101.7 million in 2007. The decrease in printing sales was primarily due to sales declines in several of our commercial plants that primarily operate in the sheet-fed arena. Office products and office furniture revenue increased $2.7 million or 6.9% from $38.8 million in 2006 to $41.4 million in 2007. The increase in revenues for the office products and office furniture segment was primarily attributable to robust office furniture sales in 2007 compared to 2006, as well as slight increases in office products sales. During the period in which the Company owned The Herald-Dispatch, approximately six weeks, the newspapers revenues were composed of approximately $2.0 million in advertising revenue and $0.6 million in circulation revenues.

COST OF SALES

Total cost of sales for the year ended October 31, 2007 totaled $102.8 million compared to $101.8 million in the previous year. This change represented an increase of $1.0 million or 1.0% in cost of sales. Printing cost of sales decreased $2.2 million, or 3.0% to $72.8 million in 2007 compared to $75.0 million in 2006. Printing cost of sales was higher due to an overall decrease in printing sales. Printing cost of sales as a percentage of printing sales increased to 71.6% as a percent of printing sales in 2007 from 70.5% in 2006. This increase was primarily the result of higher payroll costs as a percent of sales. Office products and office furniture cost of sales increased $2.1 million to $28.8 million in 2007 from $26.8 million in 2006. The increase in office products and office furniture cost of sales is attributable to an increase in office products and office furniture sales. The increase in office products and office furniture cost of sales as a percent of office products and office furniture sales is primarily reflective of higher furniture costs as a percent of furniture sales.

OPERATING EXPENSES AND INCOME

Selling, general and administrative (S,G&A) expenses decreased $1.7 million to $32.3 million in 2007 from $34.0 million in 2006. S,G&A as a percentage of net sales represented 22.2% of net sales in 2007 compared with 23.5% of net sales in 2006. This decrease in selling, general, and administrative costs is due to reductions in payroll, lower selling related expense and a decrease in bad debt expense, as well as reductions in several other S,G&A line items partially offset by additional expenses from the acquisition of The Herald-Dispatch.

OTHER INCOME (EXPENSE)

Other expense increased approximately $681,000 from $550,000 in 2006 to $1,231,000 in 2007. This was primarily due to an increase in interest expense of $846,000 from $610,000 in 2006 to $1,455,000 in 2007 partially offset by higher other income. The increase in interest expense was attributed to the acquisition of The Herald-Dispatch which was completed on September 14, 2007.

INCOME TAXES

Income taxes as a percentage of income before taxes were 34.5% in 2007 compared with 40.5% in 2006. The decrease in income taxes as a percentage of income before taxes is primarily related to lower state tax rates based on multi-state apportionment factors, amended state returns, and amortization expense deductions recorded as a permanent difference due to the acquisition of The Herald-Dispatch.

The effective income tax rate in 2007 and 2006 approximates the combined federal and state, net of federal benefit, statutory income tax rate.

NET INCOME

For reasons set forth above, net income for 2007 increased approximately $0.6 million to $6.1 million, or $0.61 per share on a basic and $0.60 per share on a diluted basis, from net income of $5.5 million for 2006, or $0.56 per share on a basic basis and $0.55 on a diluted basis.

LIQUIDITY AND CAPITAL RESOURCES

As of October 31, 2008, the Company had $(1.0) million negative book cash balance, a net decrease in cash and cash equivalents of $6.8 million from the prior year. Working capital as of October 31, 2008 was $20.4 million, a 19.5% decrease from $25.3 million at October 31, 2007.

The Company had historically used cash generated from operating activities and debt to finance capital expenditures and the cash portion of the purchase price of acquisitions. Management plans to continue making significant investments in equipment and to seek appropriate acquisition candidates. However, to fund the Company's continued expansion of operations, additional financing may be necessary. The Company has two available lines of credit totaling up to $31.0 million, of which $30.0 million is subject to borrowing base limitations (See Note 3 of the Consolidated Financial Statements). For the foreseeable future including through Fiscal 2009, management believes it can fund operations, meet debt service requirements and make the planned capital expenditures based on the available cash and cash equivalents, cash flow from operations and lines of credit.

primarily reflective of cash paid for taxes of which a refund has been recorded in 2007 and a liability was recorded in 2006, primarily due to the timing of tax payments and a cash payment under a deferred compensation plan. These items were partially offset by additional cash generated by changes in the remaining assets and liabilities and an increase in net income.

CASH FLOWS FROM INVESTING ACTIVITIES

Cash used in investing activities was ($3.8) million, ($4.1) million, and ($3.0) million for the years ended October 31, 2008, 2007 and 2006. Cash flows used in investing activities were down approximately $300,000 in 2008 from 2007. The cash used in investing activities in 2008 was primarily related to capital expenditures and a working capital adjustment payment associated with the acquisition of The Herald-Dispatch. Cash flows used in investing activities increased in 2007 compared to 2006 primarily due to the contingent earn-out paid for the acquisition of Syscan, higher capital expenditures, partially offset by cash net of certain acquisition related expenditures for The Herald-Dispatch.

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash flows used in financing activities for the years ended October 31, 2008, 2007 and 2006 were ($12.3) million, ($4.2) million, and ($5.4) million. The increase in cash used in financing activities was primarily associated with payments made on the Company's outstanding indebtedness associated with its revolving credit facility. The $4.2 million utilized for financing activities in 2007 was primarily reflective of net payments on debt, dividends and financing costs paid, partially offset by stock option proceeds. During 2006, the Company reduced net borrowings by approximately $2.6 million and, after adjusting for non-cash investing and financing activities, reduced net borrowings by $3.9 million. This, coupled with dividend payments of $2.0 million, partially offset by stock option proceeds, was reflective of net cash used in financing activities during 2006. Dividends paid in 2008, 2007, and 2006 were $2.4 million, $2.4 million, and $2.0 million.

INFLATION AND ECONOMIC CONDITIONS

Management believes that the effect of inflation on the Company's operations has not been material and will continue to be immaterial for the foreseeable future. The Company does not have long-term contracts; therefore, to the extent permitted by competition, it has the ability to pass through to its customers most cost increases resulting from inflation, if any. In addition, the Company is not particularly energy dependent; therefore, an increase in energy costs should not have a significant impact on the Company.

SEASONALITY

Historically, the Company has experienced a greater portion of its profitability in the second and fourth quarters than in the first and third quarters. The second quarter generally reflects increased orders for printing of corporate annual reports and proxy statements. A post-Labor Day increase in demand for printing services and office products coincides with the Company's fourth quarter.

Our business is subject to seasonal fluctuations that we expect to continue to be reflected in our operating results in future periods. On a historical basis The Herald-Dispatch's first and third calendar quarters of the year tended to be the weakest because advertising volume is at its lowest levels following the holiday season and a seasonal slowdown in the summer months. Correspondingly, on a historical basis the fourth calendar quarter followed by the second calendar quarter tended to be the strongest quarters. The fourth calendar quarter includes heavy holiday season advertising. Other factors that affect our quarterly revenues and operating results may be beyond our control, including changes in the pricing policies of our competitors, the hiring and retention of key personnel, wage and cost pressures, distribution costs, changes in newsprint prices and general economic factors.

The United States economy has been in a recession since December 2007, according to the National Bureau of Economic Research, and it is widely believed that certain elements of the economy, such as housing, were in decline before that time. The duration and depth of an economic recession in markets in which the Company operates may further reduce its future advertising and circulation revenue, operating results and cash flows.

NEWLY ISSUED ACCOUNTING STANDARDS

SFAS NO. 157

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes methods used to measure fair value and expands disclosure requirements about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal periods, as it relates to financial assets and liabilities that are carried at fair value. SFAS No. 157 requires certain tabular disclosures related to results of applying SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" and SFAS No. 142, "Goodwill and Other Intangible Assets." On November 14, 2007, the FASB provided a one year deferral for the implementation of SFAS No. 157 for non-financial assets and liabilities. Based on the assets and liabilities on our mity with generally accepted accounting principles in the United States. SFAS 162 becomes effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411. The Company does not expect the implementation of SFAS 162 to have a material impact on its consolidated financial statements.

FSP FAS 157-2

In February 2008, the FASB issued FASB Staff Position FSP FAS 157-2, "Effective Date of FASB Statement No. 157" (FSP 157-2). FSP FAS 157-2 delays the effective date of SFAS 157, "Fair Value Measurements," for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The delay is intended to allow the FASB and constituents additional time to consider the effect of various implementation issues that have arisen, or that may arise, from the application of Statement 157. FSP 157-2 defers the effective date of Statement 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years, for items within the scope of this FSP. Examples of items to which the deferral would and would not apply are listed in the FSP. The Company does not expect the implementation of FSP 157-2 to have a material impact on its consolidated financial statements.

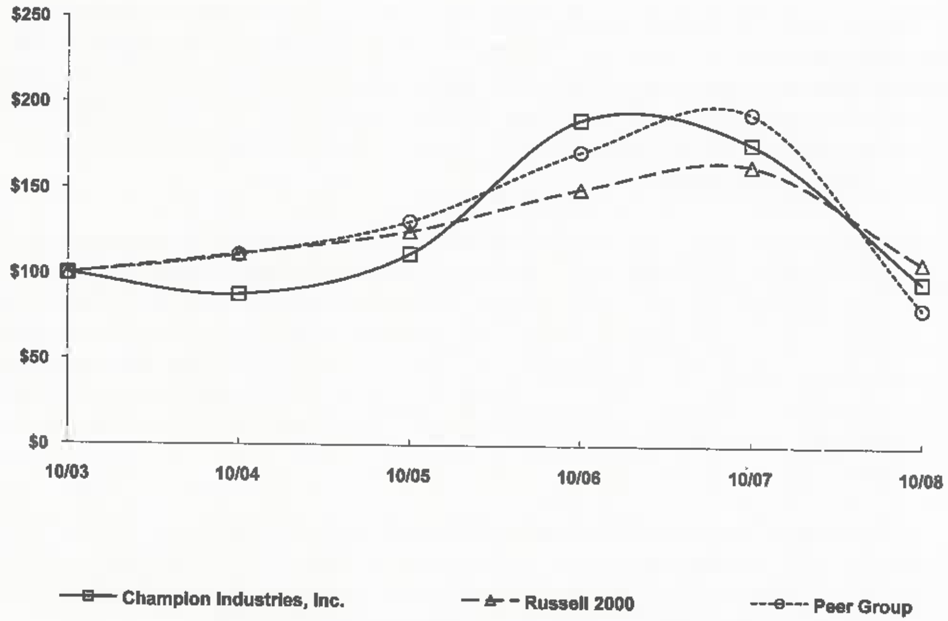
FSP FAS 157-3

In October 2008, the FASB issued FSP FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active" (FSP 157-3). FSP 157-3 clarifies the application of SFAS 157, "Fair Value Measurements," in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. This FSP was effective upon issuance, including prior periods for which financial statements have not been issued.

Stock Performance Graph

The following graph compares the annual change in cumulative shareholder return on the Company's common stock for the five year period ended October 31, 2008 with the cumulative total return of the Russell 2000 Index, and a peer group index. This graph assumes the reinvestment of all dividends, if any, paid on such securities and an investment of $100 on October 31, 2003. The companies in the peer group index are: Cenveo, Inc., Consolidated Graphics, The Standard Register Company and United Stationers, Inc. There is no assurance that the Company's common stock performance will continue in the future with the same or similar trends as depicted in the below graph.

Comparison of 5 Year Cumulative Total Return
Among Champion Industries, Inc.,
The Russell 2000 Index and a Peer Group



	Year Ended October 31,					
	2003	2004	2005	2006	2007	2008
Champion Industries, Inc.	100.00	87.87	112.07	190.63	176.82	96.64
Russell 2000	100.00	111.73	125.23	150.25	164.18	108.09
Peer Group	100.00	111.15	131.01	171.88	194.55	81.30

Consolidated Statements of Cash Flows

Champion Industries, Inc. and Subsidiaries

	Year Ended October 31, 2008	2007	2006
Cash flows from operating activities:			
Net income	**$ 6,022,084**	$ 6,080,140	$ 5,473,848
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	**5,384,509**	3,992,640	4,158,748
Loss on sale of assets	**4,552**	49,758	4,409
Deferred income taxes	**766,076**	(15,194)	(388,431)
Deferred compensation	**—**	—	3,574
Deferred financing costs	**309,471**	—	—
Bad debt expense	**854,283**	491,934	979,089
Hurricane related recoveries	**—**	—	(377,276)
Changes in assets and liabilities:			
Accounts receivable	**(1,503,868)**	(927,958)	(2,239,782)
Inventories	**(509,271)**	4,232	(101,037)
Other current assets	**49,469**	(166,758)	10,832
Accounts payable	**(635,114)**	959,552	1,533,189
Accrued payroll and commissions	**266,624**	298,569	455,799
Taxes accrued and withheld	**(306,740)**	(132,206)	287,435
Accrued income taxes	**(78,657)**	(1,825,842)	426,074
Accrued expenses	**(271,800)**	248,251	(62,158)
Other liabilities	**(1,800)**	(377,434)	(4,120)
Net cash provided by operating activities	**10,349,818**	8,679,684	10,160,193
Cash flows from investing activities:			
Purchase of property and equipment	**(2,373,122)**	(3,530,050)	(2,951,610)
Proceeds from sale of fixed assets	**192,749**	146,857	135,846
Business acquired, net of cash received	**(1,657,239)**	(1,214,283)	—
Goodwill and other intangible additions	**—**	(45,811)	—
Change in other assets	**52,003**	127,657	(52,362)
Cash surrender value proceeds	**—**	291,836	—
(Increase) decrease in cash surrender value	**(40,291)**	76,754	(85,212)
Net cash used in investing activities	**(3,825,900)**	(4,147,040)	(2,953,338)

	Year Ended October 31, 2008	2007	2006
Cash flows from financing activities:			
Borrowings on line of credit	**—**	12,101,000	10,884,000
Payments on line of credit	**(6,415,000)**	(12,101,000)	(12,496,000)
Increase in negative book cash balances	**986,704**	—	—
Proceeds from long-term debt	**767,852**	2,654,254	1,091,843
Principal payments on long-term debt	**(5,314,041)**	(4,313,471)	(3,412,359)
Financing costs paid	**—**	(320,147)	—
Proceeds from exercise of stock options	**54,310**	142,680	515,950
Dividends paid	**(2,396,863)**	(2,389,417)	(1,965,334)
Net cash used in financing activities	**(12,317,038)**	(4,226,101)	(5,381,900)
Net (decrease) increase in cash and cash equivalents	**(5,793,120)**	306,543	1,824,955
Cash and cash equivalents at beginning of year	**5,793,120**	5,486,577	3,661,622
Cash and cash equivalents at end of year	**$ —**	$ 5,793,120	$ 5,486,577

See notes to consolidated financial statements.

Consolidated Balance Sheets

Champion Industries, Inc. and Subsidiaries

	October 31, 2008	October 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ —	$ 5,793,120
Accounts receivable, net of allowance of $1,851,000 and $1,511,000	23,888,688	23,239,103
Inventories	12,014,118	11,504,847
Income tax refund	711,096	632,439
Other current assets	833,066	882,535
Deferred income tax assets	1,130,742	969,664
Total current assets	38,577,710	43,021,708
Property and equipment, at cost:		
Land	2,120,689	2,120,689
Buildings and improvements	12,110,480	12,262,229
Machinery and equipment	55,407,620	55,763,920
Furniture and fixtures	4,089,466	4,088,761
Vehicles	3,144,682	3,185,555
	76,872,937	77,421,154
Less accumulated depreciation	(49,764,709)	(48,164,640)
	27,108,228	29,256,514
Cash surrender value of officers' life insurance	874,397	834,106
Goodwill	38,894,778	38,853,657
Deferred financing costs	1,508,669	1,818,140
Other intangibles, net of accumulated amortization	15,730,841	16,779,241
Trademark and masthead	18,515,316	18,515,316
Other assets	68,906	132,909
	75,592,907	76,933,369
Total assets	$ 141,278,845	$ 149,211,591

	October 31, 2008	October 31, 2007
Liabilities and shareholders' equity		
Current liabilities:		
Negative book cash balances	$ 986,704	$ —
Accounts payable	4,844,725	5,491,189
Accrued payroll and commissions	2,726,911	2,460,287
Taxes accrued and withheld	987,385	1,294,125
Accrued expenses	1,546,055	3,433,971
Current portion of long-term debt:		
Notes payable	7,118,543	5,033,637
Total current liabilities	18,210,323	17,713,209
Long-term debt, net of current portion:		
Line of credit	9,125,496	15,540,496
Notes payable	57,206,307	63,837,402
Deferred income tax liabilities	3,937,658	3,382,447
Other liabilities	939,006	10,950
Total liabilities	89,418,790	100,484,504
Commitments and contingencies - See Note		
Shareholders' equity:		
Common stock, $1 par value, 20,000,000 shares authorized; 9,987,913 and 9,968,913 shares issued and outstanding	9,987,913	9,968,913
Additional paid-in capital	22,768,610	22,733,300
Retained earnings	19,661,445	16,036,224
Other comprehensive loss	(557,913)	(11,350)
Total shareholders' equity	51,860,055	48,727,087
Total liabilities and shareholders' equity	$ 141,278,845	$ 149,211,591

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Champion Industries, Inc. and Subsidiaries

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Champion is a commercial printer, business forms manufacturer and office products and office furniture supplier in regional markets in the United States of America, east of the Mississippi. Champion also publishes The Herald-Dispatch daily newspaper in Huntington, WV with a total daily and Sunday circulation of approximately 26,000 and 31,000, respectively.

The accounting and reporting policies of Champion conform to accounting principles generally accepted in the United States. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. The following is a summary of the more significant accounting and reporting policies.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements of Champion Industries, Inc. and Subsidiaries (the "Company") include the accounts of The Chapman Printing Company, Inc., Bourque Printing, Inc., Dallas Printing Company, Inc., Stationers, Inc., Carolina Cut Sheets, Inc., U.S. Tag & Ticket, Donihe Graphics, Inc., Smith and Butterfield Co., Inc., The Merten Company, Interform Corporation, Blue Ridge Printing Co., Inc., CHMP Leasing, Inc., Rose City Press, Capitol Business Equipment, Inc., Thompson's of Morgantown, Inc., Independent Printing Service, Inc., Diez Business Machines, Transdata Systems, Inc., Syscan Corporation and Champion Publishing, Inc.

Significant intercompany transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist principally of cash on deposit with banks and repurchase agreements for government securities, all highly liquid investments with an original maturity of three months or less. At October 31, 2008 and 2007, the Company held overnight repurchase agreements for $30,000 and $1,021,000 of Eurodollar Sweep Investments with stated interest rates of 1.22% and 3.97%, respectively. The Company's cash deposits in excess of federally insured amounts are primarily maintained at a large well-known financial institution.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount billed to customers. Accounts receivable are ordinarily due 30 days from the invoice date.

The Company encounters risks associated with sales and the collection of the associated accounts receivable. As such, the Company records a monthly provision for accounts receivable that are considered to be uncollectible. In order to calculate the appropriate monthly provision, the Company primarily utilizes a historical rate of accounts receivable written off as a percentage of total revenue. This historical rate is applied to the current revenues on a monthly basis. The historical rate is updated periodically based on events that may change the rate such as a significant increase or decrease in collection performance and timing of payments as well as the calculated total exposure in relation to the allowance. Periodically, the Company compares the identified credit risks with the allowance that has been established using historical experience and adjusts the allowance accordingly.

During 2008, 2007 and 2006, $854,000, $492,000, and $979,000 of bad debt expense was incurred and the allowance for doubtful accounts was $1,851,000, $1,511,000, and $1,558,000 as of October 31, 2008, 2007 and 2006. The actual write-offs for the periods were $514,000, $657,000, and $832,000 during 2008, 2007 and 2006. The actual write-offs occur when it is determined an account will not be collected. General economic conditions and specific geographic and customer concerns are major factors that may affect the adequacy of the allowance and may result in a change in the annual bad debt expense.

No individual customer represented greater than 3.0% and 6.0% of the gross outstanding accounts receivable at October 31, 2008 and 2007. The Company's ten largest accounts receivable balances represented 18.1% and 17.6% of gross outstanding accounts receivable at October 31, 2008 and 2007.

INVENTORIES

Inventories are principally stated at the lower of first-in, first-out, cost or market. Manufactured finished goods and work-in-process inventories include material, direct labor and overhead based on standard costs, which approximate actual costs.

In November 2004, the FASB issued SFAS No. 151 "Inventory Costs" (SFAS 151), an amendment of ARB No. 43, chapter 4. SFAS 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling cost and wasted material. SFAS 151 was effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of this standard did not have a material effect on the Company's financial statements.

ACCOUNTING FOR WEB SITE DEVELOPMENT COSTS

Certain external costs and internal payroll and payroll-related costs have been capitalized during the application, development and implementation stages of the Company's web site. The costs regarding the ongoing operation and maintenance are expensed in the period incurred. The Company's internet sales are based on a cooperative effort with the Company's direct sales force as an optional ordering alternative.

REVENUE RECOGNITION

Revenues are recognized when products are shipped or ownership is transferred and when services are rendered to customers. The Company acts as a principal party in sales transactions, assumes title to products and assumes the risks and rewards of ownership including risk of loss for collection, delivery or returns. The Company typically recognizes revenue for the majority of its products upon shipment to the customer and transfer of title. Under agreements with certain customers, custom forms may be stored by the Company for future delivery. In these situations, the Company may receive a logistics and warehouse management fee for the services provided. In these cases, delivery and bill schedules are outlined with the customer and product revenue is recognized when manufacturing is complete and the product is received into the warehouse, title transfers to the customer, the order is invoiced and there is reasonable assurance of collectability. Since the majority of products are customized, product returns are not significant. Therefore, the Company records sales on a gross basis. Shipping and handling costs are recorded as a component of cost of sales. Advertising revenues are recognized, net of agency commissions, in the period when advertising is printed or placed on websites. Circulation revenues are recognized when purchased newspapers are distributed. Amounts received from customers in advance of revenue recognized are recorded as deferred revenue. The deferred revenue associated with The Herald-Dispatch approximated $684,000 and $424,000 at October 31, 2008 and 2007.

ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES

In July 2002, the FASB issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146), which supersedes EITF No. 94-3, "Liability Recognition for Certain Employment Termination Benefits and Other Costs to Exit an Activity." SFAS 146 requires companies to record liabilities for costs associated with exit or disposal activities to be recognized only when the liability is incurred instead of at the date of commitment to an exit or disposal activity. Adoption of this standard was effective for exit or disposal activities that were initiated after December 31, 2002. During the fourth quarter of 2005, the Company recognized costs associated with facility related costs, equipment costs, operational costs from lost business and uncollectible receivables, personnel costs, inventory related costs and relocation costs aggregating approximately $1.0 million associated with Hurricane Katrina. In 2006, the Company recognized recoveries, net of expenses associated with Hurricane Katrina of approximately $377,000.

ACCOUNTING FOR STOCK-BASED COMPENSATION

In December 2004, the FASB issued SFAS No. 123R (revised 2004), "Share-Based Payment" (SFAS 123R). This statement revises SFAS No. 123, "Accounting for Stock-Based Compensation," (SFAS 123) and requires companies to expense the value of employee stock options and similar awards. The effective date of this standard was interim and annual periods beginning after June 15, 2005. On April 14, 2005, the United States Securities and Exchange Commission amended the effective date of this standard to the beginning of a company's fiscal year that begins after June 15, 2005. Therefore, the effective date of this standard for the Company was November 1, 2005. Since the Company's employee stock options vest immediately in the year granted, the initial adoption of this standard did not have any effect on the Company's financial statements. However, the Company will be required to expense the value of the employee stock options when future options are granted. There were no stock option grants in 2008, 2007 or 2006.

Before the adoption of SFAS 123R, the Company had elected to follow the intrinsic value method in accounting for its employee stock options. Accordingly, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense was recognized.

Historically, the fair value of these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions regarding risk-free interest rates; dividend yields; volatility factors of the expected market price of the Company's common stock; and a weighted-average expected life of the option of 4 years.

The following pro forma information has been determined as if the Company had accounted for its employee stock options under the fair value method. For purposes of pro forma disclosures, the estimated fair value of the options was expensed in the year granted since the options vested immediately. The Company's pro forma information for the years ended October 31 are as follows:

Notes to Consolidated Financial Statements

SFAS NO. 157

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes methods used to measure fair value and expands disclosure requirements about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal periods, as it relates to financial assets and liabilities that are carried at fair value. SFAS No. 157 requires certain tabular disclosures related to results of applying SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" and SFAS No. 142, "Goodwill and Other Intangible Assets". On November 14, 2007, the FASB provided a one year deferral for the implementation of SFAS No. 157 for non-financial assets and liabilities. Based on the assets and liabilities on our balance sheet as of October 31, 2008, we do not expect the adoption of SFAS No. 157 to have a material impact on our consolidated financial position, result of operations or cash flows.

SFAS NO. 159

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115." SFAS No. 159 permits entities to choose to measure at fair value many financial instruments and certain other items at fair value that are not currently required to be measured. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. Based on the assets and liabilities on our balance sheet as of October 31, 2008, we do not expect the adoption of SFAS No. 159 to have any impact on our consolidated financial position, results of operations or cash flows.

SFAS NO. 141 (R)

During December 2007, the FASB issued SFAS No. 141 (R), "Business Combinations." SFAS No. 141 (R) is effective for fiscal years beginning December 15, 2008. Earlier application is prohibited. Assets and liabilities that arose from business combinations which occurred prior to the adoption of FASB No. 141 (R) should not be adjusted upon the adoption of SFAS No. 141 (R). SFAS No. 141 (R) requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the business combination; establishes the acquisition date as the measurement date to determine the fair value of all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination.

As it relates to recognizing all (and only) the assets acquired and liabilities assumed in a business combination, costs an acquirer expects but is not obligated to incur in the future to exit an activity of an acquiree or to terminate or relocate an acquiree's employees are not liabilities at the acquisition date but must be expensed in accordance with other applicable generally accepted accounting principles. Additionally, during the measurement period, which should not exceed one year from the acquisition date, any adjustments that are needed to assets acquired and liabilities assumed to reflect new information obtained about facts and circumstances that existed as of that date will be adjusted retrospectively. The acquirer will be required to expense all acquisition-related costs in the periods such costs are incurred other than costs to issue debt or equity securities. SFAS No. 141 (R) will have no impact on our results of operations, financial position or cash flows at the date of adoption, but it could have a material impact on our results of operations, financial position or cash flows in the future when it is applied to acquisitions which occur in the fiscal year beginning November 1, 2009.

FSP FAS 142-3

In April 2008, the FASB issued staff position FSP FAS 142-3 (FSP-142-3), "Determination of the Useful Life of Intangible Assets." FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142. The intent of FSP 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141 (R) and other U.S. generally accepted accounting principles (GAAP). FSP 142-3 is effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years and should be applied prospectively to intangible assets acquired after the effective date. Early adoption is prohibited. Accordingly, we will adopt FSP 142-3 on November 1, 2009. We do not expect FSP 142-3 to have an impact on our results of operations, financial position or cash flows at the date of adoption, but it could have a material impact on our results of operations, financial position or cash flows in future periods.

SFAS NO. 161

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133" (SFAS 161). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, financial

The secured and unsecured credit facilities contain restrictive financial covenants requiring the Company to maintain certain financial ratios. The Company was in compliance with these covenants at October 31, 2008. The Company is required to maintain a minimum of $750,000 of compensating balances with Fifth Third Bank under the terms of its credit agreement. The Company is permitted to pay dividends under its Credit Agreement as long as no default or event of default exists or shall exist after giving effect to the proposed dividend and the Company has delivered to the Credit Agreement's administrative agent prior to the proposed dividend a pro forma compliance certificate evidencing compliance with applicable covenants as defined in the Credit Agreement.

The Company is required to make certain mandatory payments on its credit facilities related to (1) net proceeds received from a loss subject to applicable thresholds, (2) equity proceeds and (3) effective January 31, 2009, the Company is required to prepay its credit facilities by 75% of excess cash flow for its most recently completed fiscal year. The excess cash flow for purposes of this calculation is defined as the difference (if any) between (a) EBITDA for such period and (b) federal, state and local income taxes paid in cash during such period plus capital expenditures during such period not financed with indebtedness plus interest expense paid in cash during such period plus the aggregate amount of scheduled payments made by the Borrower and its Subsidiaries during such period in respect of all principal on all indebtedness (whether at maturity, as a result of mandatory sinking fund redemption, or otherwise), plus restricted payments paid in cash by the Borrower during such period in compliance with the credit agreement. The Company's prepayment obligation due January 31, 2009 is approximately $2.0 million.

Maturities of long-term debt for each of the next five years follow:

2009	$ 7,118,543
2010	5,055,960
2011	5,062,313
2012	5,068,927
2013	42,019,107
	$ 64,324,850

Prior to September 14, 2007, the Company had an unsecured revolving line of credit with a bank for borrowings to a maximum of $10,000,000 with interest payable monthly at the prime rate of interest. The line of credit was terminated and replaced with a revolving credit agreement with another bank. Under this revolving note, the Company can borrow a maximum of $30,000,000 subject to a borrowing base limitation with interest payable monthly at the prime rate of interest and/or LIBOR plus a margin. The Company had borrowed $9,125,496 and $15,540,496 under this facility at October 31, 2008 and 2007. Pursuant to its borrowing base calculation, the Company had approximately $9.1 million and $8.8 million in additional availability under its $30.0 million revolving credit line at October 31, 2008 and 2007. The line of credit expires in September 2012 and contains certain restrictive financial covenants, is subject to borrowing base limitations and is collateralized by substantially all of the assets of the Company.

The Company has an unsecured revolving line of credit with a bank for borrowings to a maximum of $1,000,000 with interest payable monthly at the Wall Street Journal prime rate. This line of credit expired in October 2008. The Company renewed this line of credit in January 2009 and the line of credit expires in July 2010 subject to a floor of 4.25% and contains certain financial covenants. There were no borrowings outstanding under this facility at October 31, 2008 or 2007.

The prime rate was the primary interest rate on the above loans prior to September 14, 2007. After this date, the primary interest rate consisted primarily of LIBOR 30-day and 90-day rates plus 275 basis points. Prime rate approximated 4.00% and 7.50% at October 31, 2008 and 2007, while the 30-day LIBOR rate approximated 3.12% and 4.75% at October 31, 2008 and 2007. The Company has entered into a hedging arrangement to convert $25.0 million of variable interest rate debt to fixed interest rate debt (see Note 14). Interest paid during the years ended October 31, 2008, 2007 and 2006 approximated $5,713,000, $1,168,000, and $616,000. The Company had accrued interest of approximately $8,000 and $302,000 at October 31, 2008 and 2007. Deferred financing costs are amortized over the life of the related credit facilities and are reported as part of interest expense. In 2008 and 2007, $309,000 and $46,000 of deferred financing costs were included as interest expense; there were no deferred financing costs in 2006.

The Company's non-cash activities for 2008, 2007 and 2006 included equipment purchases of approximately $0, $1,738,000, and $1,322,000 which were financed by a bank, and the accrual for the contingent earn out payment to Syscan of $1,350,725 in 2006. The Company recorded non-cash investing and financing activities for the acquisition of The Herald-Dispatch of approximately $78.5 million. The Company also accrued approximately $1.6 million for a final working capital payment for the acquisition of The Herald-Dispatch. The working capital payment was made in the first quarter of 2008 totaling approximately $1.6 million.

4. EMPLOYEE BENEFIT PLANS

The Company had a Profit Sharing Plan that covered all eligible employees and qualified as a Savings Plan under Section 401(k) of the Internal Revenue Code. Effective January 1, 1998, the Profit Sharing Plan was merged into The Champion Industries, Inc. 401(k) Plan (the "Plan"). The Plan

5. INCOME TAXES

Income tax expense consisted of the following:

	Year Ended October 31, 2008	2007	2006
Current expense (benefit):			
Federal	$ 463,599	$ 2,666,371	$ 3,282,566
State	(130,742)	552,049	835,428
Deferred expenses (benefit)	766,076	(15,194)	(388,431)
	$ 1,098,933	$ 3,203,226	$ 3,729,563

Deferred tax assets and liabilities are as follows:

	October 31, 2008	2007
Deferred tax assets:		
Allowance for doubtful accounts	$ 697,181	$ 561,002
Net operating loss carryforward of acquired companies	393,911	420,261
Accrued vacation	253,127	235,400
Other accrued liabilities	184,093	177,133
Other comprehensive income	371,943	—
Gross deferred tax assets	1,900,255	1,393,796
Deferred tax liabilities:		
Property and equipment	3,325,252	2,453,341
Intangible assets	1,090,710	1,062,029
Gross deferred tax liability	4,415,962	3,515,370
Net deferred tax liabilities before valuation allowance	2,515,707	2,121,574
Valuation allowance:		
Beginning balance	291,209	303,317
Decrease during the period	—	(12,108)
Ending balance	291,209	291,209
Net deferred tax liabilities	$ 2,806,916	$ 2,412,783

6. RELATED PARTY TRANSACTIONS AND OPERATING LEASE COMMITMENTS

The Company leases operating facilities from entities controlled by its Chief Executive Officer, his family and affiliates as well as facilities controlled by a Company owned by the former sole owner of Syscan pursuant to the acquisition of Syscan (see note 8). The original terms of these leases, which are accounted for as operating leases, range from two to fifteen years.

A summary of significant related party transactions follows:

	Year Ended October 31,		
	2008	2007	2006
Rent expense paid to affiliated entities for operating facilities	**$ 434,000**	$ 434,000	$ 449,000
Sales of office products, office furniture and printing services to affiliated entities	**895,000**	934,000	693,000

In addition, the Company leases property and equipment from unrelated entities under operating leases. Rent expense amounted to $912,000, $819,000, and $714,000 for the years ended October 31, 2008, 2007 and 2006.

Under the terms and conditions of the above-mentioned leases, the Company is primarily responsible for all taxes, assessments, maintenance, repairs or replacements, utilities and insurance. The Champion Output Solutions' lease excludes taxes and insurance during the initial lease term. Champion Output Solutions subleases approximately 8,500 square feet at an annual rate of approximately $44,000 through June 30th, 2011. The Company has renewal options for certain leases covering varying periods.

In addition, the Company purchased vehicles from an entity controlled by family members of its Chief Executive Officer in the amounts of $150,000, $105,000 and $102,000 for the years ended October 31, 2008, 2007 and 2006.

Future minimum rental commitments for all non-cancelable operating leases including related party commitments with initial terms of one year or more consisted of the following at October 31, 2008:

2009	$ 1,319,849
2010	1,095,075
2011	940,785
2012	782,343
2013	695,884
Residual	121,640
	$ 4,955,576

The Company participates in a self-insurance program for employee health care benefits with affiliates controlled by its Chief Executive Officer and as such is responsible for paying claims of Company participants as required by the plan document. The Company is allocating costs primarily related to the reinsurance premiums based on its proportionate share to provide such benefits to its employees. The Company's expense related to this program for the years ended October 31, 2008, 2007 and 2006 was approximately $5,017,000, $3,493,000, and $3,792,000.

During 2008, 2007 and 2006, the Company utilized an aircraft from an entity controlled by its Chief Executive Officer and reimbursed the controlled entity for the use of the aircraft, fuel, aircrew, ramp fees and other expenses attendant to the Company's use, in amounts aggregating $56,000, $91,000, and $119,000. The Company believes that such amounts are at or below the market rate charged by third-party commercial charter companies for similar aircraft.

The Company believes that the terms of its related party transactions are no less favorable to the Company than could be obtained with an independent third party.

7. COMMITMENTS AND CONTINGENCIES

The Company is subject to the environmental laws and regulations of the United States and the states in which it operates concerning emissions into the air, discharges into the waterways and the generation, handling and disposal of waste materials. The Company's past expenditures relating to environmental compliance have not had a material effect on the Company and are included in normal operating expenses. These laws and regulations are constantly evolving, and it is impossible to predict accurately the effect they may have upon the capital expenditures, earnings, and competitive position of the Company in the future. Based upon information cur-

The following table summarizes the unaudited consolidated pro forma results of operations and pro forma net income per share for the years ended October 31, 2007 and 2006, assuming The Herald-Dispatch acquisition had occurred at the start of the Company's fiscal year for each of the periods represented below. The pro forma results below were derived from The Herald-Dispatch internal financial statements representing the periods approximating the Company's fiscal year and are reflective of adjustments associated with additional interest expense and associated deferred financing costs not recorded on the Company's financial statements of approximately $5.2 million and $6.2 million for the 2007 and 2006, respectively. The Company recorded pro forma adjustments resulting from additional amortization expense of $614,000 and $702,000 for 2007 and 2006, respectively; additional depreciation of $524,000 and $352,000 for 2007 and 2006 and adjustments associated with retirement plans and postretirement benefits other than pensions which were not assumed by the Company totaling $398,000 and $869,000 in 2007 and 2006.

	2007	2006
	(in millions, expect per share data)	
Revenues	$ 164.7	$ 168.8
Net income	$ 6.9	$ 6.6
Earnings per share:		
Basic	$ 0.69	$ 0.67
Diluted	$ 0.68	$ 0.66
Weighted average shares outstanding:		
Basic	10.0	9.8
Diluted	10.1	10.0

The identifiable intangible assets of The Herald-Dispatch are being amortized on a straight-line basis over a period of 20 years for both the subscriber and advertiser base. The weighted average life of the amortizable intangible assets for the acquisition of The Herald-Dispatch at the acquisition date was approximately 20 years. The trademarks and masthead for the acquisition of The Herald-Dispatch was determined to have an indefinite life. The remaining allocation of the purchase price of The Herald-Dispatch was assigned to goodwill. The Company expects to achieve tax deductions associated with non-amortizing intangibles and goodwill of approximately $3.6 million per year for a period of 15 years.

On September 7, 2004, the Company acquired all the issued and outstanding capital stock of Syscan Corporation ("Syscan"), a West Virginia corporation, for a cash price of $3,500,000 and a contingent purchase price, dependent upon satisfaction of certain conditions, not to exceed the amount of $1,500,000. On December 14, 2006, the Company paid the contingent purchase price in the amount of $1,350,725. This amount was accrued at October 31, 2006. The Company also purchased a building from an entity controlled by Syscan's sole shareholder for $117,000 concurrent with the Syscan acquisition. After considering the cash received, the acquisition of a building and acquisition costs the net assets acquired totaled approximately $2,688,000. Syscan Corporation is a provider of integrated business products, with a primary emphasis on office and data products, printing, mailing and fulfillment services, and office furniture. The acquisition was consummated based on significant identified synergies which could be achieved due to a duplication of market territory. The acquisition brought additional supply chain management and mailing expertise to the Company and allowed Syscan to offer a broader array of printing services to its existing customer base.

The Williams Land Corporation has the option to put the 3000 Washington Street building occupied by Syscan to the Company for a purchase price of $1.5 million and the Company has the option to purchase the building for $1.5 million at the conclusion of the five year lease term ending September 1, 2009. This option may be exercised no later than 60 days prior to the end of the lease and closing of said purchase cannot exceed 45 days from the end of the lease

All of the above transactions have been accounted for using the purchase method of accounting.

9. INDUSTRY SEGMENT INFORMATION

The Company operates principally in three industry segments organized on the basis of product lines: the production, printing and sale, principally to commercial customers, of printed materials (including brochures, pamphlets, reports, tags, continuous and other forms); the sale of office products and office furniture including interior design services; and publication of The Herald-Dispatch daily newspaper in Huntington, West Virginia with a total daily and Sunday circulation of approximately 26,000 and 31,000, respectively. Approximately six weeks of the operations of The Herald-Dispatch are included in the Company's Statement of Operations commencing concurrent with the acquisition in 2007. The Company employs approximately 890 people, of whom approximately 80, or 9%, are covered by collective bargaining agreements, which expire on May 31, 2010 and December 31, 2010, respectively.

A reconciliation of total segment revenue, assets and operating income to consolidated income before income taxes for the years ended October 31, 2008, 2007 and 2006 is as follows:

	2008	2007	2006
Revenues:			
Total segment revenues	**$ 184,213,460**	$ 166,816,197	$ 168,650,078
Elimination of intersegment revenue	**(21,527,998)**	(21,174,343)	(23,462,202)
Consolidated revenue	**$ 162,685,462**	$ 145,641,854	$ 145,187,876
Operating income:			
Total segment operating income	**$ 12,719,435**	$ 10,514,689	$ 9,753,347
Interest income	**65,657**	45,021	28,251
Interest expense	**(5,733,677)**	(1,455,470)	(609,881)
Other income	**69,602**	179,126	31,694
Consolidated income before income taxes	**$ 7,121,017**	$ 9,283,366	$ 9,203,411
Identifiable assets:			
Total segment identifiable assets	**$ 141,278,845**	$ 149,211,591	$ 65,988,726
Elimination of intersegment assets	**—**	—	—
Total consolidated assets	**$ 141,278,845**	$ 149,211,591	$ 65,988,726

10. ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES AND IMPACT OF HURRICANE KATRINA

On August 29, 2005, Hurricane Katrina made landfall and subsequently caused extensive flooding and destruction along the coastal areas of the Gulf of Mexico, including New Orleans and other communities in Louisiana and Mississippi in which Champion conducts business. Operations in many of the Company's markets were disrupted by both the evacuation of large portions of the population as well as damage and/or lack of access to the Company's operating facility in New Orleans.

The Company filed insurance claims related to both actual and contingent losses. The Company received an advance to claim from an insurance company of $300,000 in February 2006. A second advance to claim of $200,000 was received in April 2006 and a check in the amount of $78,000 in full settlement of any and all claims was received in May 2006. The Company recorded all of the payments as insurance recoveries for the year ended October 31, 2006.

The Company has categorized the costs associated with Hurricane Katrina as follows:

1.) Personnel costs representing costs associated with payment of personnel primarily in New Orleans during the time period the city was essentially shut down;
2.) Plant costs represent all facilities, equipment and inventory charges incurred as a result of the hurricane using the most current available information;
3.) The allowance for doubtful accounts charge represents accounts receivable specifically reserved or based on a collectability analysis performed by the Company using the most current available information for customers located in New Orleans area at that time;
4.) The relocation costs represent costs of closing the New Orleans production facility and associated costs of moving equipment.

The following table summarizes the cumulative costs incurred as of October 31, 2008 relating to Hurricane Katrina:

Personnel	$ 88,423
Plant	745,035
Allowance for doubtful accounts	208,310
Moving and relocation costs	255,215
Total pre-tax hurricane expense	1,296,983
Lease settlement recovery	75,583
Insurance recoveries	577,677
Total recoveries	653,260
Cumulative impact of Hurricane Katrina, net	$ 643,723

The changes in the carrying amounts of goodwill and other intangibles attribute to each segment at October 31, 2008 and 2007 are as follows:

GOODWILL

	October 31, 2007	Amortization Expense	Other	October 31, 2008
Printing	$ 2,226,837	$ —	$ —	$ 2,226,837
Office products and furniture	1,230,485	—	—	1,230,485
Newspaper	35,396,335	—	41,121	35,437,456
Total	$ 38,853,657	$ —	$ 41,121	$ 38,894,778

	October 31, 2006	Amortization Expense	Other	October 31, 2007
Printing	$ 2,226,837	$ —	$ —	$ 2,226,837
Office products and furniture	1,184,674	—	45,811	1,230,485
Newspaper	—	—	35,396,335	35,396,335
Total	$ 3,411,511	$ —	$ 35,442,146	$ 38,853,657

OTHER INTANGIBLES

	October 31, 2007	Amortization Expense	Other	October 31, 2008
Printing	$ 925,210	$ 339,189	$ —	$ 586,021
Office products and furniture	1,900,537	7,148	—	1,893,389
Newspaper	32,468,810	702,063	—	31,766,747
Total	$ 35,294,557	$ 1,048,400	$ —	$ 34,246,157

	October 31, 2006	Amortization Expense	Other	October 31, 2007
Printing	$ 1,212,899	$ 342,689	$ 55,000	$ 925,210
Office products and furniture	1,912,792	12,255	—	1,900,537
Newspaper	—	87,758	32,556,568	32,468,810
Total	$ 3,125,691	$ 442,702	$ 32,611,568	$ 35,294,557

13. CERTAIN SIGNIFICANT ESTIMATES

Our estimates that influence the financial statements are normally based on knowledge and experience about past and current events and assumptions about future events. The following estimates affecting the financial statements are particularly sensitive because of their significance and it is at least reasonably possible that a change in these estimates will occur in the near term.

GOODWILL AND IDENTIFIABLE ASSETS

We evaluate the recoverability of the goodwill and intangible assets of each of our reporting units as required under SFAS 142 by comparing the fair value of each reporting unit with its carrying value. The fair values of our reporting units are determined using a combination of a discounted cash flow analysis and market multiples based on historical and projected financial information. We apply our best judgment when assessing the reasonableness of the financial projections used to determine the fair value of each reporting unit.

15. EARNINGS PER SHARE

Earnings per share (EPS) were computed as follows:

	Income	Weighted Average Shares	Per Share Amount
Year Ended October 31, 2008			
Net income	$ 6,022,084		
Basic earnings per share			
Income available to common shareholders	6,022,084	9,986,000	$ 0.60
Effect of dilutive securities stock options		38,000	
Diluted earnings per share			
Income available to common shareholders and assumed conversions	$ 6,022,084	10,024,000	$ 0.60
Year Ended October 31, 2007			
Net income	$ 6,080,140		
Basic earnings per share			
Income available to common shareholders	6,080,140	9,957,000	$ 0.61
Effect of dilutive securities stock options		146,000	
Diluted earnings per share			
Income available to common shareholders and assumed conversions	$ 6,080,140	10,103,000	$ 0.60
Year Ended October 31, 2006			
Net income	$ 5,473,848		
Basic earnings per share			
Income available to common shareholders	5,473,848	9,818,000	$ 0.56
Effect of dilutive securities stock options		154,000	
Diluted earnings per share			
Income available to common shareholders and assumed conversions	$ 5,473,848	9,972,000	$ 0.55

16. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended October 31, 2008 and 2007.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues				
2008	$ 40,294,000	$ 39,271,000	$ 39,716,000	$ 43,404,000
2007	$ 34,939,000	$ 33,814,000	$ 35,592,000	$ 41,297,000
Gross profit				
2008	$ 12,897,000	$ 12,770,000	$ 12,272,000	$ 14,276,000
2007	$ 10,351,000	$ 10,191,000	$ 9,752,000	$ 12,556,000
Net income				
2008	$ 1,278,000	$ 1,395,000	$ 1,067,000	$ 2,282,000
2007	$ 1,268,000	$ 1,390,000	$ 1,031,000	$ 2,391,000
Earnings per share				
Basic				
2008	$ 0.13	$ 0.14	$ 0.11	$ 0.23
2007	$ 0.13	$ 0.14	$ 0.10	$ 0.24
Diluted				
2008	$ 0.13	$ 0.14	$ 0.11	$ 0.23
2007	$ 0.13	$ 0.14	$ 0.10	$ 0.24
Weighted average shares outstanding				
Basic				
2008	9,981,000	9,988,000	9,988,000	9,988,000
2007	9,939,000	9,962,000	9,963,000	9,963,000
Diluted				
2008	10,045,000	10,041,000	10,023,000	9,988,000
2007	10,110,000	10,133,000	10,106,000	10,064,000

production notes

COVER
Paper | Endurance; 100# Velvet Cover
Ink | 4-color process; PMS 485; Gloss Aqueous

PICTORIAL | NARRATIVE
Paper | Endurance; 100# Velvet Text and Neenah Paper; Translucents - Oxford 28#
Ink | 4-color process; PMS 485; Gloss Aqueous

FINANCIAL REPORT
Paper | Exact Opaque; 60# Gray
Ink | 2-color; PMS 485 and Black

PRINTED
The Merten Company, Cincinnati, OH | Printed with 200-line Sublima Screening

LAYOUT AND DESIGN
Bulldog Creative Services, Huntington, WV

CHAMPION INDUSTRIES, INC.

POSITIVE EXPERIENCE

2011 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

	Year Ended October 31,				
	2011[4]	2010[3]	2009[2]	2008 (Restated)	2007[1]
Operating Results Data	(In thousands, except share and per share data)				
Total revenues	$ 128,521	$ 129,934	$ 141,258	$ 165,754	$ 148,489
Gross profit	36,809	38,623	40,828	52,215	42,850
(Loss) income from operations	(3,789)	5,373	(37,593)	12,719	10,514
Net (loss) income	(3,976)	488	(27,521)	4,658	6,080
(Loss) earnings per share					
Basic	$ (0.38)	$ 0.05	$ (2.76)	$ 0.47	$ 0.61
Diluted	(0.38)	0.05	(2.76)	0.46	0.60
Weighted average common shares outstanding					
Basic	10,362,000	9,988,000	9,988,000	9,986,000	9,957,000
Diluted	10,362,000	9,988,000	9,988,000	10,024,000	10,103,000
Dividends per share	0.00	0.00	0.06	0.24	0.24
Book value per share at year end	1.85	2.35	2.30	5.06	4.89

(1) The revenues associated with the acquisition of The Herald-Dispatch are primarily composed of advertising, circulation and commercial printing revenues. The advertising and circulation revenues are included as a component of the newspaper segment and the commercial printing revenues are recorded as a component of the printing segment. Approximately six weeks of the operations of The Herald-Dispatch are included in the Company's Statement of Operations commencing concurrent with the acquisition in 2007.

(2) Includes impairment for goodwill and other intangibles in the fourth quarter of 2009 of $(41.1) million, or $(25.5) million net of tax, or $(2.55) per share on a basic and diluted basis. The Company also recorded a loss on an interest rate swap agreement resulting from a reclassification from other comprehensive income to other expense, pursuant to the elimination of a LIBOR borrowing option from the Administrative Agent of the Company's Credit Agreement resulting in the ineffectiveness of a cash flow hedge in the amount of $(578,000) net of tax, or $(0.06) per share on a basic and diluted basis. The Company also incurred a charge of $(206,000), or $(128,000) net of tax, or $(0.01) per share on a basic and diluted basis, related to impairment charges associated with property, plant and equipment.

(3) Includes charges in 2010 related to a restructuring and profitability enhancement plan of $(1.8) million, $(1.1) million net of tax, or $(0.11) per share on a basic and diluted basis. The Company also recorded other income in 2010 associated with an interest rate swap agreement, which expired in the fourth quarter of 2010, resulting primarily from a reclassification from other comprehensive income to other income of $0.7 million, or $0.4 million net of tax. In the first quarter of 2010, the Company reported $0.3 million, or $0.2 million net of tax, as other income due to the Administrative Agent of the Company's Credit Agreement eliminating the LIBOR borrowing option resulting in ineffectiveness of a cash flow hedge.

(4) Includes impairment for goodwill and other intangibles in the fourth quarter of 2011 of $(8.7) million, or $(5.4) million net of tax, or $(0.52) per share on a basic and diluted basis. The Company also recorded an impairment charge associated with property, plant and equipment of $(109,000), or $(66,000) net of tax, or $(0.01) per share on a basic and diluted basis. The Company also incurred restructuring related charges of $(0.6) million, or $(0.3) million net of tax, or $(0.03) per share on a basic and diluted basis. Other income reflects a gain on early extinguishment of debt to a related party in the amount of $1.3 million, or $0.8 million net of tax, or $0.08 per share on a basic and diluted basis. EPS calculations represent full fiscal year of 2011.

	At October 31,				
	2011	2010 (Restated)	2009 (Restated)	2008 (Restated)	2007 (Restated)
Financial Position Data	(In thousands)				
Cash and cash equivalents/ negative book cash balances	$ (1,154)	$ (1,014)	$ 1,159	$ (987)	$ 5,793
Working capital[1]	(31,538)	12,822	(42,907)	20,039	24,980
Total assets	82,024	92,453	101,241	141,498	149,430
Long-term debt (net of current portion)[2]	431	52,299	918	66,332	79,378
Shareholders' equity	20,928	23,094	22,606	50,168	48,399

(1) Includes $33.0 million and $60.5 million of long-term debt reclassified to current debt due to the Company's inability to remain in compliance with various financial covenants in 2011 and 2009. In 2011, due to the September 2012 maturity of the revolving line of credit, it is classified as current and included as a component of working capital.

(2) Includes non-current borrowings under the Company's credit facilities including the revolving line of credit (term and revolver, net of current portion); in 2011 and 2009, $33.0 million and $60.5 million of long-term debt was reclassified to current debt, see (1) above. For 2011, due to the September 2012 maturity of the revolving line of credit, it is classified as current and included in working capital.

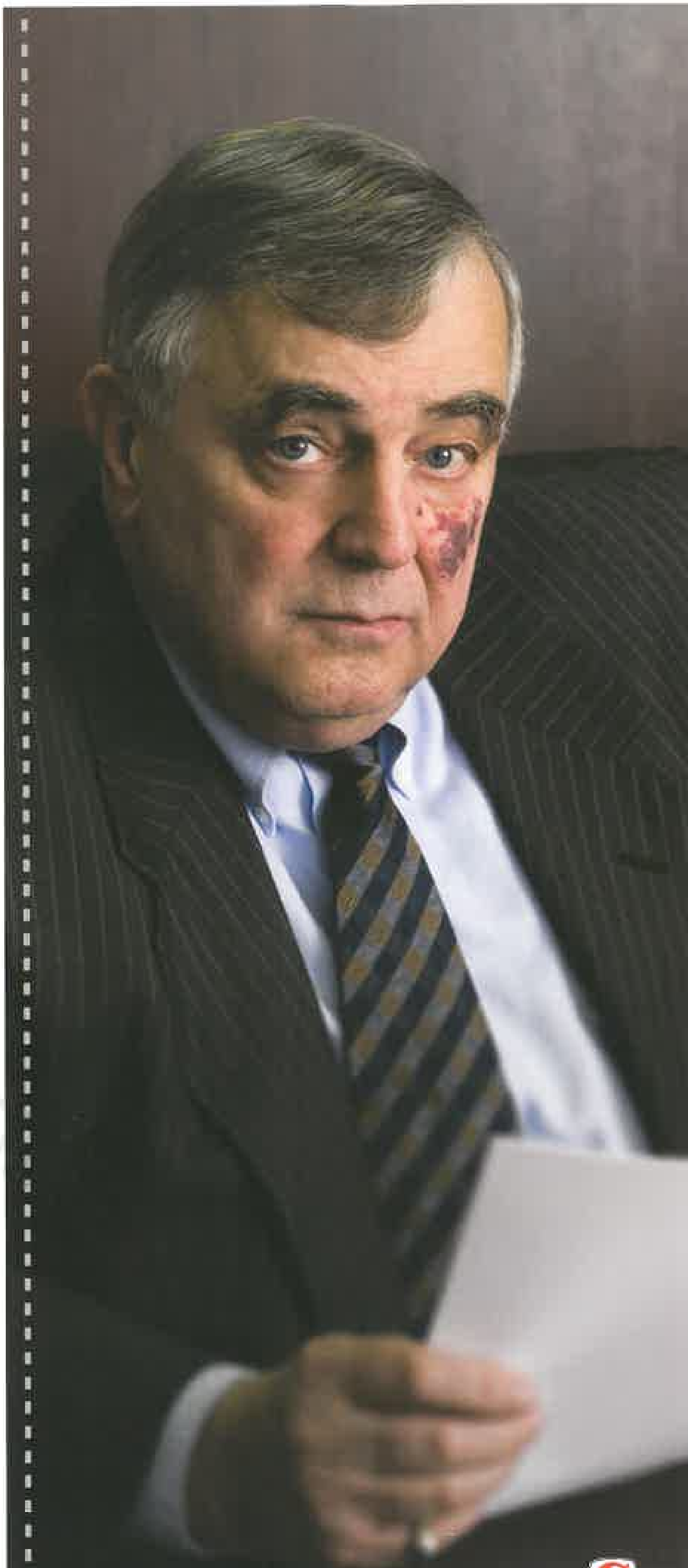
SPECIAL NOTES REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report or in documents incorporated herein by reference, including without limitation statements including the word "believes," "anticipates," "intends," "expects" or words of similar import, constitute "forward-looking statements" within the meaning of section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements of the Company expressed or implied by such forward-looking statements. Such factors include, among others, changes in business strategy or development plans and other factors referenced in this Annual Report, including without limitations under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

will strive to perform to the highest standards of our industries and work to address and overcome any obstacle that may come before us.

I sincerely hope that all of the stakeholders in Champion have a healthy and rewarding 2012.

MARSHALL T. REYNOLDS
Chairman of the Board &
Chief Executive Officer



MARSHALL T. REYNOLDS
Chairman of the Board &
Chief Executive Officer

J. MAC ALDRIDGE
Senior Vice President

TODD R. FRY
Senior Vice President &
Chief Financial Officer

R. DOUGLAS MCELWAIN
Senior Vice President

JAMES A. RHODES
Senior Vice President

We give ***special thanks*** to Toney Adkins for his years of service to the Company. Beginning his career in 1982, Toney rose through the ranks until he was appointed VP of Administration in November of 1995 where he served until January of 2005. At that time, Toney was promoted to President and Chief Operating Officer. He was a key leader in the Company until his retirement in December of 2011. The Board of Directors and employees of Champion sincerely appreciate his years of dedicated service.

OFFICERS

The realization of the positive impact our products provide each and every day allows us to gain an additional level of motivation towards the perfection of our craft and the efficient operation of our business.

Throughout this report, you'll review instances of those positive experiences. These are but a few of the impactful occurrences that are provided through the resources of Champion Industries, Inc. We look forward to providing more daily.

capabilities that Chapman could bring to their marketing efforts. The result was a unique and creative invitation that was delivered on time and under budget to the customer. After printing was complete, MacKenzie-Dow mailed the invitation to thousands of potential visitors and customers around the globe with the hopes of capturing their interest with the piece.

THE RESULT

MacKenzie-Dow was very pleased with the efforts of Chapman Printing. The tradeshow that occurred in the fall of 2011 was one of their most successful to date. The experience was highlighted by a furniture industry buyer with locations in Chicago, New York, Paris and Amsterdam who visited the showroom with invitation in hand, noting "I came because of this invitation." He subsequently placed the largest starting order of fine furniture ever experienced by the company.

The positive experience that a customer encounters with the printed pieces produced by Champion Industries can be realized across many industries, every day. We are thrilled to be an integral part of the success of so many companies.

THE RESULT

On August 5th, 2011, Huntington was announced as the winner of the contest. The victory was the city claiming the $100,000 grand prize. The money essentially puts backers of a dog park in Huntington over the top of its revenue goal for building the park, which will be established in Huntington's Ritter Park. The efforts of many individuals, combined with the efforts and dedication of The Herald-Dispatch and other businesses, allowed Huntington to band together, reach a goal and provide a positive experience for an entire community.

PetSafe, a supplier of quality pet products, sponsored the "Bark for Your Park" contest. The Herald-Dispatch played an integral role in this effort by encouraging participation and providing coverage on a nearly daily basis. Huntington was chosen as one of fifteen finalists and online voting began. The Herald-Dispatch covered the story for the 45-day online voting period and devoted much advertising and editorial space to the effort.

existed in the building, and creative usage of brick and street signs to complement the business. Added to the interior design of the building was a complete outfitting of the facility with incredibly functional, cost-effective and efficient office furniture intended to complement the project. When completed, the design was honored with the American Institute of Architects Award of Excellence and is a showcase for visitors to the city.

THE RESULT

The combination of talents, experience and creativity of the Capitol Business Interiors team is an exceptional asset to Champion Industries. The ability to truly partner with a client, understand their needs and translate those into cost-effective and functional outcomes is a benefit of Capitol Business Interiors, and all divisions of Champion, that allows customers to have that positive experience from the products and services the Company provides.

The products and services of Champion Industries are designed to create opportunity for the client. When it is a printed product, it is intended to deliver a message in a poignant and effective fashion that incites a consumer to act. With the newspaper, the intention is to deliver information and also entice a consumer to act through quality advertising messages. As with the case of Capitol Business Interiors and our other office products and furniture divisions, the opportunity is for a company to provide efficient, functional and comfortable environments.

BLUE RIDGE PRINTING
544 Haywood Road | Asheville, NC 28806
phone 828.254.1000 | 800.633.4298
fax 828.252.6455
email asheville@brprinting.com

- Specializing in super-critical color catalogs, brochures and annual reports for fashion, furniture and financial clientele as well as ad agencies
- Highest quality commercial printer with full digital pre-press
- Utilizes proprietary UltraRaster™ color separation process
- 4- and 6- color presses up to 28 in. x 40 in.
- Full bindery
- Die cutting

CAROLINA CUT SHEETS
P.O. Box 299 | Huntington, WV 25707
phone 304.691.5041 | 800.745.5301
fax 888.747.5287
email ccsart@champion-industries.com

- Roll to cut sheet business forms manufacturer with digital pre-press
- 1- to 5-color presses up to 17 1/2 in. x 22 in.
- Capabilities include folding, drilling and padding

CHAMPION GRAPHIC COMMUNICATIONS
10848 Airline Highway | Baton Rouge, LA 70816
phone 225.291.9090 | 800.552.4610
fax 225.291.0900

- Mid-sized commercial printer with full digital pre-press
- Office product sales
- 1- to 6-color presses up to 26 in. x 40 in.
- Full bindery featuring automated saddle stitching and perfect binding
- Fulfillment services

CHAMPION OUTPUT SOLUTIONS
120 Hills Plaza | Charleston, WV 25387
phone 304.720.0343
fax 304.720.0348

- Outsource provider
- Statement rendering
- Variable check and explanation of benefits printing
- Medical billing
- Utility billing
- Industrial invoicing
- Automated mail services, including postal presorting and comingling
- Inkjet services
- Print-on-demand

CHAPMAN PRINTING COMPANY
3000 Washington Street
Charleston, WV 25387
phone 304.341.0676 | 800.824.6620
fax 304.341.0688
email cpcchas@champion-industries.com

- Printing sales headquarters with full digital pre-press
- Office product sales
- Full line printing and services distributor
- Print management | Fulfillment
- B2B e-commerce solutions
- Mail
- Digital print

CHAPMAN PRINTING COMPANY
2450-90 1st Avenue
Huntington, WV 25703
phone 304.528.2791 | 800.624.3431
fax 304.528.2746
email cpcprep@champion-industries.com

- Mid-sized commercial printer with full digital pre-press
- Office product sales
- 1- to 4-color presses up to 28 in. x 40 in.
- Full bindery with auto saddle stitch and perfect binding
- Letterpress, envelope presses and foil stamping
- In-house rotary division for manufacturing short- to medium-run business forms, laser cut sheets and continuous snapout
- Off- and online MICR encoding
- Automated presentation folder/gluer

CHAPMAN PRINTING COMPANY
890 Russell Cave Road
Lexington, KY 40505
phone 859.252.2661 | 800.432.0959
fax 859.231.8341
email prepress@cpclex.com

- Printing sales office with full digital pre-press
- Office product sales

CHAPMAN PRINTING COMPANY
951 Point Marion Road | Suite 1
Morgantown, WV 26508
phone 304.284.0200
fax 304.284.0209

- Printing sales headquarters with full digital pre-press
- Office product sales
- Full line printing and services distributor
- Print management
- Fulfillment
- B2B e-commerce solutions
- Mail
- Digital print

CHAPMAN PRINTING COMPANY
405 Ann Street | Parkersburg, WV 26101
phone 304.485.8596 | 800 458 8596
fax 304 485 4793
email cpcpkbg@champion-industries.com

- Mid-sized commercial printer with full digital pre-press and full color separations
- Office product sales
- 5- and 6- color presses up to 28 in. x 40 in.
- Full bindery
- Digital Process Color Press

CONSOLIDATED GRAPHIC COMMUNICATIONS
1901 Mayview Road
Bridgeville, PA 15017
phone 412.221.2700 | 800.568.3696
fax 412.257.8628 | **email** info@cgc1.com

- Full line printing and services distributor
- Print management
- Fulfillment
- B2B e-commerce solutions
- Promotional products
- Pre-press services
- Digital Process Color Press

DONIHE GRAPHICS
766 Brookside Drive
Kingsport, TN 37660
phone 423.246.2800 | 800.251.0337
fax 423.246.7025
email donihesales@champion-industries.com

- Medium- to long-run half-web color printer with full digital pre-press featuring full color separations
- 5-color 2-sided Harris M110 press up to 17 3/4 in. x 26 1/2 in. with aqueous coating
- 6-color sheetfed press up to 28 in. x 40 in. with coater and full bindery

THE MERTEN COMPANY
1515 Central Parkway | Cincinnati, OH 45214
phone 513.721.5167 | 800.255.8638
fax 513.241.2219 | **email** sales@mertenco.com

- Mid-sized commercial printer with full digital pre-press
- 1- to 6-color presses up to 28 in. x 40 in. with in line aqueous coating
- Full bindery
- Fulfillment services

THE HERALD-DISPATCH
946 5th Ave | Huntington, WV 25701
phone 304.526.4000 | 800.955.6110
fax 304.526.2857
email news@herald-dispatch.com

- Daily newspaper in Huntington, WV
- Total daily and Sunday circulation of approximately 24,000 and 30,000, respectively

US TAG
2450-90 1st Avenue
Huntington, WV 25703
phone 304.691.5046 | 800.638.1018
fax 304.691.5060 | 800.625.6076
email ustag@champion-industries.com

- Stock and custom tag manufacturer
- Small-sized commercial printer with full digital pre-press
- 1- to 3-color presses up to 14 in. x 20 in.
- Letterpress up to 18 in. x 22 in.
- Full bindery

CAPITOL BUSINESS INTERIORS
711 Indiana Avenue | Charleston, WV 25302
phone 304.343.7550 | 800.628.7880
fax 304.346.3350

- Office furniture: A-Grade; Systems
- Space planning and design

CAPITOL BUSINESS INTERIORS
1214 Main Street | Wheeling, WV 26003
phone 304.233.8880 | 800.962.3659
fax 304.233.8866

- Office furniture: A-Grade; Systems
- Space planning and design

CHAMPION CLARKSBURG
700 North 4th Street | Clarksburg, WV 26301
phone 304.623.6688 | 866.313.4781
fax 304.623.0267 | 800.806.2068
email cfiber@wvdsl.net

- Full line of office products and supplies
- Data products and supplies
- Office furniture: A-Grade; Mid-range; Budget; Pre-owned
- Design services
- Full line printing and services distributor

CHAMPION GRAPHIC COMMUNICATIONS
10848 Airline Highway
Baton Rouge, LA 70816
phone 225.291.9090 | 800.552.4610
fax 225.291.0900

- Full line of office products and supplies
- Data products and supplies
- Office furniture: Mid-range; Budget

CHAPMAN PRINTING COMPANY
951 Point Marion Road | Suite 1
Morgantown, WV 26508
phone 304.284.0200
fax 304.284.0209

- Full line of office products and supplies
- Data products and supplies
- Office furniture: A-Grade; Systems
- Space planning and design

STATIONERS
1945 5th Avenue | Huntington, WV 25703
phone 304.528.2780 | 800.862.7200
fax 304.528.2795
email e-champ@champion-industries.com

- Full line of office products and supplies
- Data products and supplies
- Office furniture:
- A-Grade; Mid-range; Budget; Pre-owned
- Design services

SMITH & BUTTERFIELD
2800 Lynch Road | Evansville, IN 47711
phone 812.422.3261 | 800.321.6543
fax 812.429.0532

- Full line of office products and supplies
- Data products and supplies
- Office furniture: A-Grade; Mid-range; Budget; Pre-owned
- Design services
- Printing sales

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data for each of the five years in the period ended October 31, 2011, have been derived from the Audited Consolidated Financial Statements of the Company. The information set forth below should be read in conjunction with the Audited Consolidated Financial Statements, related notes, and the information contained in Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere herein.

	Year Ended October 31,				
	2011 (4)	2010 (3)	2009 (2)	2008 (Restated)	2007 (1)
OPERATING STATEMENT DATA:	(In thousands, except share and per share data)				
Revenues:					
Printing	$ 79,092	$ 80,971	$ 88,990	$ 105,275	$ 104,500
Office products and office furniture	34,546	33,438	35,874	41,540	41,449
Newspaper	14,883	15,525	16,394	18,939	2,540
Total revenues	128,521	129,934	141,258	165,754	148,489
Cost of sales & newspaper operating costs:					
Printing	58,601	59,351	66,856	75,590	75,617
Office products and office furniture	24,521	23,633	24,859	28,457	28,834
Newspaper cost of sales & operating costs	8,590	8,327	8,715	9,492	1,188
Total cost of sales & newspaper operating costs	91,712	91,311	100,430	113,539	105,639
Gross profit	36,809	38,623	40,828	52,215	42,850
Selling, general and administrative expenses	31,229	31,609	37,126	39,529	32,336
Restructuring/asset impairments costs	9,369	1,641	41,334	—	—
Hurricane and relocation costs, net of recoveries	—	—	(39)	(33)	—
(Loss) income from operations	(3,789)	5,373	(37,593)	12,719	10,514
Other income (expense):					
Interest income	—	—	3	66	45
Interest expense - related party	(65)	(82)	—	—	—
Interest expense	(3,824)	(5,332)	(5,185)	(5,734)	(1,455)
Gain on early extinguishment of debt from a related party	1,338	—	—	—	—
Other income (expense)	99	1,013	(476)	70	179
(Loss) income before income taxes	(6,241)	972	(43,251)	7,121	9,283
Income tax benefit (expense)	2,265	(484)	15,730	(2,463)	(3,203)
Net (loss) income	$ (3,976)	$ 488	$ (27,521)	$ 4,658	$ 6,080
(Loss) earnings per share:					
Basic	$ (0.38)	$ 0.05	$ (2.76)	$ 0.47	$ 0.61
Diluted	(0.38)	0.05	(2.76)	0.46	0.60
Dividends per share	$ 0.00	$ 0.00	$ 0.06	$ 0.24	$ 0.24
Weighted average common shares outstanding:					
Basic	10,362,000	9,988,000	9,988,000	9,986,000	9,957,000
Diluted	10,362,000	9,988,000	9,988,000	10,024,000	10,103,000

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company is a commercial printer, business forms manufacturer and office products and office furniture supplier in regional markets of the United States of America, east of the Mississippi River. The Company also publishes The Herald-Dispatch daily newspaper in Huntington, West Virginia, with a total daily and Sunday circulation of approximately 24,000 and 30,000 respectively. The Company has grown through strategic acquisitions and internal growth. Through such growth, the Company has realized regional economies of scale, operational efficiencies, and exposure of its core products to new markets. The Company has acquired fifteen printing companies, eight office products and office furniture companies, one company with a combined emphasis on both printing and office products and office furniture, a paper distribution division (which was subsequently sold in 2001) and a daily newspaper since its initial public offering on January 28, 1993.

The Company's net revenues consist primarily of sales of commercial printing, business forms, tags, other printed products, document output solutions including rendering, inserting and mailing, office supplies, office furniture, data products and office design services as well as newspaper revenues primarily from advertising and circulation. The Company recognizes revenues when products are shipped or ownership is transferred and when services are rendered to the customer. Newspaper advertising revenues are recognized, net of agency commissions, in the period when advertising is printed or placed on web sites. Circulation revenues are recognized when purchased newspapers are distributed. The Company's revenues are subject to seasonal fluctuations caused by variations in demand for its products.

The Company's cost of sales primarily consists of raw materials, including paper, ink, pre-press supplies and purchased office supplies, furniture and data products, and manufacturing costs including direct labor, indirect labor and overhead. Significant factors affecting the Company's cost of sales include the costs of paper in printing, office supplies and the newspaper operations, costs of labor and other raw materials.

The Company's operating costs consist of selling, general and administrative expenses. These costs include salaries, commissions and wages for sales, customer service, accounting, administrative and executive personnel, rent, utilities, legal, audit, information systems equipment costs, software maintenance and depreciation.

CRITICAL ACCOUNTING POLICIES INVOLVING SIGNIFICANT ESTIMATES

The Company's significant accounting policies are described in Note 1 to the Consolidated Financial Statements. The discussion and analysis of the financial statements and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The following critical accounting policies affect the Company's more significant judgments and estimates used in the preparation of the Consolidated Financial Statements. There can be no assurance that actual results will not differ from those estimates.

Restatement of Prior Year: During the fourth quarter of 2011, the Company determined that its historical methodology for accruing for compensated absences related to vacation did not properly reflect a liability for vacation partially earned during the fiscal year and anticipated to be utilized by the employee in the subsequent year. The Company determined that the balances should be corrected in the earliest period presented by correcting any individual amounts in the financial statements. The periods impacted by this correction commence with periods earlier than any periods presented in this annual report. Therefore, the Company will correct this by recording a cumulative effect of this amount in the earliest period presented as a decrease in retained earnings of $328,000 and an increase in accrued expenses in the amount of $547,000 and an increase in deferred tax assets of $219,000. This adjustment did not have a material impact on net income for any period presented in this annual report. Accordingly, the Consolidated Financial Statements for periods ended October 31, 2007, through October 31, 2010, have been restated to reflect this adjustment. In accordance with ASC Topic 250, *Accounting Changes and Error Corrections*, we evaluated the materiality of the error from a qualitative and quantitative perspective and concluded that the error was not material to any prior period. Further, we evaluated the materiality of the error on the results of operations for the fiscal years end October 31, 2007, through October 31, 2010, and concluded that the error was not material for the year or the trend of financial results for any period presented.

Asset Impairment: The Company is required to test for asset impairment relating to property and equipment whenever events or changes in circumstances indicate that the carrying value of an asset might not be recoverable. The Company performs an impairment analysis when indicators of impairment are present. If such indicators are present, an analysis of the sum of the future expected cash flows from the Company's asset, undiscounted and without interest charges is calculated. If it is less than the carrying value, an asset impairment

Allowance for Doubtful Accounts: The Company encounters risks associated with sales and the collection of the associated accounts receivable. As such, the Company records a monthly provision for accounts receivable that are considered to be uncollectible. In order to calculate the appropriate monthly provision, the Company primarily utilizes a historical rate of accounts receivables written off as a percentage of total revenue. This historical rate is applied to the current revenues on a monthly basis. The historical rate is updated periodically based on events that may change the rate, such as a significant increase or decrease in collection, performance and timing of payments as well as the calculated total exposure in relation to the allowance. Periodically, the Company compares the identified credit risks with the allowance that has been established using historical experience and adjusts the allowance accordingly.

The Company believes that the accounting estimate related to the allowance for doubtful accounts is a "critical accounting estimate" because the underlying assumptions used for the allowance can change from period to period and could potentially cause a material impact to the income statement and working capital. Management has discussed the development and selection of this estimate with the audit committee of the board of directors, and the board has, in turn, reviewed the disclosure and its relation to this MD&A.

During 2011, 2010 and 2009, $270,000, $370,000, and $876,000 of bad debt expense was incurred and the allowance for doubtful accounts was $933,000, $1,297,000, and $1,353,000 of October 31, 2011, 2010 and 2009. The actual write-offs for the periods were $633,000, $426,000, and $1,375,000 during 2011, 2010 and 2009. General economic conditions and specific geographic and customer concerns are major factors that may affect the adequacy of the allowance and may result in a change in the annual bad debt expense.

The following discussion and analysis presents the significant changes in the financial position and results of operations of the Company and should be read in conjunction with the Audited Consolidated Financial Statements and notes thereto included elsewhere herein.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

YEAR ENDED OCTOBER 31, 2011 COMPARED TO YEAR ENDED OCTOBER 31, 2010

REVENUES

Consolidated net revenues were $128.5 million for the year ended October 31, 2011 compared to $129.9 million in the prior fiscal year. This change represents a decrease in revenues of approximately $1.4 million, or 1.1%. Printing revenues decreased by $1.9 million or 2.3% from $81.0 million in 2010 to $79.1 million in 2011. The Company believes the decrease in printing revenues was primarily due to the continued impact of the global economic crisis. Office products and office furniture revenue increased $1.1 million or 3.3% from $33.4 million in 2010 to $34.5 million in 2011. The increase in revenues for the office products and office furniture segment was primarily attributable to higher sales of office furniture. In 2011, newspaper revenues were composed of approximately $11.2 million in advertising revenue and $3.7 million in circulation revenue compared to the same period in 2010, in which the newspaper revenues were composed of approximately $11.7 million in advertising revenue and $3.8 million in circulation revenues. Newspaper revenues decreased $0.6 million or 4.1% in fiscal 2011 compared with fiscal 2010. The reduction in newspaper revenues is primarily associated with a decrease in advertising revenues, which we believe is reflective, in part, of macro industry dynamics coupled with the residual effect of the global economic crisis.

COST OF SALES

Total cost of sales for the year ended October 31, 2011 was $91.7 million, compared to $91.3 million in the previous year. This change represented an increase of $0.4 million, or 0.4%, in cost of sales. Printing cost of sales decreased $0.7 million to $58.6 million in 2011 compared to $59.4 million in 2010. Printing cost of sales as a percentage of printing sales increased to 74.1% as a percent of printing sales in 2011 from 73.3% in 2010. This increase was primarily the result of higher material costs as a percent of printing sales partially offset by improved labor and overhead absorption. Office products and office furniture cost of sales increased $0.9 million to $24.5 million in 2011 from $23.6 million in 2010. The increase in office products and office furniture cost of sales is attributable to an increase in office products and office furniture sales. The increase in office products and office furniture cost of sales as a percent of office products and office furniture sales is primarily reflective of higher office furniture costs as a percent of office furniture sales. Newspaper cost of sales and operating costs increased $0.3 million to $8.6 million in 2011 from $8.3 million in 2010. Newspaper cost of sales and operating costs as a percentage of newspaper sales were 57.7% in 2011 and 53.6% in 2010. The primary contributor to the increase was higher newsprint prices in 2011 compared to 2010.

OPERATING EXPENSES AND INCOME

Selling, general and administrative (S,G&A) expenses decreased $0.4 million to $31.2 million in 2011 from $31.6 million in 2010. S,G&A as a percentage of net sales represented 24.3% of net sales in 2011 and 2010. In 2010, the Company incurred costs associated with the Company's successful defense of a legal action and the accrual of settlement costs associated with an OSHA action with combined costs of approximately $0.4 million.

In connection with our annual impairment testing of goodwill and other intangible assets conducted in the fourth quarter of 2011, we recorded a charge of $8.7 million ($5.4 million, net of deferred tax benefit) for impairment of the value of the goodwill and other intangible assets, which resulted from the 2007 acquisition of The Herald-Dispatch daily newspaper in Huntington, WV. This charge resulted in impairment charges of trademark and masthead of $6.3 million and goodwill of $2.4 million. The associated deferred tax benefit of these charges approximated $3.3 million. There were no impairment charges as a result of our annual impairment testing in 2010.

The valuation methodology utilized to estimate the fair value of the newspaper operating segment was analyzed by the Company with assistance from an independent third party valuation specialist ("Valuation Specialist") in 2011 utilizing both the market and income approach. The Valuation Specialist considered three approaches to value referred to as the income approach, the market approach, and the cost approach. The income approach was based on a discounted cash flow methodology, in which expected future free net cash flows to invested capital are discounted to present value, using an appropriate after-tax weighted average cost of capital. The market approach using a guideline company analysis weighs empirical evidence from shares of comparable companies sold in minority transactions on stock exchanges and merger and acquisition analysis, which analyses sales of newspapers in control transactions. The cost approach was not employed due to the fact it was not deemed relevant. The implied fair values of goodwill and other intangibles for this reporting unit was less than the carrying amount for goodwill and trademark and masthead by $8.7 million ($5.4 million net of deferred tax benefit), and therefore an impairment charge in this amount was taken. The goodwill and other intangible assets will continue to be amortized for tax purposes over their remaining life in accordance with applicable Internal Revenue Service standards.

The Company exchanged a $3,000,000 Unsecured Promissory Note payable to Marshall T. Reynolds, its CEO, together with $147,875 in accrued interest for 1,311,615 shares of common stock in the third quarter of 2011. This transaction resulted in a pre-tax gain on early extinguishment of debt of approximately $1.3 million. The Company believes the CEO's rationale for such an exchange included numerous factors. The Company believes these factors related both to his dual role as CEO and largest shareholder. The CEO obtained a majority control in the stock as a result of this transaction. The CEO did not have access to the principal or interest related to the subordinated debt and therefore the common stock had greater economic upside potential when compared to a fixed rate of return associated with subordinated debt. We believe the limited liquidity of the Company's common stock would make it very difficult to purchase a significant quantity of shares without substantially increasing the cost of the purchase. The CEO has historically been an equity investor and not a debt investor and therefore we believe the CEO believed there was inherently potentially greater upside in equity versus subordinated debt albeit with greater risk. Finally, we believe the CEO believed that eliminating subordinated debt would improve the financial position of the Company.

Interest expense decreased approximately $1.5 million primarily due to lower borrowings and lower rates associated with the Second Amendment to the Credit Agreement and expiration of a LIBOR Swap Agreement.

INCOME TAXES

Income taxes as a percentage of income before taxes were a benefit of 36.3% in 2011 compared with an expense of (49.8%) in 2010. The effective income tax rate in 2011 and 2010 approximates the combined federal and state, net of federal benefit, statutory income tax rate.

NET (LOSS) INCOME

For the reasons set forth above, the Company recorded a net loss of $(4.0) million in 2011 compared with net income of $0.5 million in 2010.

YEAR ENDED OCTOBER 31, 2010 COMPARED TO YEAR ENDED OCTOBER 31, 2009

REVENUES

Consolidated net revenues were $129.9 million for the year ended October 31, 2010 compared to $141.3 million in the prior fiscal year. This change represents a decrease in revenues of approximately $11.3 million, or 8.0%. Printing revenues decreased by $8.0 million or 9.0% from $89.0 million in 2009 to $81.0 million in 2010. Office products and office furniture revenue decreased $2.4 million or 6.8% from $35.9 million in 2009 to $33.4 million in 2010. The decrease in revenues for the office products and office furniture segment was primarily attributable to lower sales in both office products and office furniture. In 2010, newspaper revenues were composed of approximately $11.7 million in advertising revenue and $3.8 million in circulation revenue compared to the same period in 2009, in which the newspaper revenues were composed of approximately $12.5 million in advertising revenue and $3.9 million in circulation revenues. Newspaper revenues decreased $0.9 million or 5.3% in fiscal 2010 compared with fiscal 2009. The reduction in newspaper revenues is primarily associated with a decrease in advertising revenues. The Company believes the decrease in sales across its three primary revenue segments was primarily due to the continued impact of the global economic crisis.

COST OF SALES

Total cost of sales for the year ended October 31, 2010 was $91.3 million, compared to $100.4 million in the previous year. This change represented a decrease of $9.1 million, or 9.1%, in cost of sales. Printing cost of sales decreased $7.5 million to $59.4 million in 2010 compared to $66.9 million in 2009. Printing cost of sales as a percentage of printing sales decreased to 73.3% as a percent of printing sales in 2010 from 75.1% in 2009. This decrease was primarily the result of improved labor absorption and lower material costs as a percent of sales, partially offset by higher overhead absorption costs. Office products and office furniture cost of sales decreased $1.2 million to $23.6 million in 2010 from $24.9 million in 2009. The decrease in office products and office furniture cost of sales is attributable to a decrease in office products and office furniture sales. The increase in office products and office furniture cost of sales as a percent of office products and office furniture sales is primarily reflective of higher office furniture costs as a percent of office furniture sales. Newspaper cost of sales and operating cost decreased $0.4 million to $8.3 million in 2010 from $8.7 million in 2009. Newspaper cost of sales and operating costs as a percentage of newspaper sales were 53.6% in 2010 and 53.2% in 2009.

were attributable to the printing segment. These cost reductions were partially offset by lower sales, which were partially mitigated by improved gross profit percent.

The office products and office furniture segment reported operating profits of $2.1 million, in 2010, compared to $2.3 million, in 2009. This represented a decrease in profitability of $0.2 million or 10%. This decrease is primarily the result of lower gross margin dollar contribution, due to both lower sales and gross profit percent compression attributable to lower margins on office furniture sales in 2010.

The newspaper segment reported a substantial improvement in operating income from a loss of $(38.7) million in 2009, to a profit of $3.1 million, in 2010. The operating loss in 2009 was primarily the result of a pre-tax impairment charge associated with goodwill and other intangible assets aggregating $41.1 million, thus reducing operating income in 2009.

OTHER INCOME (EXPENSE)

Other expense decreased approximately $1.3 million from $5.7 million in 2009 to $4.4 million in 2010. This was primarily due to charges in 2009 related to an interest rate swap agreement which was reclassified from other comprehensive income to other expense as a result of ineffectiveness in a cash flow hedge of approximately $0.6 million, net of tax in 2009. The Company recorded other income in the first quarter of 2010 resulting from this hedging arrangement, in the amount of $0.2 million, net of tax. The interest swap was re-designated as a cash flow hedge in the second quarter of 2010 and upon expiration of the swap derivative on October 29, 2010, $0.7 million or $0.4 million, net of tax was reclassified into earnings.

Interest expense increased approximately $230,000 from higher interest rates associated with the Administrative Agent of the Company's credit facility instituting the default rate and eliminating the LIBOR borrowing expense option for most of the first six months of 2010 and a higher applicable margin for the remainder of 2010 concurrent with the Second Amendment and various deferred financing and other interest related expenses associated with this debt. Concurrent with the Second Amendment to Credit Agreement the Company was permitted to reinstate the LIBOR borrowing option and the new applicable margin was set below the default rate in effect prior to the Second Amendment to Credit Agreement.

INCOME TAXES

Income taxes as a percentage of income before taxes were an expense of (49.8%) in 2010 compared with a benefit of 36.4% in 2009. The effective income tax rate in 2010 and 2009 approximates the combined federal and state, net of federal benefit, statutory income tax rate.

NET INCOME (LOSS)

For reasons set forth above, net income increased to $0.5 million in 2010 from a loss of $(27.5) million in 2009.

LIQUIDITY AND CAPITAL RESOURCES

As of October 31, 2011, the Company had a $1.2 million negative book cash balance, compared with the prior year when the Company had a $1.0 million negative book cash balance. Working capital as of October 31, 2011 was $(31.5) million, and $12.8 million at October 31, 2010. The decrease in working capital is associated with the classification as a current liability of approximately $33.0 million of term debt which was previously classified as long term as well as approximately $9.7 million in revolving credit borrowings being classified as current based on contractual maturities. The $33.0 million term debt reclassification resulted from the Company's inability to remain in compliance with certain of its financial covenants.

The Company had historically used cash generated from operating activities and debt to finance capital expenditures and the cash portion of the purchase price of acquisitions. Management plans to continue making required investments in equipment. The Company has available a line of credit totaling up to $15.0 million which is subject to borrowing base limitations and reserves which may be initiated by the Administrative Agent for Lenders in its sole discretion and are subject to a minimum excess availability threshold as well as the provisions of the Limited Forbearance Agreement (See Note 3 of the Consolidated Financial Statements). For the foreseeable future, including through Fiscal 2012, the Company's ability to fund operations, meet debt service requirements and make planned capital expenditures is contingent on continued availability of the aforementioned credit facilities and the ability of the Company to complete a restructuring or refinancing of the existing debt. The Company does not currently believe it will generate sufficient cash flow from operations to meet both scheduled principal and interest payments and pay off the entire line of credit which matures in September 2012.

to the Contribution Agreement. The $2,000,000 in cash collateral released to pay down term debt was issued in the form of a subordinated unsecured promissory note in the like amount.

On December 29, 2009, the Company, Marshall T. Reynolds, Fifth Third Bank, as Administrative Agent for lenders under the Company's Credit Agreement dated September 14, 2007, and the other lenders entered into a Forbearance Agreement. The Forbearance Agreement, among other provisions, required Marshall T. Reynolds to lend to the Company $3,000,000 in exchange for a subordinated unsecured promissory note in like amount, payment of principal and interest on which is prohibited until payment of all liabilities under the Credit Agreement. The subordinated unsecured promissory note, bearing interest at a floating Wall Street Journal prime rate and maturing September 14, 2014, and a debt subordination agreement, both dated December 29, 2009, were executed and delivered, and Mr. Reynolds advanced $3,000,000 to the Company. The $3,000,000 was applied to a prepayment of $3,000,000 of the Company's loans. The Forbearance Agreement expired on March 31, 2010 and the Company entered into a Second Amendment and Waiver to Credit Agreement.

On July 18, 2011, the Company and Mr. Reynolds entered into and consummated an Exchange Agreement pursuant to which the $3,000,000 subordinated unsecured promissory note, dated December 29, 2009 and delivered in connection with the Forbearance Agreement, together with $147,875 in accrued interest, was exchanged for 1,311,615 shares of common stock. The ratio of exchange was $2.40 of principal and accrued interest for one share of common stock. The transaction was completed at a discount of approximately 42.5% of the face value of the subordinated unsecured promissory note and related accrued interest. The transaction was approved by a majority of the disinterested directors in a separate board meeting chaired by a disinterested director. The transaction resulted in a net gain on early extinguishment of debt from a related party which is reflected in our Consolidated Statements of Operations. As a result of the Exchange Agreement, Marshall T. Reynolds beneficially owns over 50% of the Company's outstanding common stock.

On March 31, 2010, the Company, Fifth Third Bank, as a Lender, L/C Issuer and Administrative Agent for Lenders (the "Administrative Agent") and the other Lenders party to the Company's Credit Agreement dated September 14, 2007 (the "Credit Agreement") entered into a Second Amendment and Waiver to Credit Agreement ("the "Second Amendment"). All conditions precedent to the effectiveness of the Second Amendment were satisfied on April 6, 2010. The Company has pledged substantially all of the assets of the Company as collateral for the indebtedness under the Credit Agreement.

In the Second Amendment the Administrative Agent and Lenders waived any default or event of default arising from the Company's previously disclosed violations of provisions of the Credit Agreement. The Second Amendment amended various provisions of the Credit Agreement, including but not limited to:

- a $17,000,000 revolving credit facility with a sublimit of up to $3,000,000 for letters of credit and $3,000,000 for swing line loans. Outstanding borrowings, thereunder, may not exceed the sum of (1) up to 85% of eligible receivable plus (b) up to the lesser of $6,000,000 or 50% of eligible inventory.
- at the Company's option, interest at a LIBOR Rate, so long as no default exists.
- post-default increase in interest rate of 2%.
- amendment of various financial covenants.
- fixed charge coverage ratio is required to be 1.0:1.0 through January 31, 2011; 1.1:1.0 through January 31, 2012 and 1.20:1.00 thereafter.
- leverage ratio shall not be greater than 6.5:1.00 at April 30, 2010 with 0.5:1.00 step-downs quarterly through April 30, 2011 and 0.25:1.00 quarterly step-downs through April 30, 2012.
- minimum EBITDA pursuant to a quarterly build up commencing with the three months ended April 30, 2010 of $2,700,000, the six months ended July 31, 2010 of $5,400,000, the nine months ended October 31, 2010 of $8,900,000 and the twelve months ended January 31, 2011 of $11,800,000, thereafter varying quarterly step-ups culminating in twelve months trailing EBITDA of $14,300,000 at October 31, 2012.
- maximum capital expenditures are limited to $2,000,000 per fiscal year for the years ended October 31, 2010 and 2011 and $2,500,000 thereafter.
- enhanced reporting by the Company to Administrative Agent, including monthly reports and conference calls, quarterly reports by the Company's independent auditors of restructuring charges and organizational expense reductions.
- application of the Company's income tax refunds applied to reduce indebtedness under the Credit Agreement.
- restrictions on payment of dividends based on various covenant compliance thresholds.

The Company was in compliance with the covenants of its credit agreements at October 31, 2010. Failure to maintain compliance with financial covenants as required by our credit facility could result in default and acceleration of amounts due under those facilities. The Company is required to maintain a minimum of $750,000 of compensating balances with the Administrative Agent under the terms of its Credit Agreement.

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities for the years ended October 31, 2011, 2010 and 2009 were $7.0 million, $8.0 million, and $11.3 million. The decrease in cash flows from operating activities for fiscal 2011 compared to 2010 was primarily associated with timing changes in assets and liabilities. The decrease in cash flows from operating activities for fiscal 2010 compared to 2009 was primarily associated with a nominal change in accounts receivable in 2010 and 2009 compared with a significant decrease in receivables in 2009 compared to 2008. The impairment costs associated primarily with the acquisition of the Herald-Dispatch had no impact on cash flows from operating activities.

CASH FLOWS FROM INVESTING ACTIVITIES

Cash used in investing activities were $(0.5) million, $(0.4) million, and $(1.0) million for the years ended October 31, 2011, 2010 and 2009. Cash flows used in investing activities were relatively unchanged from 2009 to 2011. The cash used in investing activities in 2011 and 2010 was primarily related to purchases of property and equipment. The cash used in investing activities in 2009 was primarily related to capital expenditures offset by proceeds from cash surrender value of life insurance policies.

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash flows used in financing activities for the years ended October 31, 2011, 2010 and 2009 were $(6.5) million, $(8.8) million, and $(9.2) million. During 2011, the Company reduced net borrowings by approximately $6.5 million after adjusting for non-cash investing and financing activities, net of increases in negative book cash balances. During 2010, the Company reduced net borrowings by approximately $8.3 million after adjusting for non-cash investing and financing activities, net of increases in negative book cash balances. Dividend payments of $0.6 million were reflective of net cash used in financing activities in 2009. No dividends were paid in 2011 or 2010.

INFLATION AND ECONOMIC CONDITIONS

Management believes that the effect of inflation on the Company's operations has not been material and will continue to be immaterial for the foreseeable future. The Company does not have long-term contracts; therefore, to the extent permitted by competition, it has the ability to pass through to its customers most cost increases resulting from inflation, if any. In addition, the Company is not particularly energy dependent; therefore, an increase in energy costs should not have a significant impact on the Company.

Our operating results depend on the relative strength of the economy on both a regional and national basis. Recessionary conditions applicable to the economy as a whole and specifically to our core business segments have had a significant adverse impact on the Company's business. A continuing or a deepening of the recessionary conditions we are experiencing could significantly affect our revenue categories and associated profitability.

SEASONALITY

Our business is subject to seasonal fluctuations that we expect to continue to be reflected in our operating results in future periods.

Historically, the Company has experienced a greater portion of its profitability in the second and fourth quarters than in the first and third quarters. The second quarter generally reflects increased orders for printing of corporate annual reports and proxy statements. A post-Labor Day increase in demand for printing services and office products coincides with the Company's fourth quarter. The global economic crisis as well as other macro-economic factors and customer demand has impacted this general trend in recent years. The Company is unable to predict if this trend has fundamentally shifted until such time a more stable economic climate is present.

Our business is subject to seasonal fluctuations that we expect to continue to be reflected in our operating results in future periods. On a historical basis, The Herald-Dispatch's first and third calendar quarters of the year tended to be the weakest because advertising volume is at its lowest levels following the holiday season and a seasonal slowdown in the summer months. Correspondingly, on a historical basis the fourth calendar quarter followed by the second calendar quarter tended to be the strongest quarters. The fourth calendar quarter included heavy holiday season advertising. Other factors that affect our quarterly revenues and operating results may be beyond our control, including changes in the pricing policies of our competitors, the hiring and retention of key personnel, wage and cost pressures, distribution costs, changes in newsprint prices and general economic factors.

MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, ISSUER PURCHASES OF EQUITY SECURITIES

Champion common stock has traded on the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") National Market System (now Global Market) since the Offering under the symbol "CHMP."

The Company has been notified by the Listing Qualifications Department of The NASDAQ OMX Group on December 14, 2011 that it is not in compliance with the $5,000,000 minimum Market Value of Publicly Held Shares requirement for continued inclusion on the NASDAQ Global Market. The Company has also been notified on January 5, 2012 that it is not in compliance with the $1 per share minimum bid price requirement for continued inclusion on The NASDAQ Global Market.

The Company has until June 11, 2012 and July 3, 2012 to achieve compliance with NASDAQ's listing standards. As an alternative, in the event the Company is unable to achieve compliance by the applicable dates, it may apply to transfer the listing of its common stock to The NASDAQ Capital Market if it satisfies the requirements for inclusion on the NASDAQ Capital Market.

The Company intends to actively monitor the closing bid price for its Common Stock and the minimum value of publicly held shares requirement between now and June 11, 2012 and July 3, 2012 and will consider available options to regain compliance.

The following table sets forth the high and low closing prices for Champion common stock for the period indicated. The range of high and low closing prices are based on data from NASDAQ and does not include retail mark-up, mark-down or commission.

	Fiscal Year 2011		Fiscal Year 2010	
	High	Low	High	Low
First quarter	$ 2.00	$ 1.10	$ 1.97	$ 1.48
Second quarter	2.22	1.58	1.86	1.10
Third quarter	1.58	1.21	2.10	1.52
Fourth quarter	1.44	1.10	1.66	1.10

At the close of business on January 10, 2012, there were 385 shareholders of record of Champion common stock. The shareholders of record are determined by the Company's transfer agent.

The following table sets forth the quarterly dividends per share declared on Champion common stock.

	Fiscal Years		
	2012	2011	2010
First quarter	$ —	$ —	$ —
Second quarter	—	—	—
Third quarter	—	—	—
Fourth quarter	—	—	—

ARNETT & FOSTER
Certified Public Accountants, P.L.L.C.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee, Board of Directors and Shareholders
Champion Industries, Inc.
Huntington, West Virginia

We have audited the accompanying consolidated balance sheets of Champion Industries, Inc. and Subsidiaries (the "Company") as of October 31, 2011 and 2010, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended October 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based upon our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of October 31, 2011 and 2010, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2011, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the consolidated statement of shareholders equity for the year ended October 31, 2009, and the 2010 consolidated financial statements have been restated to correct a misstatement of accrued compensated absences related to vacation and the related deferred tax effect.

As more fully discussed in Note 11 to the consolidated financial statements, in connection with the Company's annual impairment evaluation of recorded goodwill and other intangible assets, the Company recorded a noncash charge of approximately $8.7 million ($5.4 million, net of deferred tax benefit) for impairment of the value of the goodwill and other intangible assets, which resulted from the 2007 acquisition of the Company's newspaper segment.

CONSOLIDATED BALANCE SHEETS

Champion Industries, Inc. and Subsidiaries

	October 31, 2011	October 31, 2010 (Restated)
Assets		
Current assets:		
Accounts receivable, net of allowance of $933,000 and $1,297,000	$ 18,779,592	$ 18,133,748
Inventories	8,897,726	9,690,333
Income tax refund	9,293	36,293
Other current assets	572,102	652,178
Deferred income tax assets	864,108	1,363,195
Total current assets	29,122,821	29,875,747
Property and equipment, at cost:		
Land	1,881,839	2,016,148
Buildings and improvements	11,876,675	11,843,376
Machinery and equipment	55,148,156	55,025,237
Furniture and fixtures	4,248,530	4,171,194
Vehicles	3,206,318	3,266,898
	76,361,518	76,322,853
Less accumulated depreciation	(56,605,876)	(53,949,280)
	19,755,642	22,373,573
Goodwill	12,968,255	15,332,283
Deferred financing costs	830,323	1,267,174
Other intangibles, net of accumulated amortization	4,778,052	5,195,361
Trademark and masthead	3,648,972	10,001,812
Deferred tax asset, net of current portion	10,894,159	8,370,151
Other assets	26,058	36,561
	33,145,819	40,203,342
Total assets	$ 82,024,282	$ 92,452,662

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Champion Industries, Inc. and Subsidiaries

	Year Ended October 31, 2011	2010	2009
Revenues:			
Printing	$ 79,091,755	$ 80,970,584	$ 88,989,794
Office products and office furniture	34,545,733	33,437,588	35,874,431
Newspaper	14,883,251	15,525,399	16,393,896
Total revenues	128,520,739	129,933,571	141,258,121
Cost of sales & newspaper operating costs:			
Printing	58,601,000	59,350,853	66,856,098
Office products and office furniture	24,521,153	23,632,686	24,859,285
Newspaper cost of sales & operating costs	8,589,851	8,327,100	8,714,941
Total cost of sales & newspaper operating costs	91,712,004	91,310,639	100,430,324
Gross profit	36,808,735	38,622,932	40,827,797
Selling, general and administrative expenses	31,228,524	31,608,843	37,126,228
Asset impairments/restructuring costs	9,369,018	1,640,795	41,333,653
Hurricane and relocation costs, net of recoveries	—	—	(38,673)
(Loss) income from operations	(3,788,807)	5,373,294	(37,593,411)
Other income (expense):			
Interest income	—	—	2,771
Interest expense - related party	(65,316)	(82,334)	—
Interest expense	(3,823,465)	(5,332,116)	(5,184,668)
Gain on early extinguishment of debt from a related early party	1,337,846	—	—
Other	99,001	1,013,041	(475,488)
	(2,451,934)	(4,401,409)	(5,657,385)
(Loss) income before income taxes	(6,240,741)	971,885	(43,250,796)
Income tax benefit (expense)	2,264,698	(483,751)	15,730,172
Net (loss) income	$ (3,976,043)	$ 488,134	$ (27,520,624)
(Loss) earnings loss per share:			
Basic	$ (0.38)	$ 0.05	$ (2.76)
Diluted	(0.38)	0.05	(2.76)
Dividends paid per share	$ —	$ —	$ 0.06
Weighted average shares outstanding:			
Basic	10,362,000	9,988,000	9,988,000
Diluted	10,362,000	9,988,000	9,988,000

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Champion Industries, Inc. and Subsidiaries

	Year Ended October 31, 2011	2010	2009
Cash flows from operating activities:			
Net (loss) income	$ (3,976,043)	$ 488,134	$ (27,520,624)
Adjustments to reconcile net (loss) income to cash provided by operating activities:			
Depreciation and amortization	4,086,377	4,300,662	5,244,938
(Gain)/loss on sale of assets	(35,486)	15,490	(55,719)
(Gain) on early extinguishments of debt from a related party	(1,337,846)	—	—
Deferred income taxes	(2,024,921)	14,169	(13,957,990)
Deferred financing costs	436,855	372,610	309,471
Bad debt expense	269,612	370,333	876,145
Intangible impairment	8,716,868	—	41,127,483
Asset impairment	109,255	—	206,170
Restructuring charges	571,746	1,812,325	—
(Gain)/loss on hedging agreements	—	(691,368)	577,736
Changes in assets and liabilities:			
Accounts receivable	(915,456)	(79,771)	4,588,233
Deferred revenue	17,199	47,181	(63,499)
Inventories	792,607	1,471,644	852,141
Other current assets	80,076	272,942	(92,053)
Accounts payable	1,078,579	(1,295,890)	(207,527)
Accrued payroll and commissions	(377,340)	(277,049)	(333,940)
Taxes accrued and withheld	70,173	(265,992)	404,333
Accrued income taxes	27,000	1,875,107	(1,200,304)
Accrued expenses	(567,031)	(461,118)	544,710
Other liabilities	(1,800)	(1,800)	(1,800)
Net cash provided by operating activities	7,020,424	7,967,609	11,297,904
Cash flows from investing activities:			
Purchase of property and equipment	(866,402)	(396,157)	(1,993,029)
Proceeds from sale of fixed assets	320,083	32,256	160,324
Change in other assets	5,147	7,753	5,168
Cash surrender value proceeds	—	—	874,397
Net cash used in investing activities	(541,172)	(356,148)	(953,140)
Cash flows from financing activities:			
Borrowings on line of credit	33,540,000	52,260,000	600,000
Payments on line of credit	(34,240,000)	(50,560,000)	(1,000,000)
Increase (decrease) in negative book cash balances	140,218	1,013,713	(986,704)
Principal payments on long-term debt	(5,919,470)	(11,043,871)	(7,199,497)
Deferred financing costs	—	(440,585)	—
Dividends paid	—	—	(599,281)
Net cash used in financing activities	(6,479,252)	(8,770,743)	(9,185,482)
Net (decrease) increase in cash and cash equivalents	—	(1,159,282)	1,159,282
Cash and cash equivalents at beginning of year	—	1,159,282	—
Cash and cash equivalents at end of year	$ —	$ —	$ 1,159,282

See notes to consolidated financial statements.

During 2011, 2010 and 2009, $270,000, $370,000, and $876,000 of bad debt expense was incurred and the allowance for doubtful accounts was $933,000, $1,297,000, and $1,353,000 as of October 31, 2011, 2010 and 2009. The actual write-offs for the periods were $633,000, $426,000, and $1,375,000 during 2011, 2010 and 2009. The actual write-offs occur when it is determined an account will not be collected. General economic conditions and specific geographic and customer concerns are major factors that may affect the adequacy of the allowance and may result in a change in the annual bad debt expense.

No individual customer represented greater than 4.0% of the gross outstanding accounts receivable at October 31, 2011 and 2010. The Company's ten largest accounts receivable balances represented 19.0% and 17.4% of gross outstanding accounts receivable at October 31, 2011 and 2010.

INVENTORIES

Inventories are principally stated at the lower of first-in, first-out, cost or market. Manufactured finished goods and work-in-process inventories include material, direct labor and overhead based on standard costs, which approximate actual costs.

INVENTORY RESERVES

Reserves for slow moving and obsolete inventories are provided based on historical experience, inventory aging historical review and management judgment. The Company continuously evaluates the adequacy of these reserves and makes adjustments to these reserves as required.

PROPERTY AND EQUIPMENT

Depreciation of property and equipment and amortization of leasehold improvements and equipment under capital leases are recognized primarily on the straight-line and declining-balance methods in amounts adequate to amortize costs over the estimated useful lives of the assets as follows:

Buildings and improvements	5 - 40 years
Machinery and equipment	3 - 10 years
Furniture and fixtures	5 - 10 years
Vehicles	3 - 5 years

Major renewals, betterments and replacements are capitalized while maintenance and repair costs are charged to operations as incurred. Upon the sale or disposition of assets, the cost and related accumulated depreciation are removed from the accounts with the resulting gains or losses reflected in income. Depreciation expense approximated $3,664,000, $3,844,000, and $4,199,000 for the years ended October 31, 2011, 2010 and 2009 and is reflected as a component of cost of sales and newspaper operating costs and selling, general and administrative expenses.

Long-lived property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. This evaluation includes the review of operating performance and estimated future undiscounted cash flows of the underlying assets or businesses.

GOODWILL

Goodwill shall not be amortized; instead it is tested for impairment using a fair-value approach on an annual basis typically for the Company during the fourth quarter of each year. Goodwill is also tested between annual tests if indicators of potential impairment exist.

Goodwill shall not be amortized; instead, it shall be tested for impairment at a level of reporting referred to as a reporting unit. The first step of impairment analysis is a screen for potential impairment and the second step, if required, measures the amount of the impairment. The Company performs an annual impairment test annually. The Company recorded various charges associated with Goodwill and other assets in 2011 and 2009 as further disclosed in Note 11 to the Consolidated Financial Statements.

ACCOUNTING FOR STOCK-BASED COMPENSATION

Before the adoption of the current applicable accounting standards, the Company had elected to follow the intrinsic value method in accounting for its employee stock options. Accordingly, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense was recognized. There were no stock option grants in 2011, 2010 or 2009. Any future stock-based compensation will be measured at the grant date based on the fair value of the award and it would be recognized as an expense over the applicable vesting periods of the stock award using the straight line method.

FAIR VALUE MEASUREMENTS

The Company measures and records in the accompanying Consolidated Financial Statements certain liabilities at fair value on a recurring basis. There is a fair value hierarchy for those instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and our own assumptions (unobservable inputs). The hierarchy consists of three levels:

Level 1 - Quoted market prices in active markets for identical assets or liabilities

Level 2 - Inputs other than Level 1 inputs that are either directly or indirectly observable; and

Level 3 - Unobservable inputs developed using estimates and assumptions developed by the Company, which reflect those that a market participant would use.

Our interest bearing debt is primarily composed of a revolving line of credit and term loan facility with a syndicate of banks. The carrying amount of these facilities and their fair value are discussed further in Note 3.

Cash and cash equivalents consist principally of cash on deposit with banks, all highly liquid investments with an original maturity of three months or less. The Company's cash deposits in excess of federally insured amounts are primarily maintained at a large well-known financial institution.

The carrying amounts of the Company's accounts receivable, accounts payable, accrued payrolls and commissions, taxes accrued and withheld and accrued expenses approximates fair value due to their short-term nature.

Goodwill and other intangible assets are measured on a non-recurring basis using Level 3 inputs, as further discussed in Note 11.

NEWLY ISSUED ACCOUNTING STANDARDS

In 2011, the FASB issued Accounting Standards Update ("ASU") 2011-08, *Testing Goodwill for Impairment*, which provides new guidance on testing goodwill for impairment. This new guidance gives the Company, subject to certain conditions, the option of first performing a qualitative assessment to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. The Company adopted this guidance in 2011, as permitted. Adoption did not have a material impact on our Consolidated Financial Statements.

Comprehensive income. In June and December 2011, the FASB issued guidance on the presentation of comprehensive income. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity, which is our current presentation, and also requires presentation of reclassification adjustments from other comprehensive income to net income on the face of the financial statements. This guidance is effective for fiscal years and interim periods beginning after December 15, 2011, with the exception of the requirement to present reclassification adjustments from other comprehensive income to net income on the face of the financial statements, which has been deferred pending further deliberation by the FASB, and is not expected to have a material effect on our financial condition of results of operations, though it will change our financial statement presentation.

RECLASSIFICATION

Certain prior-year amounts have been reclassified to conform to the current year Financial Statement Presentation.

Maturities of long-term debt and revolving line of credit for each of the next five years follow:

2012	$ 48,354,507
2013	360,982
2014	70,015
2015	—
2016	—
	$ 48,785,504

The secured and unsecured credit facilities contain restrictive financial covenants requiring the Company to maintain certain financial ratios. The Company was unable to remain in compliance with certain financial covenants arising under substantially all of its long-term note agreements. The creditors have not waived the financial covenant requirements. The Company received a notice of default on December 12, 2011, which was reported pursuant to item 2.04 of Form 8-K filed December 15, 2011. This notice of default advised that the Administrative Agent had not waived the event of default and reserves all rights and remedies thereof. These remedies include, under the Credit Agreement, the right to accelerate and declare due and immediately payable the principal and accrued interest on all loans outstanding under the Credit Agreement. The notice of default further stated that any extension of additional credit under the Credit Agreement would be made by the lenders in their sole discretion without any intention to waive any event of default.

On December 28, 2011, the Administrative Agent, the Lenders, the Company, all of its subsidiaries and Marshall T. Reynolds entered into a Limited Forbearance Agreement and Third Amendment to Credit Agreement (the "Limited Forbearance Agreement") which provides, among other things, that during a forbearance period commencing on December 28, 2011, and ending on April 30, 2012 (unless terminated sooner by default of the Company under the Limited Forbearance Agreement or Credit Agreement), the Lenders are willing to temporarily forbear exercising certain rights and remedies available to them, including acceleration of the obligations or enforcement of any of the liens provided for in the Credit Agreement. The Company acknowledged in the Limited Forbearance Agreement that as a result of the existing defaults, the Lenders are entitled to decline to provide further credit to the Company, to terminate their loan commitments, to accelerate the outstanding loans, and to enforce their liens.

The Limited Forbearance Agreement provides that during the forbearance period, so long as the Company meets the conditions of the Limited Forbearance Agreement, it may continue to request credit under the revolving credit line.

The Limited Forbearance Agreement requires the Company to:

(a) engage a chief restructuring advisor to assist in developing a written restructuring plan for the Company's business operations;
(b) submit a restructuring plan to the Administrative Agent by February 15, 2012;
(c) provide any consultant retained by the Administrative Agent with access to the operations, records and employees of the Company;
(d) attain revised minimum EBITDA covenant targets; and
(e) provide additional financial reports to the Administrative Agent.

The Limited Forbearance Agreement provides that the credit commitment under the Credit Agreement is $15,000,000 and provides for a $1,450,000 reserve against the Credit Agreement borrowing base. The Company had borrowed under its $15.0 million line of credit approximately $9.7 million at October 31, 2011, which encompassed working capital requirements, refinancing of existing indebtedness prior to The Herald-Dispatch acquisition and to partially fund the purchase of The Herald-Dispatch. Pursuant to the terms of the Limited Forbearance Agreement, the Company's borrowing base certificate as submitted to the Administrative Agent and adjusted in this filing for such provisions in the Limited Forbearance Agreement reflected minimum excess availability of $5.4 million as of October 31, 2011. The minimum excess availability is subject to a $1,450,000 reserve and may be adjusted by the Administrative Agent.

The Company had borrowed under its $17.0 million line of credit approximately $10.4 million at October 31, 2010, which encompassed working capital requirements, refinancing of existing indebtedness prior to The Herald-Dispatch acquisition and to partially fund the purchase of The Herald-Dispatch. The $17.0 million line of credit was subsequently reduced to $15.0 million, pursuant to the terms of the Limited Forbearance Agreement.

The Limited Forbearance Agreement provides that $2,000,000 of the $2,500,000 cash collateral held by the Administrative Agent pursuant to the Contribution Agreement and Cash Collateral Security Agreement dated March 31, 2010, among the Company, Marshall Reynolds and the Administrative Agent (the "Contribution Agreement") shall be applied at the execution of the Limited Forbearance Agreement to the outstanding term loans in inverse order of maturity, which shall satisfy in full (a) any fixed charge violation (as defined in the Contribution Agreement) as of October 31, 2011, and during the forbearance period and (b) any excess cash flow payment due ended January 31, 2011 of $11,800,000, thereafter varying quarterly step-ups culminating in twelve months trailing EBITDA of $14,300,000 at October 31, 2012.

- maximum capital expenditures are limited to $2,000,000 per fiscal year for the years ended October 31, 2010 and 2011 and $2,500,000 thereafter.
- enhanced reporting by the Company to Administrative Agent, including monthly reports and conference calls, quarterly reports by the Company's independent auditors of restructuring charges and organizational expense reductions.
- application of the Company's income tax refunds applied to reduce indebtedness under the Credit Agreement.
- restrictions on payment of dividends based on various covenant compliance thresholds.

As required by the Second Amendment, the Company, Marshall T. Reynolds and the Administrative Agent entered into a Contribution Agreement and Cash Collateral Security Agreement dated March 31, 2010 (the "Contribution Agreement") pursuant to which Mr. Reynolds deposited $2,500,000 as cash collateral with the Administrative Agent, which the Administrative Agent may withdraw upon an event of default under the Credit Agreement. The cash collateral is in an account in Mr. Reynolds name with the Administrative Agent and is not reflected on the Company's financial statements at October 31, 2011 and 2010.

In connection with the Contribution Agreement, the Company executed and delivered to Mr. Reynolds a Subordinated Promissory Note in an amount up to $2,500,000 (or less, based on draws by the Administrative Agent pursuant to the terms of the Contribution Agreement), payment of principal and interest on which is prohibited prior to January 31, 2011, and thereafter only with the Administrative Agent's consent. The amount, if any, owed under the Subordinated Promissory Note is contingent upon a draw having been made under the Contribution Agreement. This promissory note was unfunded at the issuance date and at October 31, 2011 and 2010, and therefore there was no outstanding subordinated debt or accrued interest related to this note, because the Administrative Agent had made no draws on the cash collateral at the issuance date through October 31, 2011. The Subordinated Promissory Note bears interest at the Wall Street Journal prime rate (3.25% at inception and at October 31, 2011 and 2010), matures September 14, 2014 and is unsecured. In the event of a draw under the terms of the Contribution Agreement, the cash proceeds shall be deemed to be a subordinated loan made by Mr. Reynolds to the Company. Pursuant to the terms of the Contribution Agreement, the triggers which may require a draw and subsequent issuance of subordinated debt include a payment violation, a fixed charge coverage ratio violation and a delivery violation by the Company failing to deliver a Compliance Certificate to the Administrative Agent when due under the Credit Agreement. Upon a draw on Mr. Reynolds' cash collateral account, he is deemed to have made a loan in like amount under the Contribution Agreement and Subordinated Promissory Note, in amounts up to $2.5 million, the proceeds of which will be used by the Administrative Agent to repay outstanding term loans in the inverse order of maturity.

On December 28, 2011, pursuant to the terms of the Limited Forbearance Agreement, a draw of $2.0 million was made on the cash collateral and $2.0 million was funded in the form of the subordinated unsecured promissory note.

The Company is required to make certain mandatory payments on its credit facilities related to (1) net proceeds received from a loss subject to applicable thresholds, (2) equity proceeds and (3) effective January 31, 2009, and continuing each year thereafter under the terms of the agreement the Company is required to prepay its credit facilities by 75% of excess cash flow for its most recently completed fiscal year. The excess cash flow for purposes of this calculation is defined as the difference (if any) between (a) EBITDA for such period and (b) federal, state and local income taxes paid in cash during such period plus capital expenditures during such period not financed with indebtedness plus interest expense paid in cash during such period plus the aggregate amount of scheduled payments made by the Company and its Subsidiaries during such period in respect of all principal on all indebtedness (whether at maturity, as a result of mandatory sinking fund redemption, or otherwise), plus restricted payments paid in cash by the Company during such period in compliance with the Credit Agreement. Pursuant to the terms of the Limited Forbearance Agreement, there would be no excess cash flow payment due based on the contractual provisions regarding the application of cash collateral. The Company paid its prepayment obligation of approximately $2.0 million in January 2009 and had no balance due under its prepayment obligation for fiscal 2010 and 2011 that would have been payable January 2011 and 2012 pursuant to the applicable calculations of the applicable credit agreements.

The prime rate was the primary interest rate on the above loans prior to September 14, 2007. After this date, the primary interest rate consisted primarily of LIBOR 30-day, 60-day and 90-day rates plus the applicable margin (effective with the Second Amendment, the primary interest rate was LIBOR 30-day and 60-day rates plus the applicable margin). Prime rate approximated 3.25% at October 31, 2011 and 2010, while the 30-day LIBOR rate approximated 0.24% and 0.25% at October 31, 2011 and 2010. The Company had entered into a hedging arrangement to convert $25.0 million of variable interest rate debt to fixed interest rate debt. There was no current balance outstanding subject to the hedge at October 31, 2011 and 2010 (see Note 13). The swap agreement terminated effective October 29, 2010, therefore, converting from fixed interest rate debt to variable interest upon termination. Interest paid during the years ended October 31, 2011, 2010 and 2009 approximated $3,598,000, $5,256,000, and $4,345,000. The Company had accrued interest of approximately $162,000 and $313,000 at October 31, 2011 and 2010 recorded as accrued expenses on the balance sheet. Deferred financing costs are

A summary of the Company's stock option activity and related information for the years ended October 31 follows:

	2011	Weighted Average Exercise Price	2010	Weighted Average Exercise Price	2009	Weighted Average Exercise Price
Outstanding – beginning of year	—	$ —	220,000	$ 4.26	311,000	$ 4.27
Granted	—	—	—	—	—	—
Exercised	—	—	—	—	—	—
Forfeited or expired	—	—	(220,000)	4.26	(91,000)	4.29
Outstanding – end of year	—	$ —	—	$ —	220,000	$ 4.26
Weighted average fair value of options granted during the year	$ —		$ —		$ —	

5. INCOME TAXES

Income tax (benefit) expense consisted of the following:

	Year Ended October 31, 2011	2010	2009
Current (benefit) expense:			
Federal	$ (434,589)	$ (754,195)	$ (1,601,934)
State	(243,583)	(333,390)	(170,248)
Deferred (benefit) expenses	(1,586,526)	1,571,336	(13,957,990)
	$ (2,264,698)	$ 483,751	$ (15,730,172)

A reconciliation of the statutory federal income tax rate to the Company's effective income tax rate is as follows:

	Year Ended October 31,		
	2011	2010	2009
Statutory federal income tax rate	**(34.0) %**	34.0 %	(34.0) %
State taxes, net of federal benefit	**(5.2)**	(22.1)	(0.7)
Change in valuation allowance	**0.7**	7.6	0.3
Selling expenses	**1.3**	7.2	0.2
Cash surrender value of life insurance accretion	**—**	—	0.4
State apportionment and deferred tax adjustments	**(0.2)**	23.3	(3.1)
Federal and state tax net operating loss adjustments	**1.5**	—	(0.1)
Other	**(0.4)**	(0.2)	0.2
Interest rate swap	**—**	—	0.4
Effective tax rate	**(36.3) %**	49.8 %	(36.4) %

Income taxes (refunded) paid during the years ended October 31, 2011, 2010 and 2009 approximated $(272,000), $(1,675,000), and $(572,000). The Company recorded an income tax refund at October 31, 2011 and 2010 of $9,000 and $36,000. Certain taxable losses for 2010 are carried back to previous years to the extent allowable by applicable tax laws.

The Company's net operating losses are comprised of net operating losses from operations for both Federal and State as well as net operating losses of acquired companies. The tax affected benefit of these are reflected in the Financial Statements at $2.2 million or approximately $1.6 million net of valuation allowance. The Federal net operating losses may be carried forward 20 years and carried back 2 years whereas the State net operating losses generally cannot be carried back for the Company's purpose but can be carried forward 15-20 years

In June 2006, the FASB issued ASC 740 , this interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The Company adopted the standard addressing "Accounting for Uncertainty in Income Taxes" effective November 1, 2007 with no effect on the Company's consolidated financial statements. As of the date of adoption, the Company had approximately $150,000 of unrecognized tax benefits, all of which would impact the effective tax rate if recognized. The Company was notified in December of 2011 and the examination commenced in December of 2011 by the IRS covering our fiscal year end 2010 federal income tax return. As of October 31, 2011, the Company is subject to U.S. Federal income tax examination for returns filed after October 31, 2008. State Income Tax returns are generally subject to a period of examination for a period of three to five years. Tax interest and penalties are classified as income taxes in the accompanying statements of income and were insignificant for all periods presented. There was no unrecognized tax benefit at October 31, 2011 and 2010. The Company is currently unable to assess whether any significant increase to the unrecognized tax benefit will be recorded during the next 12 months.

6. RELATED PARTY TRANSACTIONS AND OPERATING LEASE COMMITMENTS

The Company leases operating facilities from entities controlled by its Chief Executive Officer, his family and affiliates as well as facilities controlled by a Company owned by the former sole owner of Syscan pursuant to the acquisition of Syscan (see Note 8). The original terms of these leases, which are accounted for as operating leases, range from two to fifteen years.

A summary of significant related party transactions follows:

	Year Ended October 31,		
	2011	2010	2009
Rent expense paid to affiliated entities for operating facilities	**$ 517,000**	$ 517,000	$ 367,000
Sales of office products, office furniture and printing services to affiliated entities	**951,000**	913,000	861,000

In addition, the Company leases property and equipment from unrelated entities under operating leases. Rent expense amounted to $683,000, $1,334,000, and $1,060,000 for the years ended October 31, 2011, 2010 and 2009.

default under the Credit Agreement. This cash collateral is in an account in Mr. Reynolds name with the Administrative Agent and is not reflected on the Company's financial statements at October 31, 2011 and 2010.

In connection with the Contribution Agreement, the Company has executed and delivered to Mr. Reynolds a Subordinated Promissory Note in an amount up to $2,500,000 (or less, based on draws by the Administrative Agent pursuant to the terms of the Contribution Agreement), payment of principal and interest on which is prohibited prior to January 31, 2011, and thereafter only with the Administrative Agent's consent. The amount, if any, owed under the Subordinated Promissory Note is contingent upon a draw having been made under the Contribution Agreement. This promissory note was unfunded at the issuance date and at October 31, 2011 and 2010 and therefore there is no outstanding subordinated debt or accrued interest related to this note, because the Administrative Agent has made no draws on the cash collateral at the issuance date through October 31, 2011. The Subordinated Promissory Note bears interest at the Wall Street Journal prime rate (3.25% at inception and at October 31, 2011 and 2010), matures September 14, 2014 and is unsecured. In the event of a draw under the terms of the Contribution Agreement, the cash proceeds shall be deemed to be a subordinated loan made by Mr. Reynolds to the Company. Pursuant to the terms of the Contribution Agreement, the triggers which may require a draw and subsequent issuance of subordinated debt include a payment violation, a fixed charge coverage ratio violation and a delivery violation by the Company failing to deliver a Compliance Certificate to the Administrative Agent when due under the Credit Agreement. Upon a draw on Mr. Reynolds' cash collateral account, he is deemed to have made a loan in like amount under the Contribution Agreement and Subordinated Promissory Note, in amounts up to $2.5 million, the proceeds of which will be used by the Administrative Agent to repay outstanding term loans in the inverse order of maturity.

On December 28, 2011, pursuant to the terms of the Limited Forbearance Agreement, a draw of $2.0 million was made on the cash collateral and $2.0 million was funded in the form of the subordinated unsecured promissory note.

Mr. Reynolds has granted the Administrative Agent a first priority security interest in the cash collateral.

The Company believes that the terms of its related party transactions are no less favorable to the Company than could be obtained with an independent third party.

7. COMMITMENTS AND CONTINGENCIES

The Company is subject to the environmental laws and regulations of the United States and the states in which it operates concerning emissions into the air, discharges into the waterways and the generation, handling and disposal of waste materials. The Company's past expenditures relating to environmental compliance have not had a material effect on the Company and are included in normal operating expenses. These laws and regulations are constantly evolving, and it is impossible to predict accurately the effect they may have upon the capital expenditures, earnings, and competitive position of the Company in the future. Based upon information currently available, management believes that expenditures relating to environmental compliance will not have a material impact on the financial position of the Company.

The Company is subject to various claims and legal actions that arise in the ordinary course of business as well as various governmental audits and examinations. In the opinion of management, after consulting with legal counsel where applicable, the Company believes that the ultimate resolution of these claims, audits and legal actions will not have a material effect on the Consolidated Financial Statements of the Company.

8. ACQUISITIONS

On September 14, 2007, the Company completed, pursuant to an asset purchase agreement, the acquisition of The Herald-Dispatch daily newspaper in Huntington, WV. The purchase price was $77.0 million and subject to a working capital payment of $837,554 plus or minus any change in working capital from the index working capital base of $1,675,107 at the closing date of September 14, 2007. The working capital payment totaled approximately $1.6 million.

Approximately six weeks of the operations of The Herald-Dispatch are included in the Company's Statement of Operations commencing concurrent with the acquisition in 2007.

not to exceed the amount of $1,500,000. On December 14, 2006, the Company paid the contingent purchase price in the amount of $1,350,725. This amount was accrued at October 31, 2006. The Company also purchased a building from an entity controlled by Syscan's sole shareholder for $117,000 concurrent with the Syscan acquisition. After considering the cash received, the acquisition of a building and acquisition costs the net assets acquired totaled approximately $2,688,000. Syscan Corporation is a provider of integrated business products, with a primary emphasis on office and data products, printing, mailing and fulfillment services, and office furniture. The acquisition was consummated based on significant identified synergies which could be achieved due to a duplication of market territory. The acquisition brought additional supply chain management and mailing expertise to the Company and allowed Syscan to offer a broader array of printing services to its existing customer base.

The Williams Land Corporation had the option to put the 3000 Washington Street building occupied by Syscan to the Company for a purchase price of $1.5 million and the Company had the option to purchase the building for $1.5 million at the conclusion of the five year lease term ending September 1, 2009. This option could be exercised no later than 60 days prior to the end of the lease and closing of said purchase could not exceed 45 days from the end of the lease. The Company exercised its option to purchase this building on June 16, 2009. The Company assigned its option to purchase to a related party and leased the building back from the related party for a period of five years with a call option to purchase the building within the new five year lease period, which commenced October 27, 2009, for $1.5 million.

All of the above transactions have been accounted for using the purchase method of accounting.

9. INDUSTRY SEGMENT INFORMATION

The Company operates principally in three industry segments organized on the basis of product lines: the production, printing and sale, principally to commercial customers, of printed materials (including brochures, pamphlets, reports, tags, continuous and other forms); the sale of office products and office furniture including interior design services; and publication of The Herald-Dispatch daily newspaper in Huntington, West Virginia with a total daily and Sunday circulation of approximately 24,000 and 30,000 respectively. The Company employs approximately 660 people, of whom approximately 10 or 2%, are covered by collective bargaining agreements, which expire December 31, 2013.

The Company reports segment information in a manner consistent with the way that our management, including our chief operating decision maker, the Company's Chief Executive Officer, assesses performance and makes decisions regarding allocation of resources in accordance with the Segment Disclosures Topic of the ASC.

Our Financial Reporting systems present various data, which is used to operate and measure our operating performance. Our chief operating decision maker utilizes various measures of a segment's profit or loss including historical internal reporting measures and reporting measures based on product lines with operating income (loss) as the key profitability measure within the segment. Product line reporting is the basis for the organization of our segments and is the most consistent measure used by the chief operating decision maker and conforms with the use of segment operating income or (loss) that is the most consistent with those used in measuring like amounts in the Consolidated Financial Statements.

The identifiable assets are reflective of non-GAAP assets reported on the Company's internal balance sheets and are typically adjusted for negative book cash balances, taxes and other items excluded for segment reporting. The total assets reported on the Company's balance sheets as of October 31, 2011, 2010 and 2009 are $82,024,282, $92,452,662, and $101,240,569. The identifiable assets reported below represent $70,266,015, $82,813,827, and $90,310,975.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Champion Industries, Inc. and Subsidiaries

A reconciliation of total segment revenue, assets and operating (loss) income to consolidated (loss) income before income taxes for the years ended October 31, 2011, 2010 and 2009 is as follows, and relate to the printing segment:

	2011	2010	2009
Revenues:			
Total segment revenues	$ 140,322,668	$ 145,324,012	$ 158,376,271
Elimination of intersegment revenue	(11,801,929)	(15,390,441)	(17,118,150)
Consolidated revenue	$ 128,520,739	$ 129,933,571	$ 141,258,121
Operating (loss) income:			
Total segment operating (loss) income	$ (3,788,807)	$ 5,373,294	$ (37,593,411)
Interest income	—	—	2,771
Interest expense - related party	(65,316)	(82,334)	—
Interest expense	(3,823,465)	(5,332,116)	(5,184,668)
Gain on early extinguishment of debt from a related party	1,337,846	—	—
Other income (loss)	99,001	1,013,041	(475,488)
Consolidated (loss) income before income taxes	$ (6,240,741)	$ 971,885	$ (43,250,796)
Identifiable assets:			
Total segment identifiable assets	$ 70,266,015	$ 82,813,827	$ 90,310,975
Elimination of intersegment assets	11,758,267	9,638,835	10,929,594
Total consolidated assets	$ 82,024,282	$ 92,452,662	$ 101,240,569

10. RESTRUCTURING AND OTHER CHARGES

In fiscal 2010 and 2011, the Company recorded charges related to a restructuring and profitability enhancement plan. This plan was implemented to effectuate certain key initiatives and was an integral component of the Second Amendment and Waiver to the Credit Agreement (Second Amendment). These actions were taken to comply with the provisions and targeted covenants of the Second Amendment and to address the impact of the global economic crisis on the Company. The Company may incur additional costs in future periods to address the ongoing and fluid nature of the economic crisis, and may incur costs pursuant to certain initiatives being reviewed in accordance with the provision of the Limited Forbearance Agreement. The charges incurred in 2011 also related to revisions in targeted cash flows related to sublease rentals. The Company believes the economic environment has contributed to the inability to achieve sublease rentals. The Company also incurred charges in 2011 related to revised estimates for aggregate facility exposure costs including rent, taxes, insurance and maintenance related costs. The amount of future charges is currently not estimable by the Company.

The plan was implemented to address several key initiatives, including streamlining production and administrative operations and headcount reductions. The aggregate pre-tax charge resulting from these actions was $2.4 million ($1.4 million after tax or $0.14 per share on a basic and diluted basis). The charges were comprised of $1.6 million associated with excess facility and maintenance costs, primarily related to operating leases, inventory related costs of $200,000 and costs associated with streamlining production and personnel related separation costs of $565,000. The costs associated with the restructuring and profitability enhancement plan are primarily recorded in the restructuring charges line item as part of operating income. Inventory is recorded as a component of cost of sales.

11. ACQUIRED INTANGIBLE ASSETS AND GOODWILL

	2011		2010	
	Gross Carrying Amount	**Accumulated Amortization**	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets:				
Non-compete agreement	**$ 1,000,000**	**$ 1,000,000**	$ 1,000,000	$ 880,952
Customer relationships	**2,451,073**	**904,837**	2,451,073	782,739
Advertising and subscriber base	**4,989,768**	**1,804,660**	4,989,768	1,656,997
Other	**564,946**	**518,238**	564,946	489,738
	9,005,787	**4,227,735**	9,005,787	3,810,426
Unamortizable intangible assets:				
Goodwill	**13,475,533**	**507,278**	15,839,561	507,278
Trademark and masthead	**3,648,972**	**—**	10,001,812	—
	17,124,505	**507,278**	25,841,373	507,278
Total goodwill and other intangibles	**$ 26,130,292**	**$ 4,735,013**	$ 34,847,160	$ 4,317,704

In connection with our annual impairment testing of goodwill and other intangible assets conducted in the fourth quarter of 2009, we recorded a charge of $41.1 million ($25.5 million, net of deferred tax benefit) for impairment of the value of the goodwill and other intangible assets, which resulted from the 2007 acquisition of The Herald-Dispatch daily newspaper in Huntington, WV. This charge resulted in impairment charges of trademark and masthead of $8.5 million, subscriber base asset of $2.2 million, advertiser base asset $6.8 million and goodwill $23.6 million. The associated deferred tax benefit of these charges approximated $15.6 million. There were no impairment charges as a result of our annual impairment testing in 2010.

In connection with our annual impairment testing of goodwill and other intangible assets conducted in the fourth quarter of 2011, we recorded a charge of $8.7 million ($5.4 million, net of deferred tax benefit) for impairment of the value of the goodwill and other intangible assets, which resulted from the 2007 acquisition of The Herald-Dispatch daily newspaper in Huntington, WV. This charge resulted in impairment charges of trademark and masthead of $6.3 million and goodwill of $2.4 million. The associated deferred tax benefit of these charges approximated $3.3 million. There were no impairment charges as a result of our annual impairment testing in 2010.

The Company determined that it should perform impairment testing of goodwill and intangible assets during the fourth quarter of 2011 and 2009, due, in part, to declines in our stock price, increased volatility in operating results and declines in market transactions in the industry. The valuation methodology utilized to estimate the fair value of the newspaper operating segment was based on both the market and income approach. The implied fair values of goodwill and other intangibles for this reporting unit was less than the carrying amount for both 2011 and 2009 based on the analysis by the Company and with assistance of third party valuation specialists, and therefore an impairment charge was taken. The Valuation Specialist considered three approaches to value referred to as the income approach, the market approach, and the cost approach. The income approach was based on a discounted cash flow methodology, in which expected future free net cash flows to invested capital are discounted to present value, using an appropriate after-tax weighted average cost of capital. The market approach using guideline company analysis weighs empirical evidence from shares of comparable companies sold in minority transactions on stock exchanges and merger and acquisition analysis, which analyses sales of newspapers in control transactions. The cost approach was not employed due to the fact it was not deemed relevant. The goodwill and other intangible assets will continue to be amortized for tax purposes over its remaining life in accordance with applicable internal revenue service standards.

During 2009, the U.S. recession had a negative impact on the Company's operations across multiple segment lines. The newspaper operating segment reflected lower operating revenues in both advertising and circulation. In response to this difficult operating environment the Company initiated a cost reduction plan and eliminated 24 employee positions, or approximately 15% of the workforce, at the Champion Publishing subsidiary.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Champion Industries, Inc. and Subsidiaries

TRADEMARK AND MASTHEAD

	Printing	Office Products and Furniture	Newspaper	Total
Balance as of October 31, 2009				
Trademark and masthead	$ —	$ —	$ 18,515,316	$ 18,515,316
Accumulated impairment losses	—	—	(8,513,504)	(8,513,504)
	—	—	10,001,812	10,001,812
Trademark and masthead acquired Fiscal 2010	—	—	—	—
Impairment losses Fiscal 2010	—	—	—	—
Balance as of October 31, 2010				
Trademark and masthead	—	—	18,515,316	18,515,316
Accumulated impairment losses	—	—	(8,513,504)	(8,513,504)
	—	—	10,001,812	10,001,812
Trademark and masthead acquired Fiscal 2011	—	—	—	—
Impairment losses Fiscal 2011	—	—	(6,352,840)	(6,352,840)
Balance as of October 31, 2011				
Trademark and masthead	—	—	18,515,316	18,515,316
Accumulated impairment losses	—	—	(14,866,344)	(14,866,344)
	$ —	$ —	$ 3,648,972	$ 3,648,972

12. CERTAIN SIGNIFICANT ESTIMATES

Our estimates that influence the financial statements are normally based on knowledge and experience about past and current events and assumptions about future events. The following estimates affecting the financial statements are particularly sensitive because of their significance and it is at least reasonably possible that a change in these estimates will occur in the near term.

GOODWILL AND INTANGIBLE ASSETS

We evaluate the recoverability of the goodwill and intangible assets of each of our reporting units, as required, by comparing the fair value of each reporting unit with its carrying value. The fair values of our reporting units are determined using a combination of a discounted cash flow analysis and market multiples based on historical and projected financial information. We apply our best judgment when assessing the reasonableness of the financial projections used to determine the fair value of each reporting unit.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company encounters risks associated with sales and the collection of the associated accounts receivable. As such, the Company records a monthly provision for accounts receivable that are considered to be uncollectible. In order to calculate the appropriate monthly provision, the Company primarily utilizes a historical rate of accounts receivables written off as a percentage of total revenue. This historical rate is applied to the current revenues on a monthly basis. The historical rate is updated periodically based on events that may change the rate such as a significant increase or decrease in collection performance and timing of payments as well as the calculated total exposure in relation to the allowance. Periodically, the Company compares the identified credit risks with the allowance that has been established using historical experience and adjusts the allowance accordingly. The underlying assumptions used for the allowance can change from period to period and could potentially cause a material impact to the income statement and working capital.

FINANCIAL INSTRUMENTS

In managing interest rate risk exposure, the Company enters into interest rate swap agreements. An interest rate swap is a contractual exchange of interest payments between two parties. A standard interest rate swap involves the payment of a fixed rate times a notional amount by one party in exchange for a floating rate times the same notional amount from another party. As interest rates change, the difference to be paid or received is accrued and recognized as interest expense or income over the life of the agreement. These instruments are not entered into for trading purposes. Counter Parties to the Company's interest rate swap agreements are major financial institutions. In accordance with applicable accounting guidance, the Company recognizes interest rate swap agreements on the Balance Sheet at fair value. The Company's interest rate swap agreement expired on October 29, 2010.

13. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company manages exposure to changes in market interest rates. The Company's use of derivative instruments is limited to highly effective fixed and floating interest rate swap agreements used to manage well-defined interest rate risk exposures. The Company monitors its positions and the credit ratings of its counterparties and does not anticipate non-performance by the counterparties. Interest rate swap agreements are not entered into for trading purposes.

At September 28, 2007, the Company was party to an interest rate swap agreement which terminated on October 29, 2010. The swap agreement is with a major financial institution and aggregates an initial $25 million in notional principal amount $19.8 million of outstanding notional principal at October 29, 2010. This swap agreement effectively converted $25 million of variable interest rate debt to fixed rate debt. The swap agreement requires the Company to make fixed interest payments based on an average effective rate of 4.78% and receive variable interest payments from its counterparties based on one-month LIBOR (actual rate of 0.25% at October 31, 2010). In fiscal 2010 and 2009, the Company recorded a net change in the fair value of the fixed interest rate swap agreement in the amount of $407,289 and $(19,823), net of income tax as other comprehensive income (loss). In 2009 ineffectiveness resulting in a $0.6 million loss, was charged to other expense on the Consolidated Statements of Operations. This loss resulted from the termination of LIBOR borrowing eligibility by the Administrative Agent under the Company's Credit Agreement. In 2010, the Company recorded $0.3 million, or $0.2 million net of tax as other income in the first quarter of 2010 prior to the Administrative Agent reinstating the LIBOR borrowing option in the second quarter of 2010. The interest rate swap was re-designated as a cash flow hedge in the second quarter of 2010 and upon expiration of the swap derivative on October 29, 2010 $0.7 million, or $0.4 million net of tax was reclassified into earnings. The net additional interest payments made or received under this swap agreement are recognized in interest expense.

PRODUCTION NOTES

COVER

Paper | Endurance, 100# Gloss Cover
Ink | 4-color process, Soft Touch Aqueous

PICTORIAL | NARRATIVE

Paper | Endurance, 100# Gloss Text
Ink | 4-color process, Soft Touch Aqueous

PICTORIAL | NARRATIVE

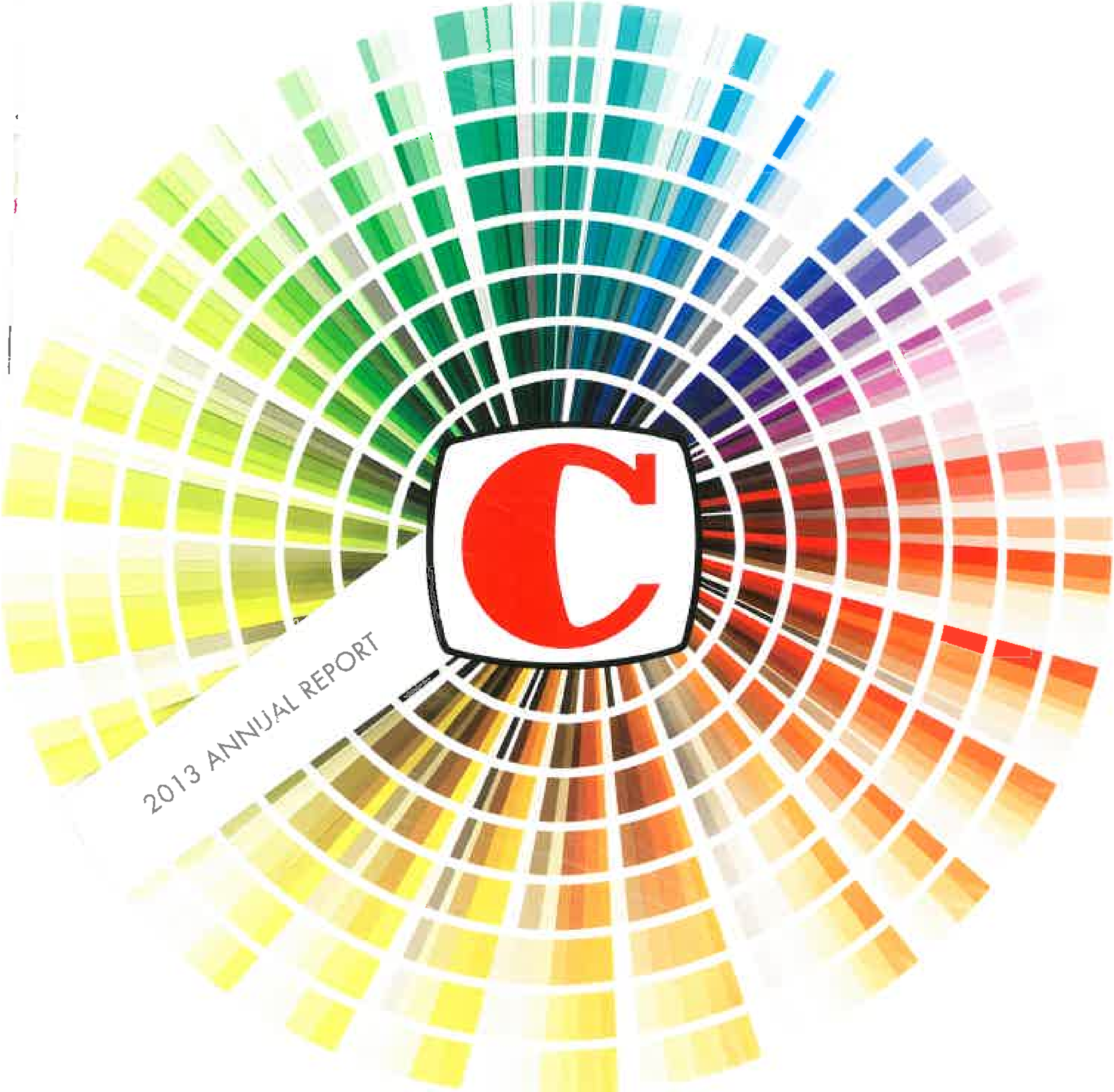
Paper | Extract Opaque, 70# Gray Vellum Text
Ink | 2-color, PMS 485 and Black

PRINTED

The Merten Company, Cincinnati, Ohio | Printed with 200-line Sublima Screening

LAYOUT AND DESIGN

Bulldog Creative Services, Huntington, West Virginia



LOOKING

FORWARD.

CHAMPION INDUSTRIES, INC.

LOOKING

FORWARD.

CHAMPION INDUSTRIES, INC.

FINANCIAL HIGHLIGHTS

	Year Ended October 31,				
	2013 (5)	2012 (4) (Restated)	2011 (3)	2010 (2)	2009 (1)
Operating Statement Data	(In thousands, except share and per share data)				
Total revenues	$ 72,323	$ 87,150	$ 86,610	$ 87,540	$ 95,925
Gross profit	20,907	24,404	24,341	25,347	27,138
(Loss) income from operations	(1,274)	305	2,110	1,728	2,248
Net income (loss) from continuing operations	5,631	(14,605)	278	(1,126)	(2,109)
Net Income (loss) from discontinued operations	83	(8,713)	(4,254)	1,614	(25,412)
Net income (loss)	5,714	(23,318)	(3,976)	488	(27,521)
Earnings (loss) per share:					
Basic					
Continuing operations	$ 0.50	$ (1.29)	$ 0.03	$ (0.11)	$ (0.21)
Discontinued operations	0.01	(0.77)	(0.41)	0.16	(2.55)
	$ 0.51	$ (2.06)	$ (0.38)	$ 0.05	$ (2.76)
Diluted					
Continuing operations	$ 0.35	$ (1.29)	$ 0.03	$ (0.11)	$ (0.21)
Discontinued operations	0.01	(0.77)	(0.41)	0.16	(2.55)
	$ 0.36	$ (2.06)	$ (0.38)	$ 0.05	$ (2.76)
Weighted average common shares outstanding:					
Basic	11,300,000	11,300,000	10,362,000	9,988,000	9,988,000
Diluted	16,114,000	11,300,000	10,362,000	9,988,000	9,988,000
Dividends per share	$ —	$ —	$ —	$ —	$ 0.06

Notes (1) - (5) reflective of continuing operations and discontinued operations.

(1) Includes impairment for goodwill and other intangibles in the fourth quarter of 2009 of $(41.1) million, or $(25.5) million net of tax, or $(2.55) per share on a basic and diluted basis. The Company also recorded a loss on an interest rate swap agreement resulting from a reclassification from other comprehensive income to other expense, pursuant to the elimination of a LIBOR borrowing option from the Administrative Agent of the Company's Credit Agreement resulting in the ineffectiveness of a cash flow hedge in the amount of $(578,000) net of tax, or $(0.06) per share on a basic and diluted basis. The Company also incurred a charge of $(206,000), or $(128,000) net of tax, or $(0.01) per share on a basic and diluted basis, related to impairment charges associated with property, plant and equipment.

(2) Includes charges in 2010 related to a restructuring and profitability enhancement plan of $(1.8) million, $(1.1) million net of tax, or $(0.11) per share on a basic and diluted basis. The Company also recorded other income in 2010 associated with an interest rate swap agreement, which expired in the fourth quarter of 2010, resulting primarily from a reclassification from other comprehensive income to other income of $0.7 million, or $0.4 million net of tax. In the first quarter of 2010, the Company reported $0.3 million, or $0.2 million net of tax, as other income due to the Administrative Agent of the Company's Credit Agreement eliminating the LIBOR borrowing option resulting in ineffectiveness of a cash flow hedge.

(3) Includes impairment for goodwill and other intangibles in the fourth quarter of 2011 of $(8.7) million, or $(5.4) million net of tax, or $(0.52) per share on a basic and diluted basis. The Company also recorded an impairment charge associated with property, plant and equipment of $(109,000), or $(66,000) net of tax, or $(0.01) per share on a basic and diluted basis. The Company also incurred restructuring related charges of $(0.6) million, or $(0.3) million net of tax, or $(0.03) per share on a basic and diluted basis. Other income reflects a gain on early extinguishment of debt to a related party in the amount of $1.3 million, or $0.8 million net of tax, or $0.08 per share on a basic and diluted basis. EPS calculations represent full fiscal year of 2011.

(4) Includes impairment charges for goodwill in the second quarter of 2012 of $(9.5) million on a pre-tax basis. The Company also recorded a valuation allowance of $(16.0) million on its net deferred tax assets. In the fourth quarter of 2012, the Company incurred impairment charges on trademark and masthead of $(1.6) million on a pre-tax basis. The Company recorded impairment charges associated with property, plant and equipment held for sale of approximately $(0.6) million.

(5) Includes impairment charges for goodwill in the first quarter of 2013 of $(2.2) million on a pre-tax basis.

	2013	2012 (Restated)	2011	2010 (Restated)	2009 (Restated)
Financial Position Data	(In thousands)				
Cash and cash equivalents/ negative book cash balances	$ 1,429	$ 1,845	$ (1,154)	$ (1,014)	$ 1,159
Working capital (deficit)(1)	5,702	(13,586)	(31,538)	12,822	(42,907)
Total assets	27,531	47,967	82,024	92,453	101,241
Long-term debt (net of current portion)(2)	12,053	2,652	431	52,299	918
Shareholders' equity (deficit)	4,337	(1,377)	20,928	23,094	22,606

(1) Includes $33.0 million and $60.5 million of long-term debt reclassified to current debt due to the Company's inability to remain in compliance with various financial covenants in 2011 and 2009 and a current classification of debt and revolving line of credit in 2012 due to contractual maturity. In 2011, due to the September 2012 maturity of the revolving line of credit, it is classified as current and included as a component of working capital. These amounts are inclusive of debt allocated to discontinued operations.

(2) Includes non-current borrowings under the Company's credit facilities including the revolving line of credit (term and revolver, net of current portion); in 2011 and 2009 $33.0 million and $60.5 million of long-term debt was reclassified to current debt, see (1) above. For 2011, due to the September 2012 maturity of the revolving line of credit, it is classified as current and included in working capital. For 2012, due to the June 2013 maturity of the revolving line of credit and term debt, it is classified as current and included in working capital. These amounts are inclusive of debt allocated to discontinued operations.

SPECIAL NOTES REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report or in documents incorporated herein by reference, including without limitation statements including the word "believes," "anticipates," "intends," "expects" or words of similar import, constitute "forward-looking statements" within the meaning of section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements of the Company expressed or implied by such forward-looking statements. Such factors include, among others, general economic and business conditions, changes in business strategy or development plans and other factors referenced in this Annual Report, including without limitations under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

"We are committed in 2014 to re-energize our core businesses. As a Company, we look ahead to the future with optimism, experience and confidence."

OFFICERS

MARSHALL T. REYNOLDS

Chairman of the Board & Chief Executive Officer - Champion Industries, Inc.

NEAL W. SCAGGS

President - Baisden Brothers, Inc.

GLENN W. WILCOX

Chairman of the Board - Wilcox Travel Agency, Inc.

MARSHALL T. REYNOLDS

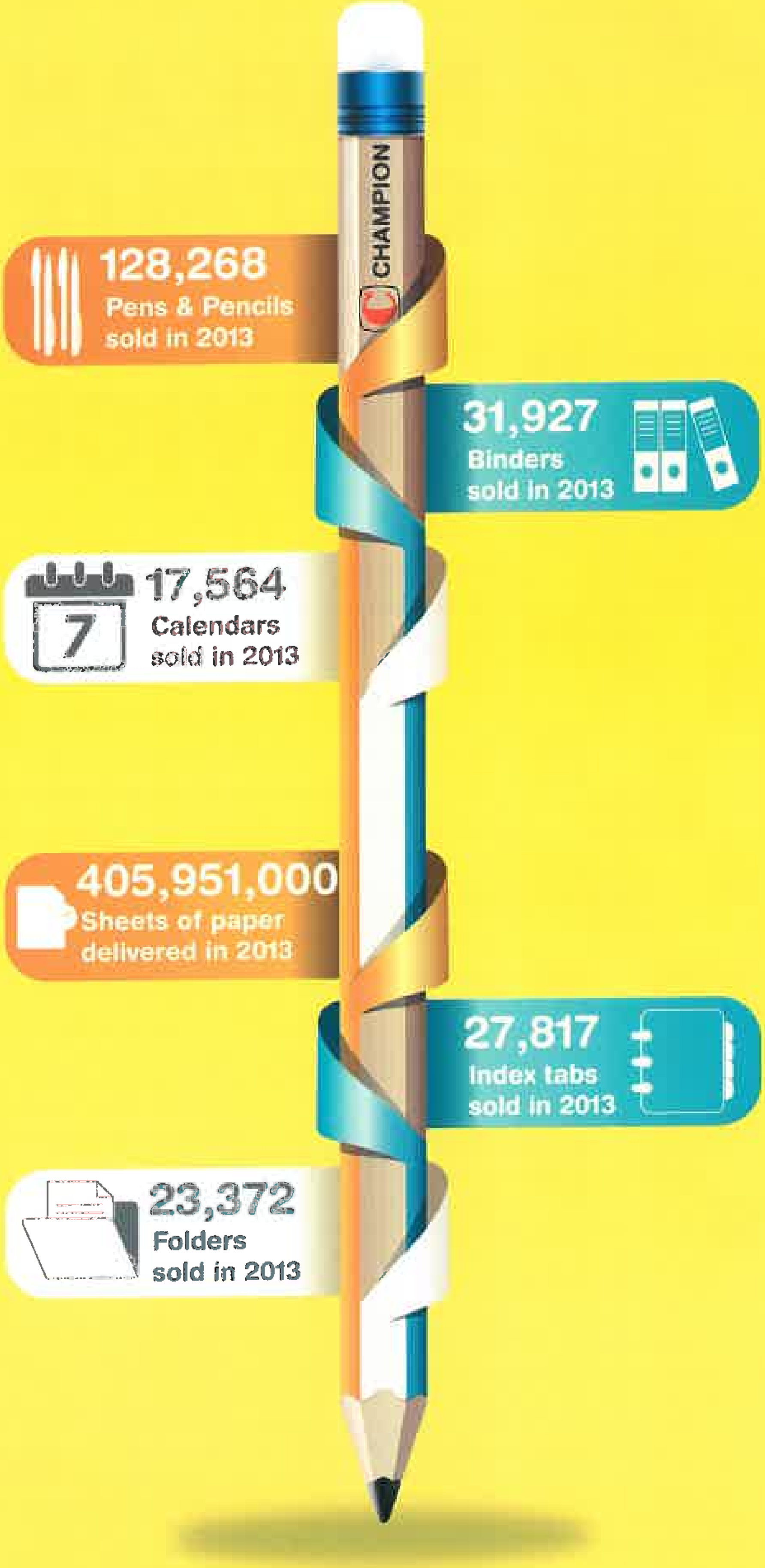
Chairman of the Board & Chief Executive Officer

TODD R. FRY

Senior Vice President & Chief Financial Officer

We themed this report **Looking Forward**. We believe what lies ahead presents opportunities for a **stronger Champion**. We have taken an aggressive stance on our future and are optimistic regarding the opportunity for outstanding results.

CAROLINA CUT SHEETS | CHAMPION GRAPHIC COMMUNICATIONS | CHAMPION OUTPUT SOLUTIONS
CHAPMAN PRINTING COMPANY | RIVER CITIES PRINTING | US TAG



CAPITOL BUSINESS INTERIORS | CHAMPION CLARKSBURG | CHAMPION GRAPHIC COMMUNICATIONS
SMITH & BUTTERFIELD | STATIONERS, INC.


CHAMPION
OUTPUT SOLUTIONS
13,136,838
Mail pieces
inserted
48,916,622
Mail pieces sorted
70,000,000
Estimated printing
impressions

CHAPMAN PRINTING COMPANY

2450-90 First Avenue | Huntington, WV 25703
p 304.528.2791 | 800.624.3431 | f 304.528.2746 | e cpcprep@champion-industries.com

- Mid-sized commercial printer with full digital pre-press
- Office product sales
- 1- to 4-color presses up to 28 in. x 40 in.
- Full bindery with auto saddle stitch and perfect binding
- Letterpress, envelope presses and foil stamping
- In-house rotary division for manufacturing short- to medium-run business forms, laser cut sheets and continuous snapout
- Off- and online MICR encoding
- Automated presentation folder/gluer

CHAPMAN PRINTING COMPANY HUNTINGTON

CHAPMAN PRINTING COMPANY

953 Point Marion Road | Suite A | Morgantown, WV 26508
p 304.284.0200 | f 304.284.0209

- Printing sales headquarters with full digital pre-press
- Office product sales
- Full line printing and services distributor
- Print management
- Fulfillment
- B2B e-commerce solutions
- Mail
- Digital print

CHAPMAN PRINTING COMPANY MORGANTOWN

CHAPMAN PRINTING COMPANY

405 Ann Street | Parkersburg, WV 26101
p 304.485.8596 | 800.458.8596 | f 304.485.4793 | e cpcpkbg@champion-industries.com

- Mid-sized commercial printer with full digital pre-press and full color separations
- Office product sales
- 5- and 6- color presses up to 28 in. x 40 in.
- Full bindery
- Digital Process Color Press

CHAPMAN PRINTING COMPANY PARKERSBURG

RIVER CITIES PRINTING

2450-90 First Avenue | Huntington, WV 25703
p 304.528.5496 | f 304.528.2746 | e orders@rivercitiesprinting.com

- Stick-on labels/ads
- Single sheet flyers/newspaper inserts
- Menus and placemats
- Postcards and business cards

River Cities Printing
FULL SERVICE COMMERCIAL PRINTER

US TAG

2450-90 First Avenue | Huntington, WV 25703
p 304.691.5046 | 800.638.1018 | f 304.691.5060 | 800.625.6076
e ustag@champion-industries.com

- Stock and custom tag manufacturer
- Small-sized commercial printer with full digital pre-press
- 1- to 3-color presses up to 14 in. x 20 in.
- Letterpress up to 18 in. x 22 in.
- Full bindery

US TAG

:HAMPION GRAPHIC COMMUNICATIONS

)848 Airline Highway | Baton Rouge, LA 70816
225.291.9090 | 800.552.4610 | f 225.291.0900

Office products and office furniture offered through affiliated divisions

SMITH & BUTTERFIELD

2800 Lynch Road | Evansville, IN 47711
p 812.422.3261 | 800.321.6543 | f 812.429.0532

- Full line of office products and supplies
- Data products and supplies
- Office furniture: A-Grade; Mid-range; Budget; Pre-owned
- Design services
- Printing sales

TATIONERS

945 Fifth Avenue | Huntington, WV 25703
304.528.2780 | 800.862.7200 | f 304.528.2795 | e e-champ@champion-industries.com

Full line of office products and supplies
Data products and supplies
Office furniture:
A-Grade; Mid-range; Budget; Pre-owned
Design services

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data for each of the five years in the period ended October 31, 2013, have been derived from the Audited Consolidated Financial Statements of the Company. The information set forth below should be read in conjunction with the Audited Consolidated Financial Statements, related notes, and the information contained in Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere herein.

	Year Ended October 31,				
	2013[5]	2012[4] (Restated)	2011[3]	2010[2]	2009[1]
OPERATING STATEMENT DATA:	(In thousands, except share and per share data)				
Revenues:					
Printing	$ 42,670	$ 52,174	$ 52,064	$ 54,102	$ 60,051
Office products and office furniture	29,653	34,976	34,546	33,438	35,874
Total revenues	72,323	87,150	86,610	87,540	95,925
Cost of sales:					
Printing	30,373	37,810	37,748	38,560	43,928
Office products and office furniture	21,043	24,936	24,521	23,633	24,859
Total cost of sales	51,416	62,746	62,269	62,193	68,787
Gross profit	20,907	24,404	24,341	25,347	27,138
Selling, general and administrative expenses	19,910	23,742	21,579	21,978	24,723
Restructurings/asset impairments costs	2,271	357	652	1,641	167
(Loss) income from operations	(1,274)	305	2,110	1,728	2,248
Other income (expense):					
Interest income	—	—	—	—	3
Interest expense - related party	(82)	(58)	(65)	—	—
Interest expense	(4,204)	(3,112)	(2,944)	(4,493)	(4,419)
Gain on early extinguishment of debt to a related party	—	—	1,338	—	—
Gain on debt forgiveness	11,118	—	—	—	—
Other (expense) income	(32)	(13)	50	952	(513)
Income (loss) from continuing operations before income taxes	5,526	(2,878)	489	(1,813)	(2,681)
Income tax benefit (expense)	105	(11,727)	(211)	687	572
Net income (loss) from continuing operations	5,631	(14,605)	278	(1,126)	(2,109)
Net income (loss) from discontinued operations	83	(8,713)	(4,254)	1,614	(25,412)
Net income (loss)	$ 5,714	$ (23,318)	$ (3,976)	$ 488	$ (27,521)
Earnings (loss) per share:					
Basic					
Continuing operations	$ 0.50	$ (1.29)	$ 0.03	$ (0.11)	$ (0.21)
Discontinued operations	0.01	(0.77)	(0.41)	0.16	(2.55)
	$ 0.51	$ (2.06)	$ (0.38)	$ 0.05	$ (2.76)
Diluted					
Continuing operations	$ 0.35	$ (1.29)	$ 0.03	$ (0.11)	$ (0.21)
Discontinued operations	0.01	(0.77)	(0.41)	0.16	(2.55)
	$ 0.36	$ (2.06)	$ (0.38)	$ 0.05	$ (2.76)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company is a commercial printer, business forms manufacturer and office products and office furniture supplier in regional markets of the United States of America, east of the Mississippi River. The Company has historically grown through strategic acquisitions and internal growth prior to the advent of the global economic crisis. Through such growth, the Company had realized regional economies of scale, operational efficiencies, and exposure of its core products to new markets. The Company has acquired fifteen printing companies, eight office products and office furniture companies, one company with a combined emphasis on both printing and office products and office furniture, a paper distribution division (which was subsequently sold in 2001) and a daily newspaper since its initial public offering on January 28, 1993. As a result of various provisions of the Company's applicable credit agreements and as a result of the impact of the global economic crisis, the Company has implemented a number of consolidations and asset dispositions. The Company consolidated its Interform production facility in Bridgeville, Pennsylvania into an existing operation. The Company also consolidated its commercial printing production operation in Cincinnati, Ohio into existing Company facilities in other locations and in December 2012 sold substantially all of the equipment to Graphics International. The Consolidated Graphic Communications ("CGC") operating division was sold to Safeguard Solutions ("Safeguard") in July 2012 and Donihe Graphics, Inc. sold substantially all of its property, plant, and equipment in December 2012 to Graphics International. In June 2013 the Company sold substantially all of the assets of Blue Ridge Printing to BRP Company, Inc. In July 2013 the Company sold substantially all of the assets of the Herald-Dispatch newspaper to HD Media Company, LLC. In the third quarter of 2013 the Company closed its Lexington, Kentucky Chapman Printing Company division but continues to serve this market out of the Chapman Printing Huntington operation.

The Company's operations comprising its former Consolidated Graphic Communications division, Donihe Graphics division, Blue Ridge Printing division and the Herald-Dispatch Newspaper segment were classified as discontinued operations in the consolidated statements of operations for all periods presented. (see Note 12).

The Company's net revenues consist primarily of sales of commercial printing, business forms, tags, other printed products, document output solutions including rendering, inserting and mailing, office supplies, office furniture, and data products and office design services. The Company recognizes revenues when products are shipped or ownership is transferred and when services are rendered to the customer. The Company's revenues are subject to seasonal fluctuations caused by variations in demand for its products.

The Company's cost of sales primarily consists of raw materials, including paper, ink, pre-press supplies and purchased office supplies, furniture and data products, and manufacturing costs including direct labor, indirect labor and overhead. Significant factors affecting the Company's cost of sales include the costs of paper in printing, office supplies, costs of labor and other raw materials.

The Company's operating costs consist of selling, general and administrative expenses. These costs include salaries, commissions and wages for sales, customer service, accounting, administrative and executive personnel, rent, utilities, legal, audit, information systems equipment costs, software maintenance and depreciation.

CRITICAL ACCOUNTING POLICIES INVOLVING SIGNIFICANT ESTIMATES

The Company's significant accounting policies are described in Note 1 to the Consolidated Financial Statements. The discussion and analysis of the financial statements and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The following critical accounting policies affect the Company's more significant judgments and estimates used in the preparation of the Consolidated Financial Statements. There can be no assurance that actual results will not differ from those estimates.

Restatement of Prior Year: The Company has applied SEC Staff Accounting Bulletin (SAB) No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements. SAB No. 108 states that registrants must quantify the impact of correcting all misstatements, including both the carryover (iron curtain method) and reversing (rollover method) effects of prior-year misstatements on the current-year financial statements, and by evaluating the error measured under each method in light of quantitative and qualitative factors. Under SAB No. 108, prior-year misstatements which, if corrected in the current year would be material to the current year, must be corrected by adjusting prior year financial statements, even though such correction previously was and continues to be immaterial to the prior-year financial statements. Correcting prior-year financial statements for such "immaterial errors" does not require previously filed reports to be amended. Such corrections will be made the next time the Company files the prior-year financial statements.

estimates with the audit committee of the board of directors. Additionally, the board of directors has reviewed this disclosure and its relation to this MD&A.

The Company has other reporting units with goodwill in the printing and office products and office furniture segment. The Company evaluated these reporting units during the fourth quarter of 2013, 2012 and 2011, and while the estimated fair value of these reporting units has generally declined, the estimated fair value of each of our other reporting units exceeded their carrying values in 2012 and 2011. The Company performed interim impairment testing for goodwill at the printing segment as further discussed herein. In the fourth quarter of 2013 the Company performed a qualitative assessment of the remaining indefinite-lived intangible assets of goodwill associated with the office products and office furniture segment and after assessing in totality various qualitative factors it was determined that it is not more likely than not that the applicable indefinite-lived intangible (goodwill) is impaired. As a result, no additional testing or impairment charges were necessary.

During the first quarter of 2013 as part of a process of addressing the Company's debt status with its Previous Secured Lenders as well as first quarter 2013 performance to budget, the Company performed a comprehensive reassessment of its initial fiscal year 2013 budget. The Company as part of this process identified at least one customer in the printing segment from which it anticipated a substantial revenue decline in the second quarter of 2013 and beyond and associated profitability declines in 2013 and beyond. As a result of this process, it was determined that an impairment test between annual impairment tests was warranted for the printing segment as a result of the potential near term challenges facing the Company, anticipated customer specific revenue decreases and softness in the Company's core West Virginia market. The Company performed Step 1 of the Goodwill impairment test for the printing segment with the assistance of a third party valuation specialist using the income approach and the testing indicated a value less than the carrying value of the segment at January 31, 2013.

As a result of the Step 1 test, the Company determined it was required to proceed to Step 2 of goodwill impairment testing for the printing segment in the first quarter of 2013. The Step 2 test results were completed in the second quarter of 2013 with the assistance of a third party valuation specialist and supported the conclusion to record an impairment charge in the first quarter of 2013 of $2.2 million. Subsequent reversal of a previously recognized goodwill impairment loss is prohibited once the measurement of that loss is recognized, in accordance with applicable standards.

During the second quarter of 2012 as part of a restructuring plan submitted to the Company's secured lenders the Company authorized its investment bankers to initiate an open market transaction process to determine potential alternative transactions in relation to certain asset sales and the sale of a business segment. As a result of this process, it was determined that an impairment test between annual impairment tests was warranted as a result of this transaction analysis. This resulted in the Company's assessment that the carrying value of the former newspaper segment exceeded the fair value of this segment. The basis of the fair value was a mid-point of value attained as a result of the open market process assessment based on a non- binding letter of intent attained in this process. This resulted in an impairment charge in the second quarter of 2012 of the remaining goodwill of the former newspaper segment of approximately $9.5 million on a pre-tax, non-cash basis. As a result of the interim impairment indicators the Company also assessed the recoverability of property, plant and equipment and amortizing intangibles under the provisions of ASC 360 and determined that there were no charges required as a result of this assessment. The Company also assessed the non-amortizing intangibles of trademark and masthead and with assistance from a third party valuation specialist the Company concluded that through the utilization of an income approach based on the relief from royalty income valuation methodology there was no impairment of this asset at April 30, 2012.

In connection with our annual impairment testing of goodwill and other non-amortizing intangible assets conducted in the fourth quarter of 2012, we recorded a charge of $1.6 million on a pre-tax, non-cash basis for impairment of the value of the trademark and masthead which resulted from the 2007 acquisition of the Herald-Dispatch daily newspaper in Huntington, WV. The Company assessed the value of the trademark and masthead with assistance from a third party valuation specialist utilizing an income approach based on the relief from royalty income valuation methodology.

In connection with our annual impairment testing of goodwill and other intangible assets conducted in the fourth quarter of 2011, we recorded a charge of $8.7 million ($5.4 million, net of deferred tax benefit) for impairment of the value of the goodwill and other intangible assets, which resulted from the 2007 acquisition of The Herald-Dispatch daily newspaper in Huntington, WV. This charge resulted in impairment charges of trademark and masthead of $6.3 million and goodwill of $2.4 million. The associated deferred tax benefit of these charges approximated $3.3 million.

The valuation methodology utilized to estimate the fair value of the former newspaper operating segment was analyzed by the Company with assistance from an independent third party valuation specialist in 2011 utilizing both the market and income approach. The valuation specialist considered three approaches to value referred to as the income approach, the market approach, and the cost approach. The

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated information derived from the Company's Consolidated Statements of Operations, including certain information presented as a percentage of total revenues.

	Year Ended October 31, ($ In thousands)					
	2013		2012 (Restated)		2011	
Revenues:						
Printing	$ 42,670	59.0 %	$ 52,174	59.9 %	$ 52,064	60.1 %
Office products and office furniture	29,653	41.0	34,976	40.1	34,546	39.9
Total revenues	72,323	100.0	87,150	100.0	86,610	100.0
Cost of sales:						
Printing	30,373	42.0	37,810	43.3	37,748	43.6
Office products and office furniture	21,043	29.1	24,936	28.6	24,521	28.3
Total cost of sales	51,416	71.1	62,746	71.9	62,269	71.9
Gross profit	20,907	28.9	24,404	28.1	24,341	28.1
Selling, general and administrative expenses	19,910	27.5	23,742	27.2	21,579	24.9
Restructuring / asset impairment costs	2,271	3.1	357	0.5	652	0.8
(Loss) income from operations	(1,274)	(1.7)	305	0.4	2,110	2.4
Other income (expense):						
Interest expense - related party	(82)	(0.1)	(58)	(0.0)	(65)	(0.1)
Interest expense	(4,204)	(5.8)	(3,112)	(3.6)	(2,944)	(3.4)
Gain on early extinguishment of debt from a related party	—	—	—	—	1,338	1.5
Gain on debt forgiveness	11,118	15.4	—	—	—	—
Other (loss) income	(32)	(0.0)	(13)	(0.0)	50	0.1
Income (loss) from continuing operations before income taxes	5,526	7.8	(2,878)	(3.2)	489	0.5
Income tax benefit (expense)	105	0.1	(11,727)	(13.6)	(211)	(0.2)
Net income (loss) from continuing operations	5,631	7.9	(14,605)	(16.8)	278	0.3
Net income (loss) from discontinued operations	83	0.1	(8,713)	(10.0)	(4,254)	(4.9)
Net income (loss)	$ 5,714	8.0 %	$ (23,318)	(26.8) %	$ (3,976)	(4.6) %

West Virginia market. The Company performed Step 1 of the Goodwill impairment test for the printing segment with the assistance of a third party valuation specialist using the income approach and the testing indicated a value less than the carrying value of the segment at January 31, 2013.

As a result of the Step 1 test, the Company determined it was required to proceed to Step 2 of goodwill impairment testing for the printing segment in the first quarter of 2013. The Step 2 test results were completed in the second quarter of 2013 with the assistance of a third party valuation specialist and supported the conclusion to record an impairment charge in the first quarter of 2013 of $2.2 million. Subsequent reversal of a previously recognized goodwill impairment loss is prohibited once the measurement of that loss is recognized, in accordance with applicable standards.

The valuation methodology utilized in 2012 to estimate the fair value of the printing, and office products and office furniture operating segment was analyzed by the Company with assistance in part from a valuation specialist utilizing both the market and income approach. The income approach was based off a discounted cash flow methodology, in which expected future free net cash flows to invested capital are discounted to present value, using an appropriate after-tax weighted average cost of capital. The market approach using a guideline company analysis weighs empirical evidence from shares of comparable companies sold in minority transactions on stock exchanges and merger and acquisition analysis, which analyses sales of companies control transactions. The fair value exceeded the carrying value for both the printing and office products and office furniture segment in 2012. Therefore, there were no impairment indicators identified by the Company to proceed to step two of the impairment test for 2012.

The Company also incurred asset impairment charges in 2012 in the printing segment from property, plant and equipment. The 2012 charges are associated with certain long-lived assets held for sale at the Merten Company in Cincinnati, Ohio. The Company recorded an impairment charge in 2012 of $309,000 associated with this equipment. The Company incurred in 2012, $48,000 of severance and other employee related costs at the Merten Company and in 2013 occupancy and equipment related costs of approximately $44,000 associated with Merten.

SEGMENT OPERATING (LOSS) INCOME

The printing segment reported an operating loss of $(2.2) million for 2013 and $(1.6) million in 2012. The increase in operating loss was primarily attributable to $2.2 million in pre-tax goodwill impairment charges, partially offset by lower SG&A expenses which were primarily reflective of reduced professional fees resulting in part from provisions related to the Forbearance Agreement, Limited Forbearance Agreement, September Forbearance Agreement, and Restated Credit Agreement (as defined in Note 3) being incurred in 2012. Professional fees decreased approximately $0.8 million in 2013 when compared to 2012. In addition, bad debt expense decreased approximately $0.5 million from 2012 levels primarily associated with specific accounts within one operating division that were incurred in 2012.

The office products and office furniture segment reported operating profits of $1.0 million, in 2013, compared to $1.9 million, in 2012. This represented a decrease in profitability of $1.0 million or 50.2%. This decrease is primarily the result of lower gross profit contribution on reduced sales partially offset by lower selling, general, and administrative expenses. The sales reductions were primarily associated with furniture sales followed by office products related sales.

OTHER INCOME (EXPENSE)

Other income (expense) increased approximately $10.0 million from an expense of $(3.2) million in 2012 to income of $6.8 million in 2013 primarily due to a pre-tax gain on debt forgiveness in the fourth quarter of 2013 resulting from the terms of the October 2013 Credit Agreement.

Interest expense increased approximately $1.1 million primarily due to higher interest rates including accrued deferred fee (interest) on Term Loan B and the amortization of debt discount, partially offset by lower average borrowings from the comparable period of the prior year.

INCOME TAXES

The Company assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence was the cumulative loss incurred over the four-year period ended October 31, 2013 and over an eight-year period ended October 31, 2013. However, when these losses are adjusted for

DISCONTINUED OPERATIONS

The net income from discontinued operations was $0.1 million for the year ended October 31, 2013. The Company reported a net loss from discontinued operations for the year ended October 31, 2012 of approximately $(8.7) million. The loss in 2012 was primarily reflective of impairment charges recorded at the newspaper segment partially offset by a $1.6 million pre-tax gain on the sale of CGC to Safeguard. The 2013 results were favorably impacted by a pre-tax gain on the sale of the newspaper segment of $0.5 million, offset by a pre-tax loss on sale in the printing segment of $(0.1) million.

Earnings from discontinued operations on a pre-tax basis before gain on sale of discontinued operations increased from a loss of $(10.3) million in 2012 to a loss of $(0.3) million in 2013. This resulted primarily from no impairment charges being recorded at the newspaper segment in 2013 compared to $(11.1) in impairment charges at the newspaper segment in 2012 as further discussed below.

The Company received from Safeguard $3,100,000 in cash at closing with an additional $650,000 paid in the fourth quarter of 2012 resulting from a final settlement of working capital and a hold back amount of $400,000 retained at closing resulting from Safeguard's verification of the accuracy of seller's representations in the sale agreement, among other conditions. The Company does not believe there will be any further post-closing adjustments and costs associated with the sale of CGC to Safeguard. Discontinued operations results are reflective of results previously included as part of the printing segment and the newspaper segment.

As a result of reclassifying substantially all of the assets of Donihe as assets from discontinued operations, the Company recorded asset impairment charges of $337,000 in 2012.

During the second quarter of 2012 as part of a restructuring plan submitted to the Company's secured lenders the Company authorized its investment bankers to initiate an open market transaction process to determine potential alternative transactions in relation to certain asset sales and the sale of a business segment. As a result of this process, it was determined that an impairment test between annual impairment tests was warranted. This resulted in the Company's assessment that the carrying value of the newspaper segment exceeded the fair value of the newspaper segment. The basis of the fair value was a mid-point of value attained as a result of the open market process assessment based on a non- binding letter of intent attained in this process. This resulted in an impairment charge in the second quarter of 2012 of the remaining goodwill of the newspaper segment of approximately $9.5 million on a pre-tax, non-cash basis. As a result of the interim impairment indicators the Company also assessed the recoverability of property, plant and equipment and amortizing intangibles under the provisions of ASC 360 and determined that there were no charges required as a result of this assessment. The Company also assessed the non-amortizing intangibles of trademark and masthead and with assistance from a third party valuation specialist the Company concluded that through the utilization of an income approach based on the relief from royalty valuation methodology there was no impairment of this asset at April 30, 2012.

In connection with our annual impairment testing of goodwill and other intangible assets conducted in the fourth quarter of 2012, we recorded a charge of $1.6 million on a pre-tax basis for impairment of the value of other intangible assets, which resulted from the 2007 acquisition of The Herald-Dispatch daily newspaper in Huntington, WV. This charge resulted in impairment charges of trademark and masthead of $1.6 million on a pre-tax basis. The Company, with assistance from a third party valuation specialist, recorded the impairment utilizing an income approach based on the relief from royalty valuation methodology.

YEAR ENDED OCTOBER 31, 2012 COMPARED TO YEAR ENDED OCTOBER 31, 2011

REVENUES

Consolidated net revenues were $87.2 million for the year ended October 31, 2012 compared to $86.6 million in the prior fiscal year. This change represented an increase in revenues of approximately $0.5 million. Printing revenues increased by $0.1 million from $52.1 million in 2011 to $52.2 million in 2012. Office products and office furniture revenue increased $0.4 million or 1.2% from $34.5 million in 2011 to $35.0 million in 2012. The increase in revenues for the office products and office furniture segment was primarily attributable to higher sales of office furniture.

COST OF SALES

Total cost of sales for the year ended October 31, 2012 was $62.7 million, compared to $62.3 million in the previous year. This change represented an increase of $0.5 million, or 0.8%, in cost of sales. Printing cost of sales increased $0.1 million to $37.8 million in 2012 compared to $37.7 million in 2011. Printing cost of sales as a percentage of printing sales approximated 72.5% as a percent of printing sales in 2012 and 2011. Office products and office furniture cost of sales increased $0.4 million to $24.9 million in 2012 from $24.5 million in 2011. The increase in office products and office furniture cost of sales is primarily attributable to an increase in office

Agreement (as defined in Note 3) Professional fees increased approximately $1.9 million in 2012 when compared to 2011. In addition, bad debt expense increased approximately $0.4 million from 2011 levels primarily associated with specific accounts within one operating division.

The office products and office furniture segment reported operating profits of $1.9 million, in 2012, compared to $2.4 million, in 2011. This represented a decrease in profitability of $0.5 million or 20.1%. This decrease is primarily the result of higher SG&A expenses, and relatively flat sales and gross margin. These results were partially impacted by a realignment of personnel and other expenses and divisional responsibilities between the printing segment and office products and office furniture segment, representing an increase in SG&A expenses of approximately $0.2 million.

OTHER INCOME (EXPENSE)

Other expense increased approximately $1.6 million from $(1.6) million in 2011 to $(3.2) million in 2012 primarily due to a pre-tax gain on early extinguishment of debt to a related party recorded in the third quarter of 2011.

The Company exchanged a $3,000,000 Unsecured Promissory Note payable to Marshall T. Reynolds, its CEO, together with $147,875 in accrued interest for 1,311,615 shares of common stock in the third quarter of 2011. This transaction resulted in a pre-tax gain on early extinguishment of debt of approximately $1.3 million. The Company believes the CEO's rationale for such an exchange included numerous factors. The Company believes these factors related both to his dual role as CEO and largest shareholder. The CEO obtained a majority control in the stock as a result of this transaction. The CEO did not have access to the principal or interest related to the subordinated debt and therefore the common stock had greater economic upside potential when compared to a fixed rate of return associated with subordinated debt. We believe the limited liquidity of the Company's common stock would make it very difficult to purchase a significant quantity of shares without substantially increasing the cost of the purchase. The CEO has historically been an equity investor and not a debt investor and therefore we believe the CEO believed there was inherently potentially greater upside in equity versus subordinated debt albeit with greater risk. Finally, we believe the CEO believed that eliminating subordinated debt would improve the financial position of the Company.

Interest expense increased approximately $0.2 million primarily due to higher interest rates and fees in 2012 when compared to 2011.

INCOME TAXES

The Company's effective tax rate for 2012 and 2011 was an expense of (407.5%) in 2012 and an expense of (43.2%) in 2011. The primary difference in tax rates between 2012 and 2011 and for 2012 between the effective tax rate and the statutory tax rate is a result of the valuation allowance taken against our deferred tax assets in the second quarter of 2012 in the amount of $15.2 million and a valuation allowance increase of $0.8 million in the third and fourth quarters of 2012. The effective income tax rate approximates the combined federal and state, net of federal benefit, statutory income tax rate and may be impacted by increases or decreases in the valuation allowance for deferred tax assets and intra-period tax allocations resulting in allocating annual income tax provision among continuing and discontinued operations.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers a multitude of factors in assessing the utilization of its deferred tax assets, including the reversal of deferred tax liabilities, projected future taxable income and other assessments, which may have an impact on financial results. The Company had determined, primarily as a result of its inability to enter into an amended credit facility upon the expiration of the Limited Forbearance Agreement on April 30, 2012, as well as the potential for a subsequent increase in interest rates coupled with the uncertainty regarding future rate increases that the secured lenders may impose on the Company that a full valuation allowance was necessary to measure the portion of the deferred tax asset that more likely than not will not be realized. As a result of the Restated Credit Agreement entered into on October 19, 2012, the Company reassessed its valuation allowance and determined that the relative short term maturity of the Restated Credit Agreement coupled with the increase in interest rates that a full valuation was warranted at October 31, 2012. The Company currently intends to maintain a full valuation allowance on our deferred tax assets until sufficient positive evidence related to our sources of future taxable income exists and the Company is better able to identify a longer term solution to our current credit situation with our secured lenders. Therefore, the amount of deferred tax asset considered realizable, could be adjusted in future periods based on a multitude of factors including but not limited to a refinancing of the Company's existing credit agreement with our secured lenders.

LIQUIDITY AND CAPITAL RESOURCES

The Company incurred substantial indebtedness as a result of the acquisition of The Herald-Dispatch in September of 2007. The country entered a recession in December of 2007 and the residual effects of the recession have continued within the former newspaper and the printing segments of the Company. The debt was structured as a cash flow credit, which typically indicates that the primary repayment source for debt will be income from operations in lieu of a collateral based loan. The Company had continued to service its debt and has made every scheduled payment of principal and interest, including during various periods, default interest. In addition, the Company had paid substantial sums for fees to the secured lenders as well as to various advisors pursuant to applicable credit and credit related agreements. The Company had paid approximately $65.6 million in principal through September 30, 2013 to the Previous Secured Lenders. Thus, the Company had demonstrated the ability to generate cash flow and has continued to service its debt commitments under the most difficult conditions in recent history.

In the fourth quarter of 2013 the Previous Secured Lenders sold the outstanding credit commitments representing substantially all of the Company's debt to Big 4 Investments, LLC ("Big 4") a private company. As a result of this sale the Company simultaneously entered into a new credit facility with Big 4 under the terms of the October 2013 Credit Agreement.

Prior to the October 2013 Credit Agreement the Company operated under the provisions of the May 2013 Forbearance Agreement effective May 31, 2013 which expired September 30, 2013 as amended August 28, 2013. The May 2013 Forbearance Agreement required the Company to achieve a multitude of targeted goals and covenants to remain in compliance. Many of these requirements were beyond the control of the Company although at the date of the agreement, the Company determined there was at least a reasonable possibility of achieving compliance through the September 30, 2013 contractual maturity date. The Company was also required, under the terms of the May 2013 Forbearance Agreement, to comply with financial covenants, which are non-GAAP financial measures. Prior to the October 2013 Credit Agreement and primarily as a result of the credit situation with the Previous Secured Lenders there was significant uncertainty about our ability to operate as a going concern. In recent years, the Company operated for extended periods both in default and under forbearance agreements as it navigated its way through the continued challenges and residual effects of the global economic crisis. The Company believes that there has been a fundamental shift in the way in which financial institutions, in general, evaluate cash flow credits and that the amount of leverage in which the financial institutions are willing to lend has decreased generally over the last several years. In addition, two of the Company's operating segments, specifically the printing segment and newspaper segment (now classified as a discontinued operation), have declined both internally and on a macro basis both during the recession and post-recession. Therefore, even though the Company has reduced its borrowings in accordance with contractually scheduled amortizations, the Previous Secured Lenders had expressed a desire to have lower leverage associated with various earnings measures related to funded indebtedness. The end result of these actions was the Company was impacted operationally and financially by the numerous actions required in part as a result of the numerous Credit and Forbearance Agreements with the Previous Secured Lenders. These actions strained resources operationally and financially including trade vendor challenges. Therefore, three primary dynamics have faced the Company: lower earnings, two operating segments that have faced secular hurdles and what the Company believes to be a changed credit culture regarding cash flow type loans and the residual impact of the Previous Secured Lender credit requirements on our current operations.

The Company's October 2013 Credit Agreement expires April 1, 2015. The Company intends to primarily focus its efforts operationally after an extended period of challenges with the Previous Secured Lenders. The Company also intends to identify options regarding a longer term financing solution for its existing debt and evaluating liquidity options that may be available.

As a result of the Company's current credit situation and the challenges within the economic climate faced by the Company, the Company faces substantial liquidity related challenges for fiscal 2014 and beyond. The liquidity factors we face include:

- Implementation of an operating plan to rationalize and improve our cost and operating structure.
- Management of our receipts and disbursements to improve days sales outstanding for trade receivables and manage our days outstanding for trade payables as well as maintain our trade credit availability.
- Managing our credit relationships.
- Carefully monitor capital expenditures to assure cash flow is maximized.
- Manage our customer relationships in light of the ongoing credit challenges faced by the Company
- The potential for our interest costs and other credit related expenses to exceed our ability to generate sufficient cash to meet other obligations including scheduled principal amortization payments to secured lenders.
- The scheduled maturity of the Company's Credit Facilities on April 1, 2015.
- Operating the company on a working capital basis without a revolving line of credit.

As of October 31, 2013 the Company had contractual obligations in the form of leases and debt as follows:

	Payments Due by Fiscal Year						
Contractual Obligations	**2014**	**2015**	**2016**	**2017**	**2018**	**Residual**	**Total**
Non-cancelable operating leases	$ 695,409	$ 363,873	$ 349,849	$ 289,939	$ 195,132	$ 90,087	$ 1,984,289
Term debt	902,565	9,987,716	—	—	—	—	10,890,281
Capital lease obligations	13,817	14,670	15,574	12,319	—	—	56,380
Debt discounts	—	(477,387)	—	—	—	—	(477,387)
Notes payable - related party	—	2,500,000	—	—	—	—	2,500,000
	$ 1,611,791	$ 12,388,872	$ 365,423	$ 302,258	$ 195,132	$ 90,087	$ 14,953,563

The Company believes exposure reasonably possible for current legal proceedings is not greater than $0.4 million and may be substantially lower than this amount as of October 31, 2013. The Company expenses legal fees as incurred and therefore the Company may incur legal fees to defend itself in the future and these fees may be material to the Company's Consolidated Financial Statements in a particular period.

CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUING OPERATIONS)

Cash flows from operating activities for the years ended October 31, 2013, 2012 and 2011 were $6.0 million, $3.8 million, and $1.2 million. The increase in cash flows from operating activities for fiscal 2013 compared to 2012 was primarily associated with timing changes in assets and liabilities. The increase in cash flows from operating activities for fiscal 2012 compared to 2011 was primarily associated with timing changes in assets and liabilities.

CASH FLOWS FROM INVESTING ACTIVITIES (CONTINUING OPERATIONS)

Cash provided by (used in) investing activities were $0.5 million, $(0.4) million, and $(0.9) million for the years ended October 31, 2013, 2012 and 2011. Cash flows used in investing activities decreased in 2012 from 2011 due to a decrease in purchases of property and equipment. The cash provided by investing activities in 2013 was primarily related to net proceeds from the sale of substantially all of the property and equipment of Merten.

CASH FLOWS FROM FINANCING ACTIVITIES (CONTINUING OPERATIONS)

Net cash flows used in financing activities for the years ended October 31, 2013, 2012 and 2011 were $(7.2) million, $(5.6) million, and $(5.9) million. During 2013, 2012, and 2011, the primary use of cash was for term debt payments for syndicated debt to the Previous Secured Lenders. The remaining activity in 2013 and 2012 was associated with various fees incurred for credit related agreements and in, 2012 for changes in negative book cash balances. In 2012, the Company also paid down syndicated term debt with proceeds of $2.5 million from issuing subordinated debt to a related party.

The Company's indebtedness also decreased due to debt forgiveness of approximately $9.9 million, which is included as a component of operating activities inclusive of forgiveness of interest and accrued deferred fee aggregating $11.1 million (aggregate total inclusive of interest and accrued deferred fee).

CASH FLOWS FROM DISCONTINUED OPERATIONS

The Company has reported cash flows from discontinued operations as discrete single items of operating, investing and financing activities.

Net cash provided by operating activities of discontinued operations were $0.4 million, $4.2 million and $5.8 million in 2013, 2012, and 2011.

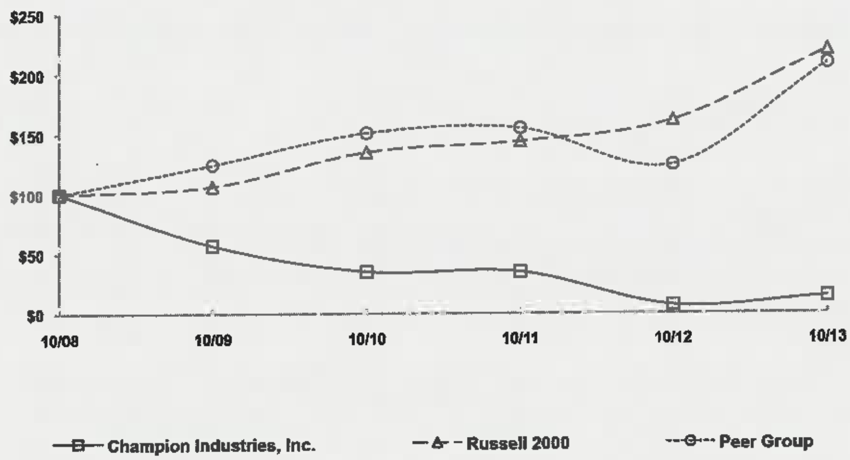
In April 2013, the FASB issued ASU 2013-07, "Presentation of Financial Statements: Topic Liquidation Basis of Accounting " ("ASU 2013-07"). ASU 2013-07 requires an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent. Liquidation is considered imminent when the likelihood is remote that the organization will return from liquidation and either: (a) a plan for liquidation is approved by the person or persons with the authority to make such a plan effective and the likelihood is remote that the execution of the plan will be blocked by other parties; or (b) a plan for liquidation is being imposed by other forces. ASU 2013-07 will be effective for the Company beginning on November 1, 2014. The Company expects that the adoption of ASU 2013-07 will not have a material impact on its financial statements or disclosure.

In July 2013, the FASB issued ASU 2013-11, "Income Taxes (Topic 740) - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" ("ASU 2013-11"). ASU 2013-11 provides that an unrecognized tax benefit, or portion thereof, should be presented in the financial statements as a reduction to a deferred tax asset for net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except to the extent that a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date to settle any additional income taxes that would result from disallowance of a tax position, or the tax law does not require the entity to use, and the entity does not intend to use the deferred tax asset for such purpose then the unrecognized tax benefit should be presented as a liability. ASU 2013-11 will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption and retrospective application is permitted. The Company expects that the adoption of ASU 2013-11 will not have a material impact on its financial statements or disclosure.

STOCK PERFORMANCE GRAPH

The following graph compares the annual change in cumulative shareholder return on the Company's common stock for the five year period ended October 31, 2013 with the cumulative total return of the Russell 2000 Index, and a peer group index. This graph assumes the reinvestment of all dividends, if any, paid on such securities and an investment of $100 on October 31, 2008. The companies in the peer group index are: Cenveo, Inc., Consolidated Graphics, The Standard Register Company and United Stationers, Inc. There is no assurance that the Company's common stock performance will continue in the future with the same or similar trends as depicted in the below graph.

Comparison of 5 Year Cumulative Total Return*
Among Champion Industries, Inc.,
The Russell 2000 Index and a Peer Group



*$100 invested on 10/31/08 in stock or index, including reinvestment of dividends.
Fiscal year ending October 31.

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	Year Ended October 31,					
	2008	2009	2010	2011	2012	2013
Champion Industries, Inc.	100.00	57.04	35.10	34.79	6.89	14.10
Russell 2000	100.00	106.46	134.75	143.79	161.16	219.64
Peer Group	100.00	124.43	150.78	154.78	124.05	208.52

CONSOLIDATED BALANCE SHEETS

Champion Industries, Inc. and Subsidiaries

	October 31, 2013	October 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 1,428,542	$ 1,844,797
Accounts receivable, net of allowance of $973,000 and $1,013,000	9,612,826	10,229,562
Inventories	4,884,579	5,764,803
Other current assets	423,441	370,103
Current portion assets held for sale/discontinued operations (see Note 12)	493,304	14,894,820
Total current assets	16,842,692	33,104,085
Property and equipment, at cost:		
Land	1,254,195	1,254,195
Buildings and improvements	4,988,229	5,263,187
Machinery and equipment	34,334,909	36,983,005
Equipment under capital lease	72,528	72,528
Furniture and fixtures	3,654,353	3,716,457
Vehicles	2,526,038	2,827,620
	46,830,252	50,116,992
Less accumulated depreciation	(38,961,412)	(40,559,463)
	7,868,840	9,557,529
Goodwill	1,230,485	3,457,322
Deferred financing costs	218,824	324,692
Other intangibles, net of accumulated amortization	1,308,249	1,447,848
Other assets	61,532	75,115
	2,819,090	5,304,977
Total assets	$ 27,530,622	$ 47,966,591

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Champion Industries, Inc. and Subsidiaries

	Year Ended October 31, 2013	2012 (Restated)	2011
Revenues:			
Printing	$ 42,669,468	$ 52,174,544	$ 52,063,138
Office products and office furniture	29,653,707	34,975,487	34,545,733
Total revenues	72,323,175	87,150,031	86,608,871
Cost of sales:			
Printing	30,372,770	37,810,157	37,747,060
Office products and office furniture	21,043,755	24,935,766	24,521,153
Total cost of sales	51,416,525	62,745,923	62,268,213
Gross profit	20,906,650	24,404,108	24,340,658
Selling, general and administrative expenses	19,910,369	23,742,296	21,579,096
Asset impairments/restructuring charges	2,270,685	357,172	652,150
(Loss) income from operations	(1,274,404)	304,640	2,109,412
Other income (expense):			
Interest expense - related party	(82,378)	(57,733)	(65,316)
Interest expense	(4,202,774)	(3,111,845)	(2,943,572)
Gain on early extinguishment of debt from a related party	—	—	1,337,846
Gain on debt forgiveness	11,118,069	—	—
Other	(32,207)	(13,118)	50,410
	6,800,710	(3,182,696)	(1,620,632)
Income (loss) from continuing operations before income taxes	5,526,306	(2,878,056)	488,780
Income tax benefit (expense)	105,146	(11,727,095)	(211,323)
Net income (loss) from continuing operations	5,631,452	(14,605,151)	277,457
Net income (loss) from discontinued operations	82,942	(8,712,624)	(4,253,500)
Net income (loss)	$ 5,714,394	$ (23,317,775)	$ (3,976,043)
Earnings (loss) per share:			
Basic income (loss) from continuing operations	$ 0.50	$ (1.29)	$ 0.03
Basic income (loss) from discontinued operations	0.01	(0.77)	(0.41)
Total basic earnings (loss) per common share	$ 0.51	$ (2.06)	$ (0.38)
Diluted income (loss) from continuing operations	$ 0.35	$ (1.29)	$ 0.03
Diluted income (loss) from discontinued operations	0.01	(0.77)	(0.41)
Total diluted earnings (loss) per common share	$ 0.36	$ (2.06)	$ (0.38)
Weighted average shares outstanding:			
Basic	11,300,000	11,300,000	10,362,000
Diluted	16,114,000	11,300,000	10,362,000

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Champion Industries, Inc. and Subsidiaries

	2013	Year Ended October 31, 2012 (Restated)	2011 (Restated)
Cash flows from operating activities:			
Net income (loss)	$ 5,714,394	$ (23,317,775)	$ (3,976,043)
Net income (loss) from discontinued operations	82,942	(8,712,624)	(4,253,500)
Net income (loss) from continuing operations	5,631,452	(14,605,151)	277,457
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation and amortization	2,169,014	2,562,702	2,835,617
Loss (gain) on sale of assets	33,569	51,506	(35,486)
(Gain) on early extinguishment of debt from a related party	—	—	(1,337,846)
Allowance for doubtful accounts	143,989	646,670	222,044
Gain on debt forgiveness	(11,118,069)	—	—
Deferred financing costs/debt discount	1,645,201	571,790	436,855
Accrued deferred fee	986,641	—	—
Deferred income tax	—	11,758,267	(2,024,921)
Restructuring charges	43,848	48,038	571,746
Goodwill impairment	2,226,837	—	—
Asset impairment	—	309,134	109,255
Changes in assets and liabilities:			
Accounts receivable	472,747	2,259,635	(1,606,555)
Inventories	880,224	1,190,754	553,444
Other current assets	(53,338)	230,995	45,071
Accounts payable	3,758,141	(540,216)	1,603,004
Accrued payroll and commissions	(256,189)	(138,955)	(260,656)
Taxes accrued and withheld	(88,311)	(113,071)	517,363
Accrued income taxes	—	9,293	27,000
Accrued expenses	(478,818)	(441,113)	(715,833)
Other liabilities	(1,800)	(1,800)	(1,800)
Net cash provided by operating activities continuing operations	5,995,138	3,798,478	1,215,759
Net cash provided by operating activities discontinued operations	371,183	4,212,636	5,804,665
	6,366,321	8,011,114	7,020,424

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Champion Industries, Inc. and Subsidiaries

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Champion is a commercial printer, business forms manufacturer and office products and office furniture supplier in regional markets in the United States of America, east of the Mississippi.

The accounting and reporting policies of Champion conform to accounting principles generally accepted in the United States. The preparation of the financial statements in conformity with Generally Accepted Accounting Principles (GAAP) require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

As of July 1, 2009, FASB (Financial Accounting Standards Board) Accounting Standards Codification became the single reference source of authoritative non-governmental U.S. GAAP. In the succeeding footnotes references to GAAP issued by the FASB are to the FASB Accounting Standards Codification which is denoted here forth as ASC. The following is a summary of the more significant accounting and reporting policies which include updated references to GAAP as stated by the ASC which became effective for financial reporting purposes as of September 15, 2009.

RESTATEMENT OF PRIOR YEARS, RECLASSIFICATIONS AND REVISIONS

The Company has applied SEC Staff Accounting Bulletin (SAB) No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements. SAB No. 108 states that registrants must quantify the impact of correcting all misstatements, including both the carryover (iron curtain method) and reversing (rollover method) effects of prior-year misstatements on the current-year financial statements, and by evaluating the error measured under each method in light of quantitative and qualitative factors. Under SAB No. 108, prior-year misstatements which, if corrected in the current year would be material to the current year, must be corrected by adjusting prior year financial statements, even though such correction previously was and continues to be immaterial to the prior-year financial statements. Correcting prior-year financial statements for such "immaterial errors" does not require previously filed reports to be amended. Such corrections will be made the next time the Company files the prior-year financial statements.

In applying the requirements of SAB No. 108, the Company determined that the warrants issued as a result of the Restated Credit Agreement were freestanding financial instruments and classified these as a component of shareholders' equity. The warrants were initially deemed to be non-deductible for tax purposes therefore the Company had recorded a deferred tax liability in 2012. The Company subsequently determined that the deferred tax liability associated with the warrant issuance should be reflected as an increased tax rate over the term of the debt discount amortization if the warrants were not deductible for tax. Accordingly, the Company's deferred tax asset valuation allowance would increase as a result of the equity classification. Therefore for 2012 the Company has identified approximately $0.4 million or $0.04 per share from continuing operations of non-cash deferred tax adjustments. Correspondingly the Company's additional paid-in capital is increased $0.4 million and deferred tax liability is decreased $0.4 million. In 2013, the Company determined that the warrants for tax purposes should be treated as original issue discount and be tax deductible and amortized over the life of the Restated Credit Agreement.

During the fourth quarter of 2011, the Company determined that its historical methodology for accruing for compensated absences related to vacation did not properly reflect a liability for vacation partially earned during the fiscal year and anticipated to be utilized by the employee in the subsequent year. The Company determined that the balances should be corrected in the earliest period presented by correcting any individual amounts in the financial statements. The periods impacted by this correction commence with periods earlier than any periods presented in this annual report. Therefore, the Company will correct this by recording a cumulative effect of this amount in the earliest period presented as a decrease in retained earnings of $328,000, an increase in accrued expenses in the amount of $547,000 and an increase in deferred tax assets of $219,000. This adjustment did not have a material impact on net income for any period presented in this annual report. Accordingly, the consolidated financial statements for periods ended October 31, 2007, through October 31, 2010, have been restated to reflect this adjustment. In accordance with ASC Topic 250, Accounting Changes and Error Corrections, we evaluated the materiality of the error from a qualitative and quantitative perspective and concluded that the error was not material to any prior period. Further, we evaluated the materiality of the error on the results of operations for the fiscal years end October 31, 2007, through October 31, 2010, and concluded that the error was not material for the year or the trend of financial results for any period presented.

In addition, the Company has restated the Consolidated Statements of Cash Flows for 2011 to reflect $621,000 of vehicle purchases as cash activities that were previously classified as non-cash activities.

Certain prior-year amounts have been reclassified to conform to the current year Financial Statement Presentation.

Buildings and improvements	5 - 40 years
Machinery and equipment	3 - 10 years
Furniture and fixtures	5 - 10 years
Vehicles	3 - 5 years

Major renewals, betterments and replacements are capitalized while maintenance and repair costs are charged to operations as incurred. Upon the sale or disposition of assets, the cost and related accumulated depreciation are removed from the accounts with the resulting gains or losses reflected in income. Depreciation expense and amortization of leasehold improvements and equipment under capital leases from continuing operations approximated $2,169,000, $2,563,000, and $2,836,000 for the years ended October 31, 2013, 2012 and 2011 and is reflected as a component of cost of sales and selling, general and administrative expenses.

Long-lived property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. This evaluation includes the review of operating performance and estimated future undiscounted cash flows of the underlying assets or businesses.

GOODWILL

Goodwill shall not be amortized; instead it is tested for impairment using a fair-value approach on an annual basis typically for the Company during the fourth quarter of each year. Goodwill is also tested between annual tests if indicators of potential impairment exist.

Goodwill shall not be amortized; instead, it shall be tested for impairment at a level of reporting referred to as a reporting unit. The first step of impairment analysis is a screen for potential impairment and the second step, if required, measures the amount of the impairment. The Company performs an annual impairment in the fourth quarter and in 2013 performed an interim test for goodwill at the printing segment. The Company recorded charges associated with Goodwill in 2013 as further disclosed in Note 11 to the Consolidated Financial Statements.

INTANGIBLE ASSETS

The intangible assets are amortized using the straight-line method over their estimated benefit period, in our case 5-20 years. The fair values of these intangible assets are estimated based on management's assessment as well as independent third party appraisals in some cases.

ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising expense for the years ended October 31, 2013, 2012 and 2011 approximated $336,000, $487,000, and $520,000.

INCOME TAXES

Provisions for income taxes currently payable and deferred income taxes are based on the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized.

EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted average shares of common stock outstanding for the period and excludes any dilutive effects of stock options and warrants. Diluted earnings per share is computed by dividing net income by the weighted average shares of common stock outstanding for the period plus the shares that would be outstanding assuming the exercise of dilutive stock options and warrants using the treasury stock method. There was no dilutive effect in fiscal 2012 and 2011. The dilutive effect in 2013 related to the warrants was 4,814,000 shares.

SEGMENT INFORMATION

The Company designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments. The Company's operating segments are more fully described in Note 9.

NEWLY ISSUED ACCOUNTING STANDARDS

Effective July 1, 2009, changes to the ASC are communicated through an ASU. As of December 23, 2013, the FASB has issued ASU's 2009-01 through 2013-12. The Company reviewed each ASU and determined that they will not have a material impact on the Company's financial position, results of operations or cash flows, other than related disclosures to the extent applicable.

NEWLY ADOPTED ACCOUNTING STANDARDS

In June 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-05 "Comprehensive Income: Presentation of comprehensive income." The amendment to ASC 220 "Comprehensive Income" requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income and the total of comprehensive income. In December 2011, the FASB issued ASU 2011-12 "Comprehensive Income: Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." This amendment to ASC 220 "Comprehensive Income" will defer the adoption of presentation of reclassification items out of accumulated other comprehensive income until November 1, 2012. We adopted the new guidance beginning November 1, 2012, and the adoption of the new guidance did not impact our financial position, results of operations or cash flows, other than the related disclosures.

In September 2011, the FASB issued ASU 2011-08 "Intangibles-Goodwill and Other: Testing Goodwill for Impairment" which provides an entity the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step test for goodwill impairment. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The revised standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. However, an entity can choose to early adopt even if its annual test date is before the issuance of the final standard, provided that the entity has not yet performed its 2011 annual impairment test or issued its financial statements. We adopted the new guidance, and the adoption of the new guidance is not expected to impact our financial position, results of operations, comprehensive income or cash flows, other than related disclosures.

In July 2012, the FASB issued ASU 2012-02 "Intangibles-Goodwill and Other: Testing Indefinite-Lived Intangible Assets for Impairment" which provides an entity the option to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount. We adopted the new guidance, and the adoption of the new guidance is not expected to impact our financial position, results of operations, comprehensive income or cash flows, other than related disclosures.

RECENTLY ISSUED ACCOUNTING STANDARDS

In February 2013, the FASB issued ASU 2013-02 "Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." This amendment does not change the current requirements for reporting net income or other comprehensive income in Financial Statements. These amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional details about those amounts. We expect to adopt the new guidance beginning on November 1, 2013, and the adoption of the new guidance is not expected to impact our financial position, results of operations, comprehensive income or cash flows, other than the related disclosures to the extent applicable.

In April 2013, the FASB issued ASU 2013-07, "Presentation of Financial Statements: Topic Liquidation Basis of Accounting " ("ASU 2013-07"). ASU 2013-07 requires an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent. Liquidation is considered imminent when the likelihood is remote that the organization will return from liquidation and either: (a) a plan for liquidation is approved by the person or persons with the authority to make such a plan effective and the likelihood

3. LONG-TERM DEBT

Long-term debt consisted of the following:

	October 31, 2013	October 31, 2012
Term Note A dated October 7, 2013, due in monthly installments of $50,000 plus interest payments equal to the prime rate of interest plus 2% maturing April 1, 2015, collateralized by substantially all of the assets of the Company	$ 10,450,000	$ —
Installment notes payable to banks and Lessor, due in monthly installments plus interest at rates approximating the bank's prime rate or the prime rate subject to various floors maturing in various periods ranging from November 2012-October 2015, collateralized by equipment and vehicles (0% interest on Lessor note) (see Note 10)	440,281	677,167
Notes payable to shareholders. The shareholder note of $2.5 million plus all accrued interest was initially due in one balloon payment in September 2014 pursuant to Term Note A maturity adjusted to April 2015. Interest is equal to the prime rate.	2,500,000	2,500,000
Term loan A with a syndicate of banks, due in monthly installments of $238,000 plus interest payments equal to LIBOR plus the applicable margin of 8% original maturity June 2013, collateralized by substantially all of the assets of the Company.	—	19,762,000
Term loan B with a syndicate of banks, original maturity June 30, 2013, interest (deferred fee) at a rate of 16%, with aggregate unpaid deferred fee itself bearing interest collateralized by substantially all of the assets of the Company.	—	6,277,744
Bullet loan A with a syndicate of Banks, due in installments of $1.9 million on or before December 31, 2012 and $2.1 million on or before March 31, 2013 with interest at LIBOR plus the applicable margin of 8%, collateralized by substantially all of the assets of the Company.	—	3,350,000
Revolving line of credit loan facility with a syndicate of banks, interest payments based on LIBOR plus the applicable margin of 6% original maturity in June 2013, collateralized by substantially all of the assets of the Company.	—	8,425,496
Accrued Deferred fee (interest) Bullet loan B, originally due June 30, 2013	—	31,171
Capital lease obligation for printing equipment at an imputed interest rate of 6.02% per annum	56,380	65,719
Unamortized debt discount	(477,387)	(1,287,527)
	12,969,274	39,801,770
Less current portion revolving line of credit	—	8,425,496
Less current portion long-term debt	902,565	29,998,791
Less current portion obligation under capital lease	13,817	13,014
Less debt discount	—	(1,287,527)
Long-term debt, net of current portion and revolving line of credit and capital lease obligation	$ 12,052,892	$ 2,651,996

On May 31, 2013, the Administrative Agent, the Lenders, all of its subsidiaries and Marshall T. Reynolds entered into the May 2013 Forbearance Agreement which provided, among other things, that during a forbearance period commencing on May 31, 2013, and ending on September 30, 2013 (unless terminated sooner by default of the Company under the May 2013 Forbearance Agreement), the Lenders were willing to temporarily forbear exercising certain rights and remedies available to them, including acceleration of the obligations or enforcement of any of the liens provided for in the Restated Credit Agreement. The Company acknowledged in the May 2013 Forbearance Agreement that as a result of the existing defaults, the Lenders were entitled to decline to provide further credit to the Company, to terminate their loan commitments, to accelerate the outstanding loans, and to enforce their liens.

The May 2013 Forbearance Agreement provided that during the forbearance period, so long as the Company met the conditions of the May 2013 Forbearance Agreement, it could continue to request credit under the revolving credit line.

The May 2013 Forbearance Agreement required the Company to:

(a) Enter into various Designated Transactions referred to as Designated Transaction No. 1 and Designated Transaction No. 2 pursuant to applicable approvals from secured lenders regarding pricing or other actions, including letters of intent no later than June 14, 2013 setting forth the terms and conditions for Designated Transaction No. 1 that shall be satisfactory to the Required Lenders. The Company was also required to use its reasonable best efforts to enter into a letter of intent, no later than June 7, 2013, for Designated Transaction No. 2. There were also various targeted dates upon acceptance of applicable letters of intent for Designated Transactions which would result in various actions to be achieved by the applicable milestone dates or if not achieved might be considered an event of default.
(b) Acknowledge in a writing, satisfactory to the Required Lenders, that approval of the Company's shareholders shall not be required for Designated Transaction No. 1, whether considered separately or together with Designated Transaction No. 2.
(c) The Company was subject to a minimum EBITDA covenant commencing with the month ended June 30, 2013 based on a buildup starting April 1, 2013 of $1,378,394 at June 30, 2013, $2,198,509 at July 31, 2013 and $2,506,722 at August 31, 2013.
(d) Continued retention of Timothy D. Boates, RAS Management Advisors, LLC as its Chief Restructuring Officer who shall continue to be subject to the sole authority, direction and control of the Company's Board of Directors and to report directly to the Board.
(e) Expenditure limitations as defined in CRO report and under direct control of the CRO.
(f) The requirement of a general reserve of $1,000,000 in the definition of "Borrowing Base" in the Restated Credit Agreement shall be waived for the duration of the Forbearance Period.
(g) Removal of requirement to maintain $750,000 concentration account minimum balances.
(h) Temporary Overadvance on the borrowing base in an amount not to exceed $1,200,000 subject to the aggregate revolving credit commitment limit of $10,000,000. Overadvance shall be repaid upon receipt of project receivables and such repayment shall be a permanent reduction in the Temporary Overadvance. Such Overadvance shall be repaid in full upon the earliest Designated Transaction No.1 or Designated Transaction No.2 or September 30, 2013.
(i) Excess availability of $500,000.

On August 28, 2013, the Administrative Agent, the Lenders, all of its subsidiaries and Marshall T. Reynolds entered into a First Limited Forbearance and Waiver Agreement and Second Amendment to Amended and Restated Credit Agreement ("August 2013 Forbearance Amendment"). This Agreement decreased the Revolving Credit Commitments from $10,000,000 in the aggregate to $8,000,000 in the aggregate, modified certain financial covenants and provided the consent to the sale of certain assets.

The Company, various Company subsidiaries, as Guarantors, Marshall T. Reynolds, as shareholder and Big 4 Investments, LLC ("Administrative Agent and Lender") as Lender and Administrative Agent entered into a Third Amended and Restated Credit Agreement dated October 7, 2013. Administrative Agent and Lender purchased the Company's outstanding syndicated debt from Fifth Third Bank and the other Lenders ("Previous Secured Lenders") for a price of $10.0 million. The Administrative Agent and Lender then simultaneously entered into the October 2013 Credit Agreement with the Company pursuant to the provisions of Term Note A for $10.0 million and related Guaranty Agreement and Stock Pledge and Security Agreement all dated October 7, 2013. The indebtedness immediately prior to the note sale reflected a balance pursuant to the Loan Purchase Agreement between Administrative Agent and Lender and the Previous Secured Lenders of approximately $19.9 million representing Term Loan A, Term Loan B and Revolving Loans plus accrued deferred fee and accrued interest of approximately $1.2 million.

The October 2013 Credit Agreement and related Term Note A, Guaranty Agreement and Stock Pledge and Security Agreement as further described herein amended various provisions of the Restated Credit Agreement dated October 19, 2012, including but not limited to:

- October 2013 Credit Agreement maturity of April 1, 2015.
- Existing debt restructured from Term Loan A, Term Loan B, and Revolving Credit Facility to Term Note A in the amount of $10,000,000.

On December 28, 2011, pursuant to the terms of the Limited Forbearance Agreement, a draw of $2.0 million was made on the cash collateral and $2.0 million was funded in the form of the subordinated unsecured promissory note.

The Company received a notice of default and reservation of rights letter on May 2, 2012, which was reported pursuant to Item 2.04 of Form 8-K filed May 4, 2012.

In a Current Report on Form 8-K filed May 4, 2012, Champion Industries, Inc. ("Champion") advised that on May 2, 2012, Fifth Third Bank, as Administrative Agent (the "Administrative Agent") for lenders under Champion's Credit Agreement dated September 14, 2007, as amended (the "Credit Agreement") had sent Champion a Notice of Default and Reservation of Rights ("Notice of Default"), advising that Champion's default under provisions of the Credit Agreement requiring it to maintain certain financial ratios constituted an Event of Default under the Credit Agreement. The default related to Sections 6.20(a) and 6.20(b) of the Credit Agreement.

The Notice of Default also advised that the Administrative Agent had not waived the Event of Default and reserved all rights and remedies as a result thereof. Those remedies include, under the Credit Agreement, the right to accelerate and declare due and immediately payable the principal and accrued interest on all loans outstanding under the Credit Agreement.

The Notice of Default further stated that any extension of additional credit under the Credit Agreement would be made by the lenders in their sole discretion without any intention to waive any Event of Default.

On July 31, 2012, the Administrative Agent, the Lenders, Champion, all its subsidiaries and Marshall T. Reynolds entered into a First Amended and Restated Limited Forbearance Agreement and Fourth Amendment to Credit Agreement dated July 13, 2012 (the "Forbearance Agreement") which provided, among other things, that during a forbearance period commencing on July 13, 2012 and ending on August 15, 2012 (unless sooner terminated by default of Champion under the Forbearance Agreement or the Credit Agreement), the Required Lenders were willing to temporarily forbear exercising certain rights and remedies available to them, including acceleration of the obligations or enforcement of any of the liens provided for in the Credit Agreement. Champion acknowledged in the Forbearance Agreement that as a result of the existing defaults, the Lenders were entitled to decline to provide further credit to Champion, to terminate their loan commitments, to accelerate the outstanding loans, and to enforce their liens.

The Forbearance Agreement provided that during the forbearance period, so long as Champion meets the conditions of the Forbearance Agreement, it may continue to request credit under the revolving credit line.

The Forbearance Agreement required Champion to:

- continue to engage a chief restructuring advisor to assist in developing a written restructuring plan for Champion's business operations;
- submit an updated proposed restructuring plan to the Administrative Agent by July 16, 2012;
- provide any consultant retained by the Administrative Agent with access to the operations, records and employees of Champion and their advisors;
- attain revised minimum EBITDA covenant targets;
- provide additional financial reports to the Administrative Agent;
- make a good faith effort to effectuate certain transaction initiatives identified by the Company;
- permit Administrative Agent to retain a media transaction expert and allow access to Company personnel and advisors; and
- forbearance fee of 0.25%.

The Forbearance Agreement provided that the credit commitment under the Credit Agreement was $13,600,000 and provided for a $1,450,000 reserve against the Credit Agreement borrowing base. The applicable margin had been increased to 6.0% if utilizing the base rate or 4% if utilizing the amended base rate as well as a PIK compounding Forbearance Fee of 2% of the outstanding amount of term loans. The default rate is an additional 2% for outstanding term loans.

On August 20, 2012 the Company received a Notice of Forbearance Termination, Additional Defaults and Reservation of Rights ("Notice of Default") letter from the Administrative Agent for its secured lenders which was reported pursuant to Item 2.04 of Form 8-K filed August 21, 2012. This Notice of Default resulted from the expiration of the First Amended and Restated Limited Forbearance Agreement and Fourth Amendment to Credit Agreement ("Forbearance Agreement") on August 15, 2012 through the effective date of the September Forbearance Agreement. The Forbearance Agreement was the result of a previous Notice of Default as more fully described herein. The Company references to minimum excess availability and other credit availability related to the Forbearance Agreement are not applicable after July 31, 2012 through the effective date of the September Forbearance Agreement due to the expiration of the Forbearance

- Minimum EBITDA pursuant to a monthly build up commencing with the month ended October 31, 2012 of $600,000 increasing to $1,100,000 for November 30, 2012, $1,600,000 at December 31, 2012, $2,600,000 at January 31, 2013, $3,350,000 at February 28, 2013, $4,100,000 at March 31, 2013, $5,200,000 at April 30, 2013, $5,550,000 at May 31, 2013 and $5,900,000 at June 30, 2013.
- Maximum Capital expenditures are limited to $1,000,000 for fiscal years commencing after October 31, 2012.
- Enhanced reporting by Champion to Administrative Agent.
- Continued retention of a Chief Restructuring Advisor and Raymond James & Associates, Inc. as well as continued retention by Secured Lenders of their advisor.
- $100,000 fee due at closing plus monthly Administrative Agent fees of $15,000 monthly through June 30, 2013.

DEBT 2011:

The Company operated under the provisions of the Second Amendment and Waiver to the Credit Agreement among the Company, Fifth Third Bank, as Lender, L/C Issuer and Administrative Agent for Lenders and other Lenders dated March 31, 2010 (the "Second Amendment") until its default for the quarter ended October 31, 2011. On July 18, 2011, the Company and Mr. Reynolds entered into and consummated an Exchange Agreement pursuant to which the $3,000,000 subordinated unsecured promissory note, dated December 29, 2009 and delivered in connection with the Forbearance Agreement, together with $147,875 in accrued interest, was exchanged for 1,311,615 shares of common stock. The ratio of exchange was $2.40 of principal and accrued interest for one share of common stock. The transaction was completed at a discount of approximately 42.5% of the face value of the subordinated unsecured promissory note and related accrued interest. The transaction was approved by a majority of the disinterested directors in a separate board meeting chaired by a disinterested director. The transaction resulted in a net gain on early extinguishment of debt from a related party which is reflected in our Consolidated Statements of Operations. As a result of the Exchange Agreement, Marshall T. Reynolds beneficially owned over 50% of the Company's outstanding common stock at the time of the transaction.

The Company had borrowed under its $15.0 million line of credit approximately $9.7 million at October 31, 2011, which encompassed working capital requirements, refinancing of existing indebtedness prior to the Herald-Dispatch acquisition and to partially fund the purchase of the Herald-Dispatch.

OTHER DEBT PROVISIONS:

The prime rate was the primary interest rate on the above loans prior to September 14, 2007. After this date, the primary interest rate consisted primarily of LIBOR 30-day, 60-day and 90-day rates plus the applicable margin (effective with the Second Amendment, the primary interest rate was LIBOR 30-day and 60-day rates plus the applicable margin) (after the Restated Credit Agreement effective date, the primary interest rate was LIBOR plus the applicable margin). Concurrent with the October 2013 Credit Agreement the prime rate plus the applicable margin is the primary interest rate on the Company's indebtedness. Prime rate approximated 3.25% at October 31, 2013, 2012, and 2011 while the LIBOR rate approximated 0.16% at October 31, 2012 and the 30-day LIBOR rate approximated 0.24% at October 31, 2011. The Company had accrued interest of approximately $142,000 and $129,000 at October 31, 2013 and October 31, 2012 recorded as accrued expenses on the balance sheet. Deferred financing costs and debt discount are amortized under the interest method over the life of the related credit facilities and are reported as part of interest expense. In 2013, 2012, and 2011, $1,645,000, $572,000, and $437,000 of debt discount and/or deferred financing costs were included as interest expense. In addition, certain period costs associated with these credit facilities are recorded as a component of interest including administrative agent fees and costs. The Company is amortizing under the interest method the debt discount associated with the issuance of warrants as well as lender fees and other costs associated with the Restated Credit Agreement and the costs and maturity prepayment premium associated with the October 2013 Credit Agreement. Interest paid from total operations during the years ended October 31, 2013, 2012 and 2011 approximated $3,069,000, $3,463,000 and $3,598,000.

The Company does not believe it is practicable to estimate the fair value of its variable interest-bearing debt and revolving credit facilities related to its primary credit facilities with a syndicate of banks (prior to the effective date of the October 2013 Credit Agreement) and at October 31, 2013 with a private investor and its subordinated debt to a related party due primarily to the fact that an active market for the Company's debt does not exist.

The term debt not related to the Restated Credit Agreement and subordinated debt to shareholders had a carrying value of approximately $0.4 million and the Company believes the carrying value approximates fair value for this debt based on recent market conditions, collateral support, recent borrowings and other factors.

5. INCOME TAXES

Income tax benefit (expense) consisted of the following:

	Year Ended October 31, 2013	2012	2011
Current benefit (expense):			
Federal	$ 1,565,286	$ 866,679	$ 2,737,509
State	434,027	131,576	419,151
Deferred (expense) benefit	(1,894,167)	(12,725,350)	(3,367,983)
Income tax benefit (expense) continuing operations	105,146	(11,727,095)	(211,323)
Intra-period tax allocation benefit (expense) discontinued operations	(105,146)	—	2,476,021
Total income tax benefit (expense)	$ —	$ (11,727,095)	$ 2,264,698

Deferred tax assets and liabilities are as follows:

	October 31, 2013	2012
Deferred tax assets:		
Allowance for doubtful accounts	$ 373,477	$ 466,249
Net operating loss carry forward	3,590,643	3,187,375
Accrued vacation	187,322	297,014
Other accrued liabilities	222,316	410,822
Intangible assets	885,775	14,201,325
Gross deferred tax assets	5,259,533	18,562,785
Deferred tax liabilities:		
Accounts receivable insolvency attribute	(1,612,376)	—
Property and equipment	(1,643,717)	(2,009,265)
Gross deferred tax liability	(3,256,093)	(2,009,265)
Net deferred tax asset before valuation allowance	2,003,440	16,553,520
Valuation allowance:		
Beginning balance	16,553,520	597,711
Change during the period	(14,550,080)	15,955,809
Ending balance	2,003,440	16,553,520
Net deferred tax asset	$ —	$ —

The above net deferred tax asset is presented on the balance sheet as follows:

	2013	2012
Deferred tax asset - current	$ —	$ —
Deferred tax assets - non-current	—	—
	$ —	$ —

tax rate and the statutory tax rate is a result of the valuation allowance taken against our deferred tax assets in the second quarter of 2012 in the amount of $15.2 million and a valuation allowance increase of an incremental $0.8 million in the third and fourth quarters of 2012. The effective income tax rate approximates the combined federal and state, net of federal benefit, statutory income tax rate and may be impacted by increases or decreases in the valuation allowance for deferred tax assets. The Company recorded a tax benefit from continuing operations in 2013 resulting from the application of certain provisions of ASC 740 regarding implications of intra-period tax allocations for discontinued operations to maintain financial statement neutrality and to recognize the tax components between continuing operations and discontinued operations on a discrete basis.

Income taxes paid (refunded) during the years ended October 31, 2013, 2012 and 2011 approximated $0, $0, and $(272,000).

The Company's net operating losses are comprised of net operating losses from operations for both Federal and State as well as net operating losses of acquired companies. The tax affected benefit of these are reflected in the Financial Statements at $3.6 million or approximately $0 net of valuation allowance. The Federal net operating losses may be carried forward 20 years and carried back 2 years whereas the State net operating losses generally cannot be carried back for the Company's purpose but can be carried forward 15-20 years. There are certain federal net operating losses which are reflected on a gross basis but which are subject to IRS Code Section 382 limitations and as such a valuation allowance has historically been recorded.

The Company was notified in December of 2011 and the examination commenced in December of 2011 by the IRS covering our fiscal year end 2010 federal income tax return. The Company was notified on December 19, 2012 that the IRS intends to issue a no change letter subject to the IRS Area Directors approval. The Company received an IRS notification dated January 10, 2013 indicating that the 2010 examination was complete with no change to the reported tax. As of October 31, 2012, the Company is subject to U.S. Federal income tax examination for returns filed after October 31, 2010. State Income Tax returns are generally subject to a period of examination for a period of three to five years. Tax interest and penalties are classified as income taxes in the accompanying statements of income and were insignificant for all periods presented. There was no unrecognized tax benefit at October 31, 2013 and 2012. The Company is currently unable to assess whether any significant increase to the unrecognized tax benefit will be recorded during the next 12 months.

5. RELATED PARTY TRANSACTIONS AND OPERATING LEASE COMMITMENTS

The Company leases operating facilities from entities controlled by its Chief Executive Officer, his family and affiliates. The original terms of these leases, which are accounted for as operating leases, range from two to fifteen years.

A summary of significant related party transactions follows:

	Year Ended October 31, 2013	2012	2011
Rent expense paid to affiliated entities for operating facilities	**$ 493,000**	$ 517,000	$ 517,000
Sales of office products, office furniture and printing services to affiliated entities	**767,000**	968,000	951,000

In addition, the Company leases property and equipment from unrelated entities under operating leases. Rent expense from continuing operations amounted to $547,000, $470,000, and $596,000 for the years ended October 31, 2013, 2012 and 2011.

Under the terms and conditions of the above-mentioned leases, the Company is primarily responsible for all taxes, assessments, maintenance, repairs or replacements, utilities and insurance. The Champion Output Solutions' lease excludes taxes and insurance during the initial lease term. Champion Output Solutions subleased approximately 8,500 square feet at an annual rate of approximately $38,000 on a month to month basis through December 2011. The Company has renewal options for certain leases covering varying periods.

In addition, the Company purchased vehicles from an entity controlled by family members of its Chief Executive Officer in the amounts of $313,000, $66,000, and $223,000 for the years ended October 31, 2013, 2012 and 2011.

Future minimum rental commitments for all non-cancelable operating leases including related party commitments with initial terms of one year or more consisted of the following at October 31, 2013:

deposited $2,500,000 as cash collateral with the Administrative Agent, which the Administrative Agent may withdraw upon an event of default under the Credit Agreement. This cash collateral was in an account in Mr. Reynolds name with the Administrative Agent and was not reflected on the Company's financial statements at October 31, 2011 and 2010.

In connection with the Contribution Agreement, the Company has executed and delivered to Mr. Reynolds a Subordinated Promissory Note in an amount up to $2,500,000 (or less, based on draws by the Administrative Agent pursuant to the terms of the Contribution Agreement), payment of principal and interest on which is prohibited prior to January 31, 2011, and thereafter only with the Administrative Agent's consent. The amount, if any, owed under the Subordinated Promissory Note is contingent upon a draw having been made under the Contribution Agreement. The Subordinated Promissory Note bears interest at the Wall Street Journal prime rate 3.25% at inception and at October 31, 2013 and 2012), original maturity September 14, 2014 and pursuant to Term Note A maturity adjusted to April 2015 and is unsecured. In the event of a draw under the terms of the Contribution Agreement, the cash proceeds shall be deemed to be a subordinated loan made by Mr. Reynolds to the Company. Pursuant to the terms of the Contribution Agreement, the triggers which may require a draw and subsequent issuance of subordinated debt include a payment violation, a fixed charge coverage ratio violation and a delivery violation by the Company failing to deliver a Compliance Certificate to the Administrative Agent when due under the Credit Agreement. Upon a draw on Mr. Reynolds' cash collateral account, he is deemed to have made a loan in like amount under the Contribution Agreement and Subordinated Promissory Note, in amounts up to $2.5 million, the proceeds of which will be used by the Administrative Agent to repay outstanding term loans in the inverse order of maturity.

On December 28, 2011, pursuant to the terms of the Limited Forbearance Agreement, a draw of $2.0 million was made on the cash collateral and $2.0 million was funded in the form of the subordinated unsecured promissory note. On September 14, 2012, in accordance with the provisions of the September Forbearance Agreement a draw of $500,000 was made under the provisions of the Contribution Agreement and was funded in the form of a subordinated unsecured promissory note. The draws of $2.0 million and $0.5 million were both used to pay term debt to a syndicate of banks. The promissory note was unfunded from inception through October 31, 2011 and fully funded at October 31, 2012.

On June 25, 2013 the Company's wholly owned subsidiary Blue Ridge Printing Co., Inc. sold substantially all the assets of its operations headquartered in Asheville, North Carolina to BRP Company, Inc. and 544 Haywood Rd, LLC pursuant to an Asset Purchase Agreement among Champion, Seller and Buyers dated June 24, 2013. These entities include as investors the current division manager Bruce Fowler and the son of director Glenn W. Wilcox. The Company's investment advisor had conducted a nationwide marketing process for the sale of Seller which yielded no comparable offers. The Company received $1,013,000 or $942,403 net of selling commissions and pro-rated taxes. This transaction is subject to a net liquidity adjustment to occur no later than 45 days from closing which resulted in the Company paying approximately $22,000 to the buyer.

On July 12, 2013 the Company's wholly owned subsidiary Champion Publishing sold substantially all the assets of its newspaper operations headquartered in Huntington, West Virginia to HD Media Company, LLC pursuant to an Asset Purchase Agreement among Champion, Seller and Buyer dated July 12, 2013. This entity includes as an investor Mr. Douglas Reynolds, son of Chairman & CEO Marshall T. Reynolds. The Company's investment advisor had conducted a nationwide marketing process for the sale of the Herald-Dispatch, which resulted in one other current offer. Champion's board of directors, in consultation with its independent advisors, determined that Mr. Douglas Reynolds' offer was the better offer both in terms of price and conditions. The Company received $10,000,000 or approximately $9,700,000 net of selling commissions and pro-rated taxes. The proceeds of this transaction were utilized to pay down term debt and the revolving credit line at the discretion of the Administrative Agent.

The Company issued warrants to purchase Class B Common Stock concurrent with the Restated Credit Agreement. The Warrants entitle the Holders thereof to purchase that number of shares of Company Class B Common Stock equal to thirty percent (30%) of the then issued and outstanding Common Stock of the Company, on a fully diluted, post-exercise basis. Based on the 11,299,528 shares of Company Common Stock currently issued and outstanding, exercise in full of the Warrants would result in the Company's issuance of an additional 4,842,654 shares to the Warrant Holders. In the event a greater number of issued and outstanding common shares exist at the time of option exercise, a greater number of options of shares of Class B Common Stock would be issuable. The Previous Secured Lenders assigned the warrants to Marshall T. Reynolds in consideration for his personal guaranty and stock pledge and security agreement to assist in facilitating the consummation of the October 2013 Credit Agreement.

The Company believes that the terms of its related party transactions are no less favorable to the Company than could be obtained with an independent third party.

9. INDUSTRY SEGMENT INFORMATION

The Company operates principally in two industry segments organized on the basis of product lines: the production, printing and sale, principally to commercial customers, of printed materials (including brochures, pamphlets, reports, tags, continuous and other forms) and the sale of office products and office furniture including interior design services.

The Company reports segment information in a manner consistent with the way that our management, including our chief operating decision maker, the Company's Chief Executive Officer, assesses performance and makes decisions regarding allocation of resources in accordance with the Segment Disclosures Topic of the ASC.

Our Financial Reporting systems present various data, which is used to operate and measure our operating performance. Our chief operating decision maker utilizes various measures of a segment's profit or loss including historical internal reporting measures and reporting measures based on product lines with operating income (loss) as the key profitability measure within the segment. Product line reporting is the basis for the organization of our segments and is the most consistent measure used by the chief operating decision maker and conforms with the use of segment operating income or (loss) that is the most consistent with those used in measuring like amounts in the Consolidated Financial Statements. During the third quarter of 2012, the Company realigned personnel and divisional responsibilities between the printing segment and office products and office furniture segments primarily in one location, resulting in additional SG&A costs of approximately $0.2 million being allocated to the office products and office furniture segment for 2012 which were previously a component of the printing segment.

The identifiable assets are reflective of non-GAAP assets reported on the Company's internal balance sheets and are typically adjusted for negative book cash balances, taxes and other items excluded for segment reporting. The assets are classified based on the primary functional segment category as reported on the internal balance sheets. Therefore the actual segment assets may not directly correspond with the segment operating (loss) income reported herein. The Company has certain assets classified as held for sale/discontinued operations representing $493,304 at October 31, 2013 and $14,894,820 at October 31, 2012. These assets were part of the printing and newspaper segments prior to the reclassification as assets held for sale/discontinued operations. The total assets reported on the Company's balance sheets as of October 31, 2013, 2012 and 2011 are $27,530,622, $47,966,591, and $82,024,282. The identifiable assets reported below represent $27,037,318, $33,071,771, and $37,905,143.

A reconciliation of total segment revenue, assets and operating (loss) income to consolidated income (loss) before income taxes for the years ended October 31, 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Revenues:			
Total segment revenues	$ 79,793,685	$ 97,539,962	$ 98,410,800
Elimination of intersegment revenue	(7,470,510)	(10,389,931)	(11,801,929)
Consolidated revenue from continuing operations	$ 72,323,175	$ 87,150,031	$ 86,608,871
Operating (loss) income from continuing operations:			
Total segment operating (loss) income from continuing operations	$ (1,274,404)	$ 304,640	$ 2,109,412
Interest expense - related party	(82,378)	(57,733)	(65,316)
Interest expense	(4,202,774)	(3,111,845)	(2,943,572)
Gain on early extinguishment of debt from a related party	—	—	1,337,846
Gain from debt forgiveness	11,118,069	—	—
Other (loss) income	(32,207)	(13,118)	50,410
Consolidated income (loss) before income taxes from continuing operations	$ 5,526,306	$ (2,878,056)	$ 488,780
Identifiable assets:			
Total segment identifiable assets	$ 27,037,318	$ 33,071,771	$ 37,905,143
Elimination of intersegment assets and assets held for sale/discontinued operations	493,304	14,894,820	44,119,139
Total consolidated assets	$ 27,530,622	$ 47,966,591	$ 82,024,282

0. RESTRUCTURING AND OTHER CHARGES

In fiscal 2010 and 2011, the Company recorded charges related to a restructuring and profitability enhancement plan. This plan was plemented to effectuate certain key initiatives and was an integral component of the Second Amendment and Waiver to the Credit greement among the Company, Fifth Third Bank, as Lender, L/C Issuer and Administrative Agent for Lenders and other Lenders dated arch 31, 2010 (the "Second Amendment"). These actions were taken to comply with the provisions and targeted covenants of the econd Amendment and to address the impact of the global economic crisis on the Company. The Company incurred costs in 2012 and 13 related to the consolidation of the Company's commercial printing production operation in Cincinnati, Ohio into existing Company cilities in other locations. In 2013, the Company also incurred costs associated with personnel of approximately $55,000 and inventory sts of approximately $153,000, associated primarily with the sale of substantially all of the property, plant and equipment of the nihe Graphics subsidiary in Kingsport, Tennessee. These costs associated with Donihe are reflected as a component of discontinued erations. The amount of future charges not discussed herein is currently not estimable by the Company.

The Company's restructuring plans were implemented to address several key initiatives, including streamlining production and ministrative operations and headcount reductions. The aggregate pre-tax charge resulting from these actions was $2.5 million. The arges were comprised of $1.7 million associated with excess facility and maintenance costs, primarily related to operating leases, ventory related costs of $200,000 and costs associated with streamlining production and personnel related separation costs of 13,000. The costs associated with the restructuring and profitability enhancement plan are primarily recorded in the restructuring arges line item as part of operating income. Inventory is recorded as a component of cost of sales.

11. ACQUIRED INTANGIBLE ASSETS AND GOODWILL

	2013		2012	
	Gross Carrying Amount	**Accumulated Amortization**	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets:				
Non-compete agreement	**$ 1,000,000**	**$ 1,000,000**	$ 1,000,000	$ 1,000,000
Customer relationships	**2,451,073**	**1,149,033**	2,451,073	1,026,935
Other	**564,946**	**558,737**	564,946	541,236
	4,016,019	**2,707,770**	4,016,019	2,568,171
namortizable intangible assets:				
Goodwill	**1,737,763**	**507,278**	3,964,600	507,278
	1,737,763	**507,278**	3,964,600	507,278
otal goodwill and other intangibles	**$ 5,753,782**	**$ 3,215,048**	$ 7,980,619	$ 3,075,449

In the fourth quarter of 2013 the Company performed a qualitative assessment of the remaining indefinite-lived intangible assets of odwill associated with the office products and office furniture segment and determined after assessing in totality various qualitative ctors it was determined that it is not more likely than not that the applicable indefinite-lived intangible (goodwill) is impaired.

During the first quarter of 2013 as part of a process of addressing the Company's debt status with its Previous Secured Lenders as well first quarter 2013 performance to budget, the Company performed a comprehensive reassessment of its initial fiscal year 2013 budget. e Company, as part of this process, identified at least one customer in the printing segment from which it anticipated a substantial venue decline in the second quarter of 2013 and beyond and associated profitability declines in 2013 and beyond. As a result of this ocess, it was determined that an impairment test between annual impairment tests was warranted for the printing segment as a result the potential near term challenges facing the Company, anticipated customer specific revenue decreases and softness in the Company's re West Virginia market. The Company performed Step 1 of the Goodwill impairment test for the printing segment with the assistance a third party valuation specialist using the income approach and the testing indicated a value less than the carrying value of the gment at January 31, 2013.

As a result of the Step 1 test, the Company determined it was required to proceed to Step 2 of Goodwill Impairment testing for the nting segment in the first quarter of 2013. The Step 2 test results were completed in the second quarter of 2013 with the assistance of hird party valuation specialist and supported the conclusion to record an impairment charge in the first quarter of 2013 of $2.2 million. sequent reversal of a previously recognized goodwill impairment loss is prohibited once the measurement of that loss is recognized, accordance with applicable standards.

Amortization expense for the years ended October 31, 2013, 2012 and 2011 was $140,000, $145,000, and $270,000 respectively. on-compete agreement was being amortized over a period of seven years and the customer relationships are being amortized over eriod of 20 years. These items are both related to the acquisition of Syscan in 2004. The weighted average remaining life of the npany's amortizable intangible assets was approximately 6 years. Estimated amortization expense for each of the following years is:

2014	$ 128,306
2015	122,098
2016	122,098
2017	122,098
2018	122,098
Thereafter	691,551
	$ 1,308,249

AMORTIZING INTANGIBLE ASSETS (NET OF AMORTIZATION EXPENSE)

	Printing	Office Products and Furniture	Total
Balance as of October 31, 2011			
Amortizing intangible assets (net of amortization expense)	$ 564,698	$ 1,028,246	$ 1,592,944
Accumulated impairment losses	—	—	—
	564,698	1,028,246	1,592,944
Amortizing intangible assets acquired Fiscal 2012	—	—	—
Impairment losses Fiscal 2012	—	—	—
Amortization expense	63,977	81,119	145,096
Balance as of October 31, 2012			
Amortizing intangible assets (net of amortization expense)	500,721	947,127	1,447,848
Accumulated impairment losses	—	—	—
	500,721	947,127	1,447,848
Amortizing intangible assets acquired Fiscal 2013	—	—	—
Impairment losses Fiscal 2013	—	—	—
Amortization expense	58,404	81,195	139,599
Balance at October 31, 2013			
Amortizing intangible assets (net of amortization expense	442,317	865,932	1,308,249
Accumulated impairment losses	—	—	—
	$ 442,317	$ 865,932	$ 1,308,249

A summary of impairment charges from continuing operations is included in the table below:

	2013	2012	2011
Goodwill	$ 2,226,837	$ —	$ —
Other intangibles	—	—	—
	$ 2,226,837	$ —	$ —

A summary of impairment charges from discontinued operations is included in the table below and are associated with the former newspaper segment:

	2013	2012	2011
Goodwill	$ —	$ 9,510,933	$ 2,364,028
Other intangibles	—	—	—
Trademark & masthead	—	1,557,950	6,352,840
	$ —	$ 11,068,883	$ 8,716,868

The following is selected financial information included in net earnings (loss) from discontinued operations for three divisions classified within the printing segment and the Herald-Dispatch previously classified within the newspaper segment until the sale of this segment and reflects interest on estimated debt required to be repaid as a result of these disposal transactions and excludes any general corporate overhead allocations. The interest expense allocated to discontinued operations for the year ended October 31, 2013, 2012, and 2011, was approximately $615,000, $837,000, and $880,000.

	Twelve Months Ended October 31, 2013		
	Printing	**Herald-Dispatch**	**Total**
Net sales	$ 2,190,236	$ 8,954,004	$ 11,144,240
(Loss) earnings from discontinued operations	(746,581)	491,367	(255,214)
Income tax benefit (expense)	250,670	(184,608)	66,062
Gain (loss) on sale of discontinued operations	(103,802)	547,106	443,304
Income tax (expense) benefit on sale	34,338	(205,548)	(171,210)
Net earnings (loss) from discontinued operations	(565,375)	648,317	82,942

	Twelve Months Ended October 31, 2012		
	Printing	**Herald-Dispatch**	**Total**
Net sales	$ 19,118,500	$ 13,991,752	$ 33,110,252
(Loss) from discontinued operations	(700,817)	(9,579,038)	(10,279,855)
Income tax benefit (expense)	—	—	—
Gain on sale of discontinued operations	1,567,231	—	1,567,231
Income tax (expense) on sale	—	—	—
Net earnings (loss) from discontinued operations	866,414	(9,579,038)	(8,712,624)

	Twelve Months Ended October 31, 2011		
	Printing	**Herald-Dispatch**	**Total**
Net sales	$ 26,742,318	$ 14,589,210	$ 41,331,528
(Loss) earnings from discontinued operations	167,967	(6,897,488)	(6,729,521)
Income tax benefit (expense)	(78,809)	2,554,830	2,476,021
Gain on sale of discontinued operations	—	—	—
Income tax on sale (expense)	—	—	—
Net (loss) earnings from discontinued operations	89,158	(4,342,658)	(4,253,500)

shares of Company Common Stock currently issued and outstanding, exercise in full of the Warrants would result in the Company's issuance of an additional 4,842,654 shares to the Warrant Holders. In the event a greater number of issued and outstanding common shares exist at the time of option exercise, a greater number of options of shares of Class B Common Stock would be issuable. The Previous Secured Lenders assigned the warrants to Marshall T. Reynolds in consideration for his personal guaranty and stock pledge and security agreement to assist in facilitating the consummation of the October 2013 Credit Agreement.

The exercise price is $0.001 per share of Class B Common Stock.

The Warrants expire on October 19, 2017.

The Warrants may be exercised for all shares of Class B Common Stock which may then be purchased thereunder, and for any part of the shares which may be purchased thereunder on not more than two occasions. On October 19, 2012, the Company's Board of Directors approved the increase in authorized shares and the addition of Class B common stock. The Company's CEO controlled approximately 53.7% of the common stock and agreed on October 19, 2012 to vote in favor of this action. Therefore, the Class B shares are initially reflected as authorized in the October 31, 2012 Financial Statements.

At a meeting held December 7, 2012, shareholders approved the issuance of the warrants and amendments to the Company's articles of incorporation increasing the number of authorized shares of common stock and creating the Class B common stock.

The Company has agreed with the Warrant Holders that it shall at all times prior to the Warrant expiration date reserve a sufficient number of shares of its Class B Common Stock to provide for the exercise of the Warrants.

In the event of any consolidation or merger of the Company with another entity, or the sale of substantially all the Company's assets to another entity that as a condition of such transaction, the Warrant Holders shall have the right to receive upon the basis and terms of the Warrant and in lieu of shares of Class B Common Stock purchasable thereunder such shares of stock, securities or assets as may by virtue of such transaction be issuable or payable with respect to an equivalent number of shares of Class B Common Stock purchasable under the Warrant had such transaction not taken place. If the securities to be received in such transaction are not traded on a national securities exchange the Holder of the Warrant may elect in lieu of such securities to receive cash equal to the fair market value of such securities.

The Previous Secured Lenders had granted the Company rights to call and redeem the Warrants and any shares of Class B Common Stock issued thereunder, at a price of $0.001 per share, at various dates ending on June 30, 2013, if the Company attains various financial goals. The warrants were not called due to the Company's inability to attain such goals.

The call options which have expired were as follows:

(A) The right to purchase all but not less than all the Warrants prior to June 30, 2013 upon payment in full and in cash the Term B Loans defined in the Amended Credit Agreement and all outstanding, accrued and unpaid interest and any deferred fee applicable to such loans, plus an amount equal to five percent (5%) of the foregoing;

(B) On or prior to June 30, 2013, the right to purchase all but not less than all of the Warrants upon payment in full and in cash of (a) net proceeds from the sale of a designated transaction at a certain net sales price on or before March 31, 2013 and (b) all outstanding obligations owed under the Amended Credit Agreement on or before June 30, 2013;

(C) The option to purchase fifty percent (50%) but not less than fifty percent (50%) of then outstanding Warrants on March 31, 2013 and the payment in full and in cash on or before March 31, 2013 of all net cash proceeds from the sale of the designated transaction in an agreed upon amount;

(D) The right to purchase all but not less than all the outstanding Warrants on or prior to April 30, 2013 upon payment in full and in cash of all outstanding obligations owing under the Amended Credit Agreement;

(E) The right to purchase seventy five percent (75%) but not less than seventy five percent (75%) of the then outstanding Warrants on April 30, 2013 and prior to May 31, 2013 upon payment in full and in cash of all outstanding obligations owing under the Amended Credit Agreement; and

(F) The right to purchase fifty percent (50%) but not less than fifty percent (50%) of the then outstanding Warrants on May 31, 2013 and prior to June 30, 2013 upon the payment in full and in cash of all outstanding obligations owing under the Amended Credit Agreement.

)EFERRED TAX ASSETS:

The Company currently intends to maintain a full valuation allowance on our deferred tax assets until sufficient positive evidence elated to our sources of future taxable income exists and the Company is better able to identify a longer term solution to our overall urrent credit situation. Therefore, the amount of deferred tax asset considered realizable could be adjusted in future periods based on a ultitude of factors, including but not limited to a refinancing of the Company's existing credit agreement with its secured lenders, and uch adjustments may be material to the Consolidated Financial Statements.

5. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share (EPS) were computed as follows:

	Income (Loss)	Weighted Average Shares	Per Share Amount
ear Ended October 31, 2013			
et income from continuing operations	$ 5,631,452	11,300,000	$ 0.50
et income from discontinued operations	82,942	11,300,000	0.01
et income	5,714,394		
asic earnings per share:			
Net income available to common shareholders, total	5,714,394	11,300,000	0.51
fect of dilutive securities stock options/warrants		4,814,000	
iluted earnings per share:			
let income available to common shareholders and assumed conversions	$ 5,714,394	16,114,000	$ 0.36
:ar Ended October 31, 2012			
t loss from continuing operations	$ (14,605,151)	11,300,000	$ (1.29)
t loss from discontinued operations	(8,712,624)	11,300,000	(0.77)
t loss	(23,317,775)		
sic loss per share:			
t loss available to common shareholders, total	(23,317,775)	11,300,000	(2.06)
fect of dilutive securities stock options/warrants		—	
uted loss per share:			
let loss available to common shareholders and assumed conversions	$ (23,317,775)	11,300,000	$ (2.06)
ar Ended October 31, 2011			
t income from continuing operations	$ 277,457	10,362,000	$ 0.03
t loss from discontinued operations	(4,253,500)	10,362,000	(0.41)
t loss	(3,976,043)		
ic loss per share:			
et loss available to common shareholders, total	(3,976,043)	10,362,000	(0.38)
ect of dilutive securities stock options		—	
ıted loss per share:			
t loss available to common shareholders and assumed conversions	$ (3,976,043)	10,362,000	$ (0.38)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Weighted average shares outstanding				
Basic				
2013	**11,300,000**	**11,300,000**	**11,300,000**	**11,300,000**
2012	11,300,000	11,300,000	11,300,000	11,300,000
Diluted				
2013	**16,114,000**	**16,105,000**	**16,112,000**	**16,124,000**
2012	11,300,000	11,300,000	11,300,000	11,300,000

CHAMPION INDUSTRIES, INC.
P.O. Box 2968 | Huntington, WV 25728-2968
phone 304.528.2700

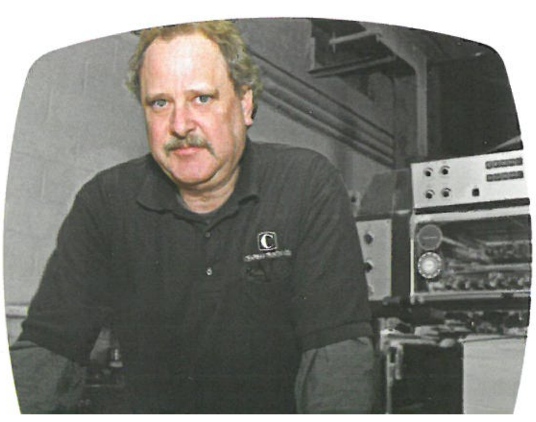
www.champion-industries.com

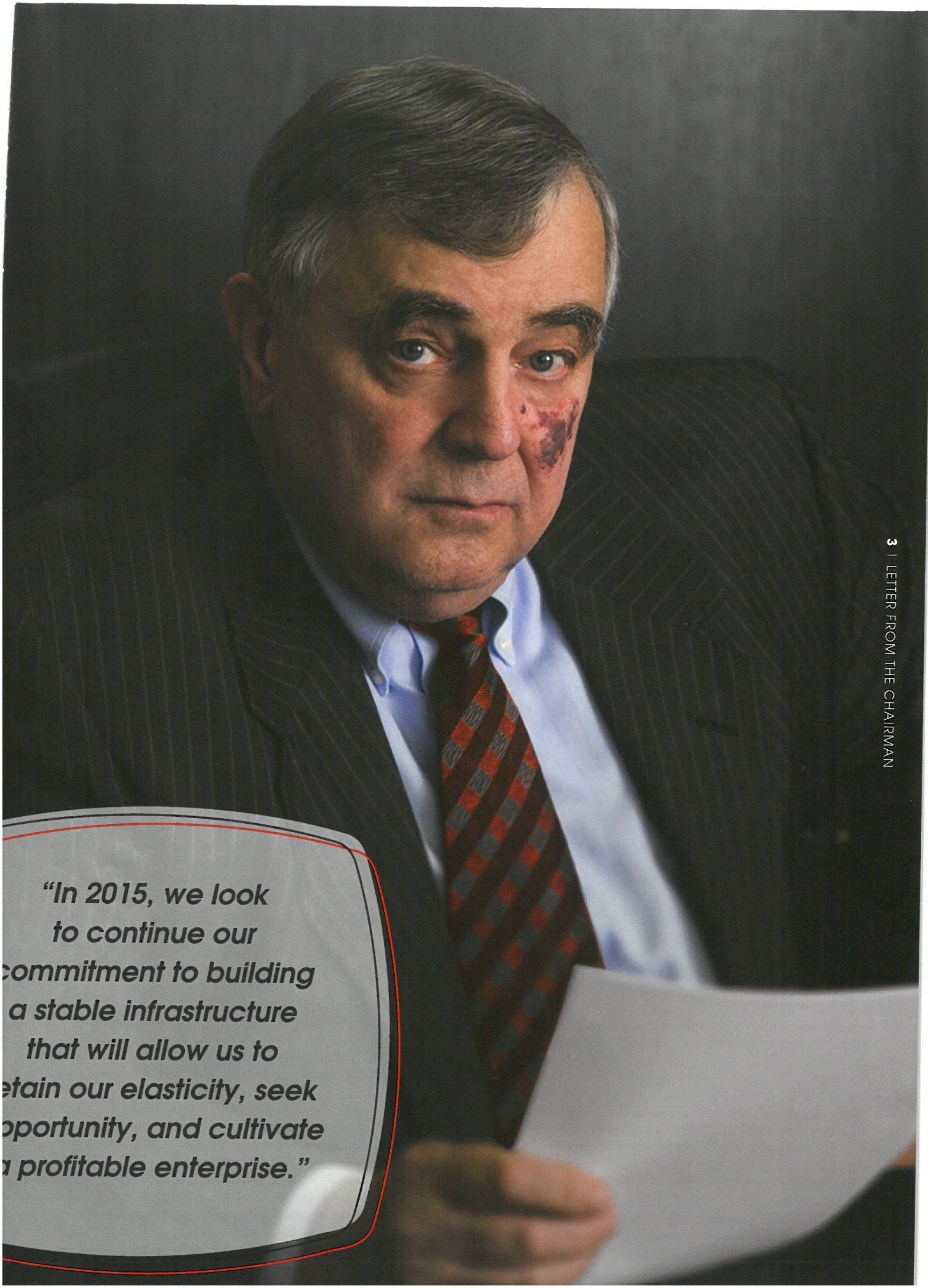
CORE VALUES

CHAMPION INDUSTRIES, INC.

2014

CORE VALUES





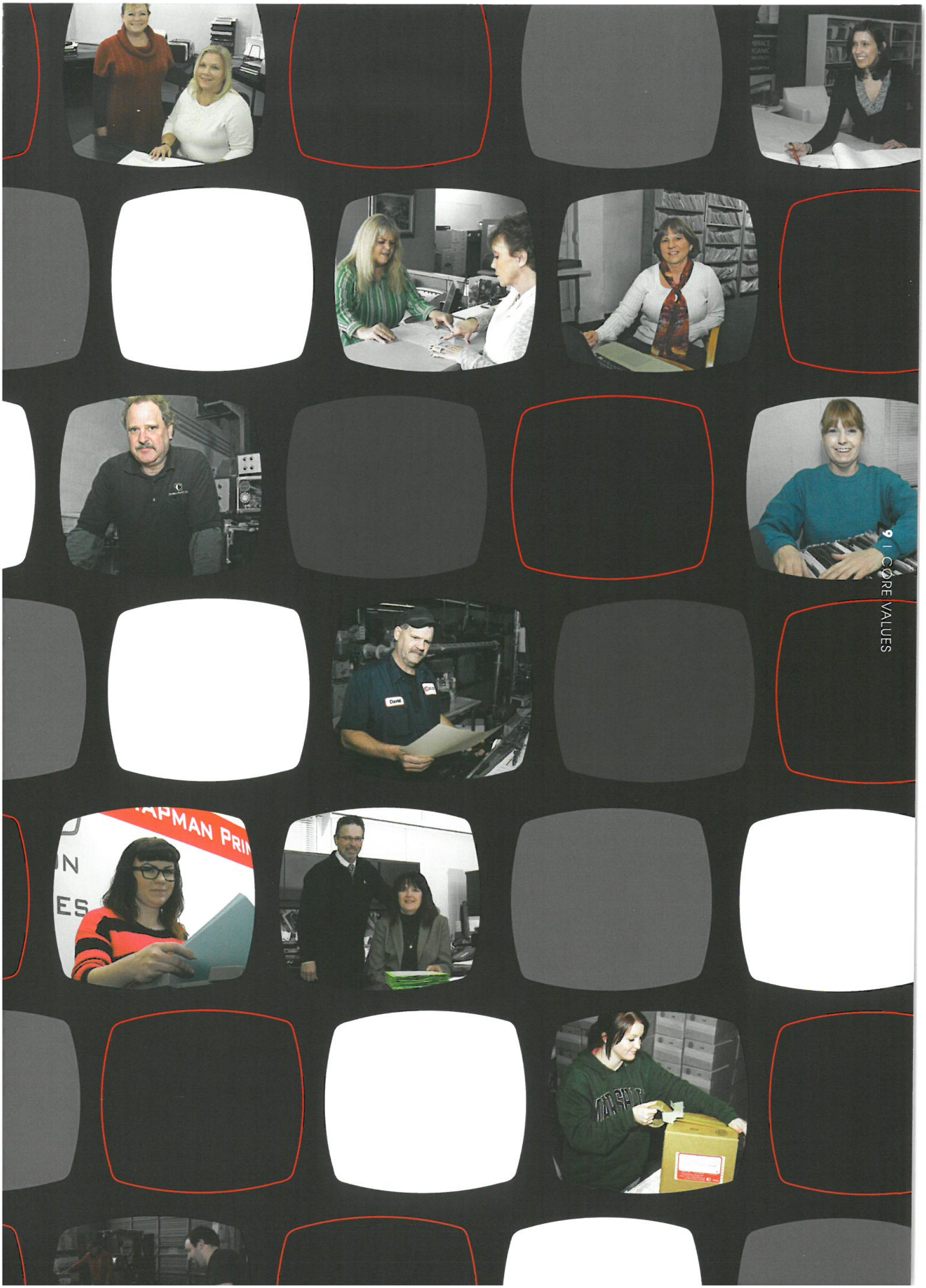
"In 2015, we look to continue our commitment to building a stable infrastructure that will allow us to etain our elasticity, seek pportunity, and cultivate a profitable enterprise."

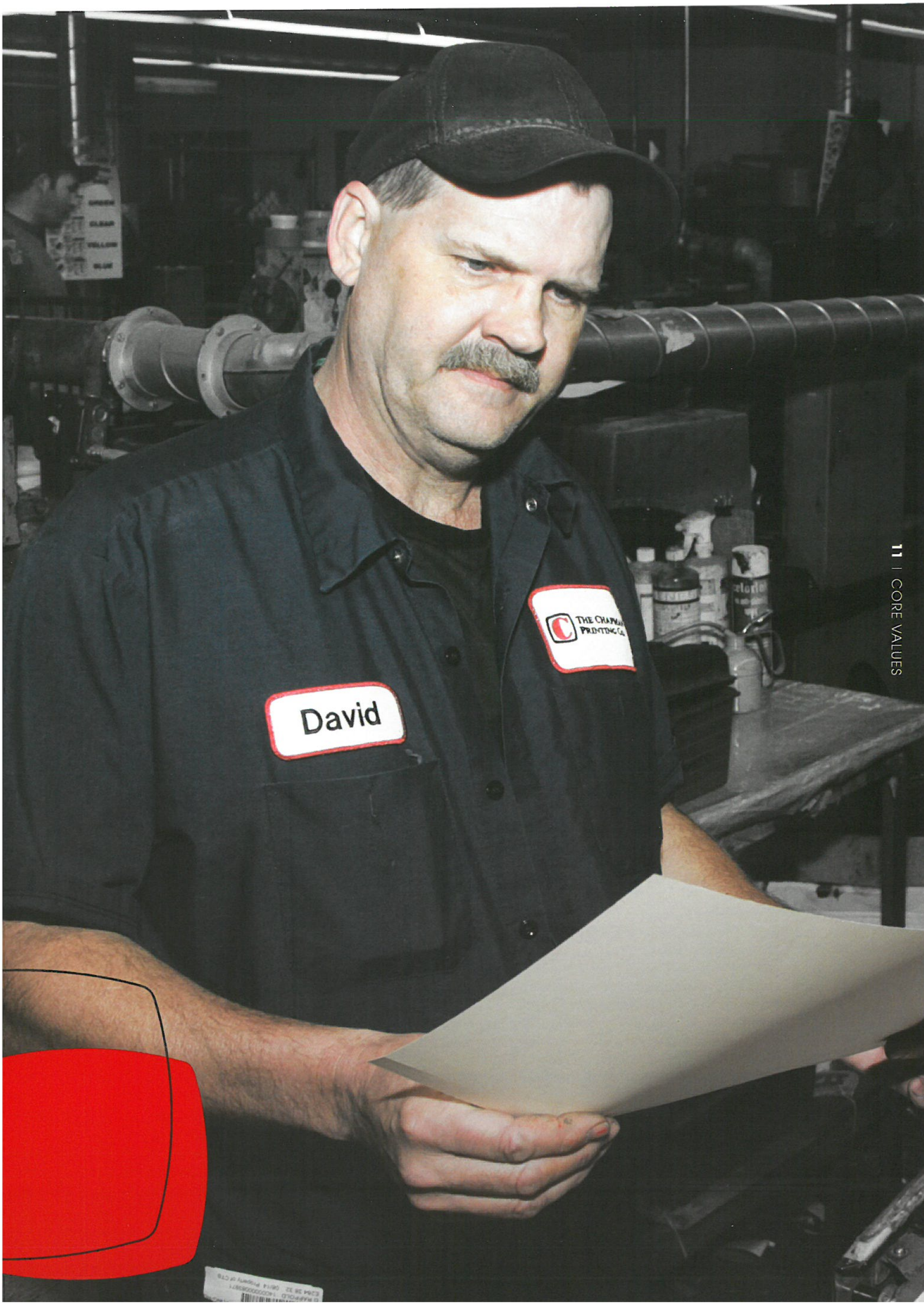
OFFICERS

Marshall T. Reynolds
Chairman of the Board &
Chief Executive Officer

Justin T. Evans
Senior Vice President &
Chief Financial Officer


CHAPMAN PRINT




David
THE CHAPMAN PRINTING Co.

CHAPMAN PRINTING COMPANY

2450-90 First Avenue I Huntington, WV 25703
p 304.528.2791 I 800.624.3431 I f 304.528.2746
e cpcprep@champion-industries.com

- Mid-sized commercial printer with full digital pre-press
- Office product sales
- 1- to 4-color presses up to 28 in. x 40 in.
- Full bindery with auto saddle stitch and perfect binding
- Letterpress, envelope presses and foil stamping
- In-house rotary division for manufacturing short- to medium-run business forms, laser cut sheets and continuous snapout
- Off- and online MICR encoding
- Automated presentation folder/gluer

CHAPMAN PRINTING COMPANY

953 Point Marion Road I Suite A
Morgantown, WV 26508
p 304.284.0200 I f 304.284.0209

- Printing sales headquarters with full digital pre-press
- Office product sales
- Full line printing and services distributor
- Print management
- Fulfillment
- B2B e-commerce solutions
- Mail
- Digital print

CHAPMAN PRINTING COMPANY

405 Ann Street I Parkersburg, WV 26101
p 304.485.8596 I 800.458.8596 I f 304.485.4793
e cpcpkbg@champion-industries.com

- Mid-sized commercial printer with full digital pre-press and full color separations
- Office product sales
- 5- and 6- color presses up to 28 in. x 40 in.
- Full bindery
- Digital Process Color Press

RIVER CITIES PRINTING

2450-90 First Avenue I Huntington, WV 25703
p 304.528.5496 I f 304.528.2746
e orders@rivercitiesprinting.com

- Stick-on labels/ads
- Single sheet flyers/newspaper inserts
- Menus and placemats
- Postcards and business cards

US TAG

2450-90 First Avenue I Huntington, WV 25703
p 304.691.5046 I 800.638.1018
f 304.691.5060 I 800.625.6076
e ustag@champion-industries.com

- Stock and custom tag manufacturer
- Small-sized commercial printer with full digital pre-press
- 1- to 3-color presses up to 14 in. x 20 in.
- Letterpress up to 18 in. x 22 in.
- Full bindery


CAPITOL

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data for each of the five years in the period ended October 31, 2014, have been derived from the Audited Consolidated Financial Statements of the Company. The information set forth below should be read in conjunction with the Audited Consolidated Financial Statements, related notes, and the information contained in Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere herein.

	Year Ended October 31,				
	2014	**2013** (4)	**2012** (3) **(Restated)**	**2011** (2)	**2010** (1)
OPERATING STATEMENT DATA:		(In thousands, except share and per share data)			
Revenues:					
Printing	**$ 37,377**	$ 42,670	$ 52,174	$ 52,064	$ 54,102
Office products and office furniture	**26,145**	29,653	34,976	34,546	33,438
Total revenues	**63,522**	72,323	87,150	86,610	87,540
Cost of sales:					
Printing	**28,366**	30,373	37,810	37,748	38,560
Office products and office furniture	**19,197**	21,043	24,936	24,521	23,633
Total cost of sales	**47,563**	51,416	62,746	62,269	62,193
Gross profit	**15,959**	20,907	24,404	24,341	25,347
Selling, general and administrative expenses	**16,213**	19,910	23,742	21,579	21,978
Restructurings/asset impairments costs	**—**	2,271	357	652	1,641
(Loss) income from operations	**(254)**	(1,274)	305	2,110	1,728
Other income (expense):					
Interest expense - related party	**(82)**	(82)	(58)	(65)	—
Interest expense	**(1,056)**	(4,204)	(3,112)	(2,944)	(4,493)
Gain on early extinguishment of debt to a related party	**—**	—	—	1,338	—
Gain on debt forgiveness	**—**	11,118	—	—	—
Other (expense) income	**260**	(32)	(13)	50	952
Income (loss) from continuing operations before income taxes	**(1,132)**	5,526	(2,878)	489	(1,813)
Income tax benefit (expense)	**—**	105	(11,727)	(211)	687
Net income (loss) from continuing operations	**(1,132)**	5,631	(14,605)	278	(1,126)
Net income (loss) from discontinued operations	**—**	83	(8,713)	(4,254)	1,614
Net income (loss)	**$ (1,132)**	$ 5,714	$ (23,318)	$ (3,976)	$ 488
Earnings (loss) per share:					
Basic					
Continuing operations	**$ (0.10)**	$ 0.50	$ (1.29)	$ 0.03	$ (0.11)
Discontinued operations	**—**	0.01	(0.77)	(0.41)	0.16
	$ (0.10)	$ 0.51	$ (2.06)	$ (0.38)	$ 0.05
Diluted					
Continuing operations	**$ (0.10)**	$ 0.35	$ (1.29)	$ 0.03	$ (0.11)
Discontinued operations	**—**	0.01	(0.77)	(0.41)	0.16
	$ (0.10)	$ 0.36	$ (2.06)	$ (0.38)	$ 0.05

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company is a commercial printer, business forms manufacturer and office products and office furniture supplier in regional markets of the United States of America, east of the Mississippi River. The Company has historically grown through strategic acquisitions and internal growth prior to the advent of the global economic crisis. Through such growth, the Company had realized regional economies of scale, operational efficiencies, and exposure of its core products to new markets. The Company has acquired fifteen printing companies, eight office products and office furniture companies, one company with a combined emphasis on both printing and office products and office furniture, a paper distribution division (which was subsequently sold in 2001) and a daily newspaper since its initial public offering on January 28, 1993. As a result of various provisions of the Company's applicable credit agreements and as a result of the impact of the global economic crisis, the Company has implemented a number of consolidations and asset dispositions. The Company consolidated its Interform production facility in Bridgeville, Pennsylvania into an existing operation. The Company also consolidated its commercial printing production operation in Cincinnati, Ohio into existing Company facilities in other locations and in December 2012 sold substantially all of the equipment to Graphics International. The Consolidated Graphic Communications ("CGC") operating division was sold to Safeguard Solutions ("Safeguard") in July 2012 and Donihe Graphics, Inc. sold substantially all of its property, plant, and equipment in December 2012 to Graphics International. In June 2013 the Company sold substantially all of the assets of Blue Ridge Printing to BRP Company, Inc. In July 2013 the Company sold substantially all of the assets of the Herald- Dispatch newspaper to HD Media Company, LLC. In the third quarter of 2013 the Company closed its Lexington, Kentucky Chapman Printing Company division but continues to serve this market out of the Chapman Printing Huntington operation.

The Company's operations comprising its former Consolidated Graphic Communications division, Donihe Graphics division, Blue Ridge Printing division and the Herald-Dispatch Newspaper segment were classified as discontinued operations in the consolidated statements of operations for all periods presented. (see Note 11).

The Company's net revenues consist primarily of sales of commercial printing, business forms, tags, other printed products, document output solutions including rendering, inserting and mailing, office supplies, office furniture, and data products and office design services. The Company recognizes revenues when products are shipped or ownership is transferred and when services are rendered to the customer. The Company's revenues are subject to seasonal fluctuations caused by variations in demand for its products.

The Company's cost of sales primarily consists of raw materials, including paper, ink, pre-press supplies and purchased office supplies, furniture and data products, and manufacturing costs including direct labor, indirect labor and overhead. Significant factors affecting the Company's cost of sales include the costs of paper in printing, office supplies, costs of labor and other raw materials.

The Company's operating costs consist of selling, general and administrative expenses. These costs include salaries, commissions and wages for sales, customer service, accounting, administrative and executive personnel, insurance, rent, utilities, legal audit, information systems equipment costs, software maintenance and depreciation.

CRITICAL ACCOUNTING POLICIES INVOLVING SIGNIFICANT ESTIMATES

The Company's significant accounting policies are described in Note 1 to the Consolidated Financial Statements included in Item 15 of this Form 10-K. The discussion and analysis of the financial statements and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The following critical accounting policies affect the Company's more significant judgments and estimates used in the preparation of the Consolidated Financial Statements. There can be no assurance that actual results will not differ from those estimates.

Restatement of Prior Year: The Company has applied SEC Staff Accounting Bulletin (SAB) No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements. SAB No. 108 states that registrants must quantify the impact of correcting all misstatements, including both the carryover (iron curtain method) and reversing (rollover method) effects of prior-year misstatements on the current-year financial statements, and by evaluating the error measured under each method in light of quantitative and qualitative factors. Under SAB No. 108, prior-year misstatements which, if corrected in the current year would be material to the current year, must be corrected by adjusting prior year financial statements, even though such correction previously was and continues to be immaterial to the prior-year financial statements. Correcting prior-year financial statements for such "immaterial errors" does not require previously filed reports to be amended. Such corrections will be made the next time the Company files the prior-year financial statements.

In connection with our annual impairment testing of goodwill and other non-amortizing intangible assets conducted in the fourth quarter of 2012, we recorded a charge of $1.6 million on a pre-tax, non-cash basis for impairment of the value of the trademark and masthead which resulted from the 2007 acquisition of the Herald-Dispatch daily newspaper in Huntington, WV. The Company assessed the value of the trademark and masthead with assistance from a third party valuation specialist utilizing an income approach based on the relief from royalty income valuation methodology.

During the first quarter of 2013 as part of a process of addressing the Company's debt status with its Previous Secured Lenders as well as first quarter 2013 performance to budget, the Company performed a comprehensive reassessment of its initial fiscal year 2013 budget. The Company as part of this process identified at least one customer in the printing segment from which it anticipated a substantial revenue decline in the second quarter of 2013 and beyond and associated profitability declines in 2013 and beyond. As a result of this process, it was determined that an impairment test between annual impairment tests was warranted for the printing segment.

The Company performed Step 1 of the Goodwill impairment test for the printing segment with the assistance of a third party valuation specialist using the income approach and the testing indicated a value less than the carrying value of the segment at January 31, 2013.

As a result of the Step 1 test, the Company determined it was required to proceed to Step 2 of goodwill impairment testing for the printing segment in the first quarter of 2013. The Step 2 test results were completed in the second quarter of 2013 with the assistance of a third party valuation specialist and supported the conclusion to record an impairment charge in the first quarter of 2013 of $2.2 million. Subsequent reversal of a previously recognized goodwill impairment loss is prohibited once the measurement of that loss is recognized, in accordance with applicable standards.

In the fourth quarter of 2014 the Company performed its annual assessment of the remaining indefinite-lived intangible assets of goodwill associated with the office products and office furniture segment. The Company first considered qualitative factors including economic conditions in its core market, access to capital, industry outlook, cost factors, and financial performance. After considering the qualitative factors, the Company was not able to definitively conclude that impairment was not possible.

As such, the Company performed the two-step quantitative assessment as prescribed by ASC 350. Step 1 of the impairment test used a discounted cash flow model based on income of the office products and office furniture reporting unit to compare fair value to the unit's carrying value. After consideration of the Step 1 results, the Company's Management felt that the discounted cash flow model was not indicative of value that would be exchanged in an arm's length transaction. Given this, Step 2 of the quantitative assessment was performed. Step 2 compares the implied fair value of the reporting unit to its carrying value to determine impairment using methods common in business combinations. After considering the results of Step 2, the Company's management determined that no impairment of the office products and office furniture reporting unit's goodwill existed at October 31, 2014.

The Company's Management will continue to monitor this reporting unit's performance and will test for impairment as warranted. Further declines in revenue and income could ultimately require impairment charges to be incurred that would be material to the Company's financial position and results of operation to the extent of the carrying amount of goodwill.

Management has discussed the development of these estimates with the audit committee of the board of directors. Additionally, the board of directors has reviewed this disclosure and its relation to this MD&A.

Revenue Recognition: Revenues are recognized when products are shipped or ownership is transferred and when services are rendered to customers. The Company acts as a principal party in sales transactions, assumes title to products and assumes the risks and rewards of ownership including risk of loss for collection, delivery or returns. The Company typically recognizes revenue for the majority of its products upon shipment to the customer and transfer of title. Under agreements with certain customers, custom forms may be stored by the Company for future delivery. In these situations, the Company may receive a logistics and warehouse management fee for the services provided. In these cases, delivery and bill schedules are outlined with the customer and product revenue is recognized when manufacturing is complete and the product is received into the warehouse, title transfers to the customer, the order is invoiced and there is reasonable assurance of collectability. Since the majority of products are customized, product returns are not significant. Therefore, the Company records sales on a gross basis. Revenue generally is recognized net of any taxes collected from customers and subsequently remitted to government authorities. The costs of delivering finished goods to customers are recorded as shipping and handling costs and included in cost of sales of the printing segment. The office products and office furniture shipping and handling costs were approximately $0.5 million for 2014, 2013, and 2012 and are recorded as a component of selling, general, and administrative costs.

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated information derived from the Company's Consolidated Statements of Operations, including certain information presented as a percentage of total revenues.

	Year Ended October 31, ($ In thousands)					
	2014		2013		2012 (Restated)	
Revenues:						
Printing	**$ 37,377**	**58.8 %**	$ 42,670	59.0 %	$ 52,174	59.9 %
Office products and office furniture	**26,145**	**41.2**	29,653	41.0	34,976	40.1
Total revenues	**63,522**	**100.0**	72,323	100.0	87,150	100.0
Cost of sales:						
Printing	**28,366**	**44.7**	30,373	42.0	37,810	43.3
Office products and office furniture	**19,197**	**30.2**	21,043	29.1	24,936	28.6
Total cost of sales	**47,563**	**74.9**	51,416	71.1	62,746	71.9
Gross profit	**15,959**	**25.1**	20,907	28.9	24,404	28.1
Selling, general and administrative expenses	**16,213**	**25.5**	19,910	27.5	23,742	27.2
Restructuring / asset impairment costs	**—**	**—**	2,271	3.1	357	0.5
(Loss) income from operations	**(254)**	**(0.4)**	(1,274)	(1.7)	305	0.4
Other income (expense):						
Interest expense - related party	**(82)**	**(0.1)**	(82)	(0.1)	(58)	(0.0)
Interest expense	**(1,056)**	**(1.7)**	(4,204)	(5.8)	(3,112)	(3.6)
Gain on debt forgiveness	**—**	**—**	11,118	15.4	—	—
Other (loss) income	**260**	**0.4**	(32)	(0.0)	(13)	0.0
Income (loss) from continuing operations before income taxes	**(1,132)**	**(1.8)**	5,526	7.8	(2,878)	(3.2)
Income tax benefit (expense)	**—**	**—**	105	0.1	(11,727)	(13.6)
Net income (loss) from continuing operations	**(1,132)**	**(1.8)**	5,631	7.9	(14,605)	(16.8)
Net income (loss) from discontinued operations	**—**	**—**	83	0.1	(8,713)	(10.0)
Net income (loss)	**$ (1,132)**	**(1.8) %**	$ 5,714	8.0 %	$ (23,318)	(26.8) %

OTHER INCOME (EXPENSE)

Other income (expense) decreased approximately $7.7 million from income of $6.8 million in 2013 to an expense of $(0.9) million in 2014. This is primarily due to a pre-tax gain on debt forgiveness in the fourth quarter of 2013 of $11.1 million resulting from the terms of the October 2013 Credit Agreement.

Interest expense decreased approximately $3.1 million primarily due to lower total debt as well as reduced fees and debt discount amortization when compared to 2013.

INCOME TAXES

The Company assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence was the cumulative loss incurred over the four-year period ended October 31, 2014 and over an eight-year period ended October 31, 2014. However, when these losses are adjusted for certain aberrations, rather than continuing conditions, the Company is able to represent that cumulative losses are not present in either the four year look back period or the eight year look back period.

The Company excluded debt cancellation from cancellation of debt income ("CODI") from the income tax liability in 2013 in accordance with applicable Internal Revenue Service guidelines regarding insolvency where the amount of debt cancellation excluded from gross ordinary income is applied to attribute reductions. The insolvency calculation is based on IRS guidelines associated with liabilities in excess of the fair market value of assets immediately prior to the debt cancellation. The attribute reductions are ordered and reduce net operating losses, various credits, capital losses, and asset basis among other attribute reductions if applicable and necessary. As a result of the CODI exception provided in Internal Revenue Code Section 108 the Company reduced its net operating losses, applicable credits and asset basis in accordance with the applicable ordering rules.

In 2014, as a result of the attribute reductions to exclude the Company's CODI from taxable income in 2013, the company incurred $6.4 million of attribute recapture income for tax purposes. As such, the Company used net operating loss carry forwards to offset attribute recapture income. A decrease in the Company's deferred tax asset valuation allowance in a like amount of the tax liability arising from the Company's taxable income was used to offset any income tax liability.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers a multitude of factors in assessing the utilization of its deferred tax assets including the reversal of deferred tax liabilities, projected future taxable income and other assessments, which may have an impact on financial results. The Company determined in the second quarter of 2012 that, primarily as a result of its inability to enter into an amended credit facility upon the expiration of the Limited Forbearance Agreement on April 30, 2012, as well as the potential for a substantial increase in interest rates and fees coupled with the uncertainty regarding future interest rate increases that the Previous Secured Lenders may impose on the Company that a full valuation allowance of the Company's deferred tax assets, net of deferred tax liabilities, is necessary to measure the portion of the deferred tax asset that more likely than not will not be realized. As a result of the Restated Credit Agreement entered into on October 19, 2012, the Company reassessed its valuation allowance and determined that the relative short term maturity of the Restated Credit Agreement coupled with the increase in interest rates indicated that a full valuation was warranted at October 31, 2012. As a result of the October 2013 Credit Agreement entered into on October 7, 2013 the Company reassessed it's previous determination regarding its valuation allowance and determined that a full valuation was warranted. The Company currently intends to maintain a full valuation allowance on our deferred tax assets until sufficient positive evidence related to our sources of future taxable income exists and the Company is better able to identify a longer term solution to our current credit situation. The amount of deferred tax asset considered realizable could be adjusted in future periods based on a multitude of factors, including but not limited to a reassessment of our credit position, and such adjustments may be material to the Consolidated Financial Statements.

The Company's effective tax rate for continuing operations for 2014 was 0.0% compared to a benefit of 1.9% in 2013 and an expense of (407.5)% for 2012. The primary difference in tax rates between 2013 and 2012 and for 2012 between the effective tax rate and the statutory tax rate is a result of the valuation allowance taken against our deferred tax assets in the second quarter of 2012 in the amount of $15.2 million and a valuation allowance increase of an incremental $0.8 million in the third and fourth quarters of 2012. The effective income tax rate approximates the combined federal and state, net of federal benefit, statutory income tax rate and may be impacted by increases or decreases in the valuation allowance for deferred tax assets. The Company recorded a tax benefit from continuing operations in 2013 resulting from the application of certain provisions of ASC 740 regarding implications of intra-period tax allocations for discontinued operations to maintain financial statement neutrality and to recognize the tax components between continuing operations and discontinued operations on a discrete basis.

In the fourth quarter of 2013 the Company performed a qualitative assessment of the remaining indefinite-lived intangible assets of goodwill associated with the office products and office furniture segment and determined after assessing in totality various qualitative factors it was determined that it is not more likely than not that the applicable indefinite-lived intangible (goodwill) is impaired.

During the first quarter of 2013 as part of a process of addressing the Company's debt status with its Previous Secured Lenders as well as first quarter 2013 performance to budget, the Company performed a comprehensive reassessment of its initial fiscal year 2013 budget. The Company as part of this process identified at least one customer in the printing segment from which it anticipated a substantial revenue decline in the second quarter of 2013 and beyond and associated profitability declines in 2013 and beyond. As a result of this process, it was determined that an impairment test between annual impairment tests was warranted for the printing segment as a result of the potential near term challenges facing the Company, anticipated customer specific revenue decreases and softness in the Company's core West Virginia market. The Company performed Step 1 of the Goodwill impairment test for the printing segment with the assistance of a third party valuation specialist using the income approach and the testing indicated a value less than the carrying value of the segment at January 31, 2013.

As a result of the Step 1 test, the Company determined it was required to proceed to Step 2 of goodwill impairment testing for the printing segment in the first quarter of 2013. The Step 2 test results were completed in the second quarter of 2013 with the assistance of a third party valuation specialist and supported the conclusion to record an impairment charge in the first quarter of 2013 of $2.2 million. Subsequent reversal of a previously recognized goodwill impairment loss is prohibited once the measurement of that loss is recognized, in accordance with applicable standards.

The valuation methodology utilized in 2012 to estimate the fair value of the printing, and office products and office furniture operating segment was analyzed by the Company with assistance in part from a valuation specialist utilizing both the market and income approach. The income approach was based off a discounted cash flow methodology, in which expected future free net cash flows to invested capital are discounted to present value, using an appropriate after- tax weighted average cost of capital. The market approach using a guideline company analysis weighs empirical evidence from shares of comparable companies sold in minority transactions on stock exchanges and merger and acquisition analysis, which analyses sales of companies control transactions. The fair value exceeded the carrying value for both the printing and office products and office furniture segment in 2012. Therefore, there were no impairment indicators identified by the Company to proceed to step two of the impairment test for 2012.

The Company also incurred asset impairment charges in 2012 in the printing segment from property, plant and equipment. The 2012 charges are associated with certain long-lived assets held for sale at the Merten Company in Cincinnati, Ohio. The Company recorded an impairment charge in 2012 of $309,000 associated with this equipment. The Company incurred in 2012, $48,000 of severance and other employee related costs at the Merten Company and in 2013 occupancy and equipment related costs of approximately $44,000 associated with Merten.

SEGMENT OPERATING INCOME (LOSS)

The printing segment reported an operating loss of $(2.2) million for 2013 and $(1.6) million in 2012. The increase in operating loss was primarily attributable to $2.2 million in pre-tax goodwill impairment charges, partially offset by lower SG&A expenses which were primarily reflective of reduced professional fees resulting in part from provisions related to the Forbearance Agreement, Limited Forbearance Agreement, September Forbearance Agreement, and Restated Credit Agreement (as defined in Note 3) being incurred in 2012. Professional fees decreased approximately $0.8 million in 2013 when compared to 2012. In addition, bad debt expense decreased approximately $0.5 million from 2012 levels primarily associated with specific accounts within one operating division that were incurred in 2012.

The office products and office furniture segment reported operating profits of $1.0 million, in 2013, compared to $1.9 million, in 2012. This represented a decrease in profitability of $1.0 million or 50.2%. This decrease is primarily the result of lower gross profit contribution on reduced sales partially offset by lower selling, general, and administrative expenses. The sales reductions were primarily associated with furniture sales followed by office products related sales.

OTHER INCOME (EXPENSE)

Other income (expense) increased approximately $10.0 million from an expense of $(3.2) million in 2012 to income of $6.8 million in 2013 primarily due to a pre-tax gain on debt forgiveness in the fourth quarter of 2013 resulting from the terms of the October 2013 Credit Agreement.

During the second quarter of 2012 as part of a restructuring plan submitted to the Company's secured lenders the Company authorized its investment bankers to initiate an open market transaction process to determine potential alternative transactions in relation to certain asset sales and the sale of a business segment. As a result of this process, it was determined that an impairment test between annual impairment tests was warranted. This resulted in the Company's assessment that the carrying value of the newspaper segment exceeded the fair value of the newspaper segment. The basis of the fair value was a mid-point of value attained as a result of the open market process assessment based on a non- binding letter of intent attained in this process. This resulted in an impairment charge in the second quarter of 2012 of the remaining goodwill of the newspaper segment of approximately $9.5 million on a pre-tax, non-cash basis. As a result of the interim impairment indicators the Company also assessed the recoverability of property, plant and equipment and amortizing intangibles under the provisions of ASC 360 and determined that there were no charges required as a result of this assessment. The Company also assessed the non-amortizing intangibles of trademark and masthead and with assistance from a third party valuation specialist the Company concluded that through the utilization of an income approach based on the relief from royalty valuation methodology there was no impairment of this asset at April 30, 2012.

In connection with our annual impairment testing of goodwill and other intangible assets conducted in the fourth quarter of 2012, we recorded a charge of $1.6 million on a pre-tax basis for impairment of the value of other intangible assets, which resulted from the 2007 acquisition of The Herald-Dispatch daily newspaper in Huntington, WV. This charge resulted in impairment charges of trademark and masthead of $1.6 million on a pre-tax basis. The Company, with assistance from a third party valuation specialist, recorded the impairment utilizing an income approach based on the relief from royalty valuation methodology

LIQUIDITY AND CAPITAL RESOURCES

The Company incurred substantial indebtedness as a result of the acquisition of The Herald-Dispatch in September of 2007. The country entered a recession in December of 2007 and the residual effects of the recession have continued within the former newspaper and the printing segments of the Company. The debt was structured as a cash flow credit, which typically indicates that the primary repayment source for debt will be income from operations in lieu of a collateral based loan. The Company had continued to service its debt and has made every scheduled payment of principal and interest, including during various periods, default interest. In addition, the Company had paid substantial sums for fees to the secured lenders as well as to various advisors pursuant to applicable credit and credit related agreements. The Company had paid approximately $65.6 million in principal through September 30, 2013 to the Previous Secured Lenders Thus, the Company had demonstrated the ability to generate cash flow and has continued to service its debt commitments under the most difficult conditions in recent history.

In the fourth quarter of 2013 the Previous Secured Lenders sold the outstanding credit commitments representing substantially all of the Company's debt to Big 4 Investments, LLC ("Big 4") a private company. As a result of this sale the Company simultaneously entered into a new credit facility with Big 4 under the terms of the October 2013 Credit Agreement.

Prior to the October 2013 Credit Agreement the Company operated under the provisions of the May 2013 Forbearance Agreement effective May 31, 2013 which expired September 30, 2013 as amended August 28, 2013. The May 2013 Forbearance Agreement required the Company to achieve a multitude of targeted goals and covenants to remain in compliance. Many of these requirements were beyond the control of the Company although at the date of the agreement, the Company determined there was at least a reasonable possibility of achieving compliance through the September 30, 2013 contractual maturity date. The Company was also required, under the terms of the May 2013 Forbearance Agreement, to comply with financial covenants, which are non-GAAP financial measures. Prior to the October 2013 Credit Agreement and primarily as a result of the credit situation with the Previous Secured Lenders ther significant uncertainty about our ability to operate as a going concern. In recent years, the Company operated for extended periods both in default and under forbearance agreements as it navigated its way through the continued challenges and residual effects of the global economic crisis. The Company believes that there has been a fundamental shift in the way in which financial institutions, in general, evaluate cash flow credits and that the amount of leverage in which the financial institutions are willing to lend has decreased generally over the last several years. In addition, two of the Company's operating segments, specifically the printing segment and newspaper segment (now classified as a discontinued operation), have declined both internally and on a macro basis both during the recession and post-recession. Therefore, even though the Company has reduced its borrowings in accordance with contractually scheduled amortizations, the Previous Secured Lenders had expressed a desire to have lower leverage associated with various earnings measures related to funded indebtedness. The end result of these actions was the Company was impacted operationally and financially by the numerous actions required in part as a result of the numerous Credit and Forbearance Agreements with the Previous Secured Lenders. These actions strained resources operationally and financially including trade vendor challenges. Therefore, three primary dynamics have faced the Company: lower earnings, two operating segments that have faced secular hurdles and what the Company believes to be a changed credit culture regarding cash flow type loans and the residual impact of the Previous Secured Lender credit requirements on our current operations.

Secured Lenders of approximately $19.9 million representing Term Loan A, Term Loan B and Revolving Loans plus accrued deferred fee and accrued interest of approximately $1.2 million.

The October 2013 Credit Agreement and related Term Note A, Guaranty Agreement and Stock Pledge and Security Agreement as further described herein amended various provisions of the Restated Credit Agreement dated October 19, 2012, including but not limited to:

- October 2013 Credit Agreement maturity of April 1, 2015.
- Existing debt restructured from Term Loan A, Term Loan B, and Revolving Credit Facility to Term Note A in the amount of $10,000,000.
- The Company's debt will not have a revolving credit facility component.
- Interest rate at the Wall Street Journal prime rate of interest plus two percent.
- Principal payments due monthly at $50,000 per month.
- $500,000 maturity or prepayment premium.
- Financial covenant of maximum capital expenditures of $3,000,000 during any fiscal year.
- Personal guaranty of Marshall T. Reynolds.
- Stock Pledge and Security Agreement providing a third party credit enhancement to support the credit facility underwritten by the Administrative Agent.
- In consideration for the personal Guaranty Agreement of Marshall T. Reynolds and Stock Pledge and Security Agreement, the warrants held by the Previous Secured Lenders were assigned to Marshall T. Reynolds. The warrants represent $0.001 per share warrants issued for up to 30% (on a post-exercise basis) of the outstanding common stock of the Company in the form of non-voting Class B common stock and associated Investor Rights Agreement.

The Company reviewed applicable GAAP and determined that extinguishment accounting should be applied in relation to the October 2013 Credit Agreement.

CASH FLOWS FROM DISCONTINUED OPERATIONS

The Company has reported cash flows from discontinued operations as discrete single items of operating, investing and financing activities.

Net cash provided by operating activities of discontinued operations were $0.1 million, $0.4 million, and $4.2 million in 2014, 2013, and 2012.

Net cash provided by (used in) investing activities of discontinued operations were $0.0 million, $11.0 million, and $3.6 million in 2014, 2013, and 2012. In 2012, the Company sold its CGC operating division for $3,750,000, the proceeds of which were used to pay debt. In 2013, the Company sold Blue Ridge Printing, Donihe and the Herald-Dispatch for proceeds net of selling costs and certain other expenses of approximately $11.0 million. Blue Ridge Printing was sold to investors that included the current division manager Bruce Fowler and the son of director Glenn W. Wilcox. The Herald-Dispatch was sold to an entity which included as an investor Mr. Douglas Reynolds, son of Chairman & CEO Marshall T. Reynolds.

Net cash used in financing activities of discontinued operations were $0.0 million, $(11.1) million, and $(3.8) million for 2014, 2013, and 2012. The net cash used in financing activities represented debt payments from the sale of CGC in 2012 and the debt payments from the sales related to Donihe, Blue Ridge and The Herald-Dispatch in 2013. The various asset sales were requirements of the Previous Secured Lenders with the resulting impact being anticipated reductions in future cash flow from operations offset by improved cash flow metrics related to investing and financing activities coupled with the 2013 benefit from debt forgiveness.

INFLATION AND ECONOMIC CONDITIONS

Management believes that the effect of inflation on the Company's operations has not been material and will continue to be immaterial for the foreseeable future. The Company does not have long-term contracts; therefore, to the extent permitted by competition, it has the ability to pass through to its customers most cost increases resulting from inflation, if any. In addition, the Company is not particularly energy dependent; therefore, an increase in energy costs should not have a significant impact on the Company.

Our operating results depend on the relative strength of the economy on both a regional and national basis. Recessionary conditions applicable to the economy as a whole and specifically to our core business segments have had a significant adverse impact on the Company's business.

SEASONALITY

Our business is subject to seasonal fluctuations that we expect to continue to be reflected in our operating results in future periods.

Historically, the Company has experienced a greater portion of its profitability in the second and fourth quarters than in the first and third quarters. The second quarter generally reflects increased orders for printing of corporate annual reports and proxy statements. A post-Labor Day increase in demand for printing services and office products coincides with the Company's fourth quarter. The global economic crisis as well as other macro-economic factors and customer demand has impacted this general trend in recent years. The Company is unable to predict if this trend has fundamentally shifted until such time a more stable economic climate is present.

Our business is subject to seasonal fluctuations that we expect to continue to be reflected in our operating results in future periods. Other factors that affect our quarterly revenues and operating results may be beyond our control, including changes in the pricing policies of our competitors, the hiring and retention of key personnel, wage and cost pressures, distribution costs and general economic factors.

NEWLY ISSUED ACCOUNTING STANDARDS

In April 2014, the FASB issued ASU 2014-08, "Presentation of Financial Statements: Topic 205 and Property, Plant and Equipment: Topic 360 – Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" ("ASU 2014-08"). ASU 2014-08 improves the definition of discontinued operations by limiting the discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have or will have a major effect on an entity's operations and financial results, will require expanded disclosures for discontinued operations, and will require disclosure of the pretax profit or loss of an individually significant component of an entity that does not qualify for discontinued operations reporting. The Company will adopt ASU 2014-08 in reporting periods beginning after December 15, 2014. ASU 2014-08 will expand the disclosures of the Company's discontinued operations. The Company does not expect a material impact on the financial position, results of operation, or cash flows.

MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Until June 12, 2012, Champion common stock traded on the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") National Market System (now Global Market) under the symbol "CHMP". From June 12, 2012 until July 16, 2012 Champion common stock was listed on the NASDAQ Capital Market. The stock now trades on the OTCQB Market under the symbol "CHMP".

The following table sets forth the high and low closing prices for Champion common stock for the period indicated. The range of high and low closing prices are based on data from the OTCQB or NASDAQ and does not include retail mark-up, mark-down or commission.

	Fiscal Year 2014		Fiscal Year 2013	
	High	**Low**	**High**	**Low**
First quarter	$ 0.72	$ 0.35	$ 0.28	$ 0.11
Second quarter	0.62	0.35	0.28	0.05
Third quarter	0.50	0.25	0.29	0.06
Fourth quarter	0.34	0.22	0.45	0.12

At the close of business on January 9, 2015, there were 355 shareholders of record of Champion common stock. The shareholders of record are determined by the Company's transfer agent.

The Company has not paid dividends on its common stock in any of the previous three years.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee, Board of Directors and Shareholders
Champion Industries, Inc.
Huntington, West Virginia

Arnett Carbis Toothman llp
CPAs & Advisors

We have audited the accompanying consolidated balance sheets of Champion Industries, Inc. and Subsidiaries (the "Company") as of October 31, 2014 and 2013, and the related consolidated statements of operations, shareholders' equity (deficit) and cash flows for each of the three years in the period ended October 31, 2014. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based upon our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of October 31, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2014, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 3 to the consolidated financial statements, the Company as of October 31, 2014 has $12,697,000 in debt obligations due in 2015. The Company is currently pursuing a longer term financing solution with its lenders. Management's plans concerning these matters are more fully discussed in Note 3 to the consolidated financial statements.

Arnett Carbis Toothman LLP

Arnett Carbis Toothman LLP

Charleston, West Virginia
January 29, 2015

101 Washington Street East | P.O. Box 2629
Charleston, WV 25301
304.346.0441 | 800.642.2601

CONSOLIDATED BALANCE SHEETS (continued)

Champion Industries, Inc. and Subsidiaries

	October 31, 2014	October 31, 2013
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 4,518,634	$ 6,925,532
Accrued payroll and commissions	583,529	767,638
Taxes accrued and withheld	666,166	745,658
Accrued expenses	1,553,978	1,785,035
Current portion liabilities held for sale/discontinued operations (see Note 3 and Note 11)	—	315
Debt discount (see Note 3)	(138,520)	—
Notes payable (see Note 3)	10,947,218	902,565
Notes payable - related party (see Note 3)	2,500,000	—
Capital lease obligations (see Note 3)	14,931	13,817
Total current liabilities	20,645,936	11,140,560
Long-term debt, net of current portion:		
Notes payable (see Note 3)	128,690	9,494,727
Notes payable - related party (see Note 3)	—	2,500,000
Debt discount (see Note 3)	—	(477,387)
Capital lease obligations (see Note 3)	28,381	42,563
Long-term portion liability held for sale/discontinued operations (see Note 3 and Note 11)	—	492,989
Other liabilities	—	150
Total liabilities	20,803,007	23,193,602
Shareholders' equity:		
Common stock, $1 par value, 20,000,000 Class A voting shares authorized; 11,299,528 shares issued and outstanding	11,299,528	11,299,528
Common stock, Class B nonvoting stock, $1 par value, 5,000,000 shares authorized, -0- shares issued and outstanding	—	—
Additional paid-in capital	24,279,179	24,279,179
Retained deficit	(32,373,321)	(31,241,687)
Total shareholders' equity	3,205,386	4,337,020
Total liabilities and shareholders' equity	$ 24,008,393	$ 27,530,622

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

Champion Industries, Inc. and Subsidiaries

	Common Stock		Additional Paid-In Capital	Retained (Deficit)	Other Comprehensive Income	Total
	Shares	Amount				
Balance, October 31, 2011	11,299,528	$ 11,299,528	$ 23,267,024	$ (13,638,306)	$ —	$ 20,928,246
Comprehensive (loss):						
Net (loss) for 2012	—	—	—	(23,317,775)	—	(23,317,775)
Total comprehensive loss	—	—	—	(23,317,775)	—	(23,317,775)
Stock warrants	—	—	1,012,155	—	—	1,012,155
Balance, October 31, 2012 (Restated)	11,299,528	$ 11,299,528	$ 24,279,179	$ (36,956,081)	$ —	$ (1,377,374)
Comprehensive loss:						
Net loss for 2013	—	—	—	5,714,394	—	5,714,394
Total comprehensive loss	—	—	—	5,714,394	—	5,714,394
Balance, October 31, 2013	11,299,528	$ 11,299,528	$ 24,279,179	$ (31,241,687)	$ —	$ 4,337,020
Comprehensive (loss):						
Net (loss) income for 2014	**—**	**—**	**—**	**(1,131,634)**	**—**	**(1,131,634)**
Total comprehensive (loss)	**—**	**—**	**—**	**(1,131,634)**	**—**	**(1,131,634)**
Balance, October 31, 2014	**11,299,528**	**$11,299,528**	**$ 24,279,179**	**$(32,373,321)**	**$ —**	**$ 3,205,386**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Champion Industries, Inc. and Subsidiaries

	Year Ended October 31, 2014	2013	2012
Cash flows from investing activities:			
Purchase of property and equipment	**(761,367)**	(544,643)	(697,196)
Proceeds from sale of fixed assets	**502,829**	170,348	306,548
Proceeds from assets held for sale	**—**	816,667	—
Change in other assets	**(5,807)**	13,584	(52,810)
Net cash (used in) provided by investing activities continuing operations	**(264,345)**	455,956	(443,458)
Net cash provided by investing activities discontinued operations	**—**	11,001,864	3,622,023
	(264,345)	11,457,820	3,178,565
Cash flows from financing activities:			
Borrowings on line of credit	**—**	20,465,448	17,777,004
Payments on line of credit	**—**	(20,157,278)	(17,777,004)
Proceeds from term debt	**2,537,042**	393,497	996,459
Principal payments on long-term debt	**(2,364,484)**	(7,660,466)	(4,973,837)
Financing cost incurred	**—**	(229,189)	(341,531)
Change in negative book cash	**—**	—	(1,153,931)
Forbearance fees	**—**	—	(122,042)
Net cash provided by (used in) financing activities continuing operations	**172,558**	(7,187,988)	(5,594,882)
Net cash used in financing activities discontinued operations	**—**	(11,052,408)	(3,750,000)
	172,558	(18,240,396)	(9,344,882)
Net (decrease) increase in cash and cash equivalents	**(610,104)**	(416,255)	1,844,797
Cash and cash equivalents at beginning of year	**1,428,542**	1,844,797	—
Cash and cash equivalents at end of year	**$ 818,438**	$ 1,428,542	$ 1,844,797

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Champion Industries, Inc. and Subsidiaries

The Company encounters risks associated with sales and the collection of the associated accounts receivable. As such, the Company records a provision for accounts receivable that are considered to be uncollectible. In order to calculate the appropriate provision, the Company primarily utilizes a historical rate of accounts receivable written off as a percentage of total revenue. The historical rate is updated periodically based on events that may change the rate such as a significant increase or decrease in collection performance and timing of payments as well as the calculated total exposure in relation to the allowance. Periodically, the Company compares the identified credit risks with the allowance that has been established using historical experience and adjusts the allowance accordingly.

During 2014 the Company recorded a net recovery of $64,406 compared to bad debt expense for 2013 and 2012 of $143,989, and $646,670, respectively. The net recovery in 2014 was due to a $0.2 million change in estimate that was partially offset by bad debt expenses recorded for the year. The allowance for doubtful accounts was $687,844, $972,778, and $1,012,894, as of October 31, 2014, 2013 and 2012. The actual write-offs for the periods were $220,528, $184,105, and $172,889, during 2014, 2013 and 2012. The actual write-offs occur when it is determined an account will not be collected. General economic conditions and specific geographic and customer concerns are major factors that may affect the adequacy of the allowance and may result in a change in the annual bad debt expense.

For the twelve month period ended October 31, 2014, the Company had one customer that made up approximately 10.7% of its consolidated revenues and 11.7% of its accounts receivable. This customer is a publicly traded Fortune 500 company that we believe to be in good financial condition and that will remain so for the foreseeable future. The loss of this customer would have a material impact on the Company's operations. Otherwise, no single customer contributed more than 3.2% of the Company's consolidated revenues for fiscal 2014. During the fiscal years ended October 31, 2013, and 2012, no single customer accounted for more than 9.0% of the Company's total revenues or 9.1% of its accounts receivable. Due to the project-oriented nature of customers' printing and furniture requirements, sales to particular customers may vary significantly from year to year depending upon the number and size of their projects. The Company's ten largest accounts receivable balances represented 32.1% and 30.2% of gross outstanding accounts receivable at October 31, 2014 and 2013, respectively.

INVENTORIES

Inventories are principally stated at the lower of first-in, first-out, cost or market. Manufactured finished goods and work-in-process inventories include material, direct labor and overhead based on standard costs, which approximate actual costs.

INVENTORY RESERVES

Reserves for slow moving and obsolete inventories are provided based on historical experience, inventory aging historical review and management judgment. The Company continuously evaluates the adequacy of these reserves and makes adjustments to these reserves as required.

PROPERTY AND EQUIPMENT

Depreciation of property and equipment and amortization of leasehold improvements and equipment under capital leases are recognized primarily on the straight-line and declining-balance methods in amounts adequate to amortize costs over the estimated useful lives of the assets as follows:

Buildings and improvements	5 - 40 years
Machinery and equipment	3 - 10 years
Furniture and fixtures	5 - 10 years
Vehicles	3 - 5 years

Major renewals, betterments and replacements are capitalized while maintenance and repair costs are charged to operations as incurred. Upon the sale or disposition of assets, the cost and related accumulated depreciation are removed from the accounts with the resulting gains or losses reflected in income. Depreciation expense and amortization of leasehold improvements and equipment under capital leases from continuing operations approximated $1,931,507, $2,169,014, and $2,562,702 for the years ended October 31, 2014, 2013, and 2012 and is reflected as a component of cost of sales and selling, general and administrative expenses.

Long-lived property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. This evaluation includes the review of operating performance and estimated future undiscounted cash flows of the underlying assets or businesses.

as shipping and handling costs and included in cost of sales of the printing segment and in cost of sales and operating costs, of the former newspaper segment (reflected as discontinued operations). The office products and office furniture shipping and handling costs were approximately $0.5 million for 2014, 2013, and 2012 and are recorded as a component of selling, general, and administrative costs.

ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES

A liability for a cost associated with an exit or disposal activity is measured initially at its fair value in the period in which the liability is incurred.

ACCOUNTING FOR STOCK-BASED COMPENSATION

Before the adoption of the current applicable accounting standards, the Company had elected to follow the intrinsic value method in accounting for its employee stock options. Accordingly, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense was recognized. There were no stock option grants in 2014, 2013 or 2012. Any future stock-based compensation will be measured at the grant date based on the fair value of the award and it would be recognized as an expense over the applicable vesting periods of the stock award using the straight line method.

FAIR VALUE MEASUREMENTS

There is a fair value hierarchy for those instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and our own assumptions (unobservable inputs). The hierarchy consists of three levels:

Level 1 - Quoted market prices in active markets for identical assets or liabilities

Level 2 - Inputs other than Level 1 inputs that are either directly or indirectly observable; and

Level 3 - Unobservable inputs developed using estimates and assumptions developed by the Company, which reflect those that a market participant would use.

Our interest bearing debt is primarily composed of a term loan with a private investor. The carrying amount of this facility and its fair value are discussed further in Note 3.

Cash and cash equivalents consist principally of cash on deposit with banks, all highly liquid investments with an original maturity of three months or less. The Company's cash deposits in excess of federally insured amounts are primarily maintained at a large well-known financial institution.

The carrying amounts of the Company's accounts receivable, accounts payable, accrued payrolls and commissions, taxes accrued and withheld and accrued expenses approximates fair value due to their short-term nature.

Goodwill and other intangible assets are measured on a non-recurring basis using Level 3 inputs, as further discussed in Note 10.

NEWLY ISSUED ACCOUNTING STANDARDS

Effective July 1, 2009, changes to the ASC are communicated through an ASU. As of December 23, 2014, the FASB has issued ASU's 2009-01 through 2013-12. The Company reviewed each ASU and determined that they will not have a material impact on the Company's financial position, results of operations or cash flows, other than related disclosures to the extent applicable.

NEWLY ADOPTED ACCOUNTING STANDARDS

In June 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-05 "Comprehensive Income: Presentation of comprehensive income." The amendment to ASC 220 "Comprehensive Income" requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income and the total of comprehensive income. In December 2011, the FASB issued ASU 2011-12 "Comprehensive Income: Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." This amendment to ASC 220 "Comprehensive Income" will defer the adoption of presentation entity that represent strategic shifts that have or will have a major effect on an entity's operations and financial results, will require expanded disclosures for discontinued operations, and will require disclosure of the pretax profit or loss of an individually significant component of an entity that does not qualify for discontinued operations reporting. The Company will adopt ASU 2014-08 in reporting periods beginning after December 15, 2014. ASU 2014-08 will expand the disclosures of the Company's discontinued operations. The Company does not expect a material impact on the financial position, results of operation, or cash flows.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers: Topic 606" ("ASU 2014-09"). ASU 2014-09 will enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, reduce the number of requirements which must be considered in recognizing revenue, improve disclosure to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized, and provide guidance for transactions that are not currently addressed comprehensively. The Company will adopt ASU 2014-09 in reporting periods beginning after December 15, 2016. The Company does not expect a material impact on the financial position, results of operation, or cash flows.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"). ASU 2014-15 provides guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. As permitted, The Company adopted the new guidance as of its fiscal year ended October 31, 2014. This new guidance did not impact our financial position, results of operations, comprehensive income or cash flows, other than the related disclosures to the extent applicable.

2. INVENTORIES

At the dates indicated, inventories consisted of the following:

	October 31,	
	2014	**2013**
Printing:		
Raw materials	**$ 1,180,361**	$ 1,375,675
Work in process	**539,023**	756,861
Finished goods	**1,131,430**	1,218,233
Office products and office furniture	**1,119,178**	1,533,810
	$ 3,969,992	$ 4,884,579

Maturities of debt and capital lease obligations for each of the next five years beginning November 1, 2014 are as follows:

November 1, 2014 through October 31, 2015	$ 13,323,629
November 1, 2015 through October 31, 2016	144,543
November 1, 2016 through October 31, 2017	12,528
November 1, 2017 through October 31, 2018	—
November 1, 2018 through October 31, 2019	—
	$ 13,480,700

Effective October 7, 2013 the Company began operating under a Third Amended and Restated Credit Agreement (the "October 2013 Credit Agreement") as further discussed herein. The following is a sequential summary of the various debt actions through 2014:

DEBT 2014:

We have historically funded our working capital needs from operations, bank borrowings, and capital from shareholders. Presently, our principal sources of liquidity are generated from our operations and loans from commercial banks and private companies. Our working capital requirements are influenced by the level of our operations, the volume of our sales, and the timing of accounts receivable collections.

Our long-term liquidity will depend on our ability to refinance our debts. The Company's October 2013 Credit Agreement expires April 1, 2015. At that time, the Company will be required to repay $9.6 million to its Secured Lender. Management expects to be able to refinance all of its short term loans based on past experience, ability to generate sufficient cash flows from operations and the Company's credit history. Currently, the Company is pursuing opportunities for longer term financing from a traditional financial institution and will use these funds to repay its outstanding debt to its current Secured Lender. Our Chief Executive Officer, Marshall T. Reynolds, has also guaranteed the Company's existing debt obligations.

DEBT 2013:

The Company operated under the provisions of the Restated Credit Agreement until the event of default notice received on March 25, 2013. From that date the Company operated under an event of default pursuant to two default notifications defined herein.

The Company received a notice of default on March 25, 2013 in a letter dated March 22, 2013, which was reported pursuant to item 2.04 of Form 8-K filed March 26, 2013. This notice of default advised that the Administrative Agent had not waived any event of default and the Lender Parties expressly reserve all rights and remedies available to them under the Restated Credit Agreement.

The Company received a notice of default on April 30, 2013 in a letter dated April 25, 2013, which was reported pursuant to item 2.04 of Form 8-K filed May 3, 2013. This notice of default advised that the Administrative Agent had not waived any event of default and the Lender Parties expressly reserved all rights and remedies available to them under the Restated Credit Agreement.

The Notices of Default and Reservation of Rights specifically advised that Events of Default had occurred and continued to exist for the Company under Section 7.1(b) of the Credit Agreement by reason of: (a) Borrower's noncompliance with the minimum EBITDA covenant, set forth in Section 6.20(d) of the Credit Agreement, for the Test Periods ended February 28 and March 31, 2013 and for the Notices of Default filed May 3, 2013 (b) the Company's failure to perform the covenant set forth in Section 6.31(d) of the Credit Agreement (failure to complete, no later than March 31, 2013, the Designated Transaction).

On May 31, 2013, the Administrative Agent, the Lenders, all of its subsidiaries and Marshall T. Reynolds entered into the May 2013 Forbearance Agreement which provided, among other things, that during a forbearance period commencing on May 31, 2013, and ending on September 30, 2013 (unless terminated sooner by default of the Company under the May 2013 Forbearance Agreement), the Lenders were willing to temporarily forbear exercising certain rights and remedies available to them, including acceleration of the obligations or enforcement of any of the liens provided for in the Restated Credit Agreement. The Company acknowledged in the May 2013 Forbearance Agreement that as a result of the existing defaults, the Lenders were entitled to decline to provide further credit to the Company, to terminate their loan commitments, to accelerate the outstanding loans, and to enforce their liens.

The May 2013 Forbearance Agreement provided that during the forbearance period, so long as the Company met the conditions of the May 2013 Forbearance Agreement, it could continue to request credit under the revolving credit line.

The Company reviewed applicable GAAP and determined that extinguishment accounting should be applied in relation to the October 2013 Credit Agreement.

DEBT 2012:

Effective October 19, 2012, the Company began operating under the provisions of the Restated Credit Agreement as further discussed herein. The following is a sequential summary of the various debt actions in 2012.

The secured and unsecured credit facilities contained restrictive financial covenants requiring the Company to maintain certain financial ratios. The Company was unable to remain in compliance with certain financial covenants arising under substantially all of its long-term note agreements. The creditors did not waive the financial covenant requirements.

The Company received a notice of default on December 12, 2011, which was reported pursuant to item 2.04 of Form 8-K filed December 15, 2011. This notice of default advised that the Administrative Agent had not waived the event of default and reserved all rights and remedies thereof. These remedies included, under the Credit Agreement, the right to accelerate and declare due and immediately payable the principal and accrued interest on all loans outstanding under the Credit Agreement. The notice of default further stated that any extension of additional credit under the Credit Agreement would be made by the lenders in their sole discretion without any intention to waive any event of default.

On December 28, 2011, the Administrative Agent, the Lenders, the Company, all of its subsidiaries and Marshall T. Reynolds entered into a Limited Forbearance Agreement and Third Amendment to Credit Agreement (the "Limited Forbearance Agreement") which provided, among other things, that during a forbearance period commencing on December 28, 2011, and ending on April 30, 2012 (unless terminated sooner by default of the Company under the Limited Forbearance Agreement or Credit Agreement), the Lenders were willing to temporarily forbear exercising certain rights and remedies available to them, including acceleration of the obligations or enforcement of any of the liens provided for in the Credit Agreement. The Company acknowledged in the Limited Forbearance Agreement that as a result of the existing defaults, the Lenders were entitled to decline to provide further credit to the Company, to terminate their loan commitments, to accelerate the outstanding loans, and to enforce their liens.

The Limited Forbearance Agreement provided that during the forbearance period, so long as the Company meets the conditions of the Limited Forbearance Agreement, it may continue to request credit under the revolving credit line.

The Limited Forbearance Agreement required the Company to:

(a) engage a chief restructuring advisor to assist in developing a written restructuring plan for the Company's business operations;
(b) submit a restructuring plan to the Administrative Agent by February 15, 2012;
(c) provide any consultant retained by the Administrative Agent with access to the operations, records and employees of the Company;
(d) attain revised minimum EBITDA covenant targets; and
(e) provide additional financial reports to the Administrative Agent.

The Limited Forbearance Agreement provided that the credit commitment under the Credit Agreement was $15,000,000 and provided for a $1,450,000 reserve against the Credit Agreement borrowing base. The Company had borrowed under its $15.0 million line of credit approximately $9.7 million at December 28, 2011, which encompassed working capital requirements, refinancing of existing indebtedness prior to The Herald-Dispatch acquisition and to partially fund the purchase of The Herald-Dispatch.

On December 28, 2011, pursuant to the terms of the Limited Forbearance Agreement, a draw of $2.0 million was made on the cash collateral and $2.0 million was funded in the form of the subordinated unsecured promissory note.

The Company received a notice of default and reservation of rights letter on May 2, 2012, which was reported pursuant to Item 2.04 of Form 8-K filed May 4, 2012.

In a Current Report on Form 8-K filed May 4, 2012, Champion Industries, Inc. ("Champion") advised that on May 2, 2012, Fifth Third Bank, as Administrative Agent (the "Administrative Agent") for lenders under Champion's Credit Agreement dated September 14, 2007, as amended (the "Credit Agreement") had sent Champion a Notice of Default and Reservation of Rights ("Notice of Default"), advising that Champion's default under provisions of the Credit Agreement requiring it to maintain certain financial ratios constituted an Event of Default under the Credit Agreement. The default related to Sections 6.20(a) and 6.20(b) of the Credit Agreement.

- continue services of bank group consultant as well as continued retention of Company advisors;
- release and term debt pay down of remaining $500,000 under the provisions of the Contribution Agreement hereinafter described;
- continue actions to effectuate certain transactions, including the financing of certain receivables and finalizing the Safeguard transaction;
- agree to terms on a debt restructuring by September 15, 2012 subject to credit approval and documentation;
- minimum EBITDA covenant for August 2012 of $400,000;
- aggregate revolving credit commitments of $13,000,000.

On October 19, 2012, the Company, the Administrative Agent and other lenders all party to the Company's Credit Agreement dated September 14, 2007 (as previously supplemented and amended, the "Original Credit Agreement") entered into a First Amended and Restated Credit Agreement ("Restated Credit Agreement") dated October 19, 2012 and Side Letter Agreement dated October 19, 2012. The Company reviewed the applicable requirements associated with debt modifications and restructurings to determine the applicable accounting for the Company's Restated Credit Agreement. The Company determined that modification accounting was appropriate based on the facts and circumstances of the Company's analysis as applied to applicable GAAP. A primary determining factor was the imputed effective interest rate of the Company's debt being substantially higher after the modification than was present prior to the modification. This was a key determining factor in assessing whether the Company's secured lender's had granted a concession. The Restated Credit Agreement and Side Letter Agreement amended various provisions of the Original Credit Agreement and added various provisions as further described herein, including but not limited to the following provisions of the Restated Credit Agreement:

- Restated Credit Agreement maturity at June 30, 2013, subject to Champion's compliance with terms of the Restated Credit Agreement and Side Letter Agreement.
- $0.001 per share warrants issued for up to 30% (on a post-exercise basis) of the outstanding common stock of the Company in the form of non-voting Class B common stock and associated Investor Rights Agreement for the benefits of the Lenders, subject to shareholder approval. The Company had various milestone dates, which might have reduced the number of warrants outstanding upon satisfaction of certain conditions. The warrants expire after October 19, 2017.
- Various Targeted Transactions which may require the sale of various assets, divisions or segments upon the achievement of agreed upon value benchmarks among other considerations and if not successfully completed by the applicable milestone dates will be considered an event of default.
- Existing debt restructured into a $20,000,000 Term Loan A, $6,277,743.89 Term Loan B, $4,000,000 Bullet Loan and $9,025,496.00 Revolver Loan.
- A $10,000,000 revolving credit facility with a sublimit of up to $3,000,000 for swing loans. Outstanding borrowings thereunder may not exceed the sum of (1) up to 85% of eligible receivables (reduced to 80% of eligible receivables effective December 30, 2012) plus (2) up to the lesser of $5,000,000 or 50% of eligible inventory.
- Targeted interest rates as follows based on a LIBOR borrowing option; Term Note A at LIBOR plus 8%, Term Note B at 0% (subject to a deferred fee of 16% per annum with various milestone dates reducing or forgiving such fees upon successful completion of such milestones.), revolving loans at LIBOR plus 6% and Bullet Loans A at a rate of LIBOR plus 8%.
- At Champion's option, interest at a LIBOR Rate plus the applicable margin.
  Post default increase in interest rates of 2%.
- Amendment of various covenants as further described in the Restated Credit Agreement.
- Fixed Charge Coverage Ratio is required to be 1.0 to 1.0 as of January 31, 2013 and 1.10 to 1.0 as of April 30, 2013 based on a buildup model commencing October 1, 2012.
- Leverage Ratio is required to be 3.30 to 1.00 as of January 31, 2013 and 3.10 to 1.00 as of April 30, 2013 based on a trailing twelve month EBITDA calculation.
- Minimum EBITDA pursuant to a monthly build up commencing with the month ended October 31, 2012 of $600,000 increasing to $1,100,000 for November 30, 2012, $1,600,000 at December 31, 2012, $2,600,000 at January 31, 2013, $3,350,000 at February 28, 2013, $4,100,000 at March 31, 2013, $5,200,000 at April 30, 2013, $5,550,000 at May 31, 2013 and $5,900,000 at June 30, 2013.
- Maximum Capital expenditures are limited to $1,000,000 for fiscal years commencing after October 31, 2012.
- Enhanced reporting by Champion to Administrative Agent.
- Continued retention of a Chief Restructuring Advisor and Raymond James & Associates, Inc. as well as continued retention by Secured Lenders of their advisor.
- $100,000 fee due at closing plus monthly Administrative Agent fees of $15,000 monthly through June 30, 2013.

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Champion Industries, Inc. and Subsidiaries

4. EMPLOYEE BENEFIT PLAN

The Company had a Profit Sharing Plan that covered all eligible employees and qualified as a Savings Plan under Section 401(k) of the Internal Revenue Code. Effective January 1, 1998, the Profit Sharing Plan was merged into The Champion Industries, Inc. 401(k) Plan (the "Plan"). The Plan covers all eligible employees who satisfy the age and service requirements. Each participant may elect to contribute up to 15% of annual compensation and the Company previously contributed 100% of the participant's contribution not to exceed 2% of the participant's annual compensation. The Company eliminated the employer match, as previously described, in the second quarter of 2010. The Company may make discretionary contributions to the Plan. The Company incurred no 401(k) match expense under these plans for the years ended October 31, 2014, 2013 and 2012.

The Company's accrued vacation liability as of October 31, 2014 and 2013 was approximately $569,000 and $567,000. This item is classified as a component of accrued expenses on the financial statements.

The Company's 1993 Stock Option Plan provided for the granting of both incentive and non-qualified stock options to management personnel for up to 762,939 shares of the Company's common stock. In March 2004, the Company's 2003 stock option plan was adopted to provide for the granting of both incentive and non-qualified stock options to management personnel for up to 475,000 shares of the Company's common stock.

The option price per share for incentive stock options shall not be lower than the fair market value of the common stock at the date of grant. The option price per share for non-qualified stock options shall be at such price as the Compensation Committee of the Board of Directors may determine at its sole discretion. All options to date are incentive stock options. There were no options outstanding as of October 31, 2014, 2013, and 2012. Options vest immediately and may be exercised within five years from the date of grant.

A reconciliation of the statutory federal income tax rate to the Company's effective income tax rate for continuing operations is as follows:

	Year Ended October 31, 2014	2013	2012
Statutory federal income tax rate	**(34.0) %**	(34.0) %	34.0 %
State taxes, net of federal benefit	**(7.6)**	(1.8)	12.2
Change in valuation allowance	**42.8**	265.8	(452.5)
Disallowed deferred tax asset-related party	**—**	(220.1)	—
Selling expenses	**(1.2)**	(1.4)	(2.7)
CODI, Insolvency Exemption debt basis	**—**	3.1	—
Goodwill	**—**	(10.3)	—
Other	**—**	0.6	1.5
Effective tax rate, benefit (expense)	**— %**	1.9 %	(407.5) %

The Company excluded debt cancellation from cancellation of debt income ("CODI") from the income tax liability in 2013 in accordance with applicable Internal Revenue Service guidelines regarding insolvency where the amount of debt cancellation excluded from gross ordinary income is applied to attribute reductions. The insolvency calculation is based on IRS guidelines associated with liabilities in excess of the fair market value of assets immediately prior to the debt cancellation. The attribute reductions are ordered and reduce net operating losses, various credits, capital losses, and asset basis among other attribute reductions if applicable and necessary. As a result of the CODI exception provided in Internal Revenue Code Section 108 the Company reduced its net operating losses, applicable credits and asset basis in accordance with the applicable ordering rules.

In 2014, as a result of the attribute reductions to exclude the Company's CODI from taxable income in 2013, the company incurred $6.4 million of attribute recapture income for tax purposes. As such, the Company used net operating loss carry forwards to offset attribute recapture income.

The Company had previously fully reserved its net deferred tax assets which included assets associated with The Herald-Dispatch. As a result of the sale of The Herald-Dispatch, and associated Internal Revenue Service Code Regulations associated with losses with respect to transactions between related taxpayers, the Company has deemed aggregate gross losses associated with this sale of $32.0 million to be disallowed for federal and state tax purposes. Accordingly, due to the permanent disallowance of these losses the Company has deemed this to be a worthless tax benefit and wrote-off the deferred tax asset and valuation allowance accordingly. (See disallowed deferred tax assets-related party in rate reconciliation above)

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers a multitude of factors in assessing the utilization of its deferred tax assets including the reversal of deferred tax liabilities, projected future taxable income and other assessments, which may have an impact on financial results. The Company determined in the second quarter of 2012 that, primarily as a result of its inability to enter into an amended credit facility upon the expiration of the Limited Forbearance Agreement on April 30, 2012, as well as the potential for a substantial increase in interest rates and fees coupled with the uncertainty regarding future interest rate increases that the Previous Secured Lenders may impose on the Company that a full valuation allowance of the Company's deferred tax assets, net of deferred tax liabilities, is necessary to measure the portion of the deferred tax asset that more likely than not will not be realized. As a result of the Restated Credit Agreement entered into on October 19, 2012, the Company reassessed its valuation allowance and determined that the relative short term maturity of the Restated Credit Agreement coupled with the increase in interest rates indicated that a full valuation was warranted at October 31, 2012. As a result of the October 2013 Credit Agreement entered into on October 7, 2013 the Company reassessed it's previous determination regarding its valuation allowance and determined that a full valuation was warranted. The Company currently intends to maintain a full valuation allowance on our deferred tax assets until sufficient positive evidence related to our sources of future taxable income exists and the Company is better able to identify a longer term solution to our current credit situation. The amount of deferred tax asset considered realizable could be adjusted in future periods based on a multitude of factors, including but not limited to a reassessment of our credit position, and such adjustments may be material to the Consolidated Financial Statements.

The Company's effective tax rate for continuing operations for 2014 was 0.0% compared to a benefit of 1.9% in 2013 and an expense of (407.5)% for 2012. The primary difference in tax rates between 2013 and 2012 and for 2012 between the effective tax rate and the statutory tax rate is a result of the valuation allowance taken against our deferred tax assets in the second quarter of 2012 in the amount of $15.2 million and a valuation allowance increase of an incremental $0.8 million in the third and fourth quarters of 2012. The effective income tax rate approximates the combined federal and state, net of federal benefit, statutory income tax rate and may be

2015	$ 442,560
2016	427,348
2017	367,939
2018	278,632
2019	174,088
Residual	21,000
	$ 1,711,567

The Company participates in a self-insurance program for employee health care benefits with affiliates controlled by its Chief Executive Officer and as such is responsible for paying claims of Company participants as required by the plan document. The Company is allocated costs primarily related to the reinsurance premiums based on its proportionate share to provide such benefits to its employees in addition various personnel of the Company perform certain administrative functions for the independent third party administrator. The Company's allocated expense related to this program (excluding claims paid) for the years ended October 31, 2014, 2013 and 2012 was approximately $0.3, $0.3 million, and $0.4 million. (expenses are inclusive of discontinued operations for 2013 and 2012)

During 2013 and 2012, the Company utilized an aircraft from an entity controlled by its Chief Executive Officer and reimbursed the controlled entity for the use of the aircraft, fuel, aircrew, ramp fees and other expenses attendant to the Company's use, in amounts aggregating $34,000 and $128,000. The Company did not utilize this aircraft during 2014 and thus incurred no related expenses. When this service is used, the Company believes that such amounts are at or below the market rate charged by third-party commercial charter companies for similar aircraft.

The Company is self-insured for certain of the claims made under its employee medical insurance programs. The Company had recorded liabilities totaling $0.5 million and $0.7 million for estimated costs related to outstanding claims as of October 31, 2014 and 2013, respectively. These costs include an estimate for expected settlements on pending claims, administrative fees and an estimate for claims incurred but not reported that we incorporated into a trend and lag analysis utilizing a variety of factors including historical claims trends and various processing statistics provided by the Company's third party claims administrator. These estimates are based on management's assessment of outstanding claims, historical analyses and current payment trends. The Company recorded an estimate for the claims incurred but not reported using an estimated lag period based upon historical information. The Company believes the reserves recorded are adequate based upon current facts and circumstances.

On December 29, 2009, the Company, Marshall T. Reynolds, Fifth Third Bank, as Administrative Agent for lenders under the Company's Credit Agreement dated September 14, 2007, and the other lenders entered into a Forbearance Agreement. The Forbearance Agreement, among other provisions, required Marshall T. Reynolds to lend to the Company $3,000,000 in exchange for a subordinated unsecured promissory note in like amount, payment of principal and interest on which is prohibited until payment of all liabilities under the Credit Agreement. The subordinated unsecured promissory note, bearing interest at a floating Wall Street Journal prime rate and maturing September 14, 2014, and a debt subordination agreement, both dated December 29, 2009, were executed and delivered, and Mr. Reynolds advanced $3,000,000 to the Company. The $3,000,000 was applied to prepayment of $3,000,000 of the Company's loans. The Forbearance Agreement expired on March 31, 2010 and the Company entered into a Second Amendment and Waiver to Credit Agreement.

On July 18, 2011, the Company and Mr. Reynolds entered into and consummated an Exchange Agreement pursuant to which the $3,000,000 subordinated unsecured promissory note, dated December 29, 2009 and delivered in connection with the Forbearance Agreement, together with $147,875 in accrued interest, was exchanged for 1,311,615 shares of common stock. The ratio of exchange was $2.40 of principal and accrued interest for one share of common stock. The transaction was completed at a discount of approximately 42.5% of the face value of the subordinated unsecured promissory note and related accrued interest. The transaction was approved by a majority of the disinterested directors in a separate board meeting chaired by a disinterested director. The transaction resulted in a net gain on early extinguishment of debt from a related party which is reflected in our consolidated statements of operations. As a result of the Exchange Agreement, Marshall T. Reynolds beneficially owned over 50% of the Company's outstanding common stock as a result of the transaction.

As required by the Second Amendment, the Company, Marshall T. Reynolds and the Administrative Agent entered into a Contribution Agreement and Cash Collateral Security Agreement dated March 31, 2010 (the "Contribution Agreement") pursuant to which Mr. Reynolds deposited $2,500,000 as cash collateral with the Administrative Agent, which the Administrative Agent may withdraw upon an event of default under the Credit Agreement. This cash collateral was in an account in Mr. Reynolds name with the Administrative Agent and was not reflected on the Company's financial statements at October 31, 2011 and 2010.

7. COMMITMENTS AND CONTINGENCIES

The nature of The Company's business results in a certain amount of claims, litigation, investigations, and other legal and administrative cases and proceedings, all of which are considered incidental to the normal conduct of business. When the Company determines it has meritorious defenses to the claims asserted, it vigorously defends itself.

The Company will consider settlement of cases when, in Management's judgment, it is in the best interests of both the Company and its shareholders to do so.

The Company periodically assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. The Company would accrue a loss on legal contingencies in the event the loss is deemed probable and reasonably estimable. The accrual is adjusted as appropriate to reflect any relevant developments regarding the legal contingency. In the event of a legal contingency where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established.

In certain cases, exposure to loss may exist in excess of accruals to the extent such loss is reasonably possible, but not probable. Any estimate involves significant judgment, given the varying stages of the proceedings (including cases in preliminary stages), as well as numerous unresolved issues that may impact the outcome of a proceeding. Accordingly, Management's estimate will change from time-to-time, and actual losses may be more or less than the current estimate. The current loss estimate excludes legal and professional fees associated with defending such proceedings. These fees are expensed as incurred and may be material to the Company's Consolidated Financial Statements in a particular period.

On September 15, 2014 the Company settled a lawsuit for $0.1 million. This case commenced prior to July 31, 2014 and settlement occurred prior to the issuance of the third quarter financial statements. As such, this settlement was reported for and at the third quarter ended July 31, 2014 on the balance sheet under the caption "Accrued legal settlements" and the expense is recorded as part of "Selling, general and administrative" on the Company's Income Statements. The Company paid this settlement in the fourth quarter of 2014.

While the final outcome of legal proceedings is inherently uncertain, Management uses information currently available, advice of counsel, and available insurance coverage to estimate exposure to such legal matters. At October 31, 2014 Management believes that there is no accrual for legal contingencies required. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be greater than the current estimates discussed above and may be material to the Company's Consolidated Financial Statements in a particular period.

8. INDUSTRY SEGMENT INFORMATION

The Company operates principally in two industry segments organized on the basis of product lines: the production, printing and sale, principally to commercial customers, of printed materials (including brochures, pamphlets, reports, tags, continuous and other forms) and the sale of office products and office furniture including interior design services.

The Company reports segment information in a manner consistent with the way that our management, including our chief operating decision maker, the Company's Chief Executive Officer, assesses performance and makes decisions regarding allocation of resources in accordance with the Segment Disclosures Topic of the ASC.

Our Financial Reporting systems present various data, which is used to operate and measure our operating performance. Our chief operating decision maker utilizes various measures of a segment's profit or loss including historical internal reporting measures and reporting measures based on product lines with operating income (loss) as the key profitability measure within the segment. Product line reporting is the basis for the organization of our segments and is the most consistent measure used by the chief operating decision maker and conforms with the use of segment operating income or (loss) that is the most consistent with those used in measuring like amounts in the Consolidated Financial Statements. During the third quarter of 2012, the Company realigned personnel and divisional responsibilities between the printing segment and office products and office furniture segments primarily in one location, resulting in additional SG&A costs of approximately $0.2 million being allocated to the office products and office furniture segment for 2012. These costs were previously a component of the printing segment.

The identifiable assets are reflective of non-GAAP assets reported on the Company's internal balance sheets and are typically adjusted for negative book cash balances, taxes and other items excluded for segment reporting. The assets are classified based on the primary functional segment category as reported on the internal balance sheets. Therefore the actual segment assets may not directly correspond with the segment operating (loss) income reported herein. The Company has certain assets classified as held for sale/discontinued operations representing $256,832 and $493,304 at October 31, 2014 and 2013. These assets were part of the printing and newspaper

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Champion Industries, Inc. and Subsidiaries

The table below presents information about reported segments for the years ended October 31:

2014	**Printing**	**Office Products & Furniture**	**Total**
Revenues from continuing operations	**$ 39,546,537**	**$ 29,375,140**	**$ 68,921,677**
Elimination of intersegment revenue	**(2,169,053)**	**(3,230,284)**	**(5,399,337)**
Consolidated revenues from continuing operations	**$ 37,377,484**	**$ 26,144,856**	**$ 63,522,340**
Operating income (loss) from continuing operations	**(360,182)**	**105,932**	**(254,250)**
Depreciation and amortization	**1,832,458**	**98,049**	**1,930,507**
Capital expenditures	**738,893**	**22,474**	**761,367**
Identifiable assets	**16,526,888**	**7,224,673**	**23,751,561**
Goodwill	**—**	**1,230,485**	**1,230,485**

2013	**Printing**	**Office Products & Furniture**	**Total**
Revenues from continuing operations	$ 45,460,503	$ 34,333,182	$ 79,793,685
Elimination of intersegment revenue	(2,791,035)	(4,679,475)	(7,470,510)
Consolidated revenues from continuing operations	$ 42,669,468	$ 29,653,707	$ 72,323,175
Operating income (loss) from continuing operations	(2,228,855)	954,451	(1,274,404)
Depreciation and amortization	2,049,191	119,823	2,169,014
Capital expenditures	541,855	2,788	544,643
Identifiable assets	18,850,573	8,186,745	27,037,318
Goodwill	—	1,230,485	1,230,485

2012	**Printing**	**Office Products & Furniture**	**Total**
Revenues from continuing operations	$ 56,933,015	$ 40,606,947	$ 97,539,962
Elimination of intersegment revenue	(4,758,471)	(5,631,460)	(10,389,931)
Consolidated revenues from continuing operations	$ 52,174,544	$ 34,975,487	$ 87,150,031
Operating income (loss) from continuing operations	(1,610,691)	1,915,331	304,640
Depreciation and amortization	2,449,031	113,671	2,562,702
Capital expenditures	646,727	50,469	697,196
Identifiable assets	25,046,667	8,025,104	33,071,771
Goodwill	2,226,837	1,230,485	3,457,322

	Three Months Ended October 31,			Twelve Months Ended October 31,			Cumulative Total
	2014	2013	2012	2014	2013	2012	
Occupancy and equipment related costs	$ —	$ —	$ —	$ —	$ 43,848	$ —	$ 1,662,813
Costs incurred to streamline production, personnel and other	—	—	—	—	—	48,038	612,764
Inventory	—	—	—	—	—	—	200,380
Total	$ —	$ —	$ —	$ —	$ 43,848	$ 48,038	$ 2,475,957

The activity pertaining to the Company's accruals related to restructuring and other charges since October 31, 2012, including additions and payments made are summarized below:

	Occupancy and equipment related costs	Costs incurred to streamline production, personnel and other	Total
Balance at October 31, 2012	$ 241,821	$ —	$ 241,821
2013 expenses	43,848	—	43,848
Paid in 2013	(285,669)	—	(285,669)
Balance at October 31, 2013	$ —	$ —	$ —
2013 expenses	—	—	—
Paid in 2013	—	—	—
Balance at October 31, 2014	$ —	$ —	$ —

Effective June 1, 2012 as a result of initiatives implemented by the Company to improve operating efficiency and pursuant to the Company's restructuring plan submitted to the secured lenders in the second quarter of 2012, the Company's commercial printing production operation in Cincinnati, Ohio, was consolidated into existing Company facilities in other locations. The Company intends to continue to service its customer base through a dedicated sales team within this market and supported by personnel at our Chapman Printing locations. As a result of this action, the Company recorded a reduction in force of 24 employees. The Company also recorded asset impairment charges of $0.6 million, representing assets classified as held for sale at October 31, 2012. (See Note 11).

The restructuring payments in 2013 were primarily related to a contractual settlement in the form of a promissory note with the Lessor at the Company's former location in Bridgeville, Pennsylvania. (see Note 3)

Amortization expense for the years ended October 31, 2014, 2013 and 2012 was $128,000, $140,000, and $145,000, respectively. Customer relationships related to the acquisition of Syscan in 2004 are being amortized over a period of 20 years. The weighted average remaining life of the Company's amortizable intangible assets was approximately 5 years at October 31, 2014. Estimated amortization expense for each of the following five years and thereafter is:

2015	$ 122,098
2016	122,098
2017	122,098
2018	122,098
2019	122,098
Thereafter	569,453
	$ 1,179,943

The changes in the carrying amount of goodwill and other amortizing intangibles for the years ended October 31, 2014 and 2013 were:

GOODWILL

	Printing	Office Products and Furniture	Total
Balance as of October 31, 2012			
Goodwill	2,226,837	1,230,485	3,457,322
Accumulated impairment losses	—	—	—
	2,226,837	1,230,485	3,457,322
Goodwill acquired Fiscal 2013	—	—	—
Impairment losses Fiscal 2013	(2,226,837)	—	(2,226,837)
Balance as of October 31, 2013			
Goodwill	2,226,837	1,230,485	3,457,322
Accumulated impairment losses	(2,226,837)	—	(2,226,837)
	—	1,230,485	1,230,485
Goodwill acquired Fiscal 2014	—	—	—
Impairment losses Fiscal 2014	—	—	—
Balance as of October 31, 2014			
Goodwill	2,226,837	1,230,485	3,457,322
Accumulated impairment losses	(2,226,837)	—	(2,226,837)
	$ —	$ 1,230,485	$ 1,230,485

11. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

On July 2, 2012, the Company's wholly owned subsidiary Interform Corporation sold substantially all of the assets of its Consolidated Graphic Communications ("CGC") business headquartered in Bridgeville, Pennsylvania to Safeguard Acquisition, Inc. ("Safeguard") pursuant to an asset purchase agreement ("APA"). The Company received $3,100,000 in cash at closing and an additional $650,000 in the fourth quarter of 2012 comprising a settlement of both the working capital calculations and contractual hold back pursuant to the terms of the APA. The Company had recorded a gain on the sale of such assets in the amount of $1.6 million reflecting the $3,750,000 in cash proceeds for 2012 as a component of discontinued operations.

The Interform subsidiary and the CGC operating division have historically been accounted for in the Company's printing segment. In accordance with the applicable accounting guidance for the disposal of long-lived assets, the results of CGC are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented.

As part of the Company's revised restructuring plan submitted to the Company's secured lenders in July 2012 the Company determined that another division within the printing segment met the criteria of an asset held for sale at July 31, 2012 (Donihe). Therefore, in accordance with applicable accounting guidance the Company has determined the associated assets and liabilities of this division should be classified as assets and liabilities held for sale/discontinued operations at October 31, 2012 and October 31, 2013. The Company recorded an impairment charge in fiscal 2012 of approximately $337,000 as a result of the measurement requirements associated with this division. This division's results have historically been accounted for in the Company's printing segment. In accordance with the applicable accounting guidance for the disposal of long-lived assets, these results are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented.

The Company has also identified certain long-lived assets that are being included as a component of assets held for sale for the Merten division ("Merten") which retains a sales presence in Cincinnati, Ohio. As part of the Company's revised restructuring plan submitted to the Company's secured lenders in July 2012 the Company determined that certain printing segment assets met the criteria of an asset held for sale of Merten. Therefore, in accordance with applicable accounting guidance the Company has determined certain long-lived assets of this division should be classified as assets held for sale at October 31, 2012 (These assets were sold in December 2012).

The Company recorded an impairment charge of approximately $309,000 in fiscal 2012 as a result of the measurement requirements associated with assets classified as held for sale of the Merten division. The Merten results have historically been accounted for in the Company's printing segment. In accordance with the applicable accounting guidance, since the Company currently intends to retain a sales presence in Cincinnati and is attempting to retain customers through Chapman Printing-Huntington location, the operations of Merten would continue to be classified as continuing operations.

In December 2012, the Company completed the sale of substantially all of the property and equipment at Donihe and Merten for $1,050,000, net of commissions, and in December 2012, the Company completed the sale of Donihe real estate for $175,000.

The Company sold substantially all of the assets of its Blue Ridge Printing, Co., Inc. ("Blue Ridge") subsidiary on June 25, 2013 to BRP Company, Inc. pursuant to an Asset Purchase Agreement. The Company received approximately $942,000 net of commissions at closing subsequently reduced by net liquidity adjustments approximating $22,000. Blue Ridge has historically been accounted for in the Company's printing segment. In accordance with the applicable accounting guidance for the disposal of long-lived assets, the results of Blue Ridge are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented.

On July 12, 2013, the Company's wholly owned subsidiary Champion Publishing, Inc. sold substantially all the assets of its newspaper operations (The "Herald-Dispatch") headquartered in Huntington, West Virginia to HD Media Company, LLC pursuant to an Asset Purchase Agreement. The Company received approximately $9,700,000 net of selling commissions and pro-rated taxes. The Herald-Dispatch has historically been accounted for in the Company's newspaper segment representing this segments only operating entity. In accordance with the applicable accounting guidance for the disposal of long-lived assets, the results of The Herald Dispatch are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented.

The Company has identified one Company owned facility within the printing segment that the Company intends to sell. This facility does not house any of the Company's operations other than its limited warehousing use. This facility is carried at its carrying amount of $257,000 and is reported as assets held for sale on the Company's balance sheets at October 31, 2014. The Company believes the carrying amount to currently be lower than the estimated fair value less cost to sell.

The major classes of assets and liabilities held for sale and of discontinued operations included in the Consolidated Balance Sheets are as follows (see Note 3 for discussion of debt allocated to liabilities held for sale/discontinued operations):

	Held for Sale	Discontinued Operations	Total	Held for Sale	Discontinued Operations	Total
	October 31, 2014			October 31, 2013		
Assets:						
Accounts receivable	$ —	$ —	$ —	$ —	$ 124,231	$ 124,231
Inventories	—	—	—	—	—	—
Other current assets	—	—	—	—	—	—
Property and equipment, net	256,832	—	256,832	369,073	—	369,073
Other assets	—	—	—	—	—	—
Total current assets	256,832	—	256,832	369,073	124,231	493,304
Property and equipment, net	—	—	—	—	—	—
Other assets	—	—	—	—	—	—
Total noncurrent assets	—	—	—	—	—	—
Total assets held for sale/ discontinued operations	$ 256,832	$ —	$ 256,832	$ 369,073	$ 124,231	$ 493,304
Liabilities:						
Accounts payable	$ —	$ —	$ —	$ —	$ —	$ —
Deferred revenue	—	—	—	—	—	—
Accrued payroll and commissions	—	—	—	—	—	—
Taxes accrued and withheld	—	—	—	—	315	315
Accrued expenses	—	—	—	—	—	—
Debt (see Note 3)	—	—	—	—	—	—
Total current liabilities	—	—	—	—	315	315
Total non-current liabilities debt	—	—	—	369,073	123,916	492,989
Total liabilities held for sale/ discontinued operations	$ —	$ —	$ —	$ 369,073	$ 124,231	$ 493,304

At October 31, 2013, the Company had two properties and accounts receivable classified as held for sale. Pursuant to applicable guidance, the Company also classified a like amount of the carrying values of these assets, which represents debt, to liabilities held for sale.

During 2014, the company sold and received funds for a property classified as held for sale. The Company obtained a release from its creditor and these funds were not used for debt repayment. The Company anticipates similar treatment for future sales of the remaining property held for sale at October 31, 2014, and thus did not reclassify debt to liabilities held for sale.

In addition to historical practice, the Company's Management determined, considering conservatism and materiality, that reporting debt as a liability held for sale that is associated with an asset held for sale may not be the best presentation as the asset's ultimate sale was not certain.

(B) On or prior to June 30, 2013, the right to purchase all but not less than all of the Warrants upon payment in full and in cash of (a) net proceeds from the sale of a designated transaction at a certain net sales price on or before March 31, 2013 and (b) all outstanding obligations owed under the Amended Credit Agreement on or before June 30, 2013;

(C) The option to purchase fifty percent (50%) but not less than fifty percent (50%) of then outstanding Warrants on March 31, 2013 and the payment in full and in cash on or before March 31, 2013 of all net cash proceeds from the sale of the designated transaction in an agreed upon amount;

(D) The right to purchase all but not less than all the outstanding Warrants on or prior to April 30, 2013 upon payment in full and in cash of all outstanding obligations owing under the Amended Credit Agreement;

(E) The right to purchase seventy five percent (75%) but not less than seventy five percent (75%) of the then outstanding Warrants on April 30, 2013 and prior to May 31, 2013 upon payment in full and in cash of all outstanding obligations owing under the Amended Credit Agreement; and

(F) The right to purchase fifty percent (50%) but not less than fifty percent (50%) of the then outstanding Warrants on May 31, 2013 and prior to June 30, 2013 upon the payment in full and in cash of all outstanding obligations owing under the Amended Credit Agreement.

The Company will be required to file a Form S-1 Registration Statement with the United States Securities and Exchange Commission registering Company Common Stock attributable to the Warrants if at any time it receives a request to do so from Holders of twenty five percent (25%) of such securities then outstanding with respect to at least forty percent (40%) of such securities (or a lesser percent if the anticipated aggregate offering price, net of selling expenses, would exceed $5,000,000).

The Company will be required to file a Form S-3 Registration Statement, if it is eligible to use such form, upon request of Holders of at least ten percent (10%) of the Common Stock attributable to the Warrants with respect to such Common Stock having an anticipated offering price, net of selling expenses, of at least $1,000,000.

The Company has the right, exercisable no more than once in any twelve (12) month period, to decline such demand registration if the Company's Board of Directors determines, in its good faith judgment, that it would be materially detrimental to the Company and its shareholders for such registration statement to become effective, it would materially interfere with a significant corporate transaction, require premature disclosure of material information that the Company has a bona fide business purpose for preserving its confidentiality or render the Company unable to comply with SEC requirements.

In the event that Marshall T. Reynolds, beneficial owner of fifty-three and seven-tenths percent (53.7%) of currently issued and outstanding Company Common Stock (exclusive of Mr. Reynolds warrant assignment) proposes to transfer, sell or otherwise dispose of any of his Company Common Stock which represents in the aggregate five percent (5%) or more of the then outstanding Company Common Stock, the Holders shall have the right to require the proposed purchaser to purchase from them (i) all shares owned by them if the proposed transfer by Mr. Reynolds to the proposed purchaser is for one hundred percent (100%) of the shares held by him, or (ii) up to the number of whole shares owned by the Holders equal to the sum of (a) the number derived by multiplying the total number of shares Mr. Reynolds proposes to transfer by a fraction the numerator of which is the total number of shares owned by the Holders and the denominator of which is the total number of shares of the Company then outstanding and any additional shares that the Holders shall be entitled to have purchased.

On and after April 19, 2017, each Warrant Holder, whether holding Warrants and/or shares of any Company Common Stock received as a result of the exercise of any Warrant, shall have the option to require the Company to purchase all, but not less than all of the Warrants and such Common Stock for a purchase price equal to $0.001 per share.

14. EARNINGS (LOSS) PER SHARE

(Loss) earnings per share (EPS) were computed as follows:

	(Loss) Income	Weighted Average Shares	Per Share Amount
Year Ended October 31, 2014			
Net (loss) from continuing operations	$ (1,131,634)	11,300,000	$ (0.10)
Net income from discontinued operations	—	11,300,000	—
Net (loss)	(1,131,634)		
Basic (loss) earnings per share:			
Net income available to common shareholders, total	(1,131,634)	11,300,000	(0.10)
Effect of dilutive securities stock options/warrants		—	
Diluted (loss) per share:			
Net (loss) available to common shareholders and assumed conversions	$ (1,131,634)	11,300,000	$ (0.10)
Year Ended October 31, 2013			
Net income from continuing operations	$ 5,631,452	11,300,000	$ 0.50
Net income from discontinued operations	82,942	11,300,000	0.01
Net income	5,714,394		
Basic earnings per share:			
Net income available to common shareholders, total	5,714,394	11,300,000	0.51
Effect of dilutive securities stock options/warrants		4,814,000	
Diluted earnings per share:			
Net income available to common shareholders and assumed conversions	$ 5,714,394	16,114,000	$ 0.36
Year Ended October 31, 2012			
Net (loss) from continuing operations	$ (14,605,151)	11,300,000	$ (1.29)
Net (loss) from discontinued operations	(8,712,624)	11,300,000	(0.77)
Net (loss)	(23,317,775)		
Basic (loss) per share:			
Net loss available to common shareholders, total	(23,317,775)	11,300,000	(2.06)
Effect of dilutive securities stock options/warrants		—	
Diluted (loss) per share:			
Net loss available to common shareholders and assumed conversions	$ (23,317,775)	11,300,000	$ (2.06)

PRODUCTION NOTES

COVER
Paper | Endurance, 100# Gloss Cover
Ink | 4-color process, spot varnish

PICTORIAL / NARRATIVE
Paper | Endurance, 100# Silk Text
Ink | 4-color process

FINANCIAL
Paper | Springhill, 70# Text Ivory Smooth Opaque
Ink | 2-color, PMS 485 and Black

Printing
Chapman Printing Company - Parkersburg
Printed with 200-line Sublima Screening

Embossing and Binding
Chapman Printing Company - Huntington

Layout and Design
Bulldog Creative Services, Huntington, WV

BUILDING MOMENTUM

CHAMPION INDUSTRIES, INC.

2015
ANNUAL REPORT

CORPORATE PROFILE

Champion Industries, Inc. is a business solutions provider offering commercial printing, business forms manufacturing, wide-format printing, including banners, wall coverings, displays, signage, and other printed products up to five feet by ten feet, office products and office furniture, mailing solutions, full-service commercial interior design, including color and fabric choices, space planning, installation, and ongoing support post project completion, and warehousing and fulfillment of print and office supply goods.

ANNUAL REPORT

2015

"AT CHAMPION, WE FEEL WE HAVE MADE GREAT STRIDES IN REALIGNING OUR VISION AND ENHANCING OUR CORE COMPETENCIES IN THE WAKE OF VERY DIFFICULT ECONOMIC TIMES, NOT ONLY FOR THE PRINTING AND OFFICE PRODUCTS INDUSTRY, BUT THE COUNTRY AS A WHOLE."

LETTER FROM THE CHAIRMAN

It is extremely important to understand your past to properly plan for your future. Over the past year our primary focus has been to continue rebuilding the foundation Champion Industries was built upon so that we may properly strategize and carve our path going forward.

As we diligently prepare to build off the achievements and efficiencies created during the prior year, our main objective is to evaluate the tools and resources of today to aid and enhance the proven techniques and processes of yesterday. At Champion, we feel we have made great strides in realigning our vision and enhancing our core competencies in the wake of very difficult economic times, not only for the printing and office products industry, but the country as a whole.

We like to say at Champion that we are "more than ink on paper," a statement that encompasses not only our product offerings and capabilities, but our people, our beliefs, and our culture. Every day we receive a special opportunity. The opportunity to come together as a cohesive team to create, manufacture, and distribute custom products and business solutions that help other organizations achieve their own goals and successes – that is a special responsibility in our opinion and a job duty we take very seriously.

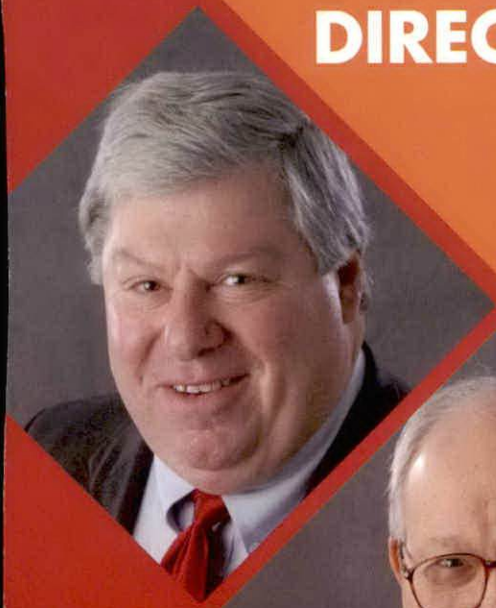
Our talented employees and highly skilled craftsman allow us this gift to take a raw material and turn it into someone's opportunity. Whether it be an entire direct marketing campaign to help turn a prospect into a customer or an invoice to collect payment for your services, we appreciate the opportunity to create the products that help an economy grow. As our investors we thank you for giving us continued support to offer these unique services to the businesses and individuals in the vast markets we serve.

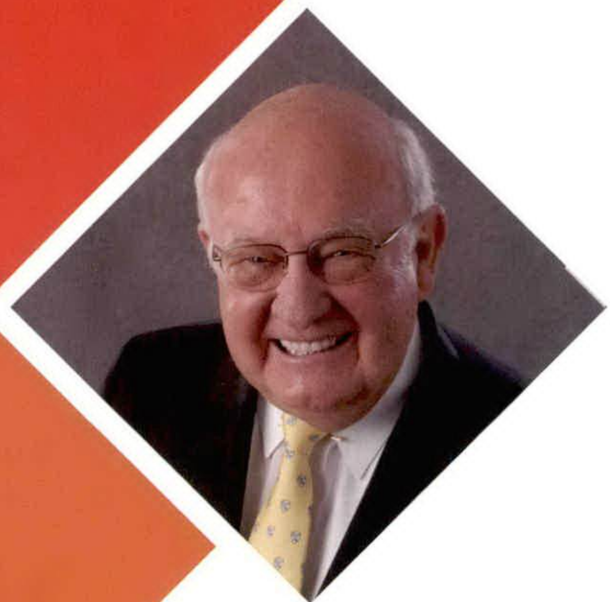
With over $61 million in sales from a quality customer base, our cash flows remain strong. This, in addition to loyal vendor relationships and prudent management, will allow us to continue to meet our obligations and invest in the Company to incrementally build momentum, and position ourselves for a bright future.

We are greatly looking forward to 2016 and welcome the challenges, obstacles, opportunities, and achievements that will be created in the coming year.

MARSHALL T. REYNOLDS
Chairman of the Board & Chief Executive Officer

BOARD OF DIRECTORS





LOUIS J. AKERS
President - Metric of West Virginia, Director - Huntington Sanitary Board

PHILIP E. CLINE
Managing Member - River City Properties, LLC

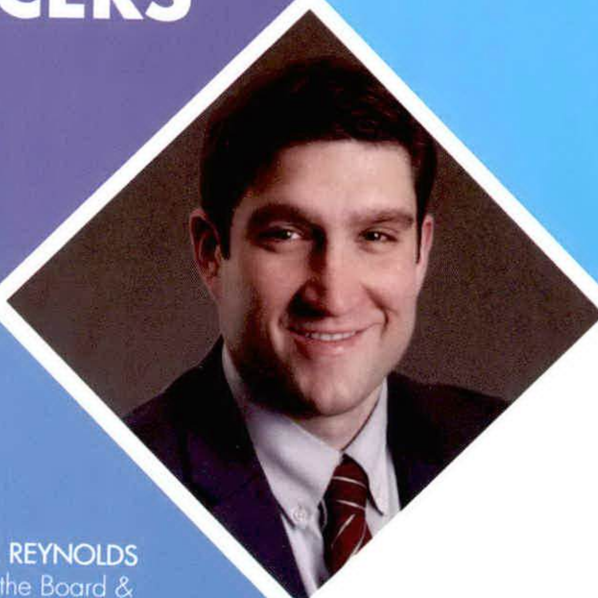
MARSHALL T. REYNOLDS
Chairman of the Board & Chief Executive Officer - Champion Industries, Inc.

NEAL W. SCAGGS
President - Baisden Brothers, Inc.

GLENN W. WILCOX
Chairman of the Board - Wilcox Travel Agency, Inc.

94 YEARS OF OPERATION
24 YEARS AS CHAMPION

OFFICERS



MARSHALL T. REYNOLDS
Chairman of the Board &
Chief Executive Officer

JUSTIN T. EVANS
Senior Vice President &
Chief Financial Officer

BUILDING MOMENTUM

For many years, Champion Industries has been focused on providing the customer what they want, when they want it. That has guided many decisions at Champion for over 50 years. That focus hasn't changed, but we have recognized the need to ask ourselves if we are accomplishing that mission in today's business environment. We are dedicating ourselves to that at all our divisions and across all our locations. This internal review is in process and has built momentum over the last year. This will carry Champion to its future; one in which we understand our current and prospective customer needs in an ever-changing business environment, and we outfit our operations to deliver at the highest professional level across the board.

WE'VE BEEN WORKING HARD, AND WE ARE ASSESSING OURSELVES AND BEING BRUTALLY HONEST; WE UNDERSTAND WE HAVE A LOT OF WORK TO DO TO BRING THIS COMPANY TO HEALTH AND PROSPERITY. PRUDENT MANAGEMENT HAS AND WILL CONTINUE TO ALLOW US TO MEET ALL OF OUR OBLIGATIONS WHILE WE BUILD MOMENTUM TOWARD OUR PROSPEROUS FUTURE."

—

JUSTIN T. EVANS
Senior Vice President & Chief Financial Officer

NUMBER OF EMPLOYEES

320

"CHAPMAN PRINTING EVALUATES EACH PRINT PIECE TO FIND WAYS TO ENHANCE THE APPEARANCE AND FUNCTIONALITY OF EVERY PROJECT."

—

TERRI BURGER
Division Manager,
Chapman Printing - Charleston

41,446

NUMBER OF PRINTING JOBS IN 2015

"OUR LONG-TERM RELATIONSHIPS WITH CLIENTS REFLECT THE WAY IN WHICH WE BECOME PARTNERS IN THEIR SUCCESS BY CREATING THE BEST WORK ENVIRONMENTS TO MEET THEIR NEEDS AND BUDGETS."

—

JANET CLAYMAN
President,
Capitol Business Interiors

IN 2015 CAPITOL BUSINESS DESIGNED, IMPLEMENTED, AND INSTALLED:

25 CORPORATE FACILITIES

18 EDUCATIONAL FACILITIES

15 GOVERNMENT OFFICE BUILDINGS

12 HEALTHCARE FACILITIES

1 HOSPITALITY FACILITY

46,753,792
MAIL PIECES SORTED

CHAPMAN PRINTING COMPANY

2450-90 First Avenue | Huntington, WV 25703
p 304.528.2791 | 800.624.3431 | f 304.528.2746
e cpcprep@champion-industries.com

- Mid-sized commercial printer with full digital pre-press
- Office product sales
- 1- to 4-color presses up to 28 in. x 40 in.
- Full bindery with auto saddle stitch and perfect binding
- Letterpress, envelope presses and foil stamping
- In-house rotary division for manufacturing short- to medium-run business forms, laser cut sheets and continuous snapout
- Off- and online MICR encoding
- Automated presentation folder/gluer

CHAPMAN PRINTING COMPANY

953 Point Marion Road | Suite A
Morgantown, WV 26508
p 304.284.0200 | f 304.284.0209

- Printing sales headquarters with full digital pre-press
- Office product sales
- Full line printing and services distributor
- Print management
- Fulfillment
- B2B e-commerce solutions
- Mail
- Digital print

CHAPMAN PRINTING COMPANY

405 Ann Street | Parkersburg, WV 26101
p 304.485.8596 | 800.458.8596 | f 304.485.4793
e cpcpkbg@champion-industries.com

- Mid-sized commercial printer with full digital pre-press and full color separations
- Office product sales
- 5- and 6- color presses up to 28 in. x 40 in.
- Full bindery
- Digital Process Color Press

RIVER CITIES PRINTING

2450-90 First Avenue | Huntington, WV 25703
p 304.528.5496 | f 304.528.2746
e orders@rivercitiesprinting.com

- Stick-on labels/ads
- Single sheet flyers/newspaper inserts
- Menus and placemats
- Postcards and business cards

US TAG

2450-90 First Avenue | Huntington, WV 25703
p 304.691.5046 | 800.638.1018
f 304.691.5060 | 800.625.6076
e ustag@champion-industries.com

- Stock and custom tag manufacturer
- Small-sized commercial printer with full digital pre-press
- 1- to 3-color presses up to 14 in. x 20 in.
- Letterpress up to 18 in. x 22 in.
- Full bindery

"AS A LOCAL COMPANY, WE BUILD RELATIONSHIPS WITH OUR CUSTOMERS THAT HELP TO MAKE OUR COMMUNITIES STRONGER."

—

JOHN ANDERSON
President, Stationers

SMITH & BUTTERFIELD

2800 Lynch Road | Evansville, IN 47711
p 812.422.3261 | 800.321.6543 | **f** 812.429.0532

- Full line of office products and supplies
- Data products and supplies
- Office furniture: A-Grade; Mid-range; Budget; Pre-owned
- Design services
- Printing sales

STATIONERS

100 Industrial Lane | Huntington, WV 25702
p 304.528.2780 | 800.862.7200 | **f** 304.528.2795
e e-champ@champion-industries.com

- Full line of office products and supplies
- Data products and supplies
- Office furniture: A-Grade; Mid-range; Budget; Pre-owned
- Design services

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data for each of the five years in the period ended October 31, 2015, have been derived from the Audited Consolidated Financial Statements of the Company. The information set forth below should be read in conjunction with the Audited Consolidated Financial Statements, related notes, and the information contained in Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere herein.

	Year Ended October 31,				
	2015	2014	2013[3]	2012[2] (Restated)	2011[1]
OPERATING STATEMENT DATA:	(In thousands, except share and per share data)				
Revenues:					
Printing	$ 36,454	$ 37,377	$ 42,670	$ 52,174	$ 52,064
Office products and office furniture	24,831	26,145	29,653	34,976	34,546
Total revenues	61,285	63,522	72,323	87,150	86,610
Cost of sales:					
Printing	27,810	28,366	30,373	37,810	37,748
Office products and office furniture	18,293	19,197	21,043	24,936	24,521
Total cost of sales	46,103	47,563	51,416	62,746	62,269
Gross profit	15,182	15,959	20,907	24,404	24,341
Selling, general and administrative expenses	15,393	16,213	19,910	23,742	21,579
Restructurings/asset impairments costs	—	—	2,271	357	652
(Loss) income from operations	(211)	(254)	(1,274)	305	2,110
Other income (expense):					
Interest expense - related party	(82)	(82)	(82)	(58)	(65)
Interest expense	(775)	(1,056)	(4,204)	(3,112)	(2,944)
Gain on early extinguishment of debt to a related party	—	—	—	—	1,338
Gain on debt forgiveness	—	—	11,118	—	—
Other (expense) income	(31)	260	(32)	(13)	50
(Loss) income from continuing operations before income taxes	(1,099)	(1,132)	5,526	(2,878)	489
Income tax (expense) benefit	(92)	—	105	(11,727)	(211)
Net (loss) income from continuing operations	(1,191)	(1,132)	5,631	(14,605)	278
Net (loss) income from discontinued operations	—	—	83	(8,713)	(4,254)
Net (loss) income	$ (1,191)	$ (1,132)	$ 5,714	$ (23,318)	$ (3,976)
(Loss) earnings per share:					
Basic					
Continuing operations	$ (0.11)	$ (0.10)	$ 0.50	$ (1.29)	$ 0.03
Discontinued operations	—	—	0.01	(0.77)	(0.41)
	$ (0.11)	$ (0.10)	$ 0.51	$ (2.06)	$ (0.38)
Diluted					
Continuing operations	$ (0.11)	$ (0.10)	$ 0.35	$ (1.29)	$ 0.03
Discontinued operations	—	—	0.01	(0.77)	(0.41)
	$ (0.11)	$ (0.10)	$ 0.36	$ (2.06)	$ (0.38)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Champion Industries, Inc. is a business solutions provider specializing in commercial printing, business forms manufacturing and office products and office furniture in regional markets east of the Mississippi River. The Company has historically grown through strategic acquisitions and internal growth. After a period of difficult times, the Company has diligently built with the future in mind; this includes maintaining the existing talent at the Company in addition to bringing in new talent with fresh perspectives. As we recover, we look to continue the tradition of internal growth by increasing existing business and adding new product lines, and external growth through acquisition.

The Company's net revenues consist primarily of sales of commercial printing, business forms, tags, other printed products, document output solutions including rendering, inserting and mailing, office supplies, office furniture, and data products and office design services. At the end of fiscal 2015 the Company added a wide format printing line to its product offerings; which includes signage, banners, displays, window clings, wall coverings and printing on materials up to two inches thick and dimensions of 5feet x10 feet. The Company recognizes revenues when products are shipped or ownership is transferred and when services are rendered to the customer. The Company's revenues are subject to seasonal fluctuations caused by variations in demand for its products.

The Company's cost of sales primarily consists of raw materials, including paper, ink, pre-press supplies and purchased office supplies, furniture and data products, and manufacturing costs including direct labor, indirect labor and overhead. Significant factors affecting the Company's cost of sales include the costs of paper in printing, office supplies, costs of labor and other raw materials.

The Company's operating costs consist of selling, general and administrative expenses. These costs include salaries, commissions and wages for sales, customer service, accounting, administrative and executive personnel, insurance, rent, utilities, legal, audit, information systems equipment costs, software maintenance and depreciation.

CRITICAL ACCOUNTING POLICIES INVOLVING SIGNIFICANT ESTIMATES

The Company's significant accounting policies are described in Note 1 to the Consolidated Financial Statements included in Item 15 of this Form 10-K. The discussion and analysis of the financial statements and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The following critical accounting policies affect the Company's more significant judgments and estimates used in the preparation of the Consolidated Financial Statements. There can be no assurance that actual results will not differ from those estimates.

Restatement of Prior Year: The Company has applied SEC Staff Accounting Bulletin (SAB) No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements. SAB No. 108 states that registrants must quantify the impact of correcting all misstatements, including both the carryover (iron curtain method) and reversing (rollover method) effects of prior-year misstatements on the current-year financial statements, and by evaluating the error measured under each method in light of quantitative and qualitative factors. Under SAB No. 108, prior-year misstatements which, if corrected in the current year would be material to the current year, must be corrected by adjusting prior year financial statements, even though such correction previously was and continues to be immaterial to the prior-year financial statements. Correcting prior-year financial statements for such "immaterial errors" does not require previously filed reports to be amended. Such corrections will be made the next time the Company files the prior-year financial statements.

In applying the requirements of SAB No. 108, the Company determined that the warrants issued as a result of the Restated Credit Agreement (see Note 3) were freestanding financial instruments and classified these as a component of shareholders' equity. The warrants were initially deemed to be non-deductible for tax purposes. Therefore the Company had recorded a deferred tax liability in 2012. The Company subsequently determined that the deferred tax liability associated with the warrant issuance should be reflected as an increased tax rate over the term of the debt discount amortization if the warrants were not deductible for tax purposes. Accordingly, the Company's deferred tax asset valuation allowance would increase as a result of the equity classification. Therefore, for 2012, the Company identified approximately $0.4 million or $0.04 per share from continuing operations of non-cash deferred tax adjustments. Correspondingly the Company's additional paid-in capital was increased $0.4 million and deferred tax liability was decreased $0.4 million. In 2013, the Company determined that the warrants for tax purposes should be treated as original issue discount and be tax deductible and amortized over the life of the Restated Credit Agreement.

The Company performed Step 1 of the Goodwill impairment test for the printing segment with the assistance of a third party valuation specialist using the income approach and the testing indicated a value less than the carrying value of the segment at January 31, 2013.

As a result of the Step 1 test, the Company determined it was required to proceed to Step 2 of goodwill impairment testing for the printing segment in the first quarter of 2013. The Step 2 test results were completed in the second quarter of 2013 with the assistance of a third party valuation specialist and supported the conclusion to record an impairment charge in the first quarter of 2013 of $2.2 million. Subsequent reversal of a previously recognized goodwill impairment loss is prohibited once the measurement of that loss is recognized, in accordance with applicable standards.

In the fourth quarter of 2015 the Company performed its annual assessment of the remaining indefinite-lived intangible assets of goodwill associated with the office products and office furniture segment. The Company skipped step "zero" and performed the two-step quantitative assessment as prescribed by ASC 350. Step 1 of the impairment test used a discounted cash flow model based on income of the office products and office furniture reporting unit to compare fair value to the unit's carrying value. After consideration of the Step 1 results, the Company's Management felt that the discounted cash flow model was not indicative of value that would be exchanged in an arm's length transaction. Given this, Step 2 of the quantitative assessment was performed. Step 2 compares the implied fair value of the reporting unit to its carrying value to determine impairment using methods common in business combinations. After considering the results of Step 2, the Company's management determined that no impairment of the office products and office furniture reporting unit's goodwill existed at October 31, 2015. The Company's Management will continue to monitor this reporting unit's performance and will test for impairment as warranted. Further declines in revenue and income could ultimately require impairment charges to be incurred that would be material to the Company's financial position and results of operation to the extent of the carrying amount of goodwill.

Revenue Recognition: Revenues are recognized when products are shipped or ownership is transferred and when services are rendered to customers. The Company acts as a principal party in sales transactions, assumes title to products and assumes the risks and rewards of ownership including risk of loss for collection, delivery or returns. The Company typically recognizes revenue for the majority of its products upon shipment to the customer and transfer of title. Under agreements with certain customers, custom forms may be stored by the Company for future delivery. In these situations, the Company may receive a logistics and warehouse management fee for the services provided. In these cases, delivery and bill schedules are outlined with the customer and product revenue is recognized when manufacturing is complete and the product is received into the warehouse, title transfers to the customer, the order is invoiced and there is reasonable assurance of collectability. Since the majority of products are customized, product returns are not significant. Therefore, the Company records sales on a gross basis. Revenue generally is recognized net of any taxes collected from customers and subsequently remitted to government authorities. The costs of delivering finished goods to customers are recorded as shipping and handling costs and included in cost of sales of the printing segment. The office products and office furniture shipping and handling costs were approximately $0.5 million for 2015, 2014, and 2013 and are recorded as a component of selling, general, and administrative costs.

Income Taxes: Provisions for income taxes currently payable and deferred income taxes are based on the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized.

The Company believes that the accounting estimate related to income taxes is a "critical accounting estimate" because the underlying assumptions used for the allowance can change from period to period and could potentially cause a material impact to the Consolidated Financial Statements.

Allowance for Doubtful Accounts: The Company encounters risks associated with sales and the collection of the associated accounts receivable. As such, the Company records a provision for accounts receivable that are considered to be uncollectible. In order to calculate the appropriate provision, the Company primarily utilizes a historical rate of accounts receivable written off as a percentage of total revenue. The historical rate is updated periodically based on events that may change the rate such as a significant increase or decrease in collection performance and timing of payments as well as the calculated total exposure in relation to the allowance. Periodically, the Company compares the identified credit risks with the allowance that has been established using historical experience and adjusts the allowance accordingly.

The Company believes that the accounting estimate related to the allowance for doubtful accounts is a "critical accounting estimate" because the underlying assumptions used for the allowance can change from period to period and could potentially cause a material impact to the income statement and working capital.

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated information derived from the Company's Consolidated Statements of Operations, including certain information presented as a percentage of total revenues.

	Year Ended October 31, ($ In thousands)					
	2015		2014		2013	
Revenues:						
Printing	$ 36,454	59.5 %	$ 37,377	58.8 %	$ 42,670	59.0 %
Office products and office furniture	24,831	40.5	26,145	41.2	29,653	41.0
Total revenues	61,285	100.0	63,522	100.0	72,323	100.0
Cost of sales:						
Printing	27,810	45.4	28,366	44.7	30,373	42.0
Office products and office furniture	18,293	29.8	19,197	30.2	21,043	29.1
Total cost of sales	46,103	75.2	47,563	74.9	51,416	71.1
Gross profit	15,182	24.8	15,959	25.1	20,907	28.9
Selling, general and administrative expenses	15,393	25.1	16,213	25.5	19,910	27.5
Restructuring / asset impairment costs	—	—	—	—	2,271	3.1
(Loss) income from operations	(211)	(0.3)	(254)	(0.4)	(1,274)	(1.7)
Other income (expense):						
Interest expense - related party	(82)	(0.1)	(82)	(0.1)	(82)	(0.1)
Interest expense	(775)	(1.3)	(1,056)	(1.7)	(4,204)	(5.8)
Gain on debt forgiveness	—	—	—	—	11,118	15.4
Other (loss) income	(31)	(0.1)	260	0.4	(32)	(0.0)
(Loss) income from continuing operations before income taxes	(1,099)	(1.8)	(1,132)	(1.8)	5,526	7.8
Income tax benefit (expense)	(92)	(0.1)	—	—	105	0.1
Net (loss) income from continuing operations	(1,191)	(1.9)	(1,132)	(1.8)	5,631	7.9
Net income from discontinued operations	—	—	—	—	83	0.1
Net (loss) income	$ (1,191)	(1.9) %	$ (1,132)	(1.8) %	$ 5,714	8.0 %

The office products and office furniture segment reported an operating loss of $0.3 million in 2015, compared to operating income of $0.1 million in 2014. This decrease is primarily the result of decreased sales with no corresponding decrease in overhead costs.

OTHER INCOME (EXPENSE)

Other income (expense) was a net expense of $0.9 million in 2015 and 2014. Other income (expense) includes interest expense and other income. Interest expense decreased approximately $0.3 million to $0.9 million in 2015 from $1.1 million in 2014 primarily due to the payment of the $0.5 million premium on the 2013 credit agreement which was paid upon maturity, and no longer amortized to interest expense, in April 2015. Other income was $0.3 million in 2014 compared a net other expense in 2015 of $31,000. In 2014 the Company sold a building and recognized a gain of $0.2 million while in 2015 the Company wrote off certain leasehold improvements totaling $0.1 million associated with the move an Office Supply and Office Furniture division to a new facility. This write-off was only partially offset by slight gains on asset disposals.

INCOME TAXES

The Company excluded debt cancellation from cancellation of debt income ("CODI") from the income tax liability in 2013 in accordance with applicable Internal Revenue Service guidelines regarding insolvency where the amount of debt cancellation excluded from gross ordinary income is applied to attribute reductions. The insolvency calculation is based on IRS guidelines associated with liabilities in excess of the fair market value of assets immediately prior to the debt cancellation. The attribute reductions are ordered and reduce net operating losses, various credits, capital losses, and asset basis among other attribute reductions if applicable and necessary. As a result of the CODI exception provided in Internal Revenue Code Section 108 the Company reduced its net operating losses, applicable credits and asset basis in accordance with the applicable ordering rules.

In 2014, as a result of the attribute reductions to exclude the Company's CODI from taxable income in 2013, the company incurred $6.4 million of attribute recapture income for tax purposes. As such, the Company used net operating loss carry forwards to offset this attribute recapture income. A decrease in the Company's deferred tax asset valuation allowance in a like amount of the tax liability arising from the Company's taxable income was used to offset any income tax liability. During the third quarter of 2015, the Company finalized its position, on its 2014 income tax liability, after researching applicable Alternative Minimum Tax ("AMT") rules and determined it owed $92,000 in federal income taxes. The $92,000 tax liability was paid in the third quarter of 2015. AMT taxes paid can be carried forward as a credit against future regular taxable income. As the Company has a full valuation against any deferred tax assets, the $92,000 paid in the third quarter of 2015 is shown as an income tax expense on the Company's fiscal 2015 income statement due to an increase in the Company's valuation allowance in a like amount of the $92,000 tax payment.

The Company assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. The Company had determined that a full valuation allowance against deferred tax assets was still warranted at October 31, 2015. The amount of deferred tax asset considered realizable could be adjusted in future periods and such adjustments may be material to the Consolidated Financial Statements. See Note 5 to the Consolidated Financial Statements for more information on income taxes.

NET LOSS

For the reasons set forth above, the Company recorded a net loss of $1.2 million in 2015 compared to a net loss of $1.1 million in 2014.

YEAR ENDED OCTOBER 31, 2014 COMPARED TO YEAR ENDED OCTOBER 31, 2013

REVENUES

Consolidated net revenues were $63.5 million for the year ended October 31, 2014 compared to $72.3 million in the prior fiscal year. This change represents a decrease in revenues of approximately $8.8 million. Printing revenues decreased by $5.3 million from $42.7 million in 2013 to $37.4 million in 2014. Office products and office furniture revenue decreased $3.5 million or 11.8% from $29.7 million in 2013 to $26.1 million in 2014.

The printing revenue reduction is principally due to lingering effects of general market and economic conditions over the last several years as well as certain customer specific turnover, sales and other personnel turnover that were prompted by various restructuring actions required by the Previous Secured Lenders.

INCOME TAXES

The Company assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence was the cumulative loss incurred over the four-year period ended October 31, 2014 and over an eight-year period ended October 31, 2014. However, when these losses are adjusted for certain aberrations, rather than continuing conditions, the Company is able to represent that cumulative losses are not present in either the four year look back period or the eight year look back period.

The Company excluded debt cancellation from cancellation of debt income ("CODI") from the income tax liability in 2013 in accordance with applicable Internal Revenue Service guidelines regarding insolvency where the amount of debt cancellation excluded from gross ordinary income is applied to attribute reductions. The insolvency calculation is based on IRS guidelines associated with liabilities in excess of the fair market value of assets immediately prior to the debt cancellation. The attribute reductions are ordered and reduce net operating losses, various credits, capital losses, and asset basis among other attribute reductions if applicable and necessary. As a result of the CODI exception provided in Internal Revenue Code Section 108 the Company reduced its net operating losses, applicable credits and asset basis in accordance with the applicable ordering rules.

In 2014, as a result of the attribute reductions to exclude the Company's CODI from taxable income in 2013, the company incurred $6.4 million of attribute recapture income for tax purposes. As such, the Company used net operating loss carry forwards to offset this attribute recapture income. A decrease in the Company's deferred tax asset valuation allowance in a like amount of the tax liability arising from the Company's taxable income was used to offset any income tax liability.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers a multitude of factors in assessing the utilization of its deferred tax assets including the reversal of deferred tax liabilities, projected future taxable income and other assessments, which may have an impact on financial results. The Company determined in the second quarter of 2012 that, primarily as a result of its inability to enter into an amended credit facility upon the expiration of the Limited Forbearance Agreement on April 30, 2012, as well as the potential for a substantial increase in interest rates and fees coupled with the uncertainty regarding future interest rate increases that the Previous Secured Lenders may impose on the Company that a full valuation allowance of the Company's deferred tax assets, net of deferred tax liabilities, is necessary to measure the portion of the deferred tax asset that more likely than not will not be realized. As a result of the Restated Credit Agreement entered into on October 19, 2012, the Company reassessed its valuation allowance and determined that the relative short term maturity of the Restated Credit Agreement coupled with the increase in interest rates indicated that a full valuation was warranted at October 31, 2012. As a result of the October 2013 Credit Agreement entered into on October 7, 2013 the Company reassessed it's previous determination regarding its valuation allowance and determined that a full valuation was warranted. The Company currently intends to maintain a full valuation allowance on our deferred tax assets until sufficient positive evidence related to our sources of future taxable income exists and the Company is better able to identify a longer term solution to our current credit situation. The amount of deferred tax asset considered realizable could be adjusted in future periods based on a multitude of factors, including but not limited to a reassessment of our credit position, and such adjustments may be material to the Consolidated Financial Statements.

The Company's effective tax rate for continuing operations for 2014 was 0.0% compared to a benefit of 1.9% in 2013 and an expense of (407.5)% for 2012. The primary difference in tax rates between 2013 and 2012 and for 2012 between the effective tax rate and the statutory tax rate is a result of the valuation allowance taken against our deferred tax assets in the second quarter of 2012 in the amount of $15.2 million and a valuation allowance increase of an incremental $0.8 million in the third and fourth quarters of 2012. The effective income tax rate approximates the combined federal and state, net of federal benefit, statutory income tax rate and may be impacted by increases or decreases in the valuation allowance for deferred tax assets. The Company recorded a tax benefit from continuing operations in 2013 resulting from the application of certain provisions of ASC 740 regarding implications of intra-period tax allocations for discontinued operations to maintain financial statement neutrality and to recognize the tax components between continuing operations and discontinued operations on a discrete basis.

The Company did not pay or was not refunded any income taxes for the years ended October 31, 2014, 2013 or 2012. See Note 5 to the Consolidated Financial Statements for more information on income taxes.

NET (LOSS) INCOME (CONTINUING OPERATIONS)

For the reasons set forth above, the Company recorded a net loss of $1.1 million in 2014 compared to net income from continuing operations of $5.6 million in 2013.

2013 to 2012. Given this trend, in addition to various actions taken in 2014 and 2015 by the Company's Management, we believe revenue declines continue to level off and we expect, at minimum, Fiscal 2016 sales (as a whole) to be on par with fiscal 2015. This is supported by the Company's performance through two months of fiscal 2016.

Considering these factors, as well as the Company's plans to convert $2.5 million in debt to Preferred Stock, our continued efforts to bring in talented individuals, adding new business lines, actions taken to reduce costs that will be seen in fiscal 2016, and working on improved ecommerce, marketing, and analytical capabilities, we believe the Company is well positioned, financially stable, and prepared to continue its rebuilding efforts.

The Company is also considering a potential "going dark" transaction that will relieve the Company of its Exchange Act reporting requirements. This action would be achieved by completing a reverse stock split at a ratio of 200 old shares for one new share of the Company's stock. Any fractional shares created by the reverse split would receive cash in lieu of fractional shares. This would reduce the Company's shareholders of record below the 300 shareholders of record threshold that triggers Exchange Act filings. We estimate the cost of this transaction would not exceed $150,000 and estimate savings of $220,000 annually if completed. This transaction is currently being reviewed by a special committee comprised of independent members of the Board of Directors. Upon approval by the Board of Directors, the Company will file pertinent forms and documents for SEC and shareholder review. In anticipation of completion, the Company would maintain its Annual Report, as well as quarterly updates to shareholders to keep them informed of performance, but at substantially reduced time and monetary resource burdens. See Note 14 to the Consolidated Financial Statements for more information on this proposed transaction.

As of October 31, 2015 the Company had contractual obligations in the form of leases and debt as follows:

	Payments Due by Fiscal Year						
Contractual Obligations	**2016**	**2017**	**2018**	**2019**	**2020**	**Residual**	**Total**
Non-cancelable operating leases	$ 483,360	$ 423,949	$ 334,642	$ 230,098	$ 77,010	$ 32,673	$ 1,581,732
Term debt	1,929,358	8,460,619	135,770	97,644	98,352	4,157	10,725,900
Capital lease obligations	15,852	12,528	—	—	—	—	28,380
Debt discounts	—	—	—	—	—	—	—
Notes payable - related party[1]	2,500,000	—	—	—	—	—	2,500,000
Interest[2]	583,978	528,556	504,778	479,769	456,049	1,874,366	4,427,496
	$ 5,512,548	$ 9,425,652	$ 975,190	$ 807,511	$ 631,411	$ 1,911,196	$ 19,263,508

The Company believes exposure reasonably possible for current legal proceedings is not greater than $0.4 million and may be substantially lower than this amount as of October 31, 2015. The Company expenses legal fees as incurred and therefore the Company may incur legal fees to defend itself in the future and these fees may be material to the Company's Consolidated Financial Statements in a particular period.

(1) On June 15, 2015 the Company's Board of Directors approved the conversion of the Company's $2.5 million related party debt to Preferred Stock equity. The Preferred Stock will pay a 6.00% or 0.00% annual dividend contingent on the Company's income after income taxes. If the Company's income after income taxes is $1.0 million or greater, the dividend rate is 6.00%; if the Company's income after income taxes is less than $1.0 million, the dividend rate is 0.00%.

This conversion will reduce the Company's liabilities by $2.5 million and increase its equity by $2.5 million. In addition, this conversion will reduce the Company's annual interest expense by $0.1 million. However, contingent on the after income tax income, this conversion could trigger the payment of an annual Preferred Stock dividend of $0.2 million or zero. If the $1.0 million after income tax income target is achieved, the Company's annual cash outflow would increase $0.1 million, or decrease $0.1 million if the $1.0 million after income tax income target is not achieved.

MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Champion Industries, Inc. stock trades on the OTC Market under the symbol "CHMP".

The following table sets forth the high and low closing prices for Champion common stock for the period indicated. The range of high and low closing prices are based on data from the OTC and does not include retail mark-up, mark-down or commission.

	Fiscal Year 2015		Fiscal Year 2014	
	High	Low	High	Low
First quarter	$0.37	$ 0.14	$ 0.72	$0.35
Second quarter	0.32	0.20	0.62	0.35
Third quarter	0.43	0.25	0.50	0.25
Fourth quarter	0.50	0.21	0.34	0.22

At the close of business on January 8, 2016, there were 346 shareholders of record of Champion common stock. The shareholders of record are determined by the Company's transfer agent.

The Company has not paid dividends on its common stock in any of the previous three years.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee, Board of Directors and Shareholders
Champion Industries, Inc.
Huntington, West Virginia

Arnett Carbis Toothman llp
CPAs & Advisors

We have audited the accompanying consolidated balance sheets of Champion Industries, Inc. and Subsidiaries (the "Company") as of October 31, 2015 and 2014, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended October 31, 2015. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based upon our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of October 31, 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2015, in conformity with U.S. generally accepted accounting principles.

Arnett Carbis Toothman LLP

Arnett Carbis Toothman LLP

Charleston, West Virginia
January 29, 2016

101 Washington Street East | P.O. Box 2629
Charleston, WV 25301
304.346.0441 | 800.642.2601

CONSOLIDATED BALANCE SHEETS (continued)

Champion Industries, Inc. and Subsidiaries

	October 31, 2015	2014
Current liabilities:		
Accounts payable	$ 4,730,286	$ 4,518,634
Accrued payroll and commissions	528,855	583,529
Taxes accrued and withheld	635,131	666,166
Accrued expenses	1,763,929	1,553,978
Debt discount (Note 3)	—	(138,520)
Notes payable (Note 3)	1,929,358	10,947,218
Notes payable - related party (Note 3)	2,500,000	2,500,000
Capital lease obligations (Note 3)	15,852	14,931
Total current liabilities	12,103,411	20,645,936
Long-term debt, net of current portion:		
Notes payable (Note 3)	8,796,542	128,690
Capital lease obligations (Note 3)	12,528	28,381
Total liabilities	20,912,481	20,803,007
Shareholders' equity:		
Common stock, $1 par value, 20,000,000 Class A voting shares authorized; 11,299,528 shares issued and outstanding	11,299,528	11,299,528
Common stock, Class B nonvoting stock, $1 par value, 5,000,000 shares authorized, -0- shares issued and outstanding	—	—
Additional paid-in capital	24,279,179	24,279,179
Retained deficit	(33,564,662)	(32,373,321)
Total shareholders' equity	2,014,045	3,205,386
Total liabilities and shareholders' equity	$ 22,926,526	$ 24,008,393

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

Champion Industries, Inc. and Subsidiaries

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained (Deficit)	Other Comprehensive Income	Total
Balance, October 31, 2012 (Restated)	11,299,528	$11,299,528	$24,279,179	$ (36,956,081)	$ —	$ (1,377,374)
Comprehensive income:						
Net income for 2013	—	—	—	5,714,394	—	5,714,394
Total comprehensive income	—	—	—	5,714,394	—	5,714,394
Balance, October 31, 2013	11,299,528	$11,299,528	$24,279,179	$ (31,241,687)	$ —	$ 4,337,020
Comprehensive loss:						
Net loss for 2014	—	—	—	(1,131,634)	—	(1,131,634)
Total comprehensive loss	—	—	—	(1,131,634)	—	(1,131,634)
Balance, October 31, 2014	11,299,528	$11,299,528	$24,279,179	$ (32,373,321)	$ —	$ 3,205,386
Comprehensive loss:						
Net loss for 2015	—	—	—	**(1,191,341)**	—	**(1,191,341)**
Total comprehensive loss	—	—	—	**(1,191,341)**	—	**(1,191,341)**
Balance, October 31, 2015	**11,299,528**	**$ 11,299,528**	**$ 24,279,179**	**$ (33,564,662)**	**$ —**	**$ 2,014,045**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Champion Industries, Inc. and Subsidiaries

	Year Ended October 31,		
	2015	2014	2013
Cash flows from investing activities:			
Purchase of property and equipment	**(1,703,007)**	(761,367)	(544,643)
Proceeds from sale of fixed assets	**86,999**	502,829	170,348
Proceeds from assets held for sale	—	—	816,667
Change in other assets	**68,459**	(5,807)	13,584
Net cash (used in) provided by investing activities	**(1,547,549)**	(264,345)	455,956
Net cash provided by investing activities discontinued operations	—	—	11,001,864
	(1,547,549)	(264,345)	11,457,820
Cash flows from financing activities:			
Borrowings on line of credit	—	—	20,465,448
Payments on line of credit	—	—	(20,157,278)
Proceeds from term debt	**3,588,661**	2,537,042	393,497
Principal payments on long-term debt	**(3,953,601)**	(2,364,484)	(7,660,466)
Financing cost incurred	—	—	(229,189)
Net cash (used in) provided by financing activities	**(364,940)**	172,558	(7,187,988)
Net cash used in financing activities discontinued operations	—	—	(11,052,408)
	(364,940)	172,558	(18,240,396)
Net decrease in cash and cash equivalents	**(277,529)**	(610,104)	(416,255)
Cash and cash equivalents at beginning of year	**818,438**	1,428,542	1,844,797
Cash and cash equivalents at end of year	**$ 540,909**	$ 818,438	$ 1,428,542

See notes to consolidated financial statements.

Property and Equipment

Depreciation of property and equipment and amortization of leasehold improvements and equipment under capital leases are recognized primarily on the straight-line and declining-balance methods in amounts adequate to amortize costs over the estimated useful lives of the assets as follows:

Buildings and improvements	5 - 40 years
Machinery and equipment	3 - 10 years
Furniture and fixtures	5 - 10 years
Vehicles	3 - 5 years

Major renewals, betterments and replacements are capitalized while maintenance and repair costs are charged to operations as incurred. Upon the sale or disposition of assets, the cost and related accumulated depreciation are removed from the accounts with the resulting gains or losses reflected in income. Depreciation expense and amortization of leasehold improvements and equipment under capital leases from continuing operations approximated $1,654,841, $1,930,507 and $2,169,014 for the years ended October 31, 2015, 2014, and 2013, respectively, and is reflected as a component of cost of sales and selling, general and administrative expenses.

Long-lived property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. This evaluation includes the review of operating performance and estimated future undiscounted cash flows of the underlying assets or businesses.

Goodwill

Goodwill is tested for impairment using a fair-value approach on an annual basis typically for the Company during the fourth quarter of each year. Goodwill is also tested between annual tests if indicators of potential impairment exist.

Goodwill is tested for impairment at a level of reporting referred to as a reporting unit. The Company considers qualitative and quantitative information in its assessment of goodwill. The first step of the quantitative assessment is a screen for potential impairment and the second step, if required, measures the amount of the impairment. The Company performs an annual impairment in the fourth quarter and in 2013 performed an interim test for goodwill at the printing segment. The Company recorded charges associated with Goodwill in 2013 as further disclosed in Note 9 to the Consolidated Financial Statements.

Intangible Assets

The intangible assets are amortized using the straight-line method over their estimated benefit period, in our case 5-20 years. The fair values of these intangible assets are estimated based on management's assessment as well as independent third party appraisals in some cases.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended October 31, 2015, 2014, and 2013 approximated $320,000, $349,000, and $336,000.

Income Taxes

Provisions for income taxes currently payable and deferred income taxes are based on the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized. See Note 5 for more information on income taxes.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average shares of common stock outstanding for the

In January 2015, the FASB issued ASU 2015-01, "Income Statement – Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items" ("ASU 2015-01"). ASU 2015-01 eliminates from U.S. GAAP the concept of extraordinary items. The Company will adopt ASU 2015-01 in December, 2015. This amendment will not have a material impact on the Company's financial position, results of operation, or cash flows, but will have an impact on related presentation and disclosure to the extent applicable.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory" ("ASU 2015-11"). ASU 2015-11 provides guidance on simplifying the measurement of inventory. The current standard is to measure inventory at lower of cost or market; where market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. ASU 2015-11 updates this guidance to measure inventory at the lower of cost or net realizable value; where net realizable value is considered to be the estimated selling price in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation. The Company will adopt ASU 2015-11 in December, 2015. This amendment is not expected to have a material impact on the Company's financial position, results of operation, or cash flows.

2. INVENTORIES

At the dates indicated, inventories consisted of the following:

	October 31,	
	2015	**2014**
Printing:		
Raw materials	**$ 1,111,203**	$ 1,180,361
Work in process	**599,289**	539,023
Finished goods	**824,689**	1,131,430
Office products and office furniture	**1,033,484**	1,119,178
	$ 3,568,665	$ 3,969,992

(1) On June 15, 2015 the Company's Board of Directors approved the conversion of the Company's $2.5 million related party debt to Preferred Stock equity. The Preferred Stock will pay a 6.00% or 0.00% annual dividend contingent on the Company's income after income taxes. If the Company's income after income taxes is $1.0 million or greater, the dividend rate is 6.00%; if the Company's income after income taxes is less than $1.0 million, the dividend rate is 0.00%.

This conversion will reduce the Company's liabilities by $2.5 million and increase its equity by $2.5 million. In addition, this conversion will reduce the Company's annual interest expense by $0.1 million. However, contingent on the after income tax income, this conversion could trigger the payment of an annual Preferred Stock dividend of $0.2 million or zero. If the $1.0 million after income tax income target is achieved, the Company's annual cash outflow would increase $0.1 million, or decrease $0.1 million if the $1.0 million after income tax income target is not achieved.

This conversion is pending a shareholder vote to amend the Company's Articles of Incorporation to allow for the issuance of Preferred Stock. This will be part of the Company's definitive Proxy Statement, expected to be dated January 25, 2016, with respect to the Annual Meeting of Shareholders to be held on March 21, 2016. The Company will continue to accrue interest on the related party debt equal to the prime rate until such conversion has been consummated.

(2) These notes are short-term borrowings associated with large furniture projects that are on terms of 120 days or less. These borrowings were subsequently paid upon collection of the collateral in November 2015 and January 2016.

Maturities of debt and capital lease obligations for each of the next five years beginning November 1, 2015 are as follows:

November 1, 2015 through October 31, 2016	$	4,445,210*
November 1, 2016 through October 31, 2017		8,473,148
November 1, 2017 through October 31, 2018		135,770
November 1, 2018 through October 31, 2019		97,644
November 1, 2019 through October 31, 2020		98,352
Residual		4,156
	$	13,254,280

*Includes $2.5 million debt to shareholder that the Company intends to convert to preferred stock equity. See the discussion on the prior page for more details.

Debt 2015:

In May 2015, the Company signed the Extension Agreement of the October 2013 Credit Agreement. The Extension Agreement extended the maturity of the Company's debt to Big 4 until April 2017. The terms of the October 2013 Credit Agreement were unchanged by the execution of the Extension Agreement; the only exception is that there will be no debt premium associated with the Extension Agreement. The $0.5 million premium associated with the original agreement was paid to Big 4 in April 2015. During the extension period, the Company will focus on operations and weigh its financing options as results of its turnaround efforts are available.

We have historically funded our working capital needs from operations, bank borrowings, and capital from shareholders. Presently, our principal sources of liquidity are generated from our operations and loans from commercial banks and private companies. Our working capital requirements are influenced by the level of our operations, the volume of our sales, and the timing of accounts receivable collections.

Debt 2014:

The Company's October 2013 Credit Agreement expired April 1, 2015. At that time, the Company was obligated to repay $9.6 million to Big 4. Management expected to be able to refinance all of its short term loans based on past experience, ability to generate sufficient cash flows from operations and the Company's credit history, and was successful in doing so. The Company pursued opportunities for longer term financing from a traditional financial institution to repay its outstanding debt to Big 4, but was not successful given time and historical performance constraints. The Company worked with Big 4 and was able to extend the October 2013 Credit Agreement for a two year period.

On August 28, 2013, the Administrative Agent, the Lenders, all of its subsidiaries and Marshall T. Reynolds entered into a First Limited Forbearance and Waiver Agreement and Second Amendment to Amended and Restated Credit Agreement ("August 2013 Forbearance Amendment"). This Agreement decreased the Revolving Credit Commitments from $10,000,000 in the aggregate to $8,000,000 in the aggregate, modified certain financial covenants and provided the consent to the sale of certain assets.

The Company, various Company subsidiaries, as Guarantors, Marshall T. Reynolds, as shareholder and Big 4 Investments, LLC ("Administrative Agent and Lender") as Lender and Administrative Agent entered into a Third Amended and Restated Credit Agreement dated October 7, 2013. Administrative Agent and Lender purchased the Company's outstanding syndicated debt from Fifth Third Bank and the other Lenders ("Previous Secured Lenders") for a price of $10.0 million. The Administrative Agent and Lender then simultaneously entered into the October 2013 Credit Agreement with the Company pursuant to the provisions of Term Note A for $10.0 million and related Guaranty Agreement and Stock Pledge and Security Agreement all dated October 7, 2013. The indebtedness immediately prior to the note sale reflected a balance pursuant to the Loan Purchase Agreement between Administrative Agent and Lender and the Previous Secured Lenders of approximately $19.9 million representing Term Loan A, Term Loan B and Revolving Loans plus accrued deferred fee and accrued interest of approximately $1.2 million.

The October 2013 Credit Agreement and related Term Note A, Guaranty Agreement and Stock Pledge and Security Agreement as further described herein amended various provisions of the Restated Credit Agreement dated October 19, 2012, including but not limited to:

- October 2013 Credit Agreement maturity of April 1, 2015.
- Existing debt restructured from Term Loan A, Term Loan B, and Revolving Credit Facility to Term Note A in the amount of $10,000,000.
- The Company's debt will not have a revolving credit facility component.
- Interest rate at the Wall Street Journal prime rate of interest plus two percent.
- Principal payments due monthly at $50,000 per month.
- $500,000 maturity or prepayment premium.
- Financial covenant of maximum capital expenditures of $3,000,000 during any fiscal year.
- Personal guaranty of Marshall T. Reynolds.
- Stock Pledge and Security Agreement providing a third party credit enhancement to support the credit facility underwritten by the Administrative Agent.
- In consideration for the personal Guaranty Agreement of Marshall T. Reynolds and Stock Pledge and Security Agreement, the warrants held by the Previous Secured Lenders were assigned to Marshall T. Reynolds. The warrants represent $0.001 per share warrants issued for up to 30% (on a post- exercise basis) of the outstanding common stock of the Company in the form of non-voting Class B common stock and associated Investor Rights Agreement.

The Company reviewed applicable GAAP and determined that extinguishment accounting should be applied in relation to the October 2013 Credit Agreement.

4. EMPLOYEE BENEFIT PLAN

The Company had a Profit Sharing Plan that covered all eligible employees and qualified as a Savings Plan under Section 401(k) of the Internal Revenue Code. Effective January 1, 1998, the Profit Sharing Plan was merged into The Champion Industries, Inc. 401(k) Plan (the "Plan"). The Plan covers all eligible employees who satisfy the age and service requirements. Each participant may elect to contribute up to 15% of annual compensation and the Company previously contributed 100% of the participant's contribution not to exceed 2% of the participant's annual compensation. The Company eliminated the employer match, as previously described, in the second quarter of 2010. The Company may make discretionary contributions to the Plan. The Company incurred no 401(k) match expense under these plans for the years ended October 31, 2015, 2014 and 2013.

The Company's accrued vacation liability as of October 31, 2015 and 2014 was approximately $570,000 and $569,000. This item is classified as a component of accrued expenses on the financial statements.

The Company's 1993 Stock Option Plan provided for the granting of both incentive and non-qualified stock options to management personnel for up to 762,939 shares of the Company's common stock. In March 2004, the Company's 2003 stock option plan was adopted to provide for the granting of both incentive and non-qualified stock options to management personnel for up to 475,000 shares of the Company's common stock.

The option price per share for incentive stock options shall not be lower than the fair market value of the common stock at the date of grant. The option price per share for non-qualified stock options shall be at such price as the Compensation Committee of the Board

A reconciliation of the statutory federal income tax rate to the Company's effective income tax rate for continuing operations is as follows:

	Year Ended October 31, 2015	2014	2013
Statutory federal income tax rate	34.0 %	(34.0) %	(34.0) %
State taxes, net of federal benefit	1.9	(7.6)	(1.8)
Change in valuation allowance	(28.2)	42.8	265.8
Disallowed deferred tax asset-related party	—	—	(220.1)
Selling expenses	(0.4)	(1.2)	(1.4)
CODI, Insolvency Exemption debt basis	—	—	3.1
Goodwill	10.6	—	(10.3)
Other	(26.2)	—	0.6
Effective tax rate, benefit (expense)	(8.3) %	— %	1.9 %

The Company excluded debt cancellation from cancellation of debt income ("CODI") from the income tax liability in 2013 in accordance with applicable Internal Revenue Service guidelines regarding insolvency where the amount of debt cancellation excluded from gross ordinary income is applied to attribute reductions. The insolvency calculation is based on IRS guidelines associated with liabilities in excess of the fair market value of assets immediately prior to the debt cancellation. The attribute reductions are ordered and reduce net operating losses, various credits, capital losses, and asset basis among other attribute reductions if applicable and necessary. As a result of the CODI exception provided in Internal Revenue Code Section 108 the Company reduced its net operating losses, applicable credits and asset basis in accordance with the applicable ordering rules.

In 2014, as a result of the attribute reductions to exclude the Company's CODI from taxable income in 2013, the company incurred $6.4 million of attribute recapture income for tax purposes. As such, the Company used net operating loss carry forwards to offset this attribute recapture income. A decrease in the Company's deferred tax asset valuation allowance in a like amount of the tax liability arising from the Company's taxable income was used to offset any income tax liability.

During fiscal 2015, the Company finalized its position on its 2014 income tax liability after researching applicable Alternative Minimum Tax ("AMT") rules and determined it owed $92,000 in federal income taxes. The $92,000 tax liability was paid in the third quarter of 2015. AMT taxes paid can be carried forward as a credit against future regular taxable income. The Company had determined that a full valuation allowance against deferred tax assets was warranted at October 31, 2015. Given this, the Company increased its valuation allowance by $92,000 to neutralize the deferred tax asset associated with its AMT payment made during fiscal 2015. This increase in the valuation allowance was reflected on the income statement as an income tax expense.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers a multitude of factors in assessing the utilization of its deferred tax assets including the reversal of deferred tax liabilities, projected future taxable income and other assessments, which may have an impact on financial results. The Company currently intends to maintain a full valuation allowance on its deferred tax assets until sufficient positive evidence related to sources of future taxable income exists.

The Company's effective tax rate for continuing operations for 2015 was an expense of 8.3%, 2014 was 0.0% compared to a benefit of 1.9% in 2013. The primary difference in tax rate for 2015 was the change in valuation allowance previously discussed. The effective income tax rate approximates the combined federal and state, net of federal benefit, statutory income tax rate and may be impacted by increases or decreases in the valuation allowance for deferred tax assets.

The Company paid $92,000 in income taxes during fiscal 2015 as previously discussed. This payment can be used as a credit against future taxable income. The Company did not pay or was not refunded any income taxes for the years ended October 31, 2014 or 2013.

6. RELATED PARTY TRANSACTIONS AND OPERATING LEASE COMMITMENTS

The Company leases operating facilities from entities controlled by its Chief Executive Officer, his family and affiliates. The original terms of these leases, which are accounted for as operating leases, range from two to fifteen years.

Agreement among Champion, Seller and Buyers dated June 24, 2013. These entities include as investors the division manager and the son of director Glenn W. Wilcox. The Company's investment advisor had conducted a nationwide marketing process for the sale of Seller which yielded no comparable offers. The Company received $1,013,000 or $942,403 net of selling commissions and pro-rated taxes. This transaction was subject to a net liquidity adjustment to occur no later than 45 days from closing which resulted in the Company paying approximately $22,000 to the buyer.

On July 12, 2013 the Company's wholly owned subsidiary Champion Publishing sold substantially all the assets of its newspaper operations headquartered in Huntington, West Virginia to HD Media Company, LLC pursuant to an Asset Purchase Agreement among Champion, Seller and Buyer dated July 12, 2013. This entity includes as an investor Mr. Douglas Reynolds, son of Chairman & CEO Marshall T. Reynolds. The Company's investment advisor had conducted a nationwide marketing process for the sale of the Herald-Dispatch, which resulted in one other offer. Champion's board of directors, in consultation with its independent advisors, determined that Mr. Douglas Reynolds' offer was the better offer both in terms of price and conditions. The Company received $10,000,000 or approximately $9,700,000 net of selling commissions and pro-rated taxes. The proceeds of this transaction were utilized to pay down term debt and the revolving credit line at the discretion of the Administrative Agent.

The Company issued warrants to purchase Class B Common Stock concurrent with the Restated Credit Agreement. The Warrants entitle the Holders thereof to purchase that number of shares of Company Class B Common Stock equal to thirty percent (30%) of the then issued and outstanding Common Stock of the Company, on a fully diluted, post-exercise basis. Based on the 11,299,528 shares of Company Common Stock currently issued and outstanding, exercise in full of the Warrants would result in the Company's issuance of an additional 4,842,654 shares to the Warrant Holders. In the event a greater number of issued and outstanding common shares exist at the time of option exercise, a greater number of options of shares of Class B Common Stock would be issuable. The Previous Secured Lenders assigned the warrants to Marshall T. Reynolds in consideration for his personal guaranty and stock pledge and security agreement to assist in facilitating the consummation of the October 2013 Credit Agreement.

The Company believes that the terms of its related party transactions are no less favorable to the Company than could be obtained with an independent third party.

7. COMMITMENTS AND CONTINGENCIES

The nature of The Company's business results in a certain amount of claims, litigation, investigations, and other legal and administrative cases and proceedings, all of which are considered incidental to the normal conduct of business. When the Company determines it has meritorious defenses to the claims asserted, it vigorously defends itself.

The Company will consider settlement of cases when, in Management's judgment, it is in the best interests of both the Company and its shareholders to do so.

The Company periodically assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. The Company would accrue a loss on legal contingencies in the event the loss is deemed probable and reasonably estimable. The accrual is adjusted as appropriate to reflect any relevant developments regarding the legal contingency. In the event of a legal contingency where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established.

In certain cases, exposure to loss may exist in excess of accruals to the extent such loss is reasonably possible, but not probable. Any estimate involves significant judgment, given the varying stages of the proceedings (including cases in preliminary stages), as well as numerous unresolved issues that may impact the outcome of a proceeding. Accordingly, Management's estimate will change from time-to-time, and actual losses may be more or less than the current estimate. The current loss estimate excludes legal and professional fees associated with defending such proceedings. These fees are expensed as incurred and may be material to the Company's Consolidated Financial Statements in a particular period.

On September 15, 2014 the Company settled a lawsuit for $0.1 million. This case commenced prior to July 31, 2014 and settlement occurred prior to the issuance of the third quarter financial statements. As such, this settlement was reported for and at the third quarter ended July 31, 2014 on the balance sheet under the caption "Accrued legal settlements" and the expense is recorded as part of "Selling, general and administrative" on the Company's Income Statements. The Company paid this settlement in the fourth quarter of 2014.

While the final outcome of legal proceedings is inherently uncertain, Management uses information currently available, advice of counsel, and available insurance coverage to estimate exposure to such legal matters. At October 31, 2015 Management believes that there is no accrual for legal contingencies required. However, in the event of unexpected future developments, it is possible that the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Champion Industries, Inc. and Subsidiaries

The table below presents information about reported segments for the years ended October 31:

2015	Printing	Office Products & Furniture	Total
Revenues from continuing operations	$ 38,576,045	$ 27,594,920	$ 66,170,965
Elimination of intersegment revenue	(2,122,382)	(2,763,382)	(4,885,764)
Consolidated revenues from continuing operations	$ 36,453,663	$ 24,831,538	$ 61,285,201
Operating income (loss) from continuing operations	101,249	(312,533)	(211,284)
Depreciation and amortization	1,563,294	91,547	1,654,841
Capital expenditures	1,602,562	100,445	1,703,007
Identifiable assets	16,107,165	6,562,529	22,669,694
Goodwill	—	1,230,485	1,230,485

2014	Printing	Office Products & Furniture	Total
Revenues from continuing operations	$ 39,546,537	$ 29,375,140	$ 68,921,677
Elimination of intersegment revenue	(2,169,053)	(3,230,284)	(5,399,337)
Consolidated revenues from continuing operations	$ 37,377,484	$ 26,144,856	$ 63,522,340
Operating income (loss) from continuing operations	(360,182)	105,932	(254,250)
Depreciation and amortization	1,832,458	98,049	1,930,507
Capital expenditures	738,893	22,474	761,367
Identifiable assets	16,526,888	7,224,673	23,751,561
Goodwill	—	1,230,485	1,230,485

2013	Printing	Office Products & Furniture	Total
Revenues from continuing operations	$ 45,460,503	$ 34,333,182	$ 79,793,685
Elimination of intersegment revenue	(2,791,035)	(4,679,475)	(7,470,510)
Consolidated revenues from continuing operations	$ 42,669,468	$ 29,653,707	$ 72,323,175
Operating income (loss) from continuing operations	(2,228,855)	954,451	(1,274,404)
Depreciation and amortization	2,049,191	119,823	2,169,014
Capital expenditures	541,855	2,788	544,643
Identifiable assets	18,850,573	8,186,745	27,037,318
Goodwill	—	1,230,485	1,230,485

In the fourth quarter of 2015 the Company performed the two-step quantitative assessment as prescribed by ASC 350 to test its goodwill for impairment. Step 1 of the impairment test used a discounted cash flow model based on income of the office products and office furniture reporting unit to compare fair value to the unit's carrying value. After consideration of the Step 1 results, the Company's Management felt that the discounted cash flow model was not indicative of value that would be exchanged in an arm's length transaction. Given this, Step 2 of the quantitative assessment was performed. Step 2 compares the implied fair value of the reporting unit to its carrying value to determine impairment using methods common in business combinations. After considering the results of Step 2, the Company's management determined that no impairment of the office products and office furniture reporting unit's goodwill existed at October 31, 2015.

The Company's Management will continue to monitor this reporting unit's performance and will test for impairment as warranted. Further declines in revenue and income could ultimately require impairment charges to be incurred that would be material to the Company's financial position and results of operation to the extent of the carrying amount of goodwill.

During the first quarter of 2013, as part of a process of addressing the Company's debt status with its Previous Secured Lenders as well as first quarter 2013 performance to budget, the Company performed a comprehensive reassessment of its initial fiscal year 2013 budget. The Company, as part of this process, identified at least one customer in the printing segment from which it anticipated a substantial revenue decline in the second quarter of 2013 and beyond and associated profitability declines in 2013 and beyond. As a result of this process, it was determined that an impairment test between annual impairment tests was warranted for the printing segment as a result of the potential near term challenges facing the Company, anticipated customer specific revenue decreases and softness in the Company's core West Virginia market. The Company performed Step 1 of the Goodwill impairment test for the printing segment with the assistance of a third party valuation specialist using the income approach and the testing indicated a value less than the carrying value of the segment at January 31, 2013.

As a result of the Step 1 test, the Company determined it was required to proceed to Step 2 of Goodwill Impairment testing for the printing segment in the first quarter of 2013. The Step 2 test results were completed in the second quarter of 2013 with the assistance of a third party valuation specialist and supported the conclusion to record an impairment charge in the first quarter of 2013 of $2.2 million.

Subsequent reversal of previously recognized goodwill impairment losses is prohibited once the measurement of that loss is recognized, in accordance with applicable standards.

Amortization expense for the years ended October 31, 2015, 2014 and 2013 was $122,000, $128,000, and $140,000, respectively. Customer relationships related to the acquisition of Syscan in 2004 are being amortized over a period of 20 years. The weighted average remaining life of the Company's amortizable intangible assets was approximately 5 years at October 31, 2015. Estimated amortization expense for each of the following five years and thereafter is:

2016	$ 122,098
2017	122,098
2018	122,098
2019	122,098
2020	122,098
Thereafter	447,355
	$ 1,057,845

10. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

The Company sold substantially all of the assets of its Blue Ridge Printing, Co., Inc. ("Blue Ridge") subsidiary on June 25, 2013 to BRP Company, Inc. pursuant to an Asset Purchase Agreement. The Company received approximately $942,000 net of commissions at closing subsequently reduced by net liquidity adjustments approximating $22,000. Blue Ridge has historically been accounted for in the Company's printing segment. In accordance with the applicable accounting guidance for the disposal of long-lived assets, the results of Blue Ridge are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented.

On July 12, 2013, the Company's wholly owned subsidiary Champion Publishing, Inc. sold substantially all the assets of its newspaper operations (The "Herald-Dispatch") headquartered in Huntington, West Virginia to HD Media Company, LLC pursuant to an Asset Purchase Agreement. The Company received approximately $9,700,000 net of selling commissions and pro-rated taxes. The Herald-Dispatch has historically been accounted for in the Company's newspaper segment representing this segments only operating entity. In accordance with the applicable accounting guidance for the disposal of long-lived assets, the results of The Herald Dispatch are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented.

The Company has identified one Company owned facility within the printing segment that the Company intends to sell. This facility does not house any of the Company's operations other than its limited warehousing use. This facility is carried at its carrying amount of $257,000 and is reported as assets held for sale on the Company's balance sheets at October 31, 2015. The Company believes the carrying amount to currently be lower than the estimated fair value less cost to sell.

The following is selected financial information included in net earnings (loss) from discontinued operations for three divisions classified within the printing segment and the Herald-Dispatch previously classified within the newspaper segment until the sale of this segment and reflects interest on estimated debt required to be repaid as a result of these disposal transactions and excludes any general corporate overhead allocations. The interest expense allocated to discontinued operations for the year ended October 31, 2015, 2014, and 2013, was approximately $0, $0, and $615,000. The Company had no discontinued operations for the year ended October 31, 2015 or 2014.

	Twelve Months Ended October 31, 2013		
	Printing	**Herald-Dispatch**	**Total**
Net sales	$ 2,190,236	$ 8,954,004	$11,144,240
(Loss) from discontinued operations	(746,581)	491,367	(255,214)
Income tax benefit (expense)	250,670	(184,608)	66,062
Gain on sale of discontinued operations	(103,802)	547,106	443,304
Income tax on sale (expense)	34,338	(205,548)	(171,210)
Net earnings (loss) from discontinued operations	(565,375)	648,317	82,942

the denominator of which is the total number of shares of the Company then outstanding and any additional shares that the Holders shall be entitled to have purchased.

On and after April 19, 2017, each Warrant Holder, whether holding Warrants and/or shares of any Company Common Stock received as a result of the exercise of any Warrant, shall have the option to require the Company to purchase all, but not less than all of the Warrants and such Common Stock for a purchase price equal to $0.001 per share.

12. CERTAIN SIGNIFICANT ESTIMATES

Our estimates that influence the financial statements are normally based on knowledge and experience about past and current events and assumptions about future events. The following estimates affecting the financial statements are particularly sensitive because of their significance and it is at least reasonably possible that a change in these estimates will occur in the near term.

Goodwill and Intangible Assets

We evaluate the recoverability of the goodwill and intangible assets of each of our reporting units, as required, by comparing the fair value of each reporting unit with its carrying value. The fair values of our reporting units are determined using a combination of a discounted cash flow analysis and market multiples based on historical and projected financial information, in addition to other commonly used valuation methods. We apply our best judgment when assessing the reasonableness of the financial projections used to determine the fair value of each reporting unit.

Allowance for Doubtful Accounts

The Company encounters risks associated with sales and the collection of the associated accounts receivable. As such, the Company records a provision for accounts receivable that are considered to be uncollectible. In order to calculate the appropriate provision, the Company primarily utilizes a historical rate of receivables written off as a percentage of total revenue. The historical rate is updated periodically based on events that may change the rate such as a significant increase or decrease in collection performance and timing of payments as well as the calculated total exposure in relation to the allowance. Periodically, the Company compares the identified credit risks with the allowance that has been established using historical experience and adjusts the allowance accordingly. The underlying assumptions used for the allowance can change from period to period and could potentially cause a material impact to the income statement and working capital.

Beginning at the end of the second quarter 2014 and continuing into the third quarter of 2014, the Company implemented a companywide, weekly, practice of reviewing our accounts receivable and vigorously pursuing collection of past due accounts and keeping slower paying customers within reasonable days outstanding. As a result, our accounts over 60 and 90 days outstanding decreased steadily. Given this information we reviewed our allowance for bad debts and determined we were over reserved by $0.2 million. Pursuant to ASC 250-10-45 paragraph 17, a change in accounting estimate shall be accounted for in the period of change if the change affects that period only or in the period of change and future periods if the change affects both. As such, the Company made the $0.2 million adjustment to the allowance for bad debt at July 31, 2014 and Selling, General and Administrative expense for the quarter ended July 31, 2014. This change in estimate is reflected in the Allowance for Doubtful Accounts and Selling, General and Administrative expense at and for the twelve months ended October 31, 2014.

Given the continued success of collection efforts, and the results of its periodic reviews using historical rates and assumptions, the Company's Management believes the allowance at October 31, 2015 is appropriate.

Deferred Tax Assets

The Company currently intends to maintain a full valuation allowance on our deferred tax assets until sufficient positive evidence related to our sources of future taxable income exists and the Company is better able to identify a longer term solution to our overall current credit situation. Therefore, the amount of deferred tax asset considered realizable could be adjusted in future periods based on a multitude of factors, including but not limited to a refinancing of the Company's existing credit agreement with its secured lenders, and such adjustments may be material to the Consolidated Financial Statements.

14. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through January 29, 2016 for the Balance Sheet dated October 31, 2015.

On January 18, 2016, the Board of Directors of the Company approved a 1-for-200 reverse stock split of the outstanding shares of its Class A Common Stock. As part of the proposed transaction, authorized shares of Class B Common Stock, which are unissued, likewise would be subject to and adjusted for a 1-for- 200 reverse stock split as well.

Pursuant to the proposed transaction, stockholders holding fewer than 200 shares of the Company's Class A Common Stock immediately before the transaction would have such shares cancelled and converted into the right to receive from the Company a cash payment of thirty cents ($0.30) for each such share owned before the reverse stock split. Stockholders holding 200 or more shares of the Company's Class A Common Stock immediately before the reverse stock split will receive one share for each 200 common shares held and, as applicable, fractional shares based on the 1-for-200 reverse stock split ratio. Cash consideration would only be paid to shareholders who, after the reverse stock split, hold less than one (1.0) whole share of the post-split Class A Common Stock.

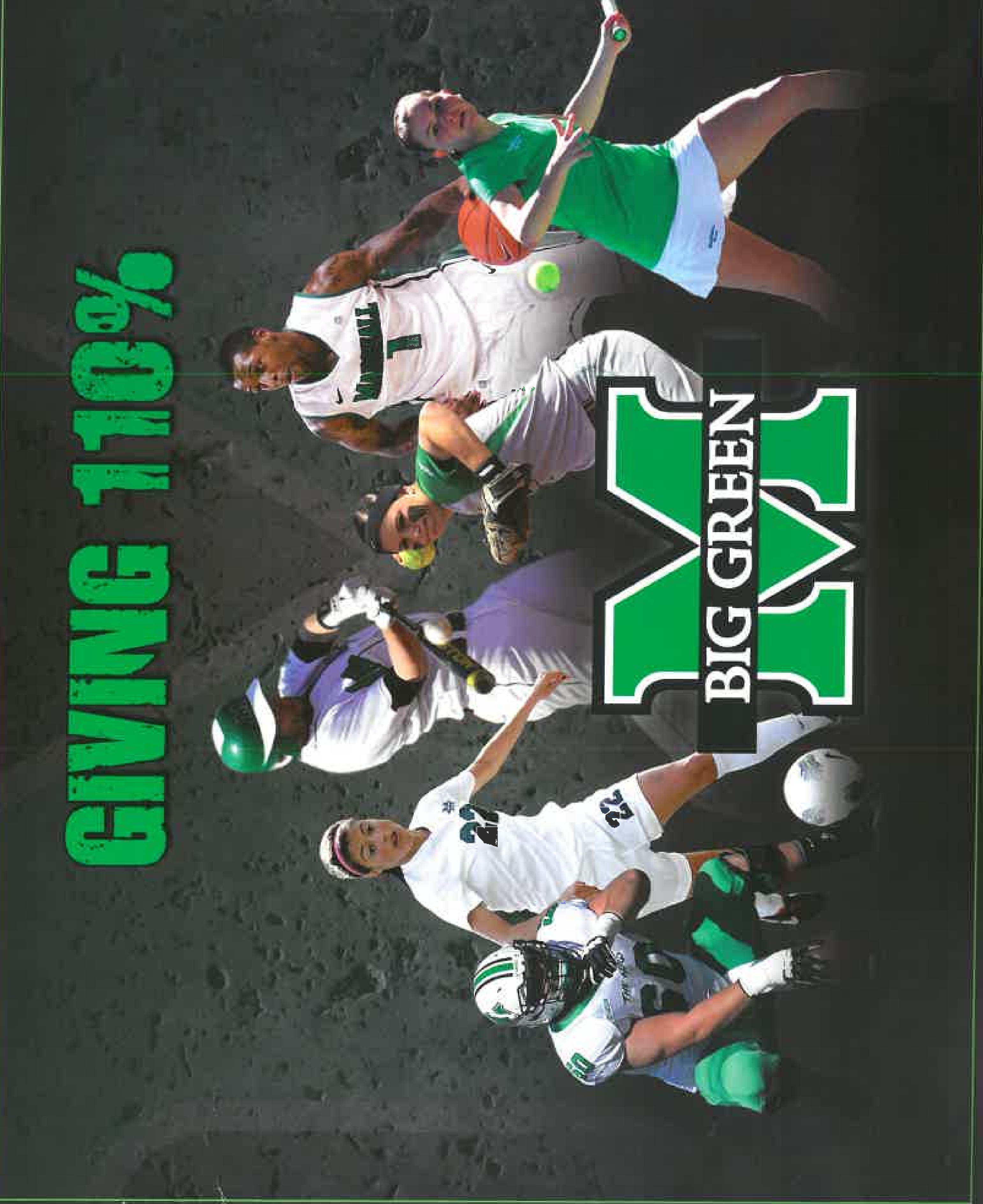
If the transaction is approved by the Company's stockholders and implemented, the Company expects to have fewer than 300 stockholders of record of its outstanding common stock, in which event the Company intends to deregister its shares and cease to be a reporting company under the Securities and Exchange Act of 1934.

Further information about this proposed transaction was filed in the Company's Form 8-K dated January 20, 2016. A definitive proxy statement will also be sent to shareholders for review.

Also, on January 18, 2016, the Board of Directors of the Company approved and recommended that shareholders approve an amendment of the Articles of Incorporation of the Company to create a new class of capital stock, i.e., 2,500 shares of Preferred Series A with a par value of $1,000 per shares. The purpose of this proposed amendment and proposed authorization of such Preferred Series A shares was to allow implementation of a conversion of debt owed to a shareholder into equity in the form of preferred shares, which conversion had been approved by the Board on June 15, 2015 and was disclosed in a previous filing (10-Q filed for the quarter ending April 30, 2015). Specifically, as approved on June 15, 2015, the Board authorized and approved conversion of a $2,500,000 note payable to a shareholder, accruing interest at the rate of 3.25% per annum (3.50% currently), to preferred stock equity that would pay either a 0.00% dividend or 6.00% dividend contingent on the Company's net income after income taxes being at least $1.0 million, such that if the Company's net income after income taxes is less than $1.0 million the dividend rate on such preferred stock would be 0.00%, (the "Conversion"). However, because the Company does not have a class of preferred shares currently, the proposed amendment is necessary in order to authorize creation of the preferred shares necessary to complete the Conversion. The Chairman of the Board, who is also the Chief Executive Officer of the Company, is the shareholder affected by the Conversion and consequently recused himself from the votes on these matters at the Board's July 15, 2015 and January 18, 2016 meetings.

If the transaction is approved by the Company's stockholders and implemented, the Company expects to issue all 2,500 Preferred Series A shares. Further information about this proposed transaction was filed in the Company's Form 8-K dated January 20, 2016. A definitive proxy statement will also be sent to shareholders for review.

2015 BIG GREEN ANNUAL FUND



WHAT IS BIG GREEN?

In the ever changing world of college athletics there has been one constant; the student-athlete. These future leaders face a higher expectation and commitment than at any other time in the history of intercollegiate athletics. At Marshall University, we are determined to help them meet these challenges.

The primary purpose of the Big Green Scholarship Foundation is to support the more than 350 student-athletes at Marshall by raising the funds necessary to provide athletic scholarships. In 2015 the cost of each scholarship will now include *Cost of Attendance* finances for the first time. In turn, each athlete has the responsibility to represent the university with integrity and a competitive spirit the Marshall faithful can be proud of. As in the past, we have seen those qualities throughout Thundering Herd Athletics in 2014.

In addition, the Big Green assists the Marshall Athletic Department's fundraising efforts in attaining capital gifts and special initiatives for coaches and student-athletes alike. The Vision Campaign, Herd Athletic Fund, Endowed Scholarships, and individual sport giving have all played a vital role in making The Herd competitive on a national level.

2015 ANNUAL FUND CALENDAR

JAN 1	2015 Annual Fund begins
MAR 1	Football Season Ticket Renewals mailed
MAR 27	Football Season Ticket Renewal deadline
APR 1	First Installment of Big Green Annual Fund Payment Plan due
APR 10-12	Herd Football scrimmage at The Greenbrier
APR 24	Big Green Dinner
APR 25	Annual Green and White Game (Choose-a-Seat for new season ticket holders)
MAY 1 - JUNE 30	Big Green Coaches Tour
JUNE 1	Second Installment of Big Green Annual Fund Payment Plan due
AUG 1	Third Installment of Big Green Annual Fund Payment Plan due
	All Big Green Annual Fund contributions tied to football Ticketing/Parking due (except those enrolled in approved Big Green payment plans)
SEPT 6	Marshall Football vs Purdue
SEPT 2015	Men's Basketball Season Ticket Renewals mailed
OCT 1	Fourth Installment of Big Green Annual Fund Payment Plan due
DEC 31	Last opportunity to make a gift to 2015 Annual Fund

VANESSA JULES | Track and Field | Silver Springs, MD

"I am eternally thankful for the opportunity this program has given me to do what I love. It has been an incredible ride. The people at the Big Green have opened up so many doors for me at Marshall, and I'm just so thankful!"

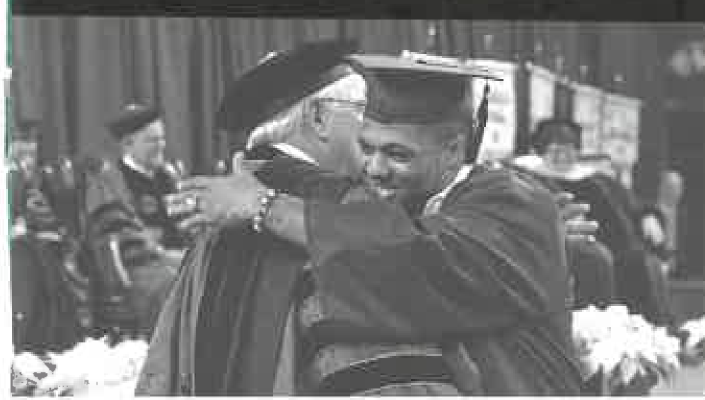
CHAMPIONS:

HERD STUDENT-ATHLETES GIVE 110% ON THE FIELD AND IN THE CLASSROOM.

Marshall triple jumper Jasia Richardson set a new school record, and at the time held the top mark in the country with a leap of 13.56 meters.

Softball Head Coach Shonda Stanton has led her team to three consecutive C-USA Championship games, bringing home the title in 2013.

In the summer of 2014, Katie Kramer of Herd Swimming became the youngest American female in history to swim the Strait of Gibraltar. She is also a Marshall University Yeager Scholar and a Rhodes Scholar candidate.



GIVING 110%

The heartbeat of the Big Green is the Big Green Annual Fund (BGAF). The Annual Fund collects the funds that are transferred directly to Marshall Athletics for student-athlete scholarships. Scholarships are the lifeblood of every athletic program in the country. Without the Big Green, no sport would be competitive at Marshall.

110% CLUB

New for 2015 is the 110% Club. At Marshall, our student-athletes epitomize what it means to give 110%. Whether in the classroom, on the playing field or in the community, they know that "Protecting the M" means going above and beyond what is asked of them.

"DON'T FLINCH"

The challenge to compete at the highest level, year in and year out, requires resolve. With the changes being made in college athletics, we are determined to make the commitment to provide our student-athletes and coaches with the resources needed to be competitive on a national level. Just as we tell our student-athletes to rise to the occasion when facing adversity, we will not back down from this challenge.

We ask you to show your investment in our student-athletes by giving 110% to support their efforts. Simply give 10% more than you gave in 2014* to join the many others who are choosing to make an additional impact on the lives of our student-athletes and committing to raising the profile of Marshall Athletics.

**If you're a new Big Green member for 2015, you can join the 110% Club by giving an additional 10% above your desired Big Green Annual Fund giving level and checking the 110% Club box on your 2015 Big Green Annual Fund Pledge Card.*

110% Club Benefits:

- Weekly Awards

  Online drawings will be held throughout the Big Green Annual Fund calendar year. *(Each 110% Club member's name will be entered into drawings for the duration of the year.)*

- *Prizes to include: exclusive apparel, game tickets, memorabilia, invitations to special events, etc.*

- Enhanced Priority Points

Marco - 2	Leaders - 10
White - 4	Champions - 15
Green - 6	Scholars - 20

- 110% Club special gift

GROUP OF FIVE SCHOOLS TUITION COMPARISON

	UTEP	Western Kentucky	Florida International	East Carolina	Boise State	Marshall	Colorado State	Northern Illinois
In-State	$17,137	$16,504	$14,652	$21,102	$20,742	$19,520	$23,531	$11,339
Out-of-State	$28,197	$30,716	$27,052	$36,299	$33,730	$28,020	$39,711	$21,679

ANNUAL FUND

BIG GREEN PRIORITY POINTS

The current Big Green Priority Points system has been in place for the last 30 years. It is used to determine rank order for seat allocations for Football and Men's Basketball season tickets, priority parking, and tickets for both post-season and off-campus athletic events, i.e., Capital Classic and away Football and Men's Basketball games. Priority Points are awarded based on financial contributions to the Department of Athletics through support to the Big Green Scholarship Foundation, giving, and other forms of long term support.

Points are accumulated based upon each individual account. Annual points accrue yearly and are added to the point total.

Annual Points	**Earned Annually**
Big Green Annual Fund Gift	Unrestricted; 1 point for each $100 contributed
Gift-In-Kind	Unrestricted; 1 point for every $100 of services contributed (Big Green Board approval required)
Endowed Athletic Scholarship Gifts	1 point for every $100 contributed
Individual Sport Gift	Restricted; 1 point for every $200 contributed
Big Green or MU Athletic Event Sponsorship	1 point for each $500 contributed
Herd Athletic Fund	2 points for every $100 contributed

Additional Points	
Lifetime Points	Three points are awarded one-time and based upon each account, such as Marshall athletic letter winner, full-time or officially retired employee, Big Green Board trustee, Marshall alumnus, and Big Green Chapter officers.
Consecutive Years Support	Two additional points are awarded for consecutive years of support through gifts and ticket purchases, i.e., Big Green membership and season ticket purchases.
Sky Suite Holders	Sky Suite holders (football) points are awarded annually and based upon Sky Suite size: 250, 125, or 100 points (3 Sky Suite levels).

CHRIS JASPERSE | Football | Greensboro, NC

"Without Marshall's Big Green Foundation I wouldn't be where I am today. I am grateful for all the Big Green members' time, service and donation. The Big Green has made possible for my teammates and I to pursue our dreams. Thank you to all the Big Green members, we will always remember the impact you've had on our lives."

ANNUAL FUND

PREMIUM SEATING

JOAN C. EDWARDS STADIUM SKY SUITES

Joan C. Edwards Stadium offers three levels of premier Sky Suites. Each suite comes equipped with stadium seating, kitchenette/bar, satellite television, and individually controlled heating and cooling units, along with ample space to host guests while enjoying a great view of the action on the field.

Big Green Annual Fund donation of $1,200 required annually for the duration of the lease:

300 Level (Working Press)
- $22,500 per year: Lease cost includes 12 season tickets, 4 parking passes, and 12 game programs.
- Lessee has the option to purchase up to 10 additional tickets per game at cost of $206 per ticket.

400 Level (Press Box)
- $49,500 per year: Lease cost includes 24 season tickets, 6 parking passes, and 24 game programs.
- Lessee has the option to purchase up to 14 additional tickets per game at cost of $206 per ticket.

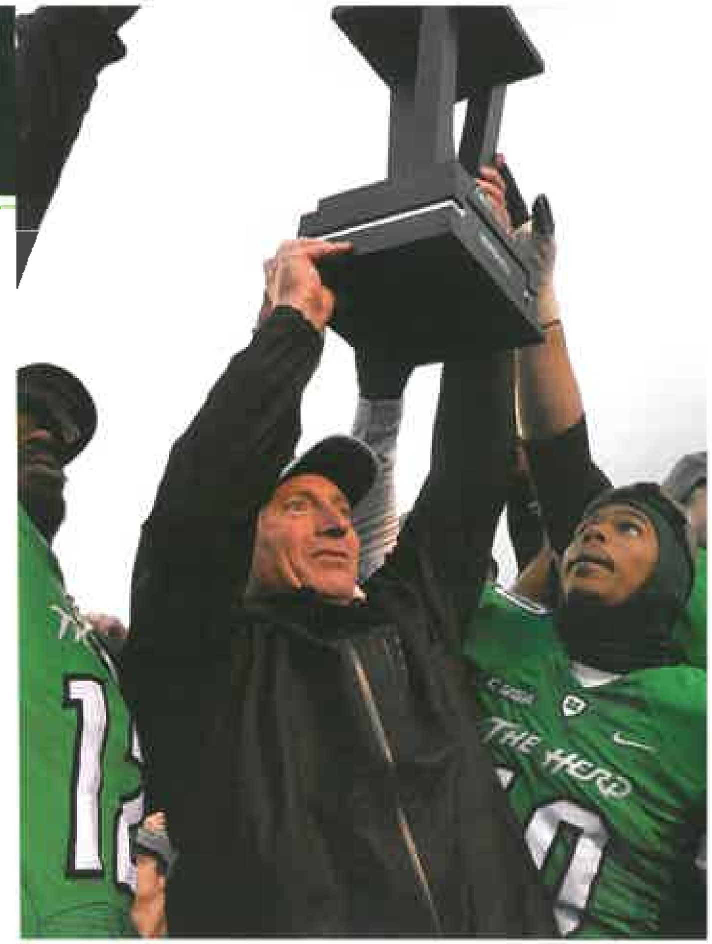
500 Level (Sky Deck)
- $60,000 per year: Lease cost includes 24 season tickets, 6 parking passes, and 24 game programs.
- Lessee has the option to purchase up to 28 additional tickets per game at cost of $206 per ticket.
- Pending availability and based upon priority point order.

CAM HENDERSON CENTER ARENA BOX SEATS

The Cam Henderson Center Arena Box seats offer a bird's eye view of the action from the Baseline Box Seats. Perched above the court on the Main Level Concourse of the arena, these seats offer a secluded view of the game, along with private concessions. A Big Green donation of $300 per seat is required. 2015 season ticket cost is TBA.

CAM HENDERSON CENTER ARENA RESERVED COURTSIDE SEATS

The Reserved Courtside seats offer an unparalleled experience of the action in the Cam Henderson Center Arena. These premium seats are located directly opposite of the team benches on floor level. From these seats you're right in the middle of the action as you cheer on the Herd! A Big Green contribution of $1,000 (above any other required ticketing contributions) per seat is required. 2015 season ticket cost is TBA.



Marshall has a 140-25 (84.8%) record at Joan C. Edwards Stadium giving The Herd the highest home winning percentage of any FBS team.

ANNUAL FUND

M CLUB

M CLUB

The M Club is an organization designed to promote and preserve the friendships and loyalties enjoyed by all former letter winners of Marshall University. The M Club seeks to assist former athletes, coaches, trainers, and managers in remaining actively involved with Thundering Herd athletics. The M Club hosts team reunion weekends, alumni games, Hall of Fame events and recognizes an M Club Member of the Year to celebrate and award those who represent Marshall University with pride, passion and commitment.

Before every home football game, the M Club sponsors a tailgate in the Bob Pruett Pavilion located at the southwest corner of Joan C. Edwards Stadium on M Club Drive. The pavilion serves as a place where members and their guests can congregate and socialize with old and new friends who shared the same experience of being an athlete at Marshall University.

As a former letter winner, you have the opportunity to continue to make a difference in the lives of current student-athletes. You once lived that life; you know the hours, the work and the sacrifice. As a fan you love The Herd, and Kelly Green will always be your color. Be loyal to it by continuing your support of Marshall University athletics. Live the Dream. Create a Legacy.

Benefits:

- Membership Card
- Discounts with select local businesses
- Free admission to M Club Tailgates
- Big Green Member at Marco level
- Game Program Recognition Athletic Publication
- Invitation to Team Reunions

Costs:

Annual $60 - includes all Marco Level Membership Benefits
Brick $150 - commemorative brick outside M Club Pavilion
Endowments - all money donated goes directly into the M Club endowment for scholarships.

How to Join:

For more information about continuing to leave a legacy with Marshall University Athletics and joining the M Club, please visit www.mubiggreen.com, contact the Marshall M Club Office at 304.696.3385 or email Laura Der, M Club Director at der@marshall.edu. To join, purchase a brick, or give to the M Club endowment, please fill out the 2015 Big Green Pledge card or online membership form found on mubiggreen.com and send to:

Marshall M Club
Attn: Laura Der
P.O. Box 1360
Huntington, WV 25715

M CLUB ™

ANNUAL FUND

WAYS TO GIVE

A person wishing to contribute to the Big Green can do so in many ways. All donor giving is unique, so if you have any questions please don't hesitate to contact us at 304.696.4661.

CASH/CHECK/ONLINE DONATIONS

To join the Big Green Annual Fund, simply fill out the 2015 Pledge Card and send to:

Big Green Scholarship Foundation
Marshall University
P.O. Box 1360
Huntington, WV 25701

Phone: 304.696.4661
Fax: 304.696.6665
Email: biggreen@marshall.edu
Online: www.mubiggreen.com

Checks should be made payable to the "Big Green Scholarship Foundation."

DIRECT BANK WITHDRAW

Donors wishing to pay their BGAF pledge via a checking or savings account can do so by filling out the *Consumer Debit Authorization Form* and returning it to the Big Green Office. Note: A voided check and Annual Fund pledge card must accompany form. Withdrawals are taken monthly on either the 5th or 20th of the month.

CREDIT CARDS

Big Green members wishing to pay their BGAF pledge via credit card can do so by enrolling in one of the following payment plans:

1. Monthly - cards are charged either the 5th or 20th of each month.
2. Four Installments - cards are charged April 1st, June 1st, August 1st and October 1st.
3. Three Installments - cards are charged April 1st, June 1st and August 1st.
4. Two Installments - cards are charged April 1st and June 1st.

The Big Green accepts all major credit cards: Master Card, Visa, American Express, and Discover. If you have any questions regarding payment of BGAF pledge via bank or credit card draft please contact the Big Green Office.

GIFTS OF STOCKS

Gifts of stock are accepted and appreciated. Donors or their designated representative should contact the Big Green Office for trading instructions.

MATCHING GIFTS

In many cases donors can apply for a matching gift from their employers that can increase their support to the Big Green, and in some cases, their associated giving level. Donors wishing to submit a matching gift are encouraged to check the Big Green's eligibility against their companies matching gift guidelines, and ensure the matching gift form is returned with their gift.

ANNUAL FUND

ANNUAL FUND

JOIN ONLINE

1. Visit www.mubiggreen.com.
2. Click "Join the Big Green" under the Sports tab.
3. Select 2015 Big Green Annual Fund.
4. Click "log-in" to continue the pledge process.
5. If you are already a customer, please log in. If you are new to the donation process online, click the register now button.
6. Once logged into your account, follow the prompts.

Call the Big Green office if you have any questions 304.696.4661.

All pledges tied to ticketing and parking are due to the Big Green by August 1st, unless enrolled in approved Big Green Payment Plan.

2015 BIG GREEN ANNUAL FUND PLEDGE CARD

Donor # ____________ Name ______________________
(Business name if joining as a business)

Contact ______________________ Spouse Name ______________________

Address ____

City ______________________ State __________ Zip __________

Phone (c) ____________ (h) ____________ (w) ____________

Email ____

Alumni Year __________ Spouse Alumni Year __________
Eligible for one-time rewards of 3 Priority Points.

Marshall Athlete Sport ______________________ Years __________
Eligible for one-time rewards of 3 Priority Points.

Referred By ______________________

Matching Gift Information
If your employer/company has a Matching Gift Program you could be eligible to increase your annual contribution with submission of the appropriate forms.

Company Name: ______________________

Major Gift Giving
A variety of major gift opportunities exist for those wishing to provide support beyond the Annual Fund.

❑ Yes, I am interested in Major Gift Giving.

Athletic Publication Listing Information
Pledge card must be returned to the Big Green office by July 1 to be listed in the football game program and October 1 for the basketball program.

❑ I request not to be listed in the football/ basketball program or any athletic publication.

2015 BIG GREEN ANNUAL FUND PLEDGE CARD

Donor # ____________ Name ______________________
(Business name if joining as a business)

Contact ______________________ Spouse Name ______________________

Address ____

City ______________________ State __________ Zip __________

Phone (c) ____________ (h) ____________ (w) ____________

Email ____

Alumni Year __________ Spouse Alumni Year __________
Eligible for one-time rewards of 3 Priority Points.

Marshall Athlete Sport ______________________ Years __________
Eligible for one-time rewards of 3 Priority Points.

Matching Gift Information
If your employer/company has a Matching Gift Program you could be eligible to increase your annual contribution with submission of the appropriate forms.

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BIG GREEN STAFF

John Sutherland
Big Green Executive Director
Associate Athletic Director for Development
sutherland@marshall.edu
304.696.4661

Teddy Kluemper, III
Director of Athletic Development
Annual Fund Director
teddy.kluemper@marshall.edu
304.696.3401

Doug Wallace
Assistant Director of Athletic Development
Priority Seating and Parking
Endowments
doug.wallace@marshall.edu
304.696.5428

Laura Der
Assistant Director of Athletic Development
M Club Director
MU Volleyball 2010-2013
der@marshall.edu
304.696.3385

Dutch Heiner
Assistant Director of Athletic Development
heiner1@marshall.edu
304.696.3407

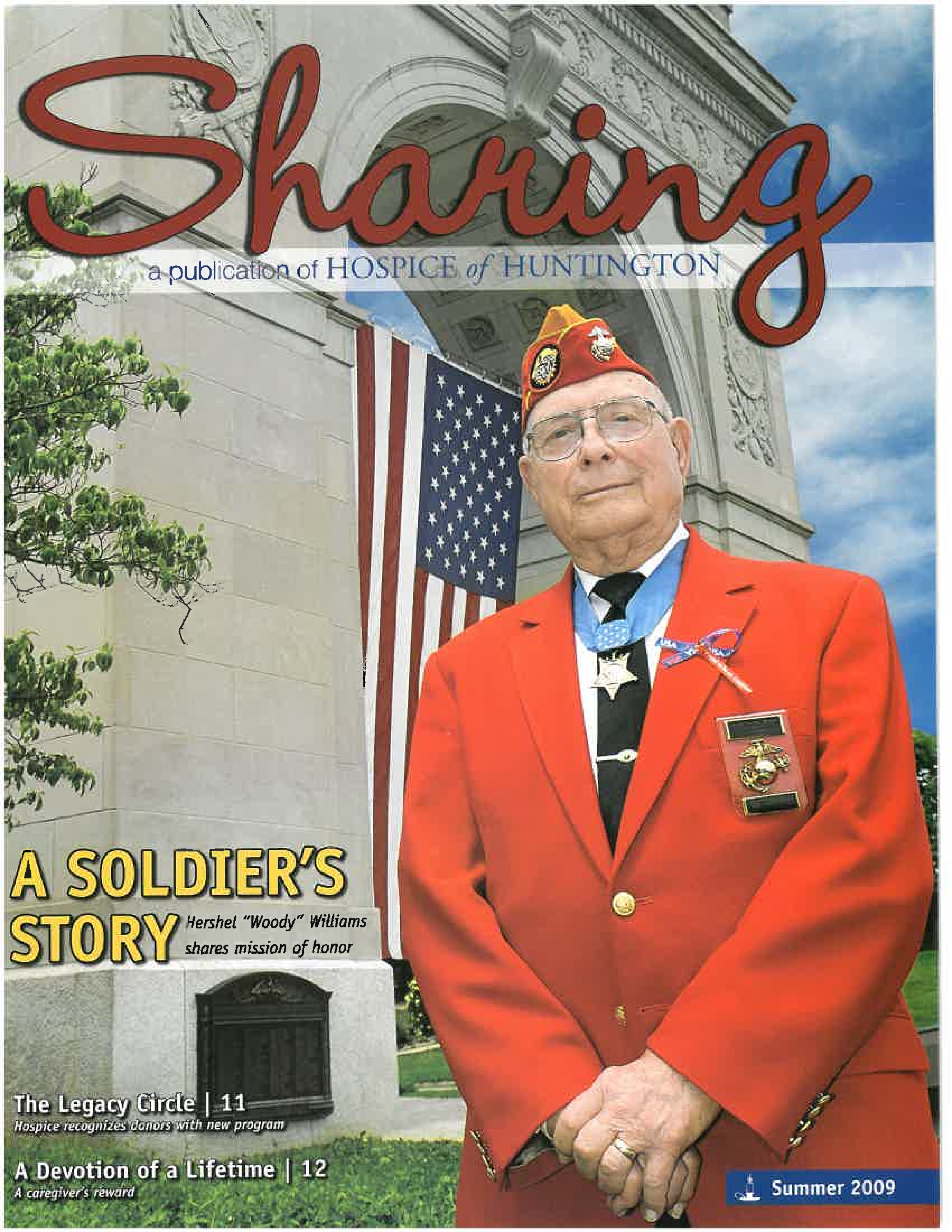
Beverly Lee
Program Coordinator
merritt@marshall.edu
304.696.7138

Leslie Denney
Program Coordinator
MU Cheerleader 1993-1997
denney2@marshall.edu
304.696.4661

Jeremy Rogers
Graduate Assistant
MU Men's Golf 2010-2014
rogers125@marshall.edu
304.696.3978

Dominika Zaprazna
Graduate Assistant
MU Tennis 2009-2012
zaprazna@marshall.edu

ANNUAL FUND



Sharing

a publication of HOSPICE *of* HUNTINGTON

A SOLDIER'S STORY

Hershel "Woody" Williams shares mission of honor

Summer 2009

inside

cover

Photography by Reece Booth

spotlight

also inside >>

patient care

bereavement

volunteers

hospice happenings

fundraising

Charlene Farrell • President & CEO

A Message from the President

World War II veterans are dying at the rate of about 1,000 each day, yet so few know that they could be missing out on benefits to help them at the end of their lives. In June of 1991, I testified before the Senate Veterans Affairs Committee at the invitation of Senator Jay Rockefeller who was advocating for a pilot project to provide veterans with hospice care. Today veterans have access to hospice care through local Veterans Affairs (VA) Hospital outpatient programs and through the Medicare Program if they are eligible. Our local VA Hospital in Huntington, WV works well with Hospice of Huntington by referring veterans who need hospice care at home to Hospice of Huntington.

Oftentimes, veterans are unaware that Hospice of Huntington provides services that could make the last months of their lives fuller—and certainly more comfortable. The big fear among those who hesitate calling in hospice is that a loved one will "give up." The reality is that hospice helps people nearing the end of life to live longer and better than those who do not receive hospice care. The biggest response we get from families is they wish they had called us sooner, because they simply did not know about all the ways we help the patient and family. Many are surprised to learn that hospice care may actually improve a patient's symptoms to the level that they "graduate" from our program.

With so many U.S. veterans possibly facing a terminal illness, let's make sure they get the care they so richly deserve. We need to let them know they do not need to be bedfast, knocking on death's door before receiving hospice care.

We are a phone call away to offer help with care and support for their families. Call us at 304.529.4217 or 1.800.788.5480. Our nurse will visit wherever you live for a free consultation to see if hospice care could help you or a loved one. We can help sooner than you think.

Charlene Farrell

Photo courtesy of Huntington Quarterly.

Lincoln County Events

(Meetings will be held at Lincoln Primary Care Center, 7400 Lynn Avenue, Hamlin, WV)

Grief Education & Support Sessions

Join these sessions covering a variety of issues faced by individuals dealing with grief and loss.

Tuesdays at 1:30 pm

September 8 – "Introduction to Grief"
Learn about effects of grief, reactions many experience, and healthy coping strategies.

October 13 – "Coping with Stress"
Discuss stress management strategies while learning about the relationship between grief and stress.

Wayne County Events

(Meetings will be held at Wayne Public Library, 325 Keyser Street, Wayne, WV)

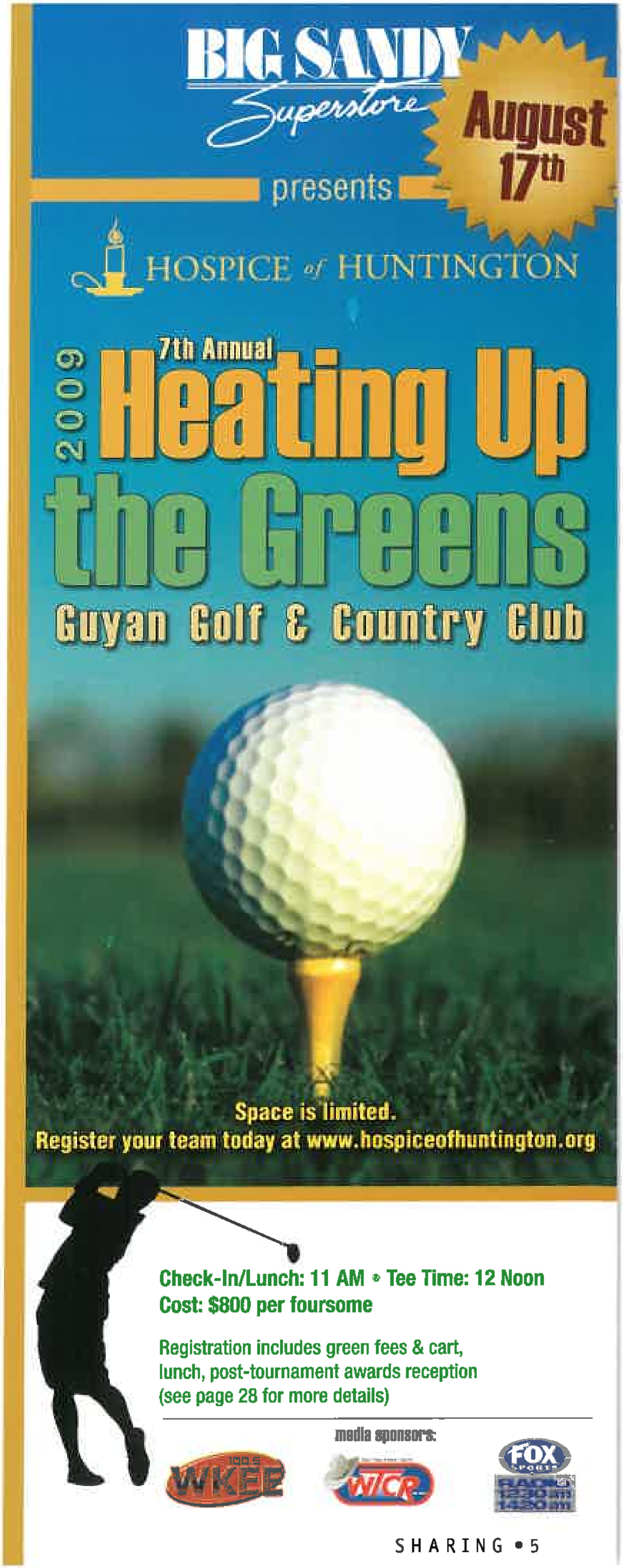
Grief Education & Support Sessions

Join these sessions covering a variety of issues faced by individuals dealing with grief and loss.

Thursdays at 2:30 pm

September 10 – "Introduction to Grief"
Learn about effects of grief, reactions many experience, and healthy coping strategies.

October 8 – "Coping with Stress"
Discuss stress management strategies while learning about the relationship between grief and stress.



"I don't really make a distinction between myself as a man and as a Marine. In many ways, I am defined by my military service, certainly since being awarded a Congressional Medal of Honor."

- Hershel "Woody" Williams

Spending time with Hershel "Woody" Williams at his home in Ona, West Virginia is a real treat. The history surrounding this charismatic World War II hero is as compelling as the silence that engulfs his property, with all its purposeful stillness. I arrived nearly half an hour early for our chat, figuring an old-guard Marine would not mind a bit. I was right, because he was eager to get started.

Inside the home he shared with his lovely wife, Ruby Dale, I was awestruck by the abundance of plaques, letters, statues and medals that consume the majority of wall space of his living room. "I don't really make a distinction between myself as a man and as a Marine. In many ways, I am defined by my military service, certainly since being awarded a Congressional Medal of Honor," he says.

Careful not to refer to him as a former marine (Once a Marine, Always a Marine), it is easy to forget his ripe age of nearly 86 years. His mind is sharp and his eyes are piercing with reverence and forethought. He speaks with deliberate precision. Woody Williams is intently mindful of the details of life he carries with him, even pointing out a factual mistake by a reporter who once wrote about his role in the "war to end all wars." When I suggest it is a friendly reminder for me to get my facts straight, he does not correct my assumption.

This man, affectionately called Woody by those who know him best, is as calm as untreaded water. Sitting in his favorite chair, he answers the telephone that seemingly rings with assurance that whomever is calling really matters. "Hello there. I thought I'd see you on Monday. I was looking for you in the crowd," he says to a veteran colleague and friend who was unable to attend the Memorial Day observance in Huntington's Ritter Park. His mood turns a bit solemn and he quietly utters, "Yes, Sir" several times during their conversation. It was understood that bad news had been delivered and there is no need to press him for details.

Growing up in the small town of Quiet Dell on a dairy farm near Fairmont, West Virginia, Woody's mother gave birth to eleven children. Only six survived. "I'm not sure my parents knew exactly what was causing her to have all those babies," he jokes. But those were tough times and several of the children fell victim to the blow his own horn—a true American hero," said Blackaby.

On June 4th Woody delivered the invocation at the "Night of Heroes" black-tie gala near the nation's capital honoring WWII veterans, as part of his official duties as National Chaplain of the Congressional Medal of Honor Society of the United States. Just two weeks later, he traveled to Benton, Harbor, Michigan to attend a special program commemorating the Pacific D-Day landing and re-enactment of the flag raising at Iwo Jima, the battle for which his valor earned him the nation's highest Medal of Honor in 1945.

Woody Williams relaxes before a Memorial Day service in Huntington's Ritter Park.

When asked to be the featured speaker for an Appreciation Dinner that Hospice of Huntington recently hosted for veterans in Lincoln County, Woody graciously agreed to do so. He has since expressed interest in assisting our efforts to spread the word about the Hospice-Veteran Partnership Program. This national effort allows veterans to access the hospice benefit through VA programs. All Medicare-eligible veterans, whether or not they are enrolled in Veterans Health Administration, have access to hospice care through Medicare. Veterans not eligible for Medicare may have hospice benefits through Medicaid or other private insurance. However, like 90 percent of Americans, most veterans simply don't know that these options exist.

"People need to understand what these brave men and women sacrificed for the freedom we all enjoy today. I can assure you that none of what we enjoy today would be possible were it not for our brave young men and women in uniform, whether they are deployed in Iraq, Afghanistan, or other places in this world," he says with passion.

Among Woody's many projects is the construction of a national memorial monument honoring all mothers of past and future deceased men and women, as well as all mothers who have given their loved ones for our freedom. "No one has ever really focused on the sacrifices that every mother made in sending her son or daughter off to fight the war. Think about it...if it weren't for our mothers, none of us would have ever been here in the first place. Some 405,000 mothers lost children during WWII alone. They deserve to share a place in our nation's history, too," he adds.

Busy as he is, Woody enjoys talking about his beloved wife, Ruby, and the life they built together. Married for nearly 64 years, she died suddenly two years ago. They had two daughters, Travie Jane and Tracie Jean. He still

HOSPICE *of* HUNTINGTON's

Legacy Circle

Plan to make a difference for yourself and a cause you believe in through a charitable gift.

As we each are thankful for the gift of life, we should be mindful that tomorrow is not promised. For some, thoughts of how they want to be remembered may be at the forefront of their mind. Perhaps during those quiet times of reflection, you have considered the best way to make a lasting tribute to Hospice of Huntington—one that will help sustain our mission to care for terminally ill patients for many years to come.

So many generous people shared the vision for building our beautiful Emogene Dolin Jones Hospice House, which recently marked its third anniversary for providing quality end-of-life care to those in need. This would not have been possible without gifts, large and small, from people like you. To continue this tradition of giving, we are pleased to announce the "Legacy Circle" program to recognize donors who help provide for the future viability of Hospice of Huntington through their estate plans. These future gifts can take many forms, such as a bequest through a will or personal trust or one of several charitable life-income plans.

Your membership in the Legacy Circle involves no dues, obligations, or solicitations, but it does allow us to thank you and recognize you for the plans you have made, and it may inspire generosity in others. Benefits of membership in Legacy Circle include annual luncheons, receptions, and invitations to attend special events and seminars presented by Hospice of Huntington. The most important benefit, however, you will receive from joining the Legacy Circle is the satisfaction derived from making a lasting contribution towards our long-term prosperity.

Hospice of Huntington welcomes those who have made the decision to "leave a legacy" to Hospice of Huntington through their estate plan. We look forward to recognizing legacy donors throughout the year and assisting new legacy donors to fulfill their desires to continue Hospice of Huntington's vision.

If you have designated Hospice of Huntington as a beneficiary or are interested in finding out how you can make an impact for future generations, please contact Karen Dickson, Director of Planned Giving and Major Gifts at 304.633.2169 or visit www.hospiceofhuntington.org. ■

that for him. She did everything that he asked of her. It was so hard on her and I could see the toll it had taken on her own health," said son Brent, now living in Florida.

When William Ferrell was admitted to the Emogene Dolin Jones Hospice House, the family was surprised to see signs of improvement during the brief time he was there. In fact, he no longer met the criteria for general inpatient care. "He was sitting up in bed—something he had not done at the hospital. He also started eating much better. They did everything they could for him there. I believe he thought he would be going back home," adds Brent. But that never happened. The family chose to have him moved to an area skilled nursing facility in hopes of getting stronger, but his weakened heart prevented that. He died two weeks later.

Looking back on the care he received while at the Hospice House, Yolanda nods her head in calm reassurance that her husband received the best care he could get in his final weeks of life. "I can't think of a better place for him to have been. The day he died, he was talking to our son and was very aware of what was going on. I would tell anyone I know that you don't have to walk this journey alone, because there are experts who will stand by your side," she said.

Freedom: the Body, Mind and Spirit

By Kit Jenkins, Chaplain

Americans have the wonderful privilege of living in a free country where we enjoy free press, free speech and free worship. Our big holiday of the summer is July Fourth and we should always remember that our freedom has come at a cost. This summer, let's remember our aging veterans from World War II and Korea. These have been called the Greatest Generation.

To use a phrase I've seen at my Legion Post, "All gave some and some gave all." These simple words don't do justice for their sacrifice, but we have an opportunity to say thank you in a tangible way. This is through the Hospice Medicare benefit. Our veterans don't have to suffer like they did on Iwo Jima, the Normandy beaches or Chosen Reservoir. Instead, we can provide freedom from all aspects of pain encountered by those with a terminal illness. This includes the spiritual pain caused by holding in unpleasant memories of combat or behavior during the stress of warfare.

The hospice care teams serving our patients and families are dedicated to bringing comfort through medicine, navigating the "red tape" and providing a listening ear or counsel if asked. Having hospice care makes living with a terminal or life-limiting illness easier and pain free for our quiet heroes. We hope you enjoyed family barbeques, picnics and yes, the parades in honor of those who sacrificed, and continue to do so, in honor of this great country of ours.

Remember to say thank you to the people who, when called, raised their right hand and solemnly pledged to defend the Constitution against all enemies foreign and domestic. Don't let them suffer in silence. We want to encourage our veterans to accept the help that hospice care provides for them. It is their choice and their right. Let's give them freedom from pain. Have a wonderful summer! ▪

All gave some and some gave all.

THE "WORKS" PIZZA SALAD

INGREDIENTS:

- 12" Boboli pizza crust cut in 1" cubes
- 10 oz. bag chopped Romaine lettuce
- 4 Roma tomatoes sliced or diced
- 1 small red onion sliced or diced
- 1 bell pepper sliced or diced
- 1 small package sliced pepperoni
- 1 12-oz. package shredded Mozzarella cheese
- 1/2 small jar mild banana pepper rings
- 1/2 small jar sliced olives
- 8 oz. bottle Italian salad dressing
- grated Parmesan cheese

PREPARATION:

Combine all ingredients in a large bowl, toss to blend and serve immediately.

CROCK POT BBQ PULLED PORK

INGREDIENTS:

- 1 whole pork shoulder or Boston butt
- 2 Tbsp. BBQ dry rub
- 1 bottle BBQ sauce
- 1/4 c. Cider vinegar
- 2 Tbsp. liquid smoke
- Tabasco or any hot sauce (however much you like)

PREPARATION:

Turn crock-pot to high; rub meat with the dry rub and place in the crock-pot. Pour BBQ sauce around the meat then pour the vinegar, hot sauce and liquid smoke into the BBQ sauce bottle, shake to mix then pour over the meat. Turn crock-pot to low and cook with lid for 8 – 10 hours. Turn crock-pot off and remove meat to a large bowl, let cool enough until you can pull the meat with your hands, removing fat as you go. Serve on buns with extra BBQ and hot sauce.

CAROLINA BBQ COLE SLAW

INGREDIENTS:

- 1 head cabbage, green leaves included, shredded
- 1 carrot, shredded
- 1/4 c. chopped green pepper
- 1/4 c. chopped red onion
- 2/3 c. vegetable oil
- 1 c. cider vinegar
- 1 c. sugar
- 1 Tbsp. celery seed
- 1 Tbsp. Dijon mustard
- 1 Tbsp. salt

PREPARATION:

In a saucepan bring to a boil vegetable oil, vinegar, sugar, celery seed, mustard and salt. Let cool slightly then toss with prepared vegetables while still warm. Cover and refrigerate overnight. Great on pulled pork.

FUDGESICLE PIE

INGREDIENTS:

- 18 Oreo cookies, crushed
- 1/3 c. butter, melted
- 1 c. milk
- 4 oz. box chocolate instant pudding mix
- 8 oz. container cool whip
- 2 c. chocolate ice cream, softened

PREPARATION:

In a large mixing bowl, combine crushed cookies and butter and mix well until crumbly. Press evenly and firmly into the bottom and sides of a 9" pie pan. Refrigerate while making the filling. In a large bowl, combine milk and instant pudding mix. Beat with an electric mixer until well blended, fold cool whip into chocolate pudding mixture. Gently fold in softened chocolate ice cream and pour into prepared crust. Cover and freeze until firm, 3 – 4 hours. Let stand at room temperature for 5 – 10 minutes before slicing. Garnish with chocolate sprinkles.

WORKING THROUGH Grief

By Mary L. Marks, MSSW, CT, Bereavement Coordinator

The hard work of grief leaves many bereaved individuals feeling exhausted and fatigued. While relying on personal coping skills and previous grief experiences, some feel overwhelmed by grief reactions that may be emotional, physical, cognitive, behavioral and spiritual in nature. In searching for how to deal with grief, the bereaved may wonder about grief support services provided by Hospice of Huntington. What are grief support services? How are they provided?

Research indicates that developing a strong support system and maintaining connections to supportive and caring people can be key elements for coping with grief and loss. In providing grief support services to the communities we serve, the focus of our Bereavement Department is assisting bereaved in understanding unique aspects of a particular grief experience for each person. This includes providing education about how grief may affect many of aspects of life and how uniquely each person may respond to loss. While building upon each person's skills and strengths, our grief support programs also promote developing emotional health and coping strategies. Additionally, we support each person in finding meaning and continuing life without the one who died. Most of this grief work is accomplished through conversations with the bereavement counselors, sharing with members of group sessions, reviewing grief literature, and personal reflection.

Through participating in Hospice of Huntington grief supports services, bereaved individuals may develop foundations for coping with grief and loss based on key lessons or suggestions for self care, including:

BEING PATIENT - Grief takes time; there is no timeframe for grief as it takes as long as it takes. Grief brings "ups and down" - days of feeling good contrasted by days of sadness. The only way to grieve is to go through it.

EXPRESSING EMOTIONS IN A HEALTHY WAY - Shedding tears and/or learning how to release difficult emotions such as anger or guilt may be part of the grief process. Sharing thoughts and feelings by talking or journaling about them are both means of releasing them.

MAINTAINING A HEALTHY DIET; GETTING REST, AND EXERCISING - One means of finding strength and dealing with fatigue is by taking care of physical needs.

FINDING A SUPPORT SYSTEM OF GOOD LISTENERS - Family and friends may want to ease pain but not know how; it is important to let them know how to be supportive as well as accept their caring expressions.

POSTPONING MAJOR DECISIONS (moving, changing jobs, etc.) for at least a year, if possible. This may include taking time before making decisions about a loved one's belongings.

AVOIDING USING ALCOHOL AND DRUGS - Not only are many such substances addictive and can lead to chemical dependence, they may also stop or delay the grief process.

RESUMING OR DEVELOPING A ROUTINE - Setting small goals to help structure each day. Eventually this will lead to moving toward goals for the future.

CONTINUING THE BOND. Talking about a loved can bring comforting memories while finding special ways to remember a loved one may be personal or shared with others.

To learn more about our grief support services, call the Bereavement Department at 304.529.4217 or 1.800.788.5480. For a list of upcoming meetings, please refer to page 4.

> "Death is simply a shedding of the physical body like the butterfly shedding its cocoon. It is a transition to a higher state of consciousness where you continue to perceive, to understand, to laugh, and to be able to grow."
>
> - DR. ELISABETH KUBLER-ROSS

2009 NURSING AWARD
Dennis Moore, RN

2009 SOCIAL WORK AWARD
Diana Cowell, MAT, MSW, ACHP-SW

2009 HOSPICE AIDE AWARD
Raymond Aliff, CHPNA

2009 FUNDRAISING AND DEVELOPMENT AWARD
Ruth Swanson

2009 HEART OF HOSPICE AWARD
WAYNE COUNTY VOLUNTEERS
Patricia Perry
Jean Artis
Jim Webster
Shirley Danysh
Martha Frye

2009 CASPER FRANK AWARD
Reverend Ed Atchley

2009 GEORGE PARKER SPIRIT OF HOSPICE AWARD
Reverend Suzanne Ellis

2009 OFFICE VOLUNTEER AWARD
Anne Tebbetts

2009 PATIENT CARE VOLUNTEER AWARD
Billie Keller

2009 BEREAVEMENT VOLUNTEER AWARD
Janet Brammer

Visit www.hospiceofhuntington.org to view more pictures of the Annual Appreciation Dinner

Flowers A-Bloom!

STUDENTS LEND A HELPING HAND

Student volunteers from Buffalo Middle School recently spent time planting beautiful flowers at our main office location in downtown Huntington. We want to extend a special "Thank You" on behalf of all our employees who take pride in making our workplace as beautiful on the outside as the hearts of those who provide care to our patients.

(Pictured L to R) Torie Wellman, Audrey Barr, Jacy Smith, Hunter Waugaman, Hannah Ray, and Kassidy Lemons.
(Not pictured) Shari Pinson, Teacher and Liz Ryder, Assistant Principal

WE NEED **YOU**...

Hospice of Huntington is always in need of patient volunteers. If you want to make a difference in someone's life, consider joining our growing number of volunteers. Contact Lisa Floyd, Director of Volunteer Services at 304.529.4217 or by email at lfloyd@hospiceofhutnington.org.

Recent Expos and Health Fair Help Spread Awareness

We were very busy this spring! We took our message of providing quality end-of-life care directly to the community by participating in WKEE's Working Women's Expo, the Magic 97.9 Family Expo, HIMG Health Fair, and the Rylee's Rally event. It was great to hear from so many people who stopped by our booth to share personal stories and ask questions about our programs and services. ■

"Harmony for Hospice" Strikes a Chord

By Denise Springer, Community Education Specialist

Hospice of Huntington in Wayne County hosted a special gospel concert at the Wayne Community Center on May 2nd. The event was offered free to the community, with the generous support of local music and school groups, as well as Alvis Ferguson, who graciously agreed to allow us to utilize the facility there. More than 350 people came out that day to hear some of their favorite local groups sing and raised more than $2,000 in donations toward support of our programs and services.

Groups performing included Happy Hollow Quartet, Glorybound, Blessed, Pilgrims on a Journey, Highway 316 and Wilson Creek. Students from Wayne Elementary and Wayne Middle School also performed. The program began with a performance by the Williamson Family, who sang, "Jesus Loves Me." Many in the crowd were moved to tears by the three youngsters. We want to thank everyone who came out that day. The occasion provided a wonderful opportunity for us to share information about our programs and services. ▪

Your Financial Support Makes a Difference

Consider making a donation to Hospice of Huntington using the enclosed envelope or visit **www.hospiceofhuntington.org** to make your contribution online today. ▪

Mike Prestera (right) answers questions about Advance Directives

National Healthcare Decisions Day April 16th

In recognition of National Healthcare Decisions Day, we held workshops throughout our service area to educate the community about the importance of such important matters as designating a Medical Power of Attorney, creating a will, and completing an Advance Directive to inform loved ones of your final wishes.

In addition to visiting public libraries in Cabell, Wayne, Lincoln and Lawrence County (OH) during the week, we also spent a day at Cabell Huntington Hospital, where we partnered with the Pastoral Care department. Nearly 20 people completed the materials that day. Many others took the information home to discuss with their family. Among our own staff, some 15 employees opted to complete an Advance Directive as well. We also appreciate the many heartwarming stories people shared with us regarding their personal experience with hospice. To learn more about Advance Directives, call 304.529.4217.

Put it in Writing

☐ Yes, I would like to reserve my engraved brick(s) on the Emogene Dolin Jones Hospice House Memorial Path.

Purchaser's Name: ____________________

Business Name (if applicable): ____________________

Mailing Address: ____________________

City: ____________________ State: __________ Zip: __________

Daytime Telephone: (   ) ____________________ Fax: (   ) ____________________

PAYMENT INFORMATION

Number of Bricks ______ x $200 (each) = $ __________ (amount enclosed)

☐ Check enclosed (make payable to Hospice of Huntington, Inc.)

☐ Please charge the full amount to my credit card (Visa®/Mastercard®).

Deadline
August 15, 2009

Billing Address (if different from above): ____________________

City: ____________________ State: __________ Zip: __________

CARD NUMBER: ____________________ EXPIRATION DATE: __________

3-DIGIT SECURITY NUMBER ON BACK OF CARD (CRV NUMBER): __________

I authorize Hospice of Huntington to charge the total amount to my credit card.

SIGNATURE (required): ____________________ DATE: __________

PLEASE ENGRAVE THE FOLLOWING ON MY MEMORIAL BRICK(S):
(maximum of three lines with 20 characters per line, including spaces)

	CHARACTERS																			
LINE 1																				
LINE 2																				
LINE 3																				

All text will be centered on brick. Bricks will be ordered once a total of 100 requests are received, and will be installed in the early fall of 2009. You will be notified when your brick is ready and installed at the Emogene Dolin Jones Hospice House.
NOTE: If purchasing more than one brick, please photocopy this Order Form or visit us at **www.hospiceofhuntington.org** to download it.

HONOR THE MEMORY OF SOMEONE YOU LOVE
Purchase a personalized brick as a lasting tribute TODAY.

Please mail this completed form to:
Hospice of Huntington, Inc.
ATTENTION: Brick Campaign
PO Box 464 • Huntington, WV 25709

or fax to: (304) 781-2670
for more info call: (304) 529-4217 or 1 (800) 788-5480

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We Light the Way

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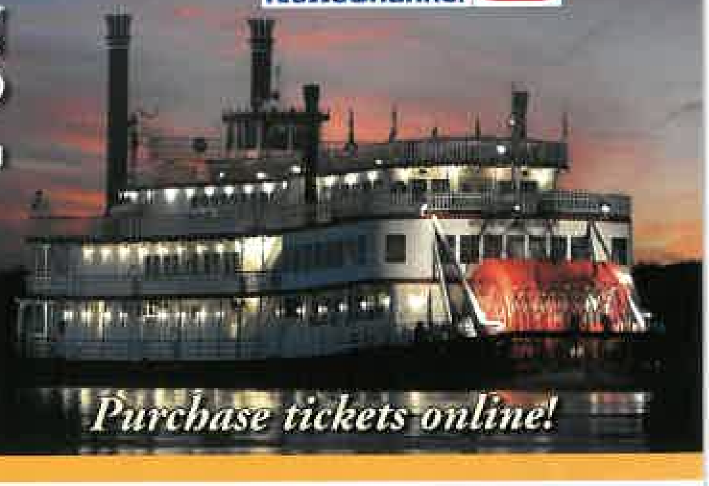
HOSPICE *of* HUNTINGTON, INC.

LIGHTS *of* AUTUMN

Fall 2009

Presented by: WSAZ NewsChannel 3

2009 LIGHTS OF AUTUMN REGISTRATION/TICKET FORM



BELLE of CINCINNATI Dinner Cruise

MONDAY, OCTOBER 5, 2009

HARRIS RIVERFRONT PARK, HUNTINGTON

SAIL TIME 7:00 PM | BOARDING TIME 6:00 PM

Tickets: $125 *(general)* **$150** *(reserved)*
(prices are per person • portion is tax deductible)

Purchase tickets online!

2-1/2 hour cruise on the Ohio River | EVENT INCLUDES DINNER & LIVE MUSIC

(PLEASE PRINT)

NAME____________________ DATE__________

ADDRESS______________________________

CITY______________ STATE________ ZIP__________

PHONE NO. (   ) ______________ EMAIL ADDRESS (opt.) ______________

NUMBER OF TICKETS PURCHASED ________ x $125.00*

**Order 10 or more tickets and receive a reserved table for free*

TOTAL $________

RESERVED SEAT(S) ________

@ $150.00 per ticket
(minimum 2 tickets)

TOTAL $________

PAYMENT TYPE
CASH ☐
(check #______) CHECK ☐
CREDIT CARD ☐
INVOICE ☐

PREFERRED ENTERTAINMENT/DECK

Reserved Table Name: ______________

CREDIT CARD INFORMATION

NAME AS IT APPEARS ON CARD______________

☐ VISA ☐ MASTERCARD ☐ DISCOVER ☐ AMERICAN EXPRESS

CARD NUMBER______________ EXPIRATION DATE__________

3-DIGIT SECURITY NUMBER ON BACK OF CARD (CRV NUMBER) __________

I authorize Hospice of Huntington to charge the total ticket amount to my credit card.

SIGNATURE______________ DATE__________

OPTION FOR TICKET DELIVERY LOST TICKETS **WILL NOT** BE REPLACED.

☐ PLEASE MAIL MY TICKET(S) ON SEPTEMBER 21, 2009

☐ I WILL PICKUP MY TICKETS AT HOSPICE OF HUNTINGTON.
TICKETS AVAILABLE SEPTEMBER 21-25, 2009

SIGNATURE______________ DATE__________

PAYMENT INFORMATION

PAYMENT TYPE

☐ CASH ☐ CHECK (#______) ☐ CREDIT CARD ☐ INVOICE

☐ **PAID IN FULL**

☐ TI-"KEE" PARTY ISLAND — BIG SANDY Superstore, WKEE

☐ TAKING IT (BIG) EASY, Tribute to Nawlins — COMPRECARE

☐ DAWG DAYS AT MYRTLE BEACH — The Dawg, Chapman Printing Company Huntington

**Entertainment subject to change*

Please mail this completed form to:
Hospice of Huntington, Inc.
ATTENTION: Lights of Autumn
PO Box 464 • Huntington, WV 25709

or fax to: (304) 523-6051
for more info call: (304) 529-4217 or 1 (800) 788-5480

INTERNAL USE ONLY: RESERVED TABLE NUMBER(S) __________ TICKET NUMBERS ISSUED TO THIS CUSTOMER __________

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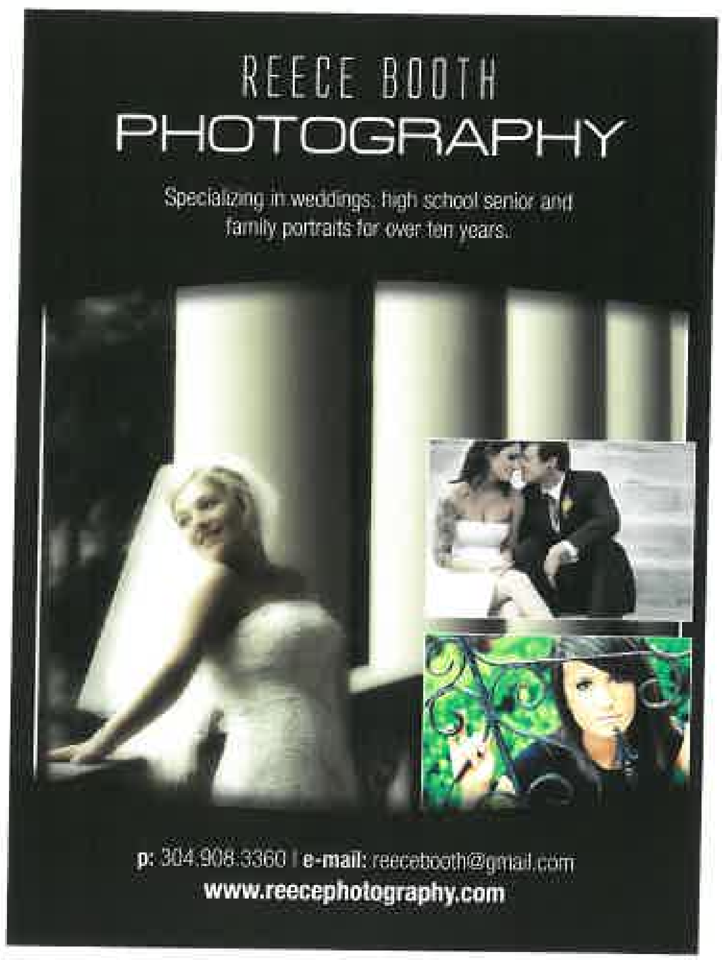

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When you hear the word "cancer" in connection with your name, it's never easy. St. Mary's has a team of professionals who will provide the care and support you'll need during treatment.

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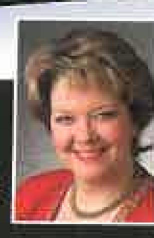

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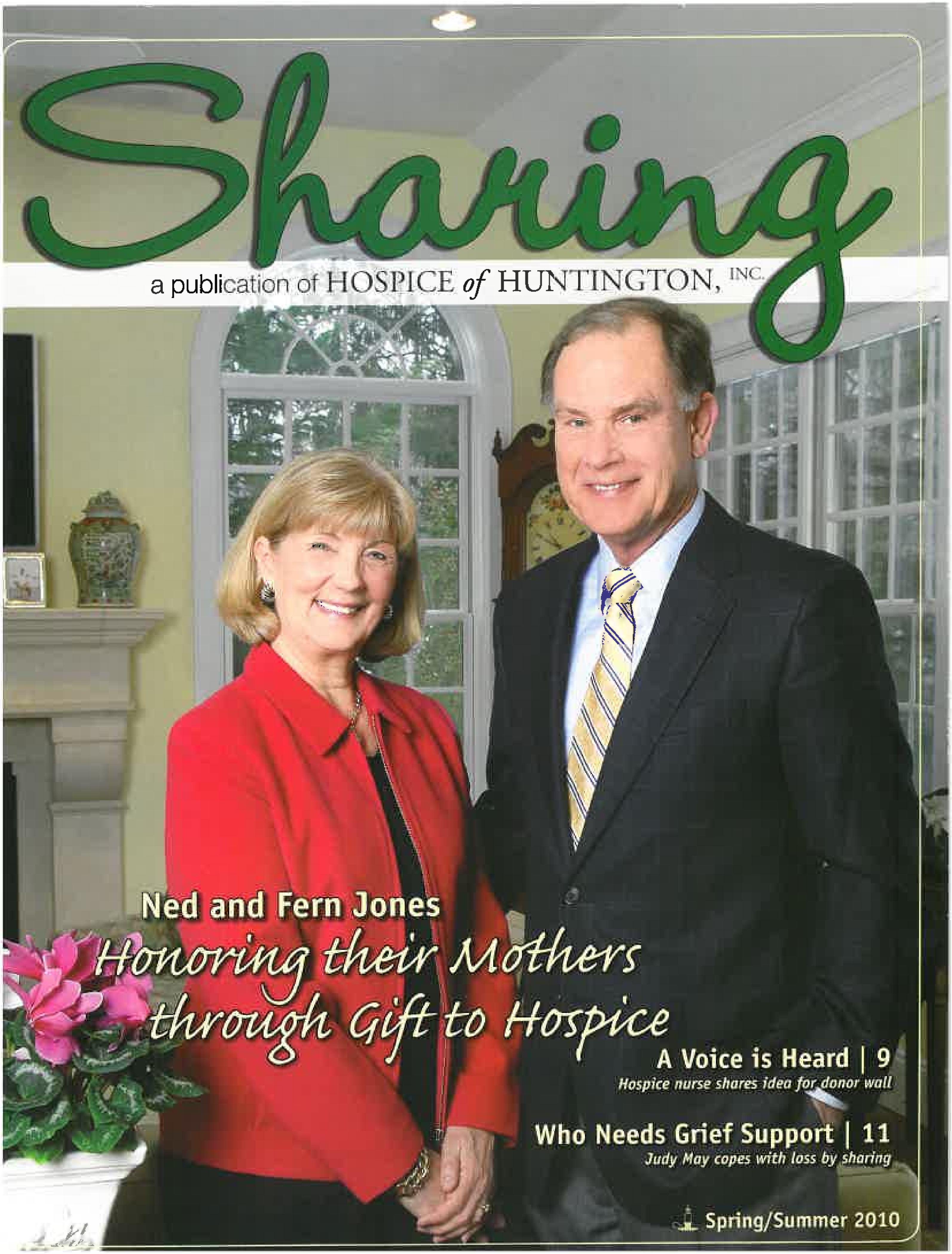


Ned and Fern Jones

Honoring their Mothers through Gift to Hospice

A Voice is Heard | 9

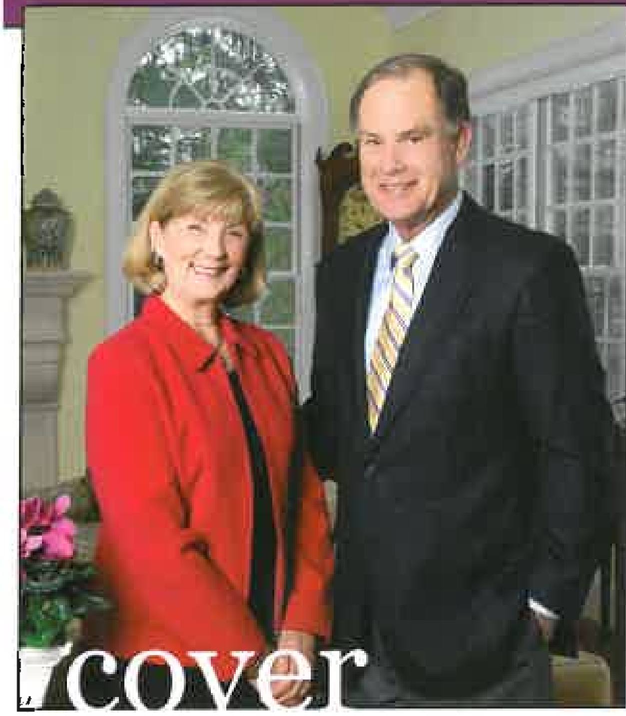
Hospice nurse shares idea for donor wall

Who Needs Grief Support | 11

Judy May copes with loss by sharing

Spring/Summer 2010

inside



Photographer: *Reece Booth*

spotlight

also inside >>

patient care

bereavement

volunteers

fundraising

community corner

A Message from the President

Charlene Farrell • President & CEO

Nearly one of 10 people is a family caregiver for senior citizens. And, as the "Baby Boomer" generation ages, that number will increase. It might surprise you to know that the value of services provided by family caregivers is estimated to be $306 billion dollars a year (nearly double the amount spent on homecare and nursing home services combined), according to the family caregiver website.

Even though caregivers have plenty of company sharing their plight, they often feel isolated and inadequate to deal with the day-to-day issues of caring for a dependent adult—who, at times, may not be all that cooperative or seemingly appreciative of the care they are receiving. Given the reality that family caregivers may sacrifice their own career, living space, and even their own health to care for a loved one, it's an even more challenging role.

Our team of hospice professionals can help caregivers much sooner than they think. Although families typically call upon us in the last weeks of life for a loved one, hospice care is available for six months. During this time, caregivers receive help with bathing and shaving the patient. They receive expert advice on the actual medical and nursing care. We even provide an on call nurse twenty-four hours a day, seven days a week, so that any crisis or question that comes up can be answered immediately. Counseling services are also available to help ease the caregiver's feelings of anxiety or guilt, and especially grief. The financial burden is lessened, because hospice services are covered by most insurances, and care is provided regardless of ability to pay. We also work with the patient's doctor throughout the hospice experience to provide updates on the patient's condition, deliver the best care and keep your loved one as comfortable as possible.

Studies show that patients with hospice care live longer and better than those without this specialized care. So, why are so many people reluctant to ask for hospice services? Most often, we hear that caregivers feel it is their duty to care for their loved one, and not to share the burden. Or, the caregiver has been in caregiver mode for so long, that he or she does not realize the end is near. We know that our hospice team provides the security and peace of mind about the care of the patient, allowing the caregiver to be free to relate to the patient as husband, wife, son or daughter. This opens up the relationship to say those important things while there is time left to say them. Because of the support received along the way, our patient's families are more likely to deal with grief afterwards in a healthy way.

If you or someone you know has a loved one who might be eligible for hospice services, our nurse will visit, wherever you call home, for a free evaluation. Help is only a phone call away, and Hospice of Huntington is ready to answer. Call us at (304) 529-4217 or 1(800) 788-5480.

Charlene Farrell

Lawrence County, Ohio

(Meetings will be held at Briggs Lawrence County Public Library, 11054 County Road 1, Chesapeake, Ohio)

Among Friends

Bring your lunch and share in discussions about grief and loss regarding upcoming meeting topics.

Tuesday, April 13 at 12:00 noon – Coping with the Loss of Spouse or Life Partner | Tuesday, May 18 at 12:00 noon - Coping with Parental Loss

Special Events

Patient Care Volunteer Training

Call Lisa Floyd, Director of Volunteer Services for details (304) 529-4217. (Date and time to be announced)

National Healthcare Decisions Day | April 16

We encourage you to complete an Advance Directive to let your loved ones know your final wishes. For help, call (304) 529-4217.

Cabell County

Emogene Dolin Jones Hospice House | 3100 Staunton Road | 11 am - 1 pm
Hospice of Huntington Business Office | 1101 Sixth Ave. | 11 am - 1 pm
Cabell Huntington Hospital, Main Lobby | 10 am - 2 pm

Lincoln County

Lincoln Primary Care Center | 7400 Lynn Ave. | 11 am - 2 pm

Wayne County

Hospice of Huntington Office | 216 Keyser | 11 am - 2 pm

Lawrence County

Briggs Lawrence County Public Library
11054 County Road 1 | 11 am - 2 pm

Harmony Sing for Hospice Concert | April 17

Saturday, April 17 | 5:00 pm | Wayne County Community Center
FREE Event Organized by Wayne County Advisory Board

Hospice of Huntington Employee and Volunteer Appreciation Dinner | May 4

Tuesday, May 4 | 6:00 pm | Don Morris Room, Marshall University

Heating Up the Greens Golf Scramble August 16

Monday, August 16 | 12 Noon | Guyan Golf & Country Club
See page 24 for details

Pia Margot Sinka Porter

Nedra Wilhelm Jones

After relocating to Arizona, Pia eventually retired as a senior financial systems analyst. She volunteered for the American Cancer Society, hiked the Grand Canyon, and even achieved champion status for her beloved Bernese Mountain dog, a retirement gift from Fern and Ned and the breed which they now have as their family dog. "Mom loved life and she was always willing to drop everything when we needed help. When our kids were young, she would use her annual leave to join us on vacation so that she could help with our children," recalls Fern.

"People have to be a strong advocate for a loved one, but hospice allows you to relax and be free from worry."
-Fern Jones

Following her mother's lead, Fern and Ned often accompany their children on trips to help with the grandchildren. As fate would have it, they were vacationing with their son's family in the Grand Cayman Islands when Fern's beloved mother, Pia, died in January of 2008. She had been at the Emogene Dolin Jones Hospice House a month earlier but recovered enough to return to her home in assisted living. Fern says that it was the loving care of Hospice that made it possible for her to continue to spend time with her grandchildren.

For Ned Jones, losing his mother after a 14-year battle with severe health problems was agonizing. Ned recounted, "Many times during those years, especially the last three or four, Mom had episodes where we thought we were going to lose her. When she was able to return home from the hospital, hospice was there to provide the medical care she needed, so that we could keep her in the comfort of her own home until she passed away."

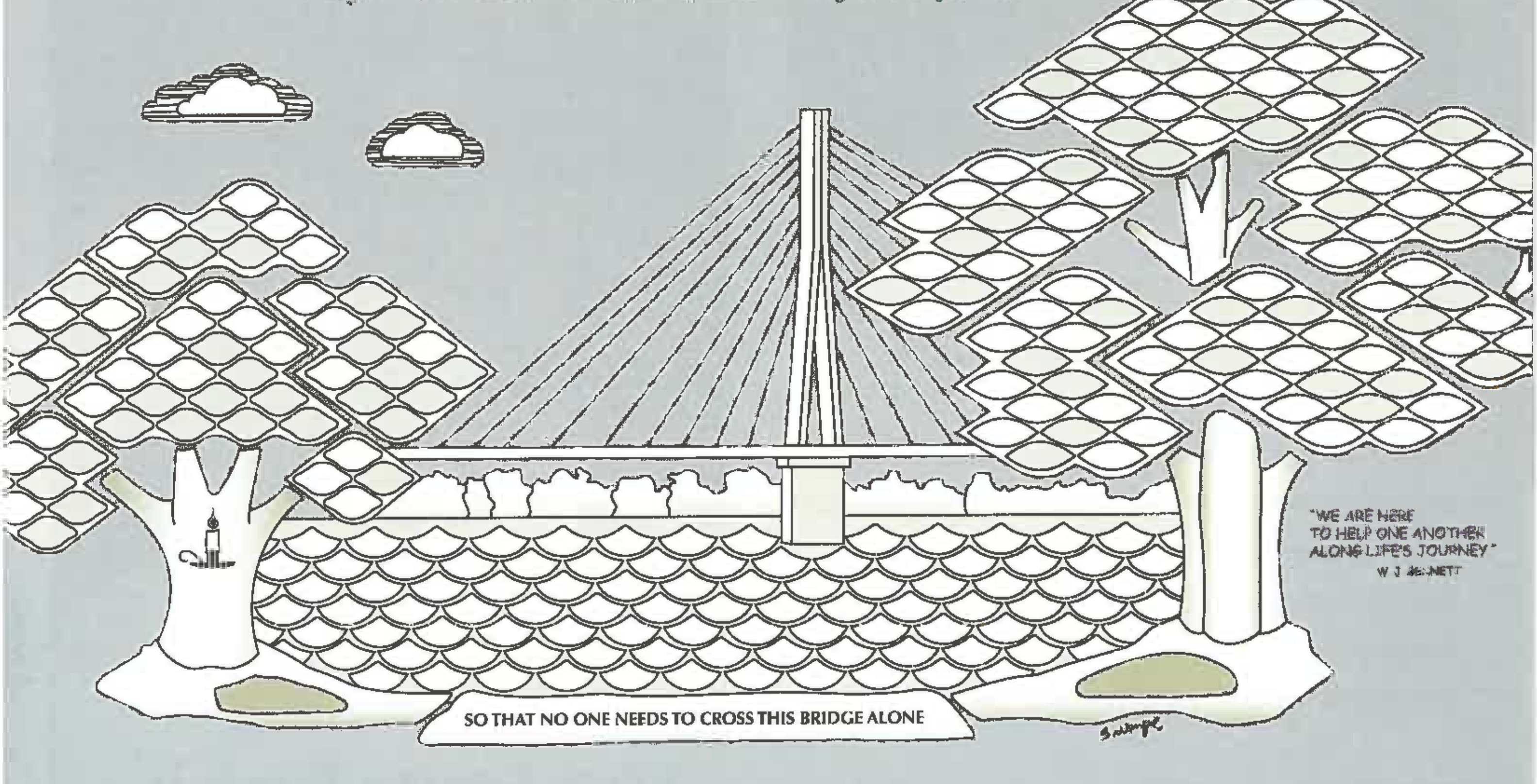
She, too, was once a vibrant lady who was a celebrated orator and skilled debater. At age 13, she won the state high school oratorical contest, and at Goucher College she not only debated, but also was a coach of the debate team. She was well versed in politics and was the youngest Delegate at the Republican National Convention in 1932, where she spoke and was the guest of Lowell Thomas on his syndicated radio show. Shortly thereafter she married Bartow Jones in Point Pleasant, WV. As their family grew her interests in the political process changed from giving campaign speeches to inspiring her husband and children to get involved in the political process.

Although active in the community, Ned said, "Mom is remembered by her children as always being there to guide and comfort us. We cherish so many little things that Mom did for us during our early childhood, like the songs she sang to us at bedtime.

spotlight

A Voice Is Heard

By Karen Dickson, Director of Planned Giving and Major Gifts



"The memorial donor wall will provide an awesome opportunity for those who wish to remember or honor others by their caring and generous gifts." - Janet Holcomb RN, CHPN

On any given day, members of our hospice patient care team have the privilege of providing comfort and support to some of the most vulnerable people of all – those nearing the end of life. The impact of their efforts is evident throughout our organization and community. Still, we try to do more, often times with less, to ensure that every patient and family is cared for. It is also true that Hospice of Huntington staff often bring forth ideas about ways to become even better at what we do best. On a regular basis, we are encouraged and inspired to submit an Opportunity for Improvement, simply called an OFI within our organization.

After visiting other hospice facilities which have memorial donor walls, Janet Holcomb RN, CHPN, at our Emogene Dolin Jones Hospice House, was impressed by what she saw and recognized the value it could bring to our inpatient facility. More than a year ago, she submitted an OFI on the project, and her voice was heard. Janet's idea was strongly supported by her work colleagues. In the coming months, the donor wall will become a reality, when Hospice of Huntington unveils its beautiful wall sculpture on the patient care floor of the Emogene Dolin Jones Hospice House. This uniquely designed sculpture is a signed original work

A Journey All Her Own

By Shelly Betz, Editor

One of the most unique things about hospice care is the support provided to family members who are dealing with the loss of a loved one. As a patient's medical, emotional and spiritual needs are being met throughout the dying process, family members are often reassured and comforted by the help they receive.

When Judy May's husband, Ralph, died of cancer last year, she found herself consumed by grief. Married for 47 years, they were college sweethearts who shared a passion for life, each other, and Marshall University. Ralph May was the first quarterback to start for Marshall under university status. Later, he was a coach who often took on the role of mentor and father figure to young male athletes who needed guidance. A charismatic man, Ralph May was larger than life. "This may sound odd, but I never thought he'd die. He was so full of life and he was a caring, loving, special man," Judy said.

Like many widows, losing her husband has been difficult for Judy. She recognized early on that she would need help in coping with her feelings and turned to Hospice of Huntington's bereavement professionals, attending individual and group support sessions where she met others facing similar challenges. "It helped me so much to know that I was not alone...that what I felt was normal and that I was not losing it. I miss Ralph so much, and it's hard to pick up the pieces when the love of your life is gone forever," she said.

Her children and family members have also been a source of support for Judy. She spends various holidays and special occasions in their company, keeping an active schedule just as she had done with her husband. She has returned to participating in Marshall pre-game tailgate parties, something she and Ralph enjoyed together for many years. For the first Thanksgiving without him by her side, she set a place at the table for Ralph. The family shared memories and even enjoyed a laugh or two. For Judy, it was very much a part of her grief journey.

Still, she credits Hospice of Huntington with helping her to see the light beyond her grief. Recently, two of her most dear friends lost their husbands and she encouraged them to reach out for help in the way she did to understand they are "not alone in their emptiness."

Group and individual support sessions are open to anyone in our community who needs them, free of charge. Judy believes people simply are not informed about this aspect of hospice care for family members. "I think there's some kind of stigma about seeking counseling for grief. People need to know about this...they just don't know. They (hospice) teach you that your grief is personal...that it's okay to feel what you feel." ■

Pictured above: Ralph and Judy May

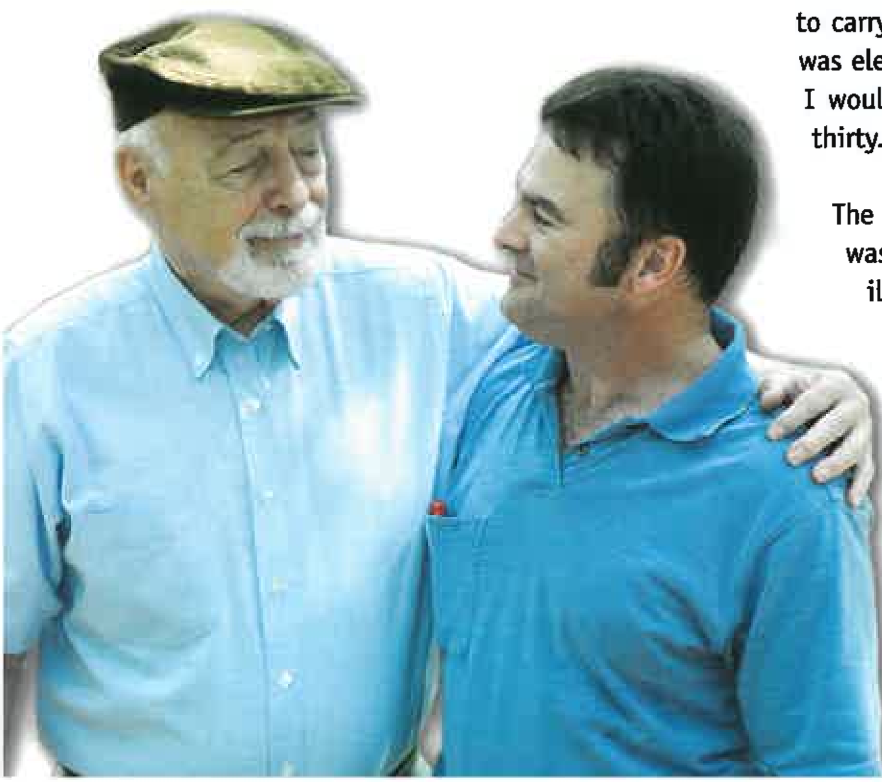
YOUR SPIRITUAL CLOSET:

Getting Things in Order

By Kit Jenkins, Chaplain

With warmer weather upon us, many people find themselves consumed by a laundry list of things to do. Whether it's cleaning out the garage to get things organized, or going through our closets one more time to free ourselves of clutter and unused things, we often use the change in seasons as a motivator to get back on track. Likewise, these months are also a good time to get our spiritual "houses" in order.

If you are at odds with a friend or a family member, take the time to mend that relationship and restore what may have been lost. Sometimes the longest-running feuds are those that no one seems to remember, when it comes to the how, when and why it came about in the first place.



Human beings are meant to be social and relational, and to remain apart from each other except for necessary short periods is unnatural. Perhaps the best place to restore relationships is within your chosen place of worship. There, you have the support of spiritual leaders on neutral ground and no one has to decide who goes first and where. If you have the courage to take the first steps to reconcile a strained relationship, you may discover that the person you regard as the antagonist wants very much to be a friend again. When I got cross-wise with the kids in my neighborhood as a young boy, my Grandpa Holly told me that I needed to keep in mind that it "takes six friends to carry a casket." That didn't make sense to me when I was eleven-years old. At that time, I was pretty sure that I would live forever — at least to the ripe-old age of thirty.

The point I'm trying to make is that life is too short to waste on fighting or sullen silence. If you have a family member in hospice care, or may be considering this type of care for a loved one, we want you to know that our clergy volunteers can help you in mending relationships that are important to you. Make forgiveness and reconciliation the capstone of your to-do list. It is a high calling to be the first to make peace and bring the hope of a new spring to a lonely soul. Whatever is in your "spiritual closet" that needs cleaning or throwing away, there's no time like the present.

GREEN BEAN CHICKEN CASSEROLE PACKET

- 1 sheet heavy duty aluminum foil
- 1 boneless, skinless chicken breast halve
- 1/4 can cream of mushroom soup, undiluted
- 1/2 tsp. salt
- 1/4 tsp. pepper
- Paprika
- 1/2 cup frozen cut green beans
- 1 potato, cut into 1/2-inch cubes
- 1 tsp. butter or margarine

Heat oven to 375°. Center one chicken breast half on foil sheet. Combine soup, salt and pepper. Spoon soup mixture over chicken; sprinkle with paprika. Top with vegetables and dot with margarine. Bring up foil sides. Double fold top and ends to seal packet, leaving room for heat circulation inside. Bake for 30-35 minutes on a cookie sheet in oven.

ITALIAN CHICKEN PACKET

- 1 sheet heavy duty aluminum foil
- 1 boneless, skinless chicken breast halve
- 1 Tbsp. olive oil
- 1/4 onion, chopped
- 1 garlic clove, minced
- 1 fresh ripe Roma tomato chopped
- 1 large mushroom, sliced
- 1/4 green pepper, diced
- 1/4 tsp. Italian seasoning
- pinch of black pepper
- 1 serving cooked pasta

Heat oven to 375°. Center chicken fillet breast on the foil sheet, combine onion, garlic, tomatoes, peppers, mushroom, Italian seasoning and pepper. Mix well. Spoon mixture over chicken. Fold foil into neat, sealed packages. Place on a cookie sheet. Bake 30-40 minutes. Serve over cooked pasta.

GRILLED MEAT LOAF MEAL PACKETS

- 1 sheet heavy duty aluminum foil
- 1/4 pounds lean ground beef
- 1 tsp. of onion recipe and dip soup mix (from 2-ounce box)
- 1 egg
- 1 Tbsp. milk
- 1 Tbsp. Progresso plain bread crumbs
- 1 Tbsp. ketchup
- 1 potato, cut into wedges
- 4 baby-cut carrots
- Fresh parsley, if desired

Heat oven to 375°. Spray one side of a sheet of heavy duty aluminum foil with nonstick cooking spray. In medium bowl, mix beef, dry soup mix, egg, milk and bread crumbs. Shape into a mini loaf, top with 1 Tbsp. of ketchup. Place potatoes and carrots around each loaf. Fold foil into packet, allowing space for heat circulation and expansion. Fold other sides to seal. Place packet on a cookie sheet in oven. Bake 30-40 minutes. Garnish with parsley.

good grief

JUNE 30 & JULY 1, 2010

Space is limited. Camper applications are available at www.hospiceofhuntington.org or by calling our Bereavement office at (304) 529-4217.

CAMP GOOD GRIEF
Now Accepting Camper Applications

Hospice of Huntington is now accepting camper applications for Camp Good Grief which will be held June 30 & July 1, 2010. Camp Good Grief is open to youth in the Tri-State between the ages of 8-16, who have endured the loss of someone special. Camp Good Grief is a two-day, one-night experience for youth to participate in a variety of activities with others who have lost a loved one. Activities range from group experiences focusing on trust and problem solving as well as sessions that explore feelings associated with loss. Recreation activities include swimming, campfires and other surprises. Camp Good Grief is free of charge to the youth of the Tri-State and is supported through private donations.

NEW FOR 2010...
Camp Good Grief Family Retreat

Hospice of Huntington is offering a new activity and resource for families who have suffered the loss of a loved one. Due to the growing need and success of our bereavement camp for kids, Camp Good Grief, we are hosting a Family Day Retreat on Saturday, October 2, 2010. Throughout the day, children will come together as a group to discuss ways to cope. Adults will also come together to learn ways of support. Then, the two groups will collectively learn how to support themselves and each other. The day will be facilitated by Hospice of Huntington bereavement staff and other professional facilitators, giving the family unit an opportunity to experience Camp Good Grief.

Visit our website for more details soon or call us at (304) 529-4217.

A Poem of Reflection

By Jamie Armentrout, Bereavement Coordinator

After losing a loved one, family members may feel as if their world has been turned upside down. For many, the daily challenges associated with moving forward in living can be overwhelming. Although some people may become part of a group who share their private pain and personal loss, others may be more reflective in coping with the loss. As we know, grief itself is as individual as the person who has experienced the loss.

Recently, I came across a special poem about loss. This poem is often used in our support group sessions and classes, and I want to share it with our readers, in hopes that you might find comfort in these words. It reminds me of the many conversations I have had with family members who have lost mothers, fathers, brothers, sisters, cousins, grandmothers, grandfathers, uncles, aunts, sons, daughters, and friends. It also reminds me of my own feelings after dealing with the loss of someone dear to me.

The Afterloss Credo

Author: Barbara Hills LesStrang

I need to talk about my loss.
I may often feel the need to tell you what happened –
or to ask you why it happened.

I may frequently need for you to listen
While I explain what this loss means to me.
Each time I discuss my loss, I am helping myself
Face the reality of the death of my loved one.

I need to know that you care about me.
I need to feel your touch, your hugs.
I need you just to be with me.
And I need to be with you.

I need for you to believe in me and in my
Ability to get through this grief in my
Own way – and in my own time.
Please don't judge me now –
Or think that I'm behaving strangely.
Remember I'm grieving. I may even be in shock.
I may feel afraid. I may feel deep rage.
I may even feel guilty. But above all, I hurt.
I am experiencing a pain unlike any I've ever felt before.

Don't be concerned if you think I'm getting better
And then suddenly I seem to slip backward again.
Grief makes me behave this way at times.

And please don't tell me you know "just how I feel"
Or that it's time for me to get on with my life.
I am probably already saying this to myself.
I just need for you to be patient now
And to try to understand.

Finally, allow me the time I need to grieve and to recover.
I want to get on with my life – but I know that first I must
Walk through the dark shadows of my grief. And,
Although it is almost impossible for me to believe this
Now, I know that one day my grief will end.

Most of all, thank you for being my friend.
Thank you for caring, for helping, for understanding.
Thank you for praying for me. And remember, in the days or
Years ahead – after your loss – when you need me as
I have needed
You, I will understand, and then I will come and be with you.

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Light-A-Life

MEMORIAL TREE CAMPAIGN HIGHLIGHTS GENEROSITY

The 2009 "Light-A-Life" Memorial Tree Campaign was a huge success, with tree sites expanded to include Lincoln, Lawrence and Wayne Counties, in addition to the Huntington Mall and Pullman Square locations. We also want to thank the Huntington area BB&T Bank branches, all of which helped to distribute donation cards to their customers to be hung in their main branch office, in support of the fundraiser.

Whether you made a donation or helped to staff one of the tree sites, your continued support of this annual tradition makes a huge difference. It is always a privilege to hear stories from families whose loved ones received care from Hospice of Huntington.

Through generous supporters like you, we collected more than $42,000 in donations to help support our mission of caring for our patients and providing support to their families.

☐ Yes, I would like to reserve my engraved brick(s) on the Emogene Dolin Jones Hospice House Memorial Path.

Purchaser's Name______________________________

Business Name (if applicable)______________________________

Mailing Address______________________________

City ____________________ State ________ Zip____________

Daytime Telephone: (   ) ____________________ Fax (   ) ____________________

PAYMENT INFORMATION

Number of Bricks ______ x $200 (each) = $ ____________ (amount enclosed)

☐ Check enclosed (make payable to Hospice of Huntington, Inc.)

☐ Please charge the full amount to my credit card (Visa/Mastercard).

Billing Address (if different from above) ______________________________

City ____________________ State ________ Zip____________

CARD NUMBER____________________ EXPIRATION DATE__________

3-DIGIT SECURITY NUMBER ON BACK OF CARD (CRV NUMBER) __________

I authorize Hospice of Huntington to charge the total amount to my credit card.

SIGNATURE (required) ______________________________ DATE__________

PLEASE ENGRAVE THE FOLLOWING ON MY MEMORIAL BRICK(S):
(maximum of three lines with 20 characters per line, including spaces)

	CHARACTERS																			
LINE 1																				
LINE 2																				
LINE 3																				

All text will be centered on brick. Bricks will be ordered once a total of 100 requests are received, and will be installed in the early fall of 2010. You will be notified when your brick is ready and installed at the Emogene Dolin Jones Hospice House.
NOTE: If purchasing more than one brick, please photocopy this order form or visit us at **www.hospiceofhuntington.org** to download.

HONOR THE MEMORY OF SOMEONE YOU LOVE
Purchase a personalized brick as a lasting tribute TODAY.

Please mail this completed form to:
Hospice of Huntington, Inc.
ATTENTION: Brick Campaign
PO Box 464 • Huntington, WV 25709

or fax to: (304) 781-2670
for more info call: (304) 529-4217 or 1 (800) 788-5480

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We Light the Way

Memorials and Donations

November 1, 2009 - January 31, 2010

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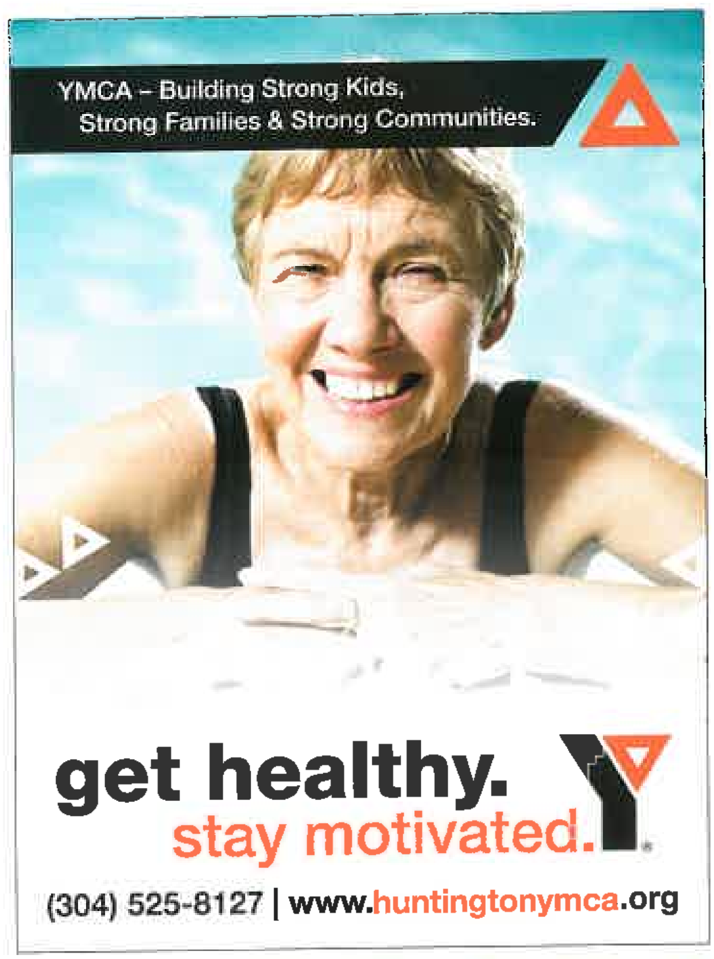

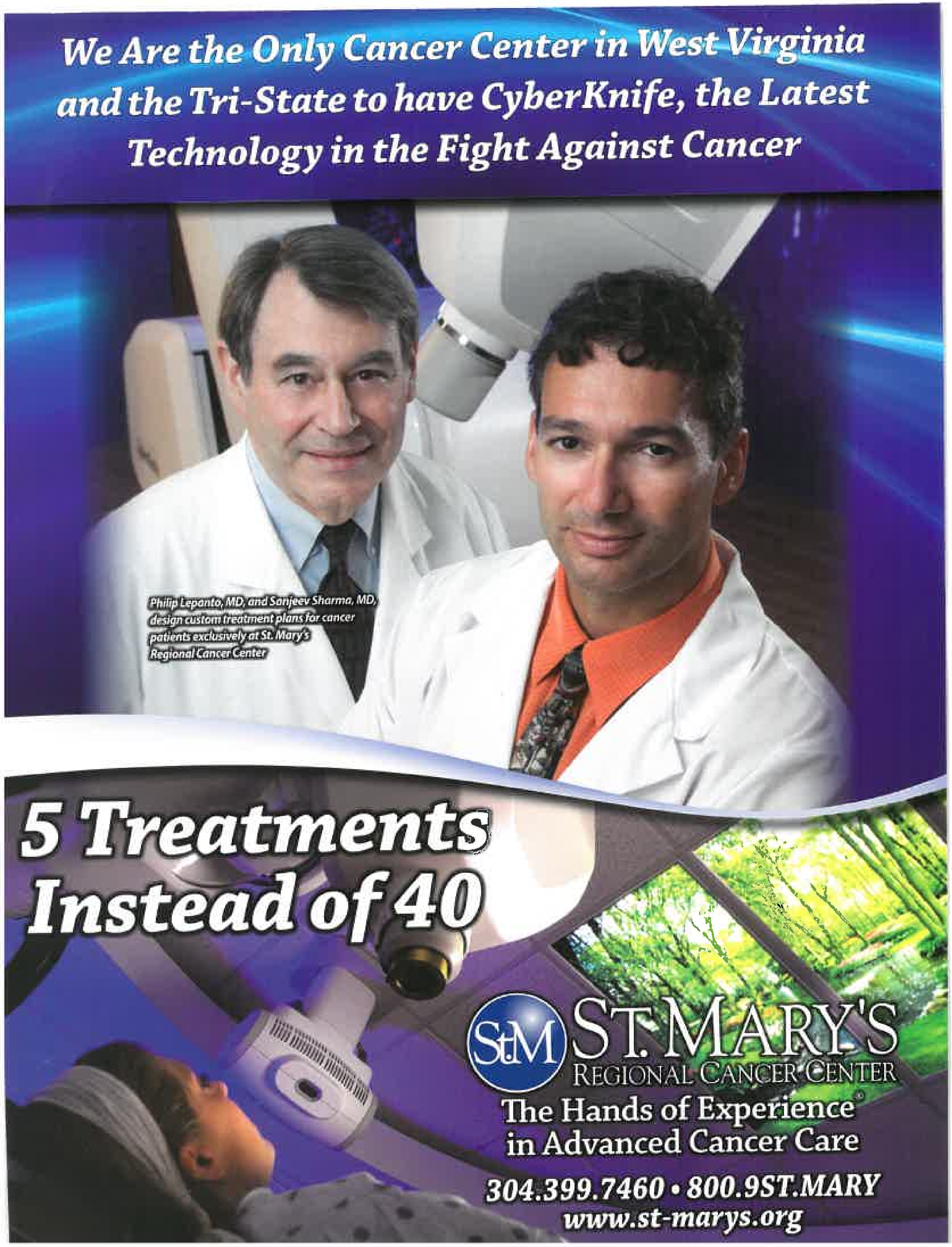
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Celebrating
10 YEARS OF THE GALA

A MESSAGE FROM THE FOUNDATION PRESIDENT

The Foundation has been very blessed by the support of donors, volunteers and friends over the past 10 years. The gifts of time, talent and creative vision will come together again this May for one special evening that will ultimately result in the improved health and education of our community.

The Foundation Gala is unique because it highlights extraordinary places in our community. We are grateful to Mike and Henriella Perry for graciously hosting this year's event at Heritage Farm Museum & Village. We hope you will consider joining us for an evening of fun and fellowship that will culminate in better care for those of our region.

David Sheils | Foundation President

A MESSAGE FROM THE FOUNDATION CHAIRMAN

Welcome to the 10th annual Foundation Gala! We sincerely and deeply appreciate you for your support!

Each year, I wonder how the gala committee can better the previous year. After all, how many places can you ride a roller coaster in a tux; wear jeans and formal wear and look at Harleys; or go to a luau, complete with a tiki bar in the middle of the water?

Well, they have done it again! To commemorate the 10th anniversary of Huntington's premier event, Foundation President David Sheils and the committee have selected Heritage Farm as the venue for the 2013 event. Also, don't worry about parking. The buses were so popular last year we have arranged for more. Leave the driving to us!

I can't begin to express the excitement around this year's gala. Yes, the food will be second to none thanks to Executive Chef Ugland. But that only begins to explain the events and attractions for this year's festivities. David and our team are taking full advantage of all that Heritage Farm has to offer, so, if you are as excited as I am, see you at the gala!

Bob Welty | Foundation Chairman

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Chris Toler
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2013 GALA COMMITTEE

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Mike Brady
Amy Browning
Pat Chambers
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Linda Mays
Nancy Newfeld
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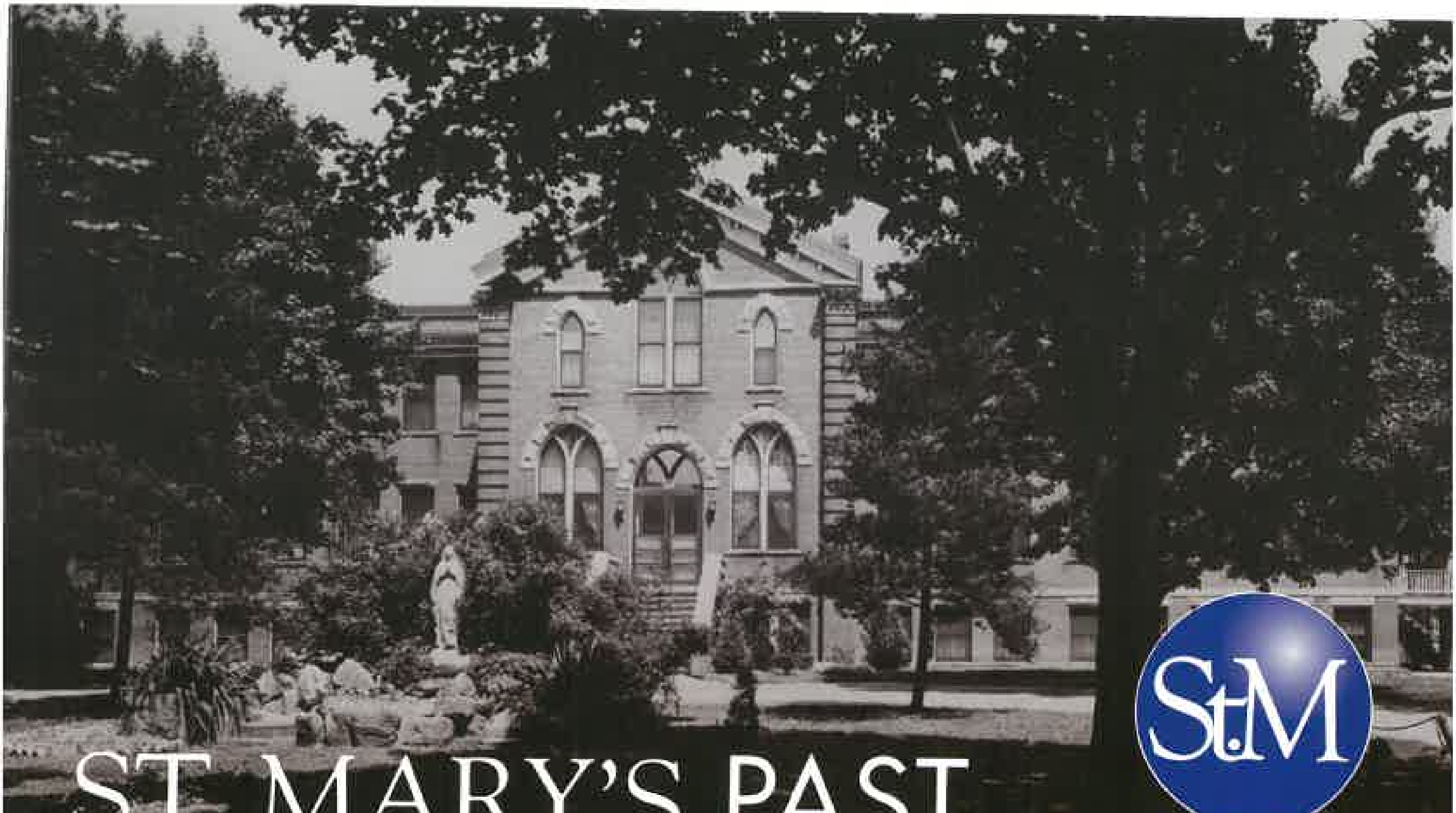
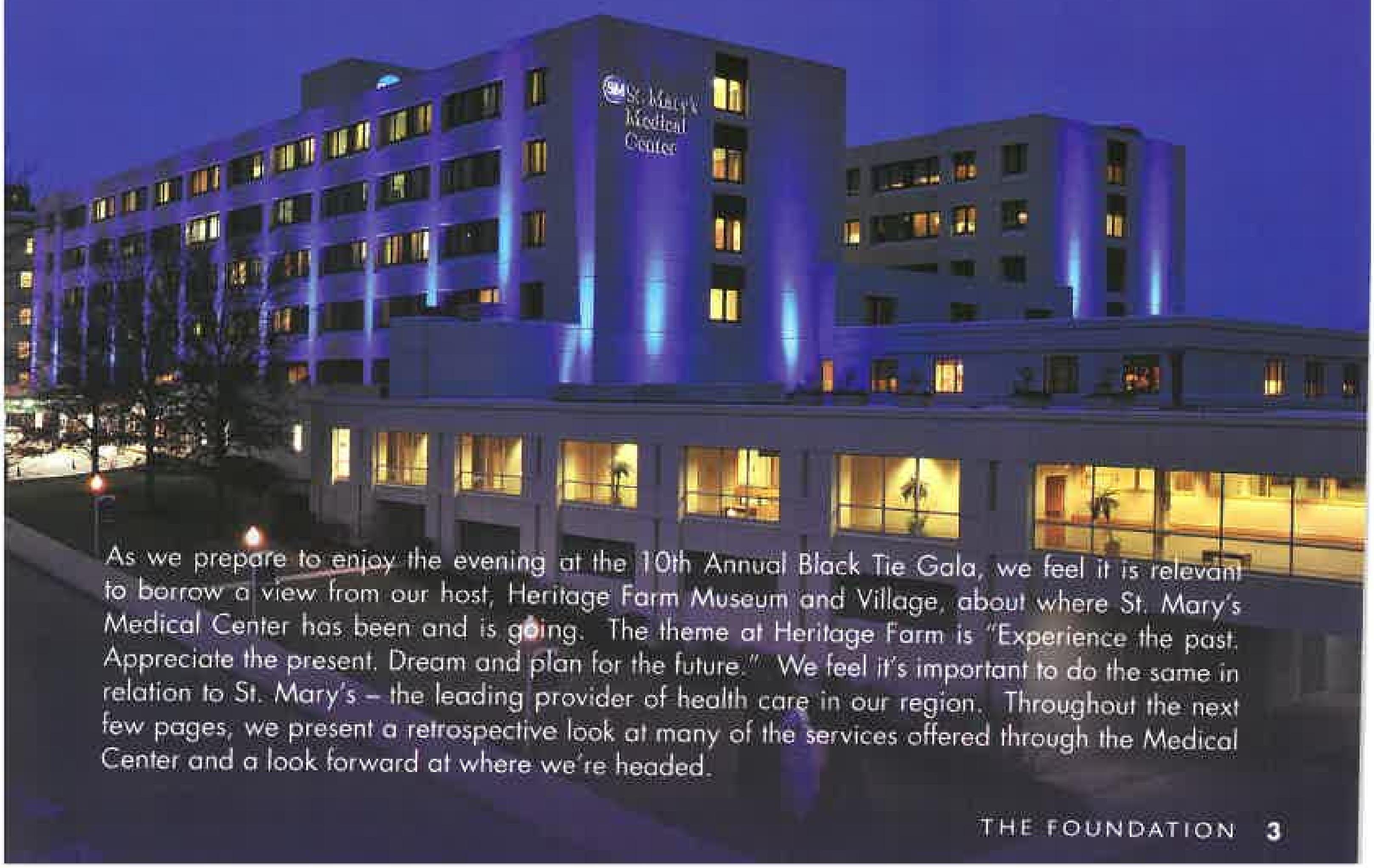
Robin Rowe
Betty Sellards
David Sheils
Kevin Skaggs
Ann Tao
Lavona Turvey
Jamison Ugland
Jack Vital
Crystal Welch



ST. MARY'S PAST, PRESENT AND FUTURE



As we prepare to enjoy the evening at the 10th Annual Black Tie Gala, we feel it is relevant to borrow a view from our host, Heritage Farm Museum and Village, about where St. Mary's Medical Center has been and is going. The theme at Heritage Farm is "Experience the past. Appreciate the present. Dream and plan for the future." We feel it's important to do the same in relation to St. Mary's – the leading provider of health care in our region. Throughout the next few pages, we present a retrospective look at many of the services offered through the Medical Center and a look forward at where we're headed.

ONCOLOGY

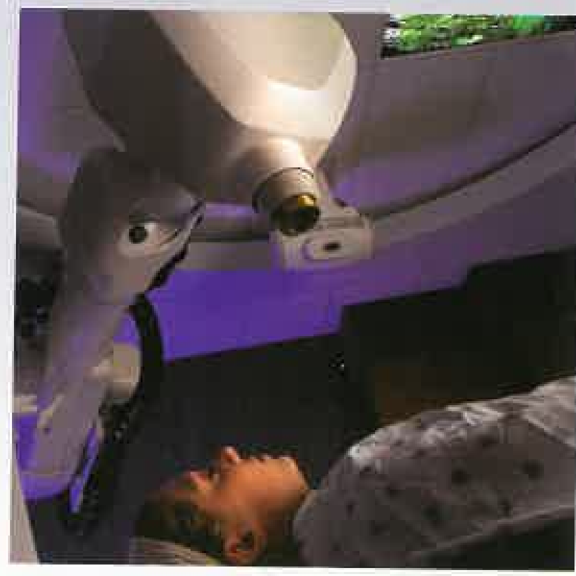
By staying on the leading edge of technology, St. Mary's Medical Center continues to offer the very latest in advanced cancer care.

St. Mary's began its radiation cancer treatment program in 1965 with the installation of the region's first cobalt unit. In 1979, St. Mary's added a $1 million linear accelerator, which offered patients and doctors a tool unavailable anywhere else within a 125-mile radius. In 1999, St. Mary's dedicated its new Radiation Oncology Center.

But the advances haven't stopped there. St. Mary's is the area's exclusive home for CyberKnife. CyberKnife is a non-invasive alternative to surgery for the treatment of both cancerous and non-cancerous tumors anywhere in the body, including the head, spine, lung, prostate, liver and pancreas. It uses a very focused beam of radiation to obliterate tumors. Because it is so precise, large doses of radiation are able to be used, which substantially cuts back the number of treatments necessary. And best of all for patients, CyberKnife has minimal side effects.

The St. Mary's Breast Center was the first in the Tri-State to offer 3-D mammography or digital tomosynthesis. It uses high-powered computing to convert digital breast images into very thin slices, creating a 3-D mammogram. The 3-D technology allows the radiologists to see breast tissue—especially dense breast tissue—in much clearer detail.

In its first week of use, St. Mary's radiologists discovered a cancer that otherwise would not have been detected. "Technology wise, this is the most innovative development that I've seen in breast imaging in 22 years," said Hans G. Dransfeld, MD, Chief of Radiology at St. Mary's Medical Center. "It's just amazing."



The treatment of cancer has evolved immensely throughout the existence of the Medical Center. The addition of the CyberKnife Robotic Radiosurgery System in 2007 was a great step forward for the treatment of cancer patients in our area.

St. Mary's has always made a significant investment in the needed resources, both human and physical, for orthopedic treatment and rehabilitation.

ORTHOPEDICS

St. Mary's Medical Center has a long tradition of providing comprehensive orthopedic care to the region.

In 1933, Francis A. Scott, MD, an orthopedic surgeon, opened a Crippled Children's Clinic at St. Mary's, where he cared for hundreds of children at no charge.

Today, people of all ages receive treatment and care at St. Mary's for joint replacement needs. In 2008, St. Mary's and Scott Orthopedic Center joined forces to start the Regional Joint Replacement Center. The program emphasizes wellness and a healing environment while keeping a patient's family members involved throughout the treatment process. A multidisciplinary team of experts, including physicians, nurses and occupational and physical therapists, provides care and education.

Each member of the team is specially trained to care for patients having joint replacement surgery. The education and care provided by them is unmatched in the region.

St. Mary's orthopedic care has earned the Gold Seal of Approval™ for health care quality from the Joint Commission.

The Gala
OVER THE LAST TEN YEARS

What began as a delightful evening on the banks of the Ohio at the Sakhai home has evolved into the premier social and fundraising event in Huntington every year. Since 2003, the Foundation of St. Mary's has taken on the monumental task of "outdoing" last year every time and has been wildly successful at each attempt.

Every black tie gala has had a theme, and that theme has been complemented by the location, the menu and the attire. Who will ever forget the fun that was had by all at Camden Park, complete with roller coaster rides and funnel cakes. Or the Black and Blue Gala held amongst the thundering steel of Charlie's Harley Davidson. Speaking of thunder, mingling with all the NFL superstars at the Joan C. Edwards Stadium was quite a night! More important than all of the fun, the incredible culinary delights and the fellowship is the fact that the Foundation has been able to raise over $800,000 that has been invested directly into the health, well-being and sustainability of our region. It is a testament to the giving nature of our many friends that we have been able to make such a positive impact.

"The first one was and always will be unique simply because it was the first one. It was held in a very private setting—Dr. Hossein Sakhai's house. It's a beautiful home. His house kind of takes me back to an earlier era in Huntington. A house built in the 1920s has a certain style and ambience to it that is absolutely unique. And Dr. Sakhai was such a gracious host to us."

-Michael G. Sellards, President and CEO of St. Mary's Medical Center

"Every year is a highlight and it's always exciting to see what David, Robin and E.B. have conjured. While it's always fun, you will never have a better meal every year than the one that is crafted by Chef Ugland and his talented crew. Tiffany and I look forward to it every year."

- Chris Michael
Vice Chairman, Foundation
Bulldog Creative Services

"Every year my wife Johnna and I look forward to the St. Mary's Gala. It is always exciting to see how they have transformed a unique venue to provide an elegant gala experience. One of my favorites was the beach party at the Guyan pool. The tiki bar in the center of the pool was a creative masterpiece. We look forward to many more fun times at future galas."

- Randy Cheetham, CSX Transportation

"The afternoon of the first gala, it rained and rained and rained. Just as we started welcoming everyone, the sun and a huge rainbow came out. It was something else. Everyone said that was an omen. Or the sisters did it."

- Sharon Ambrose, former President of the Foundation

"I love attending the St. Mary's Foundation Gala! The Foundation always finds a way to make it a unique experience, almost like I was on a one night vacation to a different place. It's great I can support the Foundation and have a great time doing it!"

- Gary Sims, Advanced Technical Solutions

Chef Ugland also gives a huge amount of credit to his staff. He said the gala requires thousands of hours of work every year, and he noted that the whole team comes together to make each year extra special.

In planning the menu, there are two things Chef Ugland considers: theme and location. He said that you need to challenge yourself, but not make it so difficult that you can't pull it off. This year's location, Heritage Farm Museum & Village, has Chef Ugland especially excited, because it will allow him to feature Appalachian foods. "There's a lot of local history that we can put into this year's menu," he said. "Appalachian cooking is special and simple. A lot of people don't realize how unique it is because they grew up eating it, but it's kind of our hidden little gem."

Quality ingredients are also very important to the menu, and Chef Ugland does his best to bring in the best food, like the seafood that is brought in from Boston. "We start with quality ingredients—the very best quality and freshest ingredients—and we prepare them properly," he said. "A lot of care goes into the preparation and the seasoning, not undercooking or overcooking. We make sure it's done just right."

The hard work has definitely been noticed over the years. "I believe—and I've been involved in a lot of events in Huntington over the years—there's nothing that tops the food at these galas," said E.B. Jenkins, Gala Co-Chair.

Chef Ugland said he's enjoyed all of the galas for a variety of reasons. "They're all just so different and so unique," he said. "It makes it fun and challenging, because any time you do an off-site event like this, there are all sorts of logistical problems. You never know what curveball you're going to get thrown," Ugland said.

"Each St. Mary's Gala is a once-in-a-lifetime event, and if you miss it, we never do the same one twice," he said. "That's what I probably enjoy most about the gala. A lot of events are the same every single year, but not our gala."

Chef Jamison Ugland has been at St. Mary's for over 10 years. He was previously the Director of Food and Beverage at Wetherington Golf and Country Club, one of Cincinnati's most prestigious private clubs. Ugland is happy to be at St. Mary's because of the difference in who he's serving.

"Here, you're cooking for the whole community, not just the private membership. It's actually more rewarding. And the people here show their appreciation."

– Chef Jamison Ugland, St. Mary's Medical Center

"The Sisters are a marvelous example of what can be accomplished if you're willing to work hard and sacrifice and not worry about who gets the credit. And if you have a dream in life, accomplishing it is worth the trials and tribulations as well as sacrifices involved."

- Mike Perry, Heritage Farm Museum & Village

our proud past and celebrate what's been accomplished because of the hard work of those who went before us – those whose shoulders we stand on," he said.

"The Sisters are a marvelous example of what can be accomplished if you're willing to work hard and sacrifice and not worry about who gets the credit," Perry said. "And if you have a dream in life, accomplishing it is worth the trials and tribulations as well as sacrifices involved."

"At Heritage Farm, they're honoring our past," Rowe said. "They're being present in the current time and loving what it brings us," Rowe said. "But they are also looking forward to and dreaming about what the future will bring. And that's exactly what St. Mary's does."

David Sheils, President of the Foundation, also agrees that Heritage Farm is the perfect location for this year's gala. "I don't think there's a better place to showcase not only the history of St. Mary's and our brief history of the Foundation and the gala, but also the history of our region," Sheils said. "I think it's going to be the best gala yet."

Heritage FARM
MUSEUM & VILLAGE

Legends Over Time

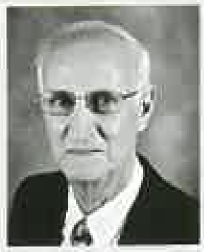
St. Mary's Medical Center has been a cornerstone of the region for over 85 years. In that time, hundreds of talented, compassionate and dedicated professionals have made significant impacts to the improvement of health and well-being in the communities we serve.

We do our best to recognize many of them through the St. Mary's Wall of Fame. Their contributions cannot be repaid, and we cannot give them enough appreciation. The following pages present those individuals that have been enshrined.

2012

SISTER CELESTE LYNCH

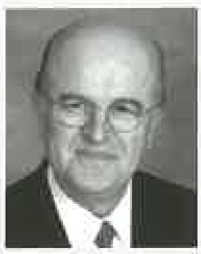
Sister Celeste graduated from St. Mary's School of Nursing in 1950. She was the director of the school from 1959-1976. She served as the President of Pallottine Health Services, the parent corporation of St. Mary's and St. Joseph's Hospital in Buckhannon, WV, from 1995 until her retirement in 2012 at the age of 88. Sister Celeste passed away in December 2012.



HOSSEIN SAKHAI, MD, FAANS, FACS

Dr. Sakhai practiced neurosurgery at St. Mary's from 1965 until 2000. He was a member of Huntington's first neurosurgical practice. Dr. Sakhai served as St. Mary's Chief of Surgery from 1983-1987 and its Chief of Neurosurgery from 1975 to 1976 and again from 1982 until 1992. At St. Mary's, he was the first neurosurgeon to introduce and perform many new surgeries and techniques. In 1989, he invented a technique to

from 1959 until 1966. She also started the pastoral care program at St. Mary's and helped establish the first cancer program in the Tri-State at St. Mary's in 1965. Sister Monica died in July 2007 at the age of 88.



DR. JOSEPH B. TOUMA, MD

Dr. Touma performed more than 7,000 surgeries as an ear and hearing specialist at St. Mary's Hospital. Dr. Touma patented 15 different medical instruments and pieces of equipment used in ear surgeries. All were considered improvements in existing technology now widely used by surgeons across the United States. As Chairman of the Credentials Committee at St. Mary's for more than 25 years, Dr. Touma helped ensure the hospital had quality physicians in every specialty. He also served as President of the Medical Staff from 1988 through 1990. In addition to his work as a physician, Dr. Touma is credited with helping lead a revitalization of downtown Huntington.

2009

J. D. HARRAH, MD

Dr. Harrah founded the cardiac surgery program at St. Mary's Hospital and was a key figure in the program for more than 20 years. Today's highly successful heart program at St. Mary's is, in a very real sense, his legacy to the hospital and to the community. On September 27, 1979, Dr. Harrah performed the first open-heart surgery in the Tri-State area. By 1999, a total of 7,000 heart surgeries had been performed at St. Mary's with Dr. Harrah involved in 4,000 of them – a truly remarkable record.

DR. THOMAS J. HOLBROOK

Dr. Holbrook pioneered neuroscience in Huntington, establishing the city's first neurosurgical practice and serving as Chief of Neurology and Neurosurgery at St. Mary's Hospital from 1961 to 1970. He established the hospital's original unit in electroencephalography in 1951 and was President of the Medical Staff in 1964. Dr. Holbrook died in January 2004.

DR. W. CARL KAPPES

A remarkably talented plastic surgeon, Dr. Kappes literally changed the lives of countless children and their families in the Tri-State area. For many years, he was the only surgeon in the community who performed corrective surgery on children with cleft palates and harelips. The families of many of his young surgery patients couldn't afford to pay, but he performed the corrective surgery anyway. On the medical charts for his free patients, he would carefully write the letters "AMDG" – short for "Ad maiorem Dei gloriam," which is Latin for "To the Greater Glory of God." He died in December 1979.

2008

DR. HARRY E. BEARD

In June 1927, Dr. Beard became the first intern at St. Mary's Hospital. As the hospital's only intern, he had to work both day and night. He insisted on being called for every emergency and didn't like it when the Sisters didn't call. After serving in World War II, he returned to St. Mary's, where he was Chief of Staff in 1952. In 1947, he became Medical Director of the St. Mary's School of Nursing—a position he served in until his death in 1963.

HERMAN M. BROWN

For more than 25 years, Brown was a major figure in Huntington's growth and development and was one of the best friends St. Mary's was ever fortunate enough to have. He held a number of increasingly important posts at the Chesapeake & Ohio Railway before being named Superintendent of the C&O shops in Huntington. In 1920, he left C&O to work at the new International Nickel Co. plant. From 1944 until his retirement in 1952, Brown was the plant's general manager. When St. Mary's named its

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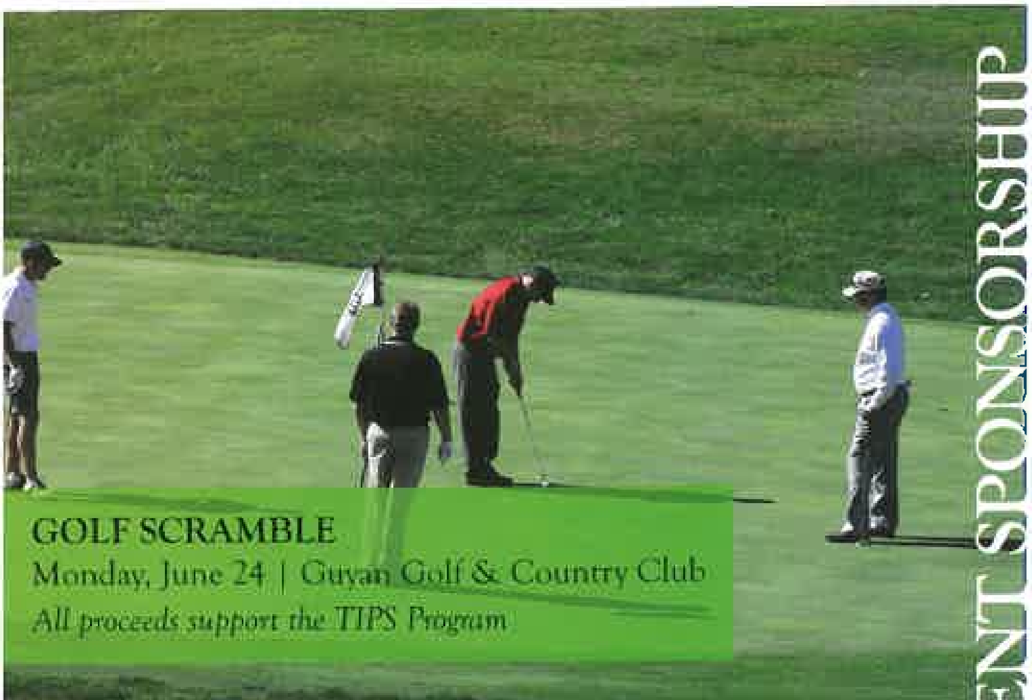

GOLF SCRAMBLE
Monday, June 24 | Guyan Golf & Country Club
All proceeds support the TIPS Program

PATH TO THE CURE
Sunday, September 29 | St. Mary's Center for Education
All proceeds support St. Mary's Pink Ribbon Fund

WALL OF FAME LUNCHEON
Date to be Determined | St. Mary's Center for Education
All proceeds support the Pallotti Fund

StM The Foundation

DIAMOND

Fifth Third Bank

GOLD

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Outstanding Physicians. HIMG Extraordinary Care.

Scott Orthopedic Center

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